# Solvency and Financial Condition Report (SFCR) 2022

## Solvency II group of Wüstenrot & Württembergische AG

w&w gruppe

# Summary


The insurance group of Wüstenrot & Württembergische AG is covered by the scope of Solvency II. Pursuant to legal requirements, the Solvency II group prepares and publishes a Solvency and Financial Condition Report each year. This report is intended to increase the transparency about the economic condition of the Solvency II group and provide insight into the insurance group's net assets and solvency condition.

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 "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.

In 2022, the W&W Group generated a consolidated net profit of €261,496 (previous year: 352,153) thousand.

Capital markets were characterised by rising interest rated in the reporting period. European equity markets saw a substantial price correction in 2022. Market values of the W&W Group's bond investments declined as a result of the interest rate hikes, pushing up unrealised losses. The W&W Group also reported a decline in the additional interest reserve due to the higher interest rates and the expiration of high-interest insurance contracts.

In addition to ancillary services undertakings, entities from other financial sectors and other entities, the Solvency II group consists of the following insurance undertakings:

- Wüstenrot & Württembergische AG (W&W AG),
- Württembergische Versicherung AG,
- Württembergische Lebensversicherung AG,
- Württembergische Krankenversicherung AG.

The listed W&W AG is the strategic management holding company of the W&W Group. W&W AG and other W&W Group undertakings moved their registered office from Stuttgart to the new W&W campus in Kornwestheim in the reporting year. Once construction of the W&W campus 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.

The Solvency II group has the following four key functions:

- Independent Risk Controlling function,
- Compliance function,
- Internal audit,
- Actuarial function.

The independent risk controlling function is integrated in the decision-making process in organisational terms through inclusion in the executive structure and in operational terms through the operational execution of the risk management system, risk reporting, and the implementation and enhancement of the risk management system. The compliance function at W&W AG has a tripartite organisation: the Executive Board, the central compliance unit and decentralised compliance units. The internal audit function for W&W AG is handled by the Group Audit department. It also acts as service provider for the audit function for all important domestic subsidiaries. The responsible holder of the actuarial function is head of the Actuarial Function section and is supported in her tasks by other holders of actuarial functions at the individual companies and the employees who report to them. Key function holders are subject to certain fit and proper requirements.

The risk profile consists of the risk areas market price risks, counterparty credit risks, insurance risks, operational risks and business risks. Having the largest share of risk capital requirements are market price risks at 54.8%, underwriting risks at 20.9% and counterparty credit risks at 14.2%. Accordingly, the prudent person principle has high importance for the Solvency II group. Investments are made 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 their overall solvency needs. As part of strategic asset allocation (SAA), the individual investment objectives of the companies in the Insurance division and 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.

The solvency overview forms the basis for the further calculation of own funds. The following compares the summary solvency overview for the Solvency II group (on the basis of Solvency II rules) with the corresponding figures from the IFRS consolidated balance sheet:

### Summary solvency overview

| | Solvency II | IFRS (carrying amount) |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 |
| Total assets | 35,453,180 | 65,489,513 |
| Total liabilities | 27,604,343 | 61,778,637 |
| **Excess of assets over liabilities** | **7,848,837** | **3,710,876** |

The differences between Solvency II and IFRS are particularly a result of the fact that the Solvency II scope of consolidation and the consolidation methods to be applied under Solvency II deviate from the corresponding IFRS rules. Various undertakings (particularly Wüstenrot Bausparkasse AG and Allgemeine Rentenanstalt Pensionskasse AG) and funds are fully consolidated in the IFRS consolidated financial statements but not in Solvency II.

Additional differences in valuation between Solvency II and IFRS can be found, in particular, in the following cases:

- Under Solvency II, assets are accounted for at market values. Under IFRS, they are in some cases recognised at amortised cost.
- Under Solvency II, technical provisions are calculated with the aid of cash flows from premiums and for benefits, using a risk-free yield curve. In the area of life insurance, the expected profit participation is included, particularly for future years. Under IFRS and the German Commercial Code (HGB), technical provisions are determined as at a cut-off date.

The Solvency II group calculates the Solvency Capital Requirement using the Solvency II standard formula. It does not use an internal model or partial internal model. In calculating the technical provisions for the Solvency II group, Württembergische Lebensversicherung AG uses the volatility adjustment pursuant to Section 82 of the German Act on the Supervision of Insurance Undertakings (VAG) and the transitional arrangement on provisions in Section 352 VAG. During the reporting period, the Solvency II group satisfied both the Minimum Capital Requirement and the Solvency Capital Requirement.

The following table provides a summary presentation as at 31 December 2022 of eligible own funds, the Solvency Capital Requirement, and the solvency ratios, with and without taking into consideration the volatility adjustment and the transitional arrangement on provisions, pursuant to the Solvency II rules:

## Solvency ratios

| | Solvency II | excluding consideration of the volatility adjustment | excluding consideration of the transitional arrangement on provisions | excluding consideration of the transitional arrangement on provisions and excluding consideration of the volatility adjustment |
|---|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Eligible own funds | 7,181,601 | 7,332,728 | 5,890,139 | 6,033,013 |
| Solvency Capital Requirement (SCR) | 2,886,578 | 3,197,111 | 2,871,278 | 3,190,769 |
| **Solvency ratio (%)** | **248.8** | **229.4** | **205.1** | **189.1** |

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 the W&W Group 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 5.3% 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 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.

Inflation risks may impact the W&W Group 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.

There are still high economic and political uncertainties with regards to the further development of the war in Ukraine, inflation and the repercussions of the coronavirus pandemic. We are standing by our medium to long-term target range of €220 million to €250 million for the W&W Group's consolidated net profit. Despite the uncertainties described, we still expect consolidated net profit to remain within the target range in the 2023 financial year.

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

The Executive Board of W&W AG approved this report and its public disclosure on 12 May 2023.

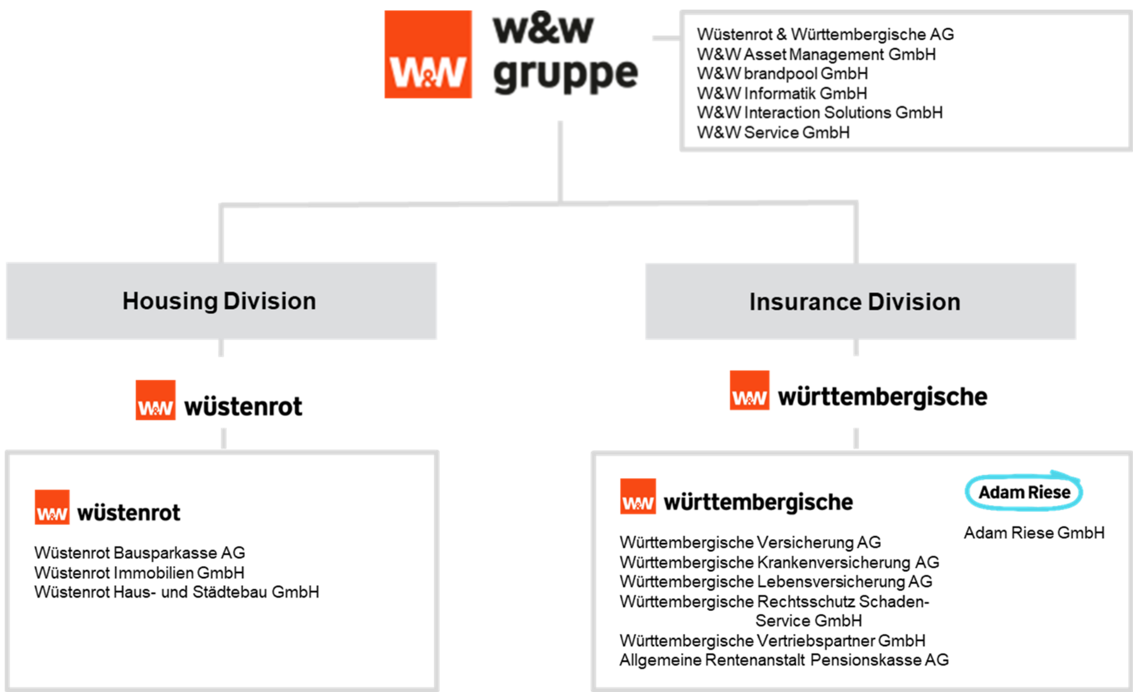
# A Business and business results

## A.1 Business

### Overview

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 registered office of W&W AG was relocated from Stuttgart to the new W&W campus in Kornwestheim as at 15 June 2022.




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/personal accident insurance products. The key companies in this division are Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG. Following considerable growth in new business in some areas and increases in market share, Württembergische Versicherung AG created a new Executive Board area that combines retail customer business, motor business and customer services. Dr Per-Johan Horgby assumed responsibility for the new area effective 1 January 2022. Dr Susanne Pauser left the Executive Board as at 30 September 2022. The respective Executive Board chair will be responsible for human resources in the future. Dr Jonas Eickholt was appointed to the Executive Board of Württembergische Krankenversicherung AG with effect from 1 May 2022. He succeeded Dr Gerd Sautter, who has taken on other functions at Württembergische Krankenversicherung AG.

The W&W AG shareholder structure remained stable over the course of the year. Our anchor investor is the non-profit Wüstenrot Stiftung e. V., Ludwigsburg. 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. 8.2% (previous year: 9.2%) of all shares issued by W&W AG are held by foreign shareholders.

The following presents information about the supervisory authority and the statutory auditor of the Solvency II group:

## Fundamentals

| | |
|---|---|
| Solvency II group | Solvency II group of Wüstenrot & Württembergische AG |
| Ultimate parent undertaking | Wüstenrot & Württembergische AG |
| Supervisory authority | Address of the German Federal Financial Supervisory Authority (BaFin):<br>Graurheindorfer Str. 108<br>53117 Bonn, Germany<br>alternatively:<br>P. O. Box 1253<br>53002 Bonn, Germany<br><br>Contact details for the German Federal Financial Supervisory Authority (BaFin):<br>Tel: 0228/4108-0<br>Fax: 0228/4108-1550<br>E-mail: poststelle@bafin.de or DE-Mail: poststelle@bafin.de-mail.de |
| Statutory auditor | Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft<br>Flughafenstrasse 61<br>70629 Stuttgart, Germany |

## Material business transactions and 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.

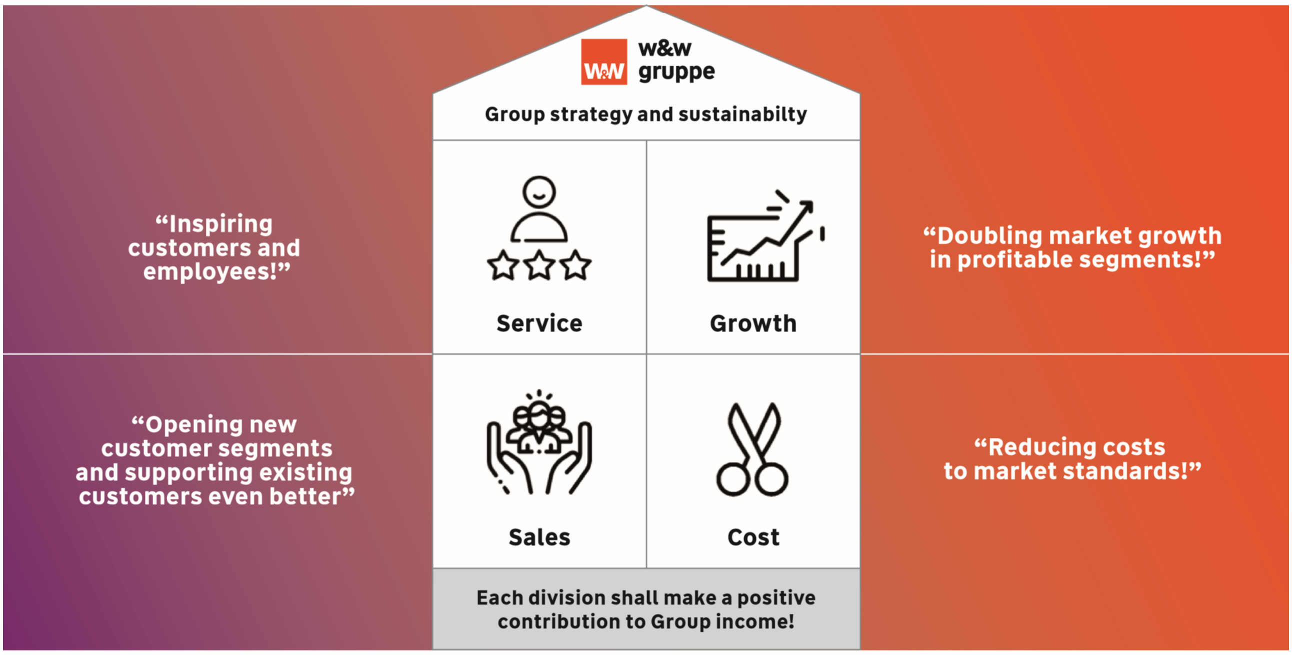
### "W&W Besser!"

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.

Operating under the brand identity "Housing means Wüstenrot", the Housing division covers home loan savings, construction financing, residential construction and real estate brokerage. This makes it the point of contact for customers for issues relating to housing. The Insurance segment also made further progress.

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.

## Transactions within the Group

W&W AG is the reinsurer for the Group's insurance. Various service contracts are in place between Group companies. In addition, Group undertakings make use of a variety of banking services.

In 2014 Württembergische Lebensversicherung AG issued a subordinated loan in the nominal amount of €250,000 thousand, of which €20,000 thousand is held within the Group. In 2015 Württembergische Lebensversicherung AG took out a further subordinated loan in the nominal amount of €250,000 thousand, of which €247,000 thousand is held within the Group. The subordinated liabilities of Wüstenrot Bausparkasse AG include an Additional Tier-1 bond in the amount of €30,000 thousand, all of which is held within the Group.

Allgemeine Rentenanstalt Pensionskasse AG offers company pension schemes to other Group companies. In addition, reinsurance is in place between various subsidiaries of W&W AG and Württembergische Lebensversicherung AG for the purpose of protecting the phased-in early retirement contracts of the W&W Group against insolvency.

## List of affiliated companies

The W&W Group, which is used to prepare the IFRS consolidated financial statements, is fundamentally different from the scope of the W&W AG Solvency II group. For instance, in particular, the Solvency II scope of consolidation, the consolidation methods to be applied under Solvency II and the specification of the consolidated data associated with this differ from the corresponding IFRS rules. Various undertakings (particularly Wüstenrot Bausparkasse AG and Allgemeine Rentenanstalt Pensionskasse AG) and funds are fully consolidated in the IFRS consolidated financial statements but not in Solvency II.

The following material changes were made to the scope of consolidation in 2022:

- Inclusion of Feuersee Entwicklungsgesellschaft mbH & Co.KG in the scope of consolidation as a material ancillary services undertaking,
- Inclusion of WHS Entwicklungs-GmbH in the scope of consolidation as another undertaking,
- Merger of Württfeuer Beteiligungs-GmbH with W&W Gesellschaft für Finanzbeteiligungen mbH (WWGfB). WWGfB is now called "Württfeuer Beteiligungs-GmbH".

The following presents the list of the scope of consolidation of the Solvency II group as at 31 December 2022. The figures relate to the most recent annual financial statements available on the reporting date. The information concerning legal form, country, voting rights percentages, and other characteristics can be found in the Annex to this Report in Template S.32.01.22. The affiliated companies and associates are assigned to one of the following types of undertakings, irrespective of the corporate purpose specified in the articles of association:

- (Re-) insurance undertakings (IU),
- Ancillary services undertakings (ASU) – material or immaterial,
- Entities from other financial sectors (OFS),
- Other undertakings.

The following associates are included in the scope of consolidation of the Solvency II group:

- BWK GmbH Unternehmensbeteiligungsgesellschaft,
- BWK Holding GmbH Unternehmensbeteiligungsgesellschaft,
- Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt.
- V-Bank AG (including its subsidiary V-Fonds GmbH).

ver.di Service GmbH is a joint venture and is also included in the scope of consolidation of the Solvency II group.

For further information, please see Chapter D.

## List of undertakings in the Solvency II scope of consolidation

| Name and registered office of the company | Calculated participation, in % (from the standpoint of W&W AG) | Classification | Equity (thousands) | Currency | Reporting date |
|---|---|---|---|---|---|
| 3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg | 100.00% | Other | 65,978 | € | 31.12.2021 |
| Adam Riese GmbH, Stuttgart | 100.00% | ASU (immaterial) | 25 | € | 31.12.2021 |
| Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart | 94.89% | OFS | 95,391 | € | 31.12.2021 |
| Altmark Versicherungsmakler GmbH, Stuttgart | 100.00% | ASU (immaterial) | 4,588 | € | 31.12.2021 |
| Altmark Versicherungsvermittlung GmbH, Stuttgart | 100.00% | ASU (immaterial) | 665 | € | 31.12.2021 |
| Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart | 94.89% | ASU (immaterial) | 1,612 | € | 31.12.2021 |
| Beteiligungs-GmbH der Württembergischen, Stuttgart | 94.89% | Other | 3,565 | € | 31.12.2021 |
| BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart | 34.11% | OFS | 227,901 | € | 31.12.2021 |
| BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart | 34.11% | OFS | 14,252 | € | 31.12.2021 |
| City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart | 94.89% | ASU | 83,389 | € | 31.12.2021 |
| Feuersee Entwicklungsgesellschaft mbH & Co. KG, Kornwestheim[1] | 100.00% | ASU | Established in 2022 | | |
| Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest, Hungary | 11.47% | OFS | 68,128,000 | HUF | 31.12.2021 |
| G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna, Austria | 99.90% | ASU (immaterial) | 21,961 | € | 31.12.2021 |
| Ganzer GmbH & Co. KG, Harrislee | 94.89% | ASU (immaterial) | 1,978 | € | 31.12.2021 |
| Gerber GmbH & Co. KG, Stuttgart | 94.89% | ASU | 257,841 | € | 31.12.2021 |
| GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg | 100.00% | Other | 1,443 | € | 31.12.2021 |
| IVB - Institut für Vorsorgeberatung, Risiko- und Finanzierungsanalyse GmbH, Karlsruhe | 94.89% | ASU (immaterial) | 144 | € | 31.10.2022 |
| Kellerwirt Holding GmbH, Brixlegg, Austria | 100.00% | OFS (exempted by BaFin) | 583 | € | 31.12.2021 |
| Kellerwirt Mountain Health Resort GmbH, Brixlegg, Austria | 100.00% | ASU (immaterial) | 203 | € | 31.12.2021 |
| KLV BAKO Dienstleistungs-GmbH, Karlsruhe | 90.05% | ASU (immaterial) | 248 | € | 31.12.2021 |
| KLV BAKO Vermittlungs-GmbH, Karlsruhe | 74.58% | ASU (immaterial) | 260 | € | 31.12.2021 |
| SAMARIUM drei GmbH & Co OG, Vienna, Austria | 99.95% | ASU (immaterial) | 9,587 | € | 31.12.2021 |
| V-Bank AG, Munich | 15.34% | OFS | 60,771 | € | 31.12.2021 |
| ver.di Service GmbH, Berlin | 50.00% | Other | 195 | € | 31.12.2021 |
| V-Fonds GmbH, Eschborn | 12.27% | Other | 833 | € | 31.12.2021 |
| W&W Asset Management Dublin DAC, Dublin, Ireland | 100.00% | OFS | 20,367 | € | 31.12.2021 |
| W&W Asset Management GmbH, Ludwigsburg[1] | 100.00% | OFS | 11,261 | € | 31.12.2021 |
| W&W brandpool GmbH, Stuttgart[1] | 100.00% | OFS | 3,275 | € | 31.12.2021 |
| W&W Informatik GmbH, Ludwigsburg[1] | 100.00% | ASU | 473 | € | 31.12.2021 |
| W&W Interaction Solutions GmbH, Munich | 100.00% | ASU (immaterial) | 3,383 | € | 31.12.2021 |

## List of undertakings in the Solvency II scope of consolidation

| Name and registered office of the company | Calculated participation, in % (from the standpoint of W&W AG) | Classification | Equity (thousands) | Currency | Reporting date |
|---|---|---|---|---|---|
| W&W Investment Managers DAC, Dublin, Ireland | 100.00% | OFS | 12,389 | € | 31.12.2021 |
| W&W Service GmbH, Stuttgart[1] | 100.00% | ASU (immaterial) | 100 | € | 31.12.2021 |
| WHS Entwicklungs-GmbH, Kornwestheim | 100.00% | Other | Established in 2022 | | |
| Windpark Golzow GmbH & Co. KG, Rheine | 94.89% | ASU (immaterial) | – | € | 31.12.2021 |
| WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart | 94.89% | OFS | 81 | € | 31.12.2021 |
| WL Renewable Energy GmbH & Co. KG, Stuttgart | 94.89% | OFS | 110,464 | € | 31.12.2021 |
| WL Sustainable Energy GmbH & Co. KG, Stuttgart | 94.89% | OFS | 106,805 | € | 31.12.2021 |
| Württembergische Akademie GmbH, Stuttgart | 100.00% | Other | 83 | € | 31.12.2021 |
| Württembergische France Immobiliere SARL, Strasbourg, France | 100.00% | ASU (immaterial) | 32,476 | € | 30.9.2022 |
| Württembergische France Strasbourg SARL, Strasbourg, France | 100.00% | ASU (immaterial) | 54,662 | € | 30.9.2022 |
| Württembergische Immobilien AG, Stuttgart | 100.00% | OFS | 118,293 | € | 31.12.2021 |
| Württembergische KÖ 43 GmbH, Stuttgart | 89.90% | ASU (immaterial) | 22,797 | € | 31.12.2021 |
| Württembergische Krankenversicherung AG, Kornwestheim | 100.00% | VU | 54,348 | € | 31.12.2021 |
| Württembergische Lebensversicherung AG, Kornwestheim | 94.89% | VU | 511,512 | € | 31.12.2021 |
| Württembergische Logistik I GmbH & Co. KG, Stuttgart | 94.89% | ASU (immaterial) | 15,117 | € | 31.12.2021 |
| Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart | 100.00% | ASU (immaterial) | 76 | € | 31.12.2021 |
| Württembergische Versicherung AG, Kornwestheim[1] | 100.00% | VU | 392,563 | € | 31.12.2021 |
| Württembergische Vertriebspartner GmbH, Stuttgart[1] | 100.00% | ASU (immaterial) | 74 | € | 31.12.2021 |
| Württembergische Verwaltungsgesellschaft mbH, Stuttgart | 94.89% | OFS | 37 | € | 31.12.2021 |
| Württfeuer Beteiligungs-GmbH (previously W&W Gesellschaft für Finanzbeteiligungen mbH), Stuttgart | 100.00% | OFS | 59,659 | € | 31.12.2021 |
| WürttLeben Alternative Investments GmbH, Stuttgart[1] | 94.89% | OFS | 198,025 | € | 31.12.2021 |
| WürttVers Alternative Investments GmbH, Stuttgart[1] | 100.00% | OFS | 61,025 | € | 31.12.2021 |
| Wüstenrot Bausparkasse AG, Kornwestheim | 100.00% | OFS | 860,937 | € | 31.12.2021 |
| Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg | 100.00% | Other | 2,060 | € | 31.12.2021 |
| Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg | 100.00% | Other | 107,727 | € | 31.12.2021 |
| Wüstenrot Immobilien GmbH, Ludwigsburg | 100.00% | Other | 7,551 | € | 31.12.2021 |

1 Profit and loss transfer agreement in place.

The composition of the Executive Board is shown in Section B.1. Board composition for the individual undertakings is shown in Section B.1 of the respective Solvency and Financial Condition Reports of the individual undertakings as at the reporting date. Alexander Mayer and Jens Wieland are members of the executive boards of W&W AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG.

Please see Chapter B of the W&W AG Solvency and Financial Condition Report as at the reporting date for information on the governance system of the ultimate parent undertaking, W&W AG, in particular Section B.4 in relation to the internal control system.

# A.2 Technical result

Net premiums earned declined by €261,959 thousand to €4,376,453 (previous year: €4,638,412) thousand. Property/Personal Accident insurance again saw substantial rates of increase. Premium growth was also generated in Health. In Life, on the other hand, premiums declined due to fewer new single-premium insurance policies. In the Property/Personal Accident insurance segment, net premiums earned rose substantially by €95,099 thousand to €1,826,865 (previous year: €1,731,766) thousand. In the Life and Health Insurance segment, net premiums earned declined to €2,221,642 (previous year: €2,615,074) thousand.

Insurance benefits (net) fell by €2,457,740 thousand to €2,691,962 thousand. In the Property/Personal Accident insurance segment, insurance benefits (net) decreased despite the larger insurance portfolio and came to €924,325 (previous year: €927,965). In the previous year, storms in Germany in June and July resulted in high natural disaster expenses in the mid hundreds of millions (gross). The loss ratio (net) declined to 61.1% (previous year: 62.6%). The combined ratio (net) was 87.1% (previous year: 87.7%).
In the Life and Health Insurance segment, insurance benefits totalled €1,567,115 (previous year: €4,056,481) thousand. Lower securities prices due to interest rates and declining equity prices resulted in lower additions to the provision for premium refunds and to the provision for unit-linked life insurance. We also safeguard benefits for our customers through the additional interest reserve (including interest rate reinforcement). While €329,569 thousand was added in the previous year, funds of €106,070 thousand were released in the financial year due to the expiration of high-interest insurance contracts and the increase in interest rates.

Germany is the core market of the W&W Group. More than 90% of all gross premiums written in the reporting period were attributable to Germany, meaning that it was unnecessary to prepare Template S.05.02.01, which provides a geographic analysis of premiums, claims and expenses by country.

The following overview presents income from premiums written, claims incurred, and changes in other technical provisions for the Solvency II group for the 2022 and 2021 financial years (in each case, net and according to IFRS). The breakdown into the various lines of business was undertaken in accordance with Solvency II rules; the presented data are based on the items required for Template S.05.01.02. Thus, in comparison to the above remarks on the basis of the consolidated financial statements pursuant to IFRS, the following table leaves out of consideration, in particular, premiums from the provision for premium refunds.

## Technical income and expenses

| | Income from premiums written (net) | | Claims incurred (net) | | Change in other technical provisions (net) | |
|---|---|---|---|---|---|---|
| in € thousands | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Medical expense insurance | – | – | – | – | – | – |
| Income protection insurance | 156,149 | 152,614 | 36,598 | 25,648 | 177 | -55 |
| Workers' compensation insurance | – | – | – | 66 | – | – |
| Motor vehicle liability insurance | 496,932 | 489,307 | 341,543 | 274,812 | 905 | -191 |
| Other motor insurance | 393,785 | 385,266 | 298,305 | 302,633 | 99 | -377 |
| Marine, aviation and transport insurance | 27,813 | 25,550 | 15,107 | 6,897 | -736 | -51 |
| Fire and other damage to property insurance | 688,529 | 622,920 | 324,042 | 652,426 | 92 | 88 |
| General liability insurance | 254,721 | 236,191 | 60,308 | 70,434 | -119 | 178 |
| Credit and suretyship insurance | 9,807 | 7,179 | 9,822 | 6,160 | -72 | 2 |
| Legal expenses insurance | 145,804 | 140,644 | 80,964 | 70,971 | 12 | 173 |
| Assistance | 20,762 | 18,270 | 3,221 | 2,936 | -10 | -15 |
| Miscellaneous financial loss | 13,658 | 12,879 | -15,416 | 11,012 | 19 | 286 |
| Accepted non-proportional reinsurance | -52,467 | -48,400 | -22,636 | -338,890 | 10,924 | -11,474 |
| Health | -233 | -202 | -8 | -509 | – | – |
| Casualty | -2,820 | -2,620 | -5,782 | -3,986 | – | -13 |
| Marine, aviation, transport | -321 | -195 | -1,017 | -1,409 | 24 | -54 |
| Property | -49,093 | -45,383 | -15,829 | -332,986 | 10,900 | -11,407 |
| **Non-life insurance and reinsurance obligations** | **2,155,492** | **2,042,419** | **1,131,859** | **1,085,104** | **11,290** | **-11,435** |
| Health insurance | 516,105 | 504,637 | 233,691 | 193,634 | -141,784 | -215,482 |
| Insurance with profit participation | 1,285,701 | 1,679,890 | 1,950,216 | 2,002,826 | 358,593 | -370,780 |
| Index-linked and unit-linked insurance | 340,245 | 341,632 | 134,084 | 152,089 | 256,562 | -567,786 |
| Other life insurance | – | – | – | – | – | – |
| Annuities stemming from non-life insurance contracts and relating to health insurance obligations | – | – | 7,528 | 7,289 | – | – |
| Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | – | – | -3,593 | 2,926 | – | – |
| Health reinsurance | – | – | – | – | – | – |
| Life-reinsurance | 27 | -2,169 | 455 | 2,579 | 451 | 9,469 |
| **Life insurance obligations** | **2,142,078** | **2,523,989** | **2,322,381** | **2,361,343** | **473,821** | **-1,144,578** |
| **Total** | **4,297,570** | **4,566,408** | **3,454,240** | **3,446,447** | **485,111** | **-1,156,013** |

For further information about premiums, claims and expenses by line of business, please see Template S.05.01.02 in the Annex.

# A.3 Investment performance

## Capital markets

On capital markets, equity indices saw a substantial price correction due to price losses caused by the monetary and global economic environment, as well as a general increase in interest rates as a result of the dynamic, stubborn upwards trend in inflation to record highs.

## Net financial income

In the 2022 financial year, the W&W Group's net financial income fell from €2,509,159 thousand to €129,830 thousand. The financial sector as a whole was negatively impacted by Russia’s war in Ukraine, the sharp hike in inflation and general recessionary trends. For example, the accounting valuation of our investments mandatory under IFRS accounting led to significant declines in net financial income. The net expense for property, plant and equipment held for own use came in at €- 28,698 (previous year: €- 52,273) thousand. Thus, net financial income, including property, plant and equipment held for own use, stood at €101,133 (previous year: €2,456,886) thousand.

The following overview shows an allocation of IFRS net financial income, including property, plant and equipment held for own use, to the balance sheet items pursuant to the solvency overview for the 2022 and 2021 financial years.

## Net financial income, including property, plant and equipment held for own use

| | Net financial income, including property, plant and equipment held for own use | | Proportion of net financial income, including property, plant and equipment held for own use | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | in € thousands | in € thousands | % | % |
| **Property, plant & equipment held for own use** | **–28,698** | **–52,273** | **-28.4** | **-2.1** |
| **Investments** | **–249,025** | **1,828,614** | **-246.2** | **74.4** |
| Property (other than for own use) | 254,556 | 40,794 | 251.7 | 1.7 |
| Holdings in affiliated companies, including participations | –42,299 | 166,756 | -41.8 | 6.8 |
| Equities | 172,856 | 479,774 | 170.9 | 19.5 |
| Equities – listed | –6,266 | 94,203 | -6.2 | 3.8 |
| Equities – unlisted | 179,122 | 385,571 | 177.1 | 15.7 |
| Bonds | 190,249 | 1,830,341 | 188.1 | 74.5 |
| Government bonds | –209,710 | 268,518 | -207.4 | 10.9 |
| Corporate bonds | 655,751 | 1,487,829 | 648.4 | 60.6 |
| Structured notes | –220,285 | 76,921 | -217.8 | 3.1 |
| Collateralised securities | –35,507 | –2,927 | -35.1 | -0.1 |
| Collective investment undertakings | –99,227 | 26,278 | -98.1 | 1.1 |
| Derivatives | –727,190 | –713,668 | -719.0 | -29.0 |
| Deposits other than cash equivalents | 2,029 | –1,661 | 2.0 | -0.1 |
| Other investments | – | – | – | – |
| **Loans and mortgages** | **436,796** | **479,428** | **431.9** | **19.5** |
| Loans on policies | – | – | – | – |
| Loans and mortgages to individuals | 436,796 | 479,428 | 431.9 | 19.5 |
| Other loans and mortgages | – | – | – | – |
| **Deposits to cedants** | **13** | **63** | **0.0** | **0.0** |
| **Cash and cash equivalents** | **–1,905** | **–2,461** | **-1.9** | **-0.1** |
| **Other income/expenses** | **–56,048** | **203,515** | **-55.4** | **8.3** |
| **Total** | **101,133** | **2,456,886** | **100.0** | **100.0** |

The sharp decline in net financial income also significantly changed the proportions of individual balance sheet items of net financial income, including property, plant and equipment held for own use. As a result, positive income drivers such as corporate bonds account for a three-digit percentage share of net financial income.

The result from assets held for index-linked and unit-linked contracts is included in the item “Other income/expenses”. It consisted of current net income of €6,328 thousand and the net measurement expense of €30,269 thousand.

Bonds still account for the largest proportion of net financial income, including property, plant and equipment held for own use, despite the overall decline in net financial income. Net income from bonds came to €190,249 (previous year: €1,830,341) thousand.

Other income/expenses also saw a €259,563 thousand decline to €–56,048 thousand. The measurement result for assets held for index-linked and unit-linked contracts fell by €378,731 thousand to €30,269 thousand.

## Consolidated statement of comprehensive income

As at 31 December 2022, total comprehensive income stood at €-1,101,019 (previous year: €-151,379) thousand. It consists of consolidated net profit and other comprehensive income (OCI).

As at 31 December 2022, OCI stood at €-1,362,515 (previous year: €- 503,532) thousand. The rapid rise in interest rates over the year weighed heavily on the market values of fixed-income securities and registered securities. Unrealised losses affecting OCI came to €-1,732,886 (previous year:- €637,555) thousand. On the contrary, higher interest rates had a positive impact on pension provisions. Actuarial gains from defined benefit plans for pension schemes, on the other hand, came to €371,069 (previous year: €134,126) thousand.

## Securitisations

In the case of a securitisation, the seller assigns certain asset positions (receivables) to an SPV, which obtains refinancing by issuing securities on the capital market. As at 31 December 2022, the direct portfolio of the insurance undertakings belonging to the Solvency II group contained such securities with a Solvency II carrying amount of €24,830 thousand (previous year: €26,070 thousand). These securities mature in 2023. Special market-induced risks are not apparent here. In view of the total volume of the capital investment of the Solvency II group, these items are of minor significance.

# A.4 Change in other results

General administrative expenses totalled €1,085,429 (previous year: €1,036,664) thousand and experienced a comparatively moderate increase in view of general price trends, rising by 4.7%. Personnel expenses increased as a result of higher wages and salaries. As well as collectively agreed salary increases, this essentially reflected expenses for benefits paid to our employees in connection with the pandemic and inflation. Materials costs increased, partly due to external claims adjustment expenses attributable to higher natural disasters in the previous year and as part of our digitalisation strategy as a result of greater IT investment.

Net other operating income rose to €184,424 (previous year: €54,351) thousand. In the Housing division, this was essentially the result of first-time income from settlement transactions in connection with home loan savings deposits. In addition, the higher income contribution of Wüstenrot Haus- und Städtebau GmbH in 2022 and the sale of properties for own use in connection with the relocation of the Group headquarters at the W&W campus to Kornwestheim had a positive effect.

The tax expense for the reporting year amounted to €92,038 (previous year: €128,506) thousand.

## Material leasing agreements

### W&W Group as lessee

The W&W Group leases properties, vehicles and EDP equipment for own use, as well as investment properties.

Most of the properties for own use have indefinite terms. Renewal options exist in some cases. Price adjustment clauses are likewise agreed to, which are based on the consumer price index. There are often no purchase options. EDP equipment and vehicles have fixed terms of up to three years. Investment properties have terms of up to 99 years.

Recognised under “Property for own use” are, in particular, the properties located at Friedrich-Scholl-Platz 1 in Karlsruhe, Germany, and at Presselstraße 10 in Stuttgart, Germany, which were sold in the 2011 and 2018 financial year, respectively, and then leased back for continued own use (known as sale and leaseback transactions).

The lease for the property at Friedrich-Scholl-Platz 1 in Karlsruhe has a term of 15 years and cannot be terminated. Also agreed upon was a one-time lease renewal option for a fixed term of five years. If the lessee intends to exercise the option, it must give the lessor notice thereof 16 months prior to expiry of the lease term. Moreover, the lease contains a general prospective price adjustment clause, which is based on how the consumer price index changes. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to. Most of the property is used within the Group. A portion has been subleased outside the Group. Future minimum payments of €3,096 (previous year: €4,129) thousand are expected from this sublease.

The lease for the property on Presselstraße has a term of five years and cannot be terminated. Also agreed upon was a one-time lease renewal option for a fixed term of five years. If the lessee intends to exercise the option, it must give the lessor notice thereof six months prior to expiry of the lease term. Furthermore, the lease provides for annual rent increases of 3% from 1 January 2020. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to. The property is used within the Group.

In addition, the building of the former Aachener Bausparkasse AG was sold when ownership was transferred as at 1 January 2022 and then partially leased back for continued own use (known as sale and leaseback transactions). The lease for the property leased back has a term of 5 years. The lease is extended by one year if not terminated at least six months before it expires. The lessee also has a unilateral, one-time termination option on 31 December 2024. If the lessee intends to exercise the option, it must give the lessor notice thereof 6 months prior to expiry. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to. The property is used within the Group. Profit from the sale-and-leaseback transaction came to €1,093 thousand.

Payment outflows under leases in the amount of €17,538 (previous year: €18,903) thousand were recognised in the W&W Group.

### W&W Group as lessor

We are the lessor under operating leases for investment property. Many of the leases entered into have open-ended terms. Some, however, have fixed terms. With regard to commercial properties, price adjustment clauses are regularly agreed to, which are based on the consumer price index. With regard to residential properties, such agreements have been entered into for properties that have been acquired since 2012 and for those that have undergone high-quality renovations. Rental income in the W&W Group amounted to €123,318 (previous year: €117,247) thousand.

A finance lease under which we are the lessor is in place for the portion of the property at Friedrich-Scholl-Platz 1 in Karlsruhe, which has been subleased outside the Group.

## A.5. Other disclosures

The 2022 financial year was dominated by the war in Ukraine, supply bottlenecks on goods markets, exceptionally high inflation, high levels of uncertainty on the capital market and a historic rise in interest rates. When calculating our net income and general administrative expenses, we assumed restrained macroeconomic development and that inflation rates would stagnate at a high level. The interest environment in the 2022 financial year was characterised by a significant increase at the same time as high levels of volatility. Based on indications from central banks and inflation expectations, we expect to see stabilisation in 2023. At the same time, we anticipate low rates of price increases on the equity market and a normalised claims performance.

Overall, economic and geopolitical uncertainties remain high. We are standing by our medium to long-term target range of €220 million to €250 million for the W&W Group's consolidated net profit. Despite the uncertainties described, we still expect consolidated net profit to remain within the target range in the 2023 financial year.

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

### Governance system

#### Executive Board

The Executive Board of W&W AG, which is the parent company of the W&W Group, runs the W&W Group in its own responsibility. 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.

In addition, attention must be paid to compliance with the age limit of 65 provided for as a target requirement in the Executive Board bylaws. The age limit is being complied with.

As at 31 December 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 Financial 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 the W&W Group, and it sets the corporate policy and the principles of the business policy for W&W AG and the W&W Group. The main tasks have to do with strategic alignment and control of the W&W Group, 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 at the Group level, and it ensures that the W&W Group 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,
- 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 Executive Board is part of the governance system of the W&W Group. 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. Strategic issues that concern the Group as a whole are discussed by the Management Board. Decision-making paths are pooled and accelerated. The Management Board meets 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 contact with the Chairman of the Supervisory Board and discusses with him the strategy, business performance and risk management of W&W AG and the W&W Group. 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 W&W Group, 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 to the Supervisory Board routinely and in a comprehensive manner – if necessary, also on an ad hoc basis – 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, which addresses the details about the organisation of the Supervisory Board that are necessary for business development. The appropriate interaction of the Supervisory Board with committees, senior managers and key positions is assured through existing reporting obligations, meaning that a regular and sufficient exchange of information takes place.

If a conflict arises with the requirements of supervisory law, company 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
- Nomination Committee
- Personnel Committee
- Conciliation Committee.

## Risk and Audit Committee

| Composition | Key responsibilities |
| --- | --- |
| 8 members<br><br>Chair: Dr Frank Ellenbürger (financial expert).<br><br>Three additional shareholder representatives:<br>Prof Nadine Gatzert,<br>Dr Wolfgang Salzberger (financial expert),<br>Jutta Stöcker.<br><br>Four additional employee representatives:<br>Ute Kiinzinger,<br>Bernd Mader,<br>Andreas Rothbauer,<br>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 separate non-financial Group report.<br><br>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.<br><br>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.<br><br>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<br><br>Chair: Chair of the Supervisory Board (Dr Michael Gutjahr).<br><br>Two additional shareholder representatives:<br>Corinna Linner,<br>Dr Frank Ellenbürger.<br><br>Three additional employee representatives:<br>Jochen Höpken,<br>Christoph Seeger,<br>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.<br><br>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.<br><br>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<br><br>Chair: Chair of the Supervisory Board (Dr Michael Gutjahr).<br><br>One additional shareholder representative:<br>Dr Reiner Hagemann.<br><br>Two additional employee representatives:<br>Christoph Seeger,<br>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.<br><br>Deciding on the conclusion, amendment and termination of the employment and pension agreements of Executive Board members, where prescribed by law.<br><br>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<br><br>Chair: Chair of the Supervisory Board (Dr Michael Gutjahr).<br><br>One additional shareholder representative:<br>Edith Weymayr.<br><br>Two additional employee representatives:<br>Ute Kinzinger,<br>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 Solvency II group has established the following four key functions:

- Independent Risk Controlling function,
- Compliance function,
- Internal audit,
- Actuarial function.

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

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

### Independent risk controlling function

The Risk and Compliance department at W&W AG (Risk section) is responsible for risk management at the Group level and at the level of W&W AG. The head of the Risk section acts as the responsible key function holder pursuant to Section 26 of the German Act on the Supervision of Insurance Undertakings (VAG). For the purpose of carrying out his or her tasks, the holder of the independent risk controlling function has a complete, unrestricted right to information, as well as a reporting line to the responsible Executive Board member. The Risk section has a total of 16.1 full-time equivalent (FTE) positions. The Executive Board ensures that the independent risk controlling function is furnished with the staff and resources whose quality and quantity is appropriate in light of the nature and scope of its tasks.

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

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

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

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

## Compliance function

The compliance function of the Solvency II group, which is based in the Risk and Compliance department of W&W AG, is a key component of its compliance management system. It is part of the internal control system (ICS). In this regard, the Solvency II group 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 the Solvency II group 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 the Solvency II group, 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.

Further remarks about the independent compliance function are made in Section B.4 "Compliance".

## Internal audit

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

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

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

As at the reporting date, the Group Audit department had 33.3 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, which is addressed to the responsible management. The audit reports describe all identified deficiencies, together with the measures to be taken and the dates for completing them.

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

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 parent undertaking's Supervisory Board. In addition, the head of internal audit reports at meetings of the Supervisory Board's Audit Committee. Moreover, the chairman of the supervisory body or of the Audit Committee is entitled, with the involvement of management, to obtain information directly from the head of internal audit.

## Actuarial function

The actuarial function for the W&W Group is based in W&W AG's Actuarial Function department. The key function holder is supported in his or her tasks by other holders of actuarial functions at the individual companies and the employees who report to them.

- The responsible holder of the actuarial functions at W&W AG and Württembergische Versicherung AG is the head of the Actuarial Services & Property and Casualty Reinsurance department at Württembergische Versicherung AG.
- The responsible holder of the actuarial function at Württembergische Lebensversicherung AG and at the W&W Group reports directly to the Executive Board of the company. He or she is head of the Actuarial Function (Life) section.
- The responsible holder of the actuarial function at Württembergische Krankenversicherung AG reports directly to the Executive Board of the company.

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 that the actuarial function is furnished with the staff and resources whose quality and quantity is appropriate in light of the nature and scope of its tasks. The actuarial function of the W&W Group is supported by the actuarial functions of the individual undertakings. This applies, in particular, to the key function holders of the life and health insurance company of the W&W Group and the employees who report to it.

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

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

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

# Material changes to the governance system

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

- Recommendation D.3 sentence 1 1 2020 Code on the establishment of an Audit Committee that addresses the review of the accounting (interim financial information),
- Recommendation D.5 2020 Code on the formation of a Nomination Committee composed exclusively of shareholder representatives,
- Recommendation G.10 sentence 1 1 2020 Code on variable remuneration of Executive Board members being granted partly in shares,
- 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 recommendations of the German Corporate Governance Code in the version of 28 April 2022 ("2022 Code") from 27 June 2022 concerning

- Recommendation C.1 sentence 2 2022 Code on the expertise profile of the Supervisory Board in relation to sustainability issues
- Recommendation D.4 2022 Code on appointing exclusively shareholder representatives to the Nomination Committee
- Recommendation F.2 second half of the sentence 2022 Code on Group quarterly reports within 45 days of the end of the reporting period
- Recommendation G.10 sentence 1 1 2022 Code on variable remuneration of Executive Board members being granted partly in shares,

- 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 three 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 the associated individual undertakings 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 W&W Group are based on the following principles: The remuneration schemes are consistent with the respective statutory requirements, particularly Article 275 of Delegated Regulation (EU) 2015/35 and the German Corporate Governance Code.

Pursuant to the W&W Group’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 the W&W Group. They are to be designed to focus on promoting the Group-wide risk culture and to avoid negative incentives that contradict the risk strategy and the risk appetite adopted in this strategy. Harmful incentives and the rewarding of poor performance are to be avoided. The remuneration schemes support the achievement of the strategic 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 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. In the W&W Group, 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 W&W Group, 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 in-house staff below management consists of fixed salary and a performance-related targets bonus in the ratio of 82.5% fixed to 17.5% variable. The remuneration of senior executives below the first executive level of in-house staff is normally consists of fixed salary and a performance-related targets bonus in the ratio of 87.5% fixed to 12.5% variable. For salaried employees in the mobile sales force, remuneration is normally split into a ratio of 2/3 fixed to 1/3 variable or 70% fixed to 30% 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% for in-house staff and 33% for employees in the mobile sales force. 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. Almost no salaried employees receive individual variable remuneration.

However, in addition to the fixed pay specified in the collective bargaining agreement, they are entitled as a general rule to a variable portion amounting to 50% of one month's gross salary 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 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 on the in-house staff and on the mobile sales force 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%. In the case of employees on the mobile sales force, the portion of variable remuneration is between 30% and 33% as a general rule.

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 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. At the same time, no exclusively volume-oriented targets are agreed upon in sales. 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:

| | Occupational pension scheme until 31 December 2019 | Occupational 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:<br>60% of pension as widow pension, 15%/20% of pension as orphan's pension | In case of death after retirement:<br>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:<br>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 before retirement:<br>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.<br>Benefits from the age of 65: Retirement lump sum based on the reinsurance policy financed until occupational disability or corresponding pension<br>(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.

## Additional Group-level information

The implementation of risk management and internal control systems, as well as the reporting system, in a way that is uniform throughout the Group is assured through corresponding organisational and operational arrangements.

- The Group Board Risk is the central body for coordinating risk management Group-wide. For further details, please see Section B.3.
- The internal control system is uniform throughout the Group, and it is coordinated by the Group department Customer Data Protection and Operational Security. For further details, please see Section B.4.
- Transactions within the Group are eliminated as part of consolidation. For further information, please see Chapter D.

With respect to the legal structure and the governance and organisational structure at the Group level, please see the foregoing sections, particularly A.1 and B.1. Please also see the presentation in Section A.1 for a description of the subsidiaries and important affiliated companies belonging to the Group.

The organisational and operational structure established in accordance with the principle of proportionality enables the requirements for the risk management and internal controls systems, as well for as the reporting system, to be implemented in a manner that is appropriate to Group needs (see "Risk management framework" in Section B.3).

# 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, the Solvency II group 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 Annual General Meeting of W&W AG 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, self-assessment, information about aptitude, 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 for-warded 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 to ensure that these requirements are satisfied at the time of initial evaluation, 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 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.

### 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 the W&W Group. The risk management system is an integral component of a proper and effective business organisation. As part of this framework, definitions are established for risk appetite, which derived from the business strategy and the risk profile, for the overall risk objectives and for the application of consistent standards, methods, procedures and tools. The integrated risk strategy is in line with the business strategy and 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 individual undertakings in the W&W Group.

The basic conditions specified in the integrated risk strategy contribute to securing the long-term entrepreneurial capacity to act and to promoting the Group-wide risk culture. The aim is to maintain an appropriate balance between taking advantage of business opportunities and incurring risks, while ensuring the effectiveness of the Group-wide risk management system. The risk strategy is 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 the W&W Group. 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 the W&W Group and its individual undertakings. 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 of W&W AG, members of the Executive Board, management teams of the individual W&W undertakings and senior managers shape the risk culture of the W&W Group decisively through their management style and handling of risks.

In addition, the W&W Group and its individual undertakings also have 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 risk scope of 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 undertakings constitute the core of the risk scope of consolidation and are directly integrated in the risk management system at the Group level:

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 the W&W Group.

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, at the level of the W&W Group. 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 W&W AG 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 at the level of the W&W Group and is the ultimate decision-making body on risk issues for W&W AG and the W&W Group. 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 risk management methods and tools that are uniform throughout the Group, and it proposes these to the respective executive boards for approval and adopts resolutions on these within the scope of its competencies.

Moreover, the Group Board Risk acts as the interface between the risk boards of the Insurance and Housing divisions. The Insurance Risk Board manages and monitors risks in the Insurance division (Württembergische). The BSW Risk Board is established in the Housing division (Wüstenrot).

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:

- 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. For the Solvency II group, it is carried out at the level of W&W AG by the head of the Risk Management Life and Health Insurance and Actuarial Management section of Württembergische Versicherung AG.
- Internal audit represents the third line of defence. It independently audits the appropriateness and effectiveness of the internal control system as well as the effectiveness of corporate processes, including the first two lines of defence. The internal audit tasks are performed by the Group Audit department at W&W AG. The head of this unit acts as the responsible function holder. Corresponding audit functions have been established at individual undertaking level.

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 the W&W Group. 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). In addition, the individual undertakings engaged in operational business have their own (independent) risk controlling functions, which work closely with the independent risk controlling function of the W&W Group.

The independent risk controlling function holder of the W&W Group 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 the process, risks from credit institutions are measured pursuant to the own fund requirements specified by banking regulations.
- In addition, the risk capital requirements for market price risk, business risk (particularly pool risks in the area of home loan savings business), 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 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 the W&W Group or the respective individual undertaking 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.

Specific balance sheet/income statement-based risk models are also applied at the level of the individual undertaking 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, primarily takes place 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 the W&W Group and the individual undertakings.

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 the W&W Group and its individual undertakings are transmitted to the responsible risk controlling function, which then aggregates them and analyses them for their impact on the individual undertakings 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. Processes and reporting procedures have been put in place 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 the W&W Group, 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. An ORSA report for the W&W Group and a separate ORSA report for each of the relevant insurance undertakings are prepared.

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 tests, 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.

Economic capital adequacy 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 capital available for risk coverage to risk capital requirements) of more than 145%.

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 for the W&W Group. 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, by means of the governance cockpit as well as twice a year on the basis extrapolations to year-end, it is reviewed whether the planned development is being achieved. In the case of deviations, governance measures are considered and, where necessary, initiated.
- An iterative risk management process has been established for risk-oriented corporate governance, which includes, in particular, the monitoring of the risk profile and quarterly reporting. The ORSA process draws on the results of the risk management process and reviews the appropriateness of the risk management system.

# B.4 Internal control system

## General remarks about the internal control system (ICS)

The W&W Group specifies a uniform procedure for the internal control system for the undertakings that are relevant from the standpoint of risk. This procedure was approved by the Management Board of the W&W Group for the undertakings represented on it. The undertakings not represented on the Management Board have made the Group-wide ICS procedure binding on them through corresponding approvals.

The executive board of each undertaking is responsible for compliance with the requirements. The respective specialist sections at the undertakings are responsible for operational implementation of the requirements.

The required processes for the material components of the internal control system have been established in the W&W Group and implemented in any appropriate manner.

## Elements of the internal control system

### Risk identification

As part of the ICS procedure at each undertaking, 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 of W&W AG and the Group risk policy of the W&W Group 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 at each undertaking are assessed using the risk relevance matrix applicable to their undertaking. 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, in coordination with the person in charge of the process, remedies them. The testing documentation records the measures being used to remedy the deficiency, how long it will take to do so and how any resulting increased risk potential is being handled until the deficiency is remedied.

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

### Test of design

In the annual test of design, the specialist department at each undertaking reviews, assesses and, using specified forms, explicitly confirms that the 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 by the specialist section at the respective undertaking 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 at each undertaking. It also analyses any identified deficiencies and takes the findings into consideration, if necessary, with regard to further audit planning.

## Compliance

The W&W Group has a comprehensive compliance management system. Operation of this system is outsourced to the parent company Wüstenrot & Württembergische AG. In organisational terms, the activities there 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, if the case of material changes, then approved by the Executive Board. 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 W&W Group. 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 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 the W&W Group is handled by the Group Audit department. The Group Audit department provides audit services for the parent undertaking W&W AG and the undertakings of the W&W Group in Germany or assists local audits at the subsidiaries. It reports directly to the CEO of W&W AG. 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, 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. Furthermore, it assures compliance with audit requirements, particularly at the decentralised audit units of the domestic subsidiaries. For this purpose, it possesses the necessary audit and information rights, as well as authority to give technical instructions.

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 multiyear 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 and the 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 fall under Solvency II that addresses, inter alia, the basic conditions for the organisational and operational structure, as well as the material tasks of the actuarial functions.

The responsible actuarial function holder in the W&W Group heads the Actuarial Function section and, in addition, is the responsible actuarial function holder at Württembergische Lebensversicherung AG. He or she is supported in his or her tasks by other holders of actuarial functions at the individual companies and the employees who report to them.

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.

The organisational integration of the actuarial functions is described in Section B.1 in connection with key functions.

# 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. The standard addresses, inter alia, the following:

- Responsibility for the outsourcing process, with the sub-processes analysis and assessment, implementation, governance and monitoring, rests with the central outsourcing officer.
- As part of the outsourcing process, service providers are selected (due diligence).
- The outsourcing specialist section prepares a cost-benefit analysis of the outsourcing, as well as a risk analysis, which identifies, analyses and assesses the risks of the planned outsourcing. The scope and degree of the risks and the classification into important or unimportant activities determines the type of integration of the outsourcing in risk management and the ICS.
- A risk-oriented decision is made to implement an outsourcing either by the Executive Board or by the member with the appropriate remit.
- Contracts are concluded between W&W and the service provider, which contain binding agreements between the contracting partners.
- Depending on the outsourcing, technical contact persons are designated in W&W. They are responsible for appropriate, risk-oriented monitoring and governance, and they ensure that when the outsourcing ends, smooth continuation of business is guaranteed.
- The Audit department and the central outsourcing officer ensure appropriate, process-independent monitoring of the outsourcing, such as the effectiveness and appropriateness of risk management and the ICS, the regularity of the outsourced activities, and the ongoing implementation of the outsourcing rules.

Important activities have been outsourced to the following service providers:

- 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,
- Wüstenrot & Württembergische AG, insurance company with registered office in Kornwestheim
- Württembergische Life Insurance AG, insurance company with registered office in Kornwestheim,
- Württembergische Rechtsschutz Schaden-Service-GmbH, company with registered office in Stuttgart,
- W&W Informatik GmbH, company with registered office in Ludwigsburg.

# 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 of the W&W Group is appropriately designed in light of the nature, scale and complexity of the risks inherent in the business.

In addition, all necessary information about the governance system and the business organisation has been presented in Sections B.1 to B.7.

# C Risk profile

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

**Risk landscape of W&W Group**

Overview of risk areas

Overall risk profile

| Market risks | Counterparty risks | Underwriting risks | Operational risks | Business risks | Liquidity risks |
|---|---|---|---|---|---|
| ■ Interest rate risk<br>■ Credit spread risk<br>■ Share risk<br>■ Foreign currency risk<br>■ Real estate risk<br>■ Long-term equity investment risk<br>■ Commodities risk | ■ Counterparty credit risk – customer credit business<br>■ Counterparty credit risk – capital investments<br>■ Other counterparty credit risks | ■ UR personnel/ employee life insurance<br>■ UR personnel/ employee health insurance<br>■ UR property and casualty insurance | ■ Legal risk<br>■ Compliance risk<br>■ Personnel risk<br>■ Process risk<br>■ Information risk<br>■ Model risk<br>■ Service provider risk | ■ Strategic risk<br>■ Environment risk<br>■ Reputational risk | ■ Insolvency risk<br>■ Funding risk<br>■ Market liquidity 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 the W&W Group 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 | 54.8 | 52.7 |
| Counterparty credit risks | 14.2 | 18.9 |
| Insurance risks | 20.9 | 17.0 |
| Operational risks | 7.8 | 10.3 |
| Business risks (in particular, pool risks in the area of home loan savings business) | 2.3 | 1.1 |

Other business risks are deducted from the capital available for risk coverage.

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

In 2022, risk measurement in the economic perspective was adjusted on the basis of ad hoc risk events in line with Solvency II logic. In the regulatory perspective, the modelling of investment management costs at Württembergischen Lebensversicherung AG was adjusted to account for the BaFin guidance notice published in July 2022 on the recognition of costs in technical provisions under Solvency II.

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 the W&W Group are invested in accordance with the prudent person principle. This means that the W&W Group 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 the 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 the W&W Group 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 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. |

Based on the risk strategy, the undertakings belonging to the W&W Group have enacted internal policies for investments in accordance with the prudent person principle.

As part of strategic asset allocation (SAA), the individual investment objectives of the companies in the Insurance division and 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 relevant individual undertakings of the W&W Group 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 individual undertakings of the W&W Group affected also have 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 CO2 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 aspects into insurance business.

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.

The W&W Group conducts primary insurance business in life and health insurance and in property and casualty insurance for retail and corporate customers in its business-strategic core market of Germany. In doing so, it also relies on digital sales channels (e.g. the digital brand “Adam Riese“). Württembergische Versicherung AG is liable for claims settlement of the United Kingdom branch’s business underwritten up to and including 2007.

In accordance with internal provisions, the companies of the W&W Group enter into insurance transactions only where the risks associated with them do not endanger the company as a going concern. This is supported by means of optimisation of cost and claims management. Incidental risks that cannot be influenced are limited with suitable and adequate protective instruments (e.g. reinsurance).

Industrial risks are underwritten only to a minor, precisely defined extent. They are also in extensively reinsured so as not to put our portfolio at risk from large individual risks. To expand corporate customer business through integrated insurance programmes for German policyholders with primary domicile or primary risk in Germany, Württembergische Versicherung AG underwrites facultative indirect business and foreign market pools. Württembergische Versicherung AG no longer conducts other active reinsurance business. With the exception of German market pools, W&W AG still does not underwrite any reinsurance outside the Group.

Declining premiums or premiums not calculated on a needs-basis may result in insufficient premiums if cost and claims development is stable or increases. Premium risks mainly result from natural disasters, accumulation risks and catastrophes. Accumulation risks result primarily from natural disasters such as storms, hail or flooding and, in rare cases, earthquakes. The reserve risk describes the risk of inappropriate claims reservation. Claims settlement may fluctuate in terms of timing and amount, meaning that the reserves recognised for claims payments may no longer be sufficient. In the property insurance business line, the reserve risk is of minor relevance, because claims can usually be settled quickly. In (motor vehicle) liability insurance and personal accident insurance, however, the reserve risk can be substantial due to the sometimes long settlement duration (e.g. for personal injuries) and exogenous factors (e.g. discounting rate).

In life and health insurance, biometric risks and cancellation risks are especially relevant. Biometric risks result from the deviation of expected biometric trends from actual biometric trends. They are affected by exogenous influences, such as life expectancy, mortality, probability of invalidity and medical advances. Risks arise both from short-term fluctuations and from longer-term change trends. The ability to manage insurance risks depends highly on the type of risk involved. The technical life and health insurance risks can be forecast relatively reliably using current mortality and disability tables, and they are limited through a conservative, needs-based cost calculation.

Cancellation risk means the detrimental change in the value of insurance liabilities as a result of changes in the amount or volatility of the cancellation, termination, renewal and redemption rates of insurance contracts. Scenarios are run to analyse a direct permanent increase of the cancellation rates, a permanent decline in cancellation rates and mass cancellation.

An economic model is used for measuring insurance risks that is based on the value-at-risk approach. In property and personal accident 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.

The W&W Group 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 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.

In addition to risk balancing through a mix of business lines and products, gross insurance risk is limited by efficient claims management and a conservative loss reserve policy.

As a rule, underwriting trends are continually analysed and monitored by way of controlling of premiums, costs, claims and benefits. The operational run-off risks of the UK subsidiary are handled by Antares Global Management Limited via a service contract under close supervision and governance by Württembergische Versicherung AG. Settlement risks are monitored through direct management and collaboration in the case of material business transactions, as well as through external run-off reviews and continual checking of loss reserves.

Insurance risks were in line with the risk strategy in 2022. The risk limit at the level of the W&W Group 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.

At Württembergische Lebensversicherung AG, high inflation may increase material and personnel costs moving forwards. Given the cautious tariff calculation, however, no other action is required at present. At Württembergische Krankenversicherung AG, benefits payments are expected to remain high due to inflation and these can be taken into account in future premium adjustments.

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

## Risk concentrations

The focus of the insurance business of the W&W Group is the German state of Baden-Württemberg, meaning that this gives rise to a regional risk concentration. By focusing on retail and commercial customers and avoiding high-volume individual risks through clear acceptance and underwriting policies, no 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 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. Assumed for this purpose for non-life insurance is the occurrence of an earthquake event in southern Germany with a magnitude of about 6. For life insurance, the occurrence of a combined longevity and disability shock is assumed. For policyholders with annuity insurance policies, mortality is assumed to decline by 20%. At the same time, the probability of disability is assumed to rise by 20%, and the probability of reactivation to fall by 20%.

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 non-life | Stress test life |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Eligible own funds | 7,181,601 | 6,755,023 | 7,118,900 |
| Solvency capital requirement | 2,886,578 | 2,924,535 | 3,083,515 |
| Solvency ratio (%) | 248.8 | 231.0 | 230.9 |

The considered scenario for non-life leads to a reduction of own funds of €426,578 thousand and an increase of the Solvency Capital Requirement of €37,957 thousand. The solvency capital ratio declines by 17.8 percentage points.

For life, the considered scenario leads to a reduction in own funds of €62,701 thousand and an increase in the Solvency Capital Requirement of €196,937 thousand. The solvency capital ratio declines by 17.9 percentage points.

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

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 outside capital markets. Because of its investment structure, the main risk drivers for the W&W Group are trends in interest rates and credit spreads and on the equity markets.

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 the W&W Group 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 |
|---|---|---|
| Credit spread risk | 11.7 | 18.5 |
| Equity risk | 12.9 | 13.6 |
| Interest rate risk | 21.3 | 12.5 |
| Participation risk | 6.6 | 6.3 |
| Real estate risk | 2.3 | 1.8 |

In the W&W Group, Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG, in particular, are exposed to **interest rate risks** in the form of interest rate change risks and interest guarantee risks. In addition, W&W AG and Württembergische Versicherung AG are also exposed to interest rate risks.

In light of interest rate hikes and the negative impact this has on reserves, there are risks in terms of net income for the year and from an economic perspective.

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.

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.

Accordingly, managing interest risks (interest rate change and interest guarantee risks) at the W&W Group is extremely important.

In the Life and Health Insurance segment (primarily, Württembergische Lebensversicherung AG), the following measures remain in place to govern interest rate risks:

- Active duration management of bond investments,
- Structural reallocations in the securities portfolio
- Use of derivatives, e.g. swaps, in order to hedge interest rate risks,
- Examination and use of alternative investment strategies and instruments,
- Creation of reserves: additional interest reserve for the new portfolio and interest rate reinforcement for the old portfolio,
- Development of products with alternative guarantee forms.

Low interest rates in recent years also posed great challenges for pension funds, including Allgemeine Rentenanstalt Pensionskasse AG, in terms of financing the build-up of the additional interest reserve/interest rate reinforcement under the ancillary condition of regulatory solvency. The significant hike in interest rates in 2022 improved the financing of the additional interest reserve/interest rate reinforcement under the ancillary condition of regulatory solvency improved for Allgemeine Rentenanstalt Pensionskasse AG and so a lower addition to the additional interest reserve/interest rate reinforcement is required. A return to low interest rates would cause this situation to worsen again. The interest rate calculation basis is also appropriate in the long term if current interest rates are maintained. Allgemeine Rentenanstalt Pensionskasse AG, working together with its sole shareholder Württembergische Lebensversicherung AG and in coordination with the German Federal Financial Supervisory Authority (BaFin), develops far reaching proposed solutions, some of which have already been implemented.

In the Housing segment (mainly Wüstenrot Bausparkasse AG), the following risk-mitigating measures were continued:

- Structural reallocations in the securities portfolio,
- Use of interest-rate-based hedging instruments (e.g. swaps),
- Active duration management of investments,
- Diversification in proprietary business in order to improve the yield profile,
- (Re-)investment prohibitions and
- Interest rate and pool management.

Current interest rate rises are linked to an increase in inflation. We report on the impact of inflation on the risk profile as a whole in the Business risks – war in Ukraine/ inflation/coronavirus pandemic section.

**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. The credit spread refers to the risk premium in the form of higher interest on a security subject to credit risk in relation to a comparable security without risk. Accordingly, only credit spread changes that do not lead to a change (migration, including default) of the rating are monitored. Owing to the structure of our investment portfolio – investment predominantly in fixed-income securities – credit spread risk plays a key role in market price risks. In interaction with risk controlling methods for counterparty credit risk, credit spread risks are subject to stringent governance (e.g. risk lines), including close coordination of investment projects in the areas of emerging markets, convertible bonds and high yields.

Of the companies of the W&W Group, significant **equity portfolios** are held by Württembergische Versicherung AG, Württembergische Lebensversicherung AG and W&W AG. Accordingly, sudden and severe price slumps on equity markets could impair the risk-bearing capacity of the Group companies that invest in equities by forcing write-downs.

Within the W&W Group, significant long-term equity investments are held by W&W AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG as individual companies. As part of SAA, the focus is increasingly on alternative investments in private equity and private debt participations and infrastructure. Alternative investments are accounted for in the economic risk-bearing capacity model mainly together with equity price risks. As a result of the high proportion of participations in the capital investment portfolio, W&W AG is subject to very material **participation risks** due to its business model. When participation risks materialise, valuation losses can result in the writing down of participations, the non-payment of dividends or the need to make contributions to earnings.

We influence the business and risk policy of our participations, inter alia, through our representation in supervisory bodies, depending on the size and significance of the participations. Participations are subject to stringent controlling. Among other things, this comprises the annual planning of dividends, medium-term economic planning, projections during the year and monthly target/actual comparisons for material long-term equity investments. Additionally, separate processes for risk governance and risk controlling are in place for private equities and alternative investments. In this way, impending participation risks can be responded to at an early stage.

Within the W&W Group, Württembergische Lebensversicherung AG, W&W AG and Württembergische Versicherung AG hold property portfolios in the form of direct investments and via fund mandates and participations. Our diversified property portfolios are an integral part of our investment portfolio. Our property investments focus on direct investments in Germany with stable value development and high fungibility. In keeping with SAA, investments were made for the purpose of further diversification, in line with the internationalisation of the property portfolio. **Real estate risks** are to be minimised through an appropriate selection of properties. Real estate risk plays a minor role compared with the other types of market price risk. In view of recently rising property prices in various regions and segments, however, future price corrections cannot be ruled out, particularly in the event of a sharp downturn in the economy or another sharp increase in interest rates.

**Foreign currency risks** can result from open net FX positions in globally aligned investment funds, as well as from foreign currency bonds and equity instruments held by of our insurance companies (mainly Württembergische Lebensversicherung AG and Württembergische Versicherung AG). In accordance with our strategic orientation, our foreign currency exposure is concentrated in Danish kroner and U.S. dollars. Within the scope of individual fund mandates, we also have minor exposure in other currencies. We hold the material foreign currency portfolios on the assets side for the purpose of currency-congruent coverage of underwriting liabilities. To limit foreign currency risks, we mainly invest in investment products in the euro zone and use and currency forwards for hedging. As part of active foreign currency management, the insurance companies systematically make use of income opportunities through open foreign currency positions.

The W&W Group is not exposed to material market price risks from off-balance-sheet items.

As part of asset liability management, asset and liability positions are managed and monitored in such a way that they correspond to the company's risk profile. We counter interest guarantee risks by managing durations and applying a dynamic product and pricing policy.

Prior to their introduction, new products (lending and deposit products) are submitted to a new-products process, especially in order to ensure proper handling by the accounting department and in the risk controlling systems.

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

Market price risks were in line with the risk strategy in 2022. The risk limit at the level of the W&W Group was complied with at all times. During the year, there were reallocations between the risk limits of individual risk types in market price risk.

## 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", the W&W Group is heavily invested in fixed-income securities. These securities are concentrated among certain business partners. This is also reflected in the Solvency Capital Requirement in the standard formula, which includes a capital requirement of €58,220 (previous year: €0) 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 volume and credit rating.

Based on the SSA, 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 by individual undertakings in the W&W Group in 2022, in line with the SAA. Interest rate risks are reduced through the use of derivatives (e.g. swaps), forward purchases and forward sales. In particular, equity risks are reduced through corresponding hedging strategies using derivatives (e.g. put options). Substantial parts of the foreign currency exposure are hedged against exchange rate fluctuations.

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

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

The framework for the use of derivatives is addressed in binding fashion in internal directives. Corresponding processes have been established to monitor the effectiveness of the use of derivatives. These consist of 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, for interest rate risk, a change in the interest rate curve by 50 basis points; for equity risk, a fall in equity prices by 36% (participations by 18%); and for credit spread risk, an increase in the credit spread by 50 basis points.

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

### Sensitivity of interest rate risk

| | Solvency II | Stress test: Interest rate +50 basis points | Stress test: Interest rate -50 basis points |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Eligible own funds | 7,181,601 | 7,027,926 | 6,973,120 |
| Solvency capital requirement | 2,886,578 | 2,745,602 | 2,929,511 |
| Solvency ratio (%) | 248.8 | 256.0 | 238.0 |

A lowering of the interest rate curve by 50 basis points would reduce own funds by €208,481 thousand and increase the Solvency Capital Requirement by €42,933 thousand. The solvency capital ratio declines by 10.8 percentage points. The sensitivity to a raising of the interest rate curve by 50 basis points would be an increase in the solvency ratio by 7.2 percentage points. 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 | 7,181,601 | 6,989,664 |
| Solvency capital requirement | 2,886,578 | 2,859,021 |
| Solvency ratio (%) | 248.8 | 244.5 |

A 36% decrease in equity prices would reduce own funds by €191,937 thousand and the Solvency Capital Requirement by €27,557 thousand. The solvency capital ratio declines by 4.3 percentage points. The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern equity risk and the sensitivities associated with it.

### Sensitivity of credit spread risk

| | Solvency II | Stress test |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 |
| Eligible own funds | 7,181,601 | 6,837,029 |
| Solvency capital requirement | 2,886,578 | 2,816,178 |
| Solvency ratio (%) | 248.8 | 242.8 |

A rise in the credit spread by 50 basis points would reduce own funds by €344,572 thousand and the Solvency Capital Requirement by €70,400 thousand. The solvency capital ratio declines by 6.0 percentage points. The securities affected by the increase in spreads in this scenario are those that are also to be backed by capital at risk when calculating the spread risk in accordance with the standard formula. These are mainly corporate bonds, including debt securities e.g. in the form of German covered bonds, emerging market government bonds and US municipals. 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), from the default of business partners in customer lending business (counterparty credit risk associated with customer lending business) and from the default on receivables due from counterparties in reinsurance.

For internal governance, credit risks from capital investments and from customer lending are measured using a loan portfolio model. In this regard, in an economic view, risk capital requirements are calculated as value at risk with the prescribed confidence level of 99.5% on the basis of one-year migration or default 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 the W&W Group, 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 | 10.7 | 16.0 |
| Counterparty credit risk in customer lending business. | 2.7 | 2.3 |
| Other counterparty credit risk | 0.8 | 0.6 |

Württembergische Lebensversicherung AG, Württembergische Versicherung AG, W&W AG and Wüstenrot Bausparkasse AG are particularly exposed to counterparty credit risks from capital investments. In line with our strategic orientation, the credit rating structure of our interest-bearing securities is conservative, with 90.3% (prior year: 92.2%) of investments in the investment grade range. The market values/carrying amount for interest-bearing securities decreased in 2022, primarily due to higher interest rates. On the whole, investments with longer terms were more sensitive here than investments with shorter terms. Longer-term investments are made primarily with debtors with credit ratings in the upper investment grade segment. As a result, the market value there fell proportionately more sharply than in the non-investment grade segment, leading to a decline in the investment grade ratio.

Our subordinated commitments (participation rights, silent participations and other subordinated receivables) still account for a relatively low share of our investment portfolio's total volume. There are still increased credit rating-related default risks for uncollateralised and subordinated commitments on financial markets. Interest losses and reductions in nominal amounts (haircuts) still cannot be ruled out in the case of subordination.

Negative effects from country-specific developments and the uncertain further development of the global economy cannot be ruled out for emerging market exposures either.

The W&W Group's most significant counterparty credit risks from customer lending exist at Wüstenrot Bausparkasse AG. Württembergische Lebensversicherung AG's mortgage portfolio is of minor significance. In customer lending business, the W&W Group largely focuses on construction financing loans for retail customers, which are secured with inrem collateral. Our receivables portfolio mainly consists of loans, most of which are secured by land charges and are intrinsically diversified. Given the high level of granularity, there are no appreciable risk concentrations in our customer loan portfolios. Due to our strategic orientation, our loan portfolios are mainly subject to pool and structural risks. Detailed caps are set for Wüstenrot Bausparkasse AG's customer lending and public sector lending business to avoid potential risk concentrations from high-volume individual risks.

W&W AG and Württembergische Versicherung AG may be exposed to bad-debt risks vis-à-vis other contracting partners, particularly in connection with reinsurance. Reinsurance activities are pooled in the reinsurance unit of Württembergische Versicherung AG. Bad-debt risks in reinsurance business (risk type "other counterparty credit risks") were determined on the basis of the capital to be provided in accordance with the economic risk-bearing capacity model, and they remain constant at a low level.

The W&W Group 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 mainly limited to credit ratings in the investment grade range. Other risk management methods used by the W&W Group 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 the W&W Group 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 classification and scoring procedures
  Customer loan portfolios are managed through classification into risk classes using loss potentials. Loans are concluded after first checking the borrower's credit rating and taking into consideration internal value determination and processing guidelines.
- Risk provision
  Impending defaults relating to investments, customer lending, or reinsurance business are taken into account by means of appropriate impairment allowances.

In 2022 counterparty credit risks were in line with the risk strategy. The risk limit at the level of the W&W Group 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.

The customer loan portfolio is 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.

Regardless of this, the loan loss ratio in Wüstenrot Bausparkasse AG's customer lending business remained more on less on par with the previous year. At the start of the coronavirus pandemic, an additional risk provision was recognised on account of management's risk expectation at this time. However, no measurably higher counterparty default risks have occurred at the W&W Group since the outbreak of the coronavirus pandemic and so the pandemic-related additional risk provision was reversed in full in 2022. 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 current uncertainties about further economic and geopolitical developments, we still expect that the W&W Group will be exposed to increased risks in the area of counterparty credit risk.

## Risk concentrations

Owing to regulatory requirements and internal rating requirements, the W&W Group 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, the W&W Group 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.

The strategic alignment in customer lending business is concentrated on small retail lending business for residential construction, with a high proportion of employed borrowers. As a result, the extensive concentration on Germany means significant dependence on the national economic situation.

## 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 | 7,181,601 | 7,112,286 |
| Solvency capital requirement | 2,886,578 | 3,065,118 |
| Solvency ratio (%) | 248.8 | 232.0 |

A default by the largest counterparty outside the Group would lead to a reduction of own funds of €69,315 thousand and an increase in the Solvency Capital Requirement of €178,540 thousand. The solvency capital ratio declines by 16.8 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 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).

The W&W insurers have permanent liquidity inflows through premium payments by their customers, capital income and repayments. Therefore, given that the available investments can be liquidated, refinancing and market liquidity risks are of minor significance for these companies. For Wüstenrot Bausparkasse AG, liquidity procurement is of fundamental importance. Its refinancing volume is secured through available offer volume for open-market operations/repos, issuing potential of German covered bonds, available money market and credit lines, issues of promissory notes and uncollateralised securities, and funding from new deposit business. Also, it does not appear from the current situation on the capital markets that there are any acute, substantive market liquidity risks for the investments of the W&W Group.

The investment policy of the W&W Group 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 the W&W Group 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.
- Regulatory indicators, portfolio parameters
  Key influence factors are reviewed and analysed in order to comply with the indicators specified by the regulatory authorities. Other portfolio parameters are analyses, e.g. by haircut category and rating class.

- 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.
- Liquidity planning
  Liquidity planning at Group level is based on liquidity data available from the individual undertakings, which essentially comprises balances of inflows and outflows from ongoing operations and other available funding potential (e.g. own issues, borrowing via central banks).
- Contingency measures
  Contingency measures and liquidity buffer monitoring are intended to ensure that even exceptional situations can be handled. 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.

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

## Risk concentrations

The W&W Group benefits from the diversification of its refinancing sources. Concentrations in illiquid asset classes are controlled by grouping investments into liquidity classes. The implemented liquidity management is designed so as to be able to meet financial obligations at all times, and as a result, the W&W Group is not exposed to any appreciable risk concentrations.

## 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 the W&W Group under Solvency II amounts to €1,074,896 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 mainly result from processes, IT systems, physical information storage devices, technical equipment or buildings that are relevant to the storage and processing of data.
- Model risk
  Model risk means the possible loss that an undertaking may suffer as a consequence of decisions made essentially on the basis of model results that are flawed in their development, execution or use.
- Service provider risk
  Service provider risk mainly refers to risks resulting from contractual relationships with third parties. This includes outsourcing risks, especially outsourcing outside the Group.

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

The W&W Group 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 risk 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 outsourcing management via the Retained Organisation, e.g. in the form of risk analyses.
- Personnel management
  The success of 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.
- 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.
- Loss event database
  As for the risk inventory, operational loss events are recorded in a new software application implemented in the financial year. Entries in the loss event database are analysed and edited. Measures are documented and monitored as part of risk governance.
- 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 in line with the risk strategy. The risk limit at Group level was complied with at all times.

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

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

## 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 the W&W Group 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.

## 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

Cyber insurance has been taken out to further minimise the risk from cyber threats. 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). This also includes risks from changed customer behaviour in the home loan savings pool, which in home loan savings business may result from the exploitation of existing product options and elective opportunities, irrespective of trends in market interest rates.
- Reputation risk
  If the undertaking's reputation or brand were to suffer damage, there is a risk of losing business volume. 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 W&W Group 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. The forward-looking evaluation of the critical internal and external factors that influence the business model helps to assure that the strategic objectives are achieved.
  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. The W&W Group 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 and of taking them into consideration in setting the undertaking's business strategy.
- Management of reputation risk and transparent communication
  The W&W Group's public image is permanently monitored, and an effort is made to maintain its reputation by means of a transparent communication policy when faced with critical situations. The operational W&W units identify and assess reputation risks within their business processes.

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

Developments in the war in Ukraine also result in increased cyber risks.

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.

## 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 the W&W Group may have a significant impact on the development of the solvency ratio.

## C.7 Other disclosures

### Sustainability risks

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 the W&W Group. Accordingly, sustainability risks are to be addressed in the organisation and actions of the W&W Group and the related individual undertaking 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 the W&W Group'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 Assessment for solvency purposes

## Group solvency overview: Assets

| | Solvency II | IFRS (carrying amount) |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 |
| Goodwill | | – |
| Deferred acquisition costs | | 110,848 |
| Intangible assets | – | 127,788 |
| Deferred tax assets | – | 950,881 |
| Pension benefit surplus | – | – |
| Property, plant & equipment held for own use | 638,594 | 698,752 |
| Investments (other than assets for index- or unit-linked contracts) | 30,913,474 | 33,427,531 |
| Property (other than for own use) | 2,202,663 | 1,828,705 |
| Holdings in affiliated companies, including participations | 2,474,408 | 1,542,259 |
| Equities | 305,909 | 3,040,781 |
| Equities – listed | 5,000 | 369,112 |
| Equities – unlisted | 300,909 | 2,671,669 |
| Bonds | 11,644,776 | 25,696,414 |
| Government bonds | 6,569,683 | 11,697,293 |
| Corporate bonds | 4,836,232 | 11,469,379 |
| Structured notes | 214,032 | 2,112,124 |
| Collateralised securities | 24,829 | 417,618 |
| Collective investment undertakings | 13,870,170 | 464,800 |
| Derivatives | 135,243 | 364,980 |
| Deposits other than cash equivalents | 280,306 | 489,591 |
| Other investments | – | – |
| Assets held for index-linked and unit-linked contracts | 2,220,349 | 2,277,646 |
| Loans and mortgages | 1,023,143 | 25,620,967 |
| Loans on policies | 24,119 | 24,119 |
| Loans and mortgages to individuals | 830,351 | 25,567,041 |
| Other loans and mortgages | 168,673 | 29,807 |
| Reinsurance recoverables from: | 31,933 | 357,511 |
| Non-life and health similar to non-life | 207,413 | 340,884 |
| Non-life excluding health | 207,480 | 340,650 |
| Health similar to non-life | -67 | 233 |
| Life and health similar to life, excluding health and index-linked and unit-linked | -175,481 | 16,628 |
| Health similar to life | -174,815 | – |
| Life excluding health and index-linked and unit-linked | -665 | 16,628 |
| Life index-linked and unit-linked | – | – |
| Deposits to cedants | 964 | 964 |
| Insurance and intermediaries receivables | 135,940 | 129,824 |
| Reinsurance receivables | – | – |
| Receivables (trade, not insurance) | 232,559 | 492,389 |
| Own shares (held directly) | 4,256 | 1,323 |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | – | – |
| Cash and cash equivalents | 115,621 | 1,227,889 |
| Any other assets, not elsewhere shown | 136,347 | 65,200 |
| **Total assets** | **35,453,180** | **65,489,513** |

## Group solvency overview: Liabilities

| | Solvency II | IFRS (carrying amount) |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 |
| Technical provisions – non-life | 1,285,023 | 2,704,156 |
|   Technical provisions – non-life (excluding health) | 1,289,354 | 2,578,711 |
|     Technical provisions calculated as a whole | | |
|     Best estimate | 1,126,757 | |
|     Risk margin | 162,597 | |
|   Technical provisions – health (similar to non-life) | –4,331 | 125,445 |
|     Technical provisions calculated as a whole | | |
|     Best estimate | –24,042 | |
|     Risk margin | 19,711 | |
| Technical provisions – life (excluding index-linked and unit-linked) | 21,448,811 | 29,436,003 |
|   Technical provisions – health (similar to life) | 813,080 | 2,686,760 |
|     Technical provisions calculated as a whole | | |
|     Best estimate | 138,371 | |
|     Risk margin | 674,709 | |
|   Technical provisions – life (excluding index-linked and unit-linked) (excluding health and index-linked and unit-linked) | 20,635,731 | 26,749,243 |
|     Technical provisions calculated as a whole | | |
|     Best estimate | 20,634,203 | |
|     Risk margin | 1,528 | |
| Technical provisions – index-linked and unit-linked | 2,164,519 | 2,277,646 |
|     Technical provisions calculated as a whole | | |
|     Best estimate | 2,056,256 | |
|     Risk margin | 108,263 | |
| Any other technical provisions | | –3,503,294 |
| Contingent liabilities | – | – |
| Provisions other than technical provisions | 6,804 | 747,695 |
| Pension benefit obligations | 921,011 | 1,157,867 |
| Deposits from reinsurers | 38,644 | 38,813 |
| Deferred tax liabilities | 463,795 | 67,208 |
| Derivatives | 17,611 | 65,928 |
| Debts owed to credit institutions | 132,453 | 2,697,422 |
| Financial liabilities other than debts owed to credit institutions | 107,220 | 24,003,158 |
| Insurance and intermediaries payables | 77,452 | 662,040 |
| Reinsurance payables | – | – |
| Payables (trade, not insurance) | 435,026 | 657,430 |
| Subordinated liabilities | 504,682 | 641,468 |
|   Subordinated liabilities not in Basic Own Funds | 36,642 | 111,849 |
|   Subordinated liabilities in Basic Own Funds | 468,040 | 529,619 |
| Any other liabilities, not elsewhere shown | 1,292 | 125,097 |
| **Total liabilities** | **27,604,343** | **61,778,637** |
| **Excess of assets over liabilities** | **7,848,837** | **3,710,876** |

The Group solvency overview can also be found in the Annex in Template S.02.01.02. The Group solvency overview was prepared based on that for W&W AG and was audited pursuant to Section 25 (2) of the German Act on the Supervision of Insurance Undertakings (VAG). The calculation was performed using the consolidation method (method 1).

## Solvency II scope of consolidation

The Solvency II scope of consolidation and the consolidation methods to be applied depend on the degree of control and type of undertaking.

### Degree of control

The Solvency II group assumes that it has a dominant influence on the affiliated company if it directly or indirectly holds more than 50% of the shares of capital or voting rights. The Solvency II group assumes that it has a significant influence on the affiliated company if it directly or indirectly holds at least 20% and less than 50% of the shares of capital or voting rights.

In addition to the aforementioned quantitative parameters, consideration is also given to qualitative criteria, such as arrangements in company law, the articles of association or contracts.

### Type of undertaking

The affiliated companies and the associates are assigned to one of the following types of undertakings, irrespective of the corporate purpose specified in the articles of association:

- Re-) insurance undertakings,
- Ancillary services undertakings,
- Entities from other financial sectors,
- Other undertakings.

## Solvency II consolidation methods

Depending on the degree of control and the type of undertaking, the following consolidation methods are used at the time of consideration:

**Consolidation method**

| Type of undertaking | Degree of control | Consolidation method |
|---|---|---|
| (Re-) insurance undertakings | Dominant | Full consolidation |
| Ancillary services undertakings | Dominant | Full consolidation |
| Entities from other financial sectors | Dominant | Sectoral own funds |
| Entities from other financial sectors | significant | Sectoral own funds |
| Other undertakings | Dominant | IFRS participation value |
| Other undertakings | significant | IFRS participation value |

### Full consolidation

The undertakings are taken into consideration in the Group solvency overview in accordance with the methods of capital consolidation. Transactions within the Group are eliminated as part of consolidation measures.

The following (re-) insurance undertakings are fully consolidated:

- Wüstenrot & Württembergische AG,
- Württembergische Versicherung AG,
- Württembergische Lebensversicherung AG,
- Württembergische Krankenversicherung AG.

The following ancillary services undertakings (see Article 1 No. 53 of Delegated Regulation (EU) 2015/35) exceed the materiality thresholds defined in the Group and are therefore fully consolidated:

- City Immobilien GmbH & Co. KG der Württembergischen,
- Feuersee Entwicklungsgesellschaft mbH & Co. KG,
- Gerber GmbH & Co. KG,
- W&W Informatik GmbH.

The other ancillary services undertakings are viewed as other undertakings and are taken into consideration in the Group solvency overview in accordance with the IFRS participation value.

### Sectoral own funds

The undertakings are taken into consideration in the amount of pro-rata own funds, which were calculated in accordance with sectoral rules. The proportion result from the amount of the participation ratio.

### IFRS participation value

As a rule, the undertakings are taken into consideration in the Group solvency overview in simplified fashion at their pro-rata IFRS participation value. Wüstenrot Haus- und Städtebau GmbH is taken into consideration at the IFRS equity, and Wüstenrot Immobilien GmbH at the HGB equity.

The following sections first present the bases applicable overall. Presented thereafter are the recognition and valuation methods for the material items of the Group solvency overview, as well as the differences between the Solvency II values and the IFRS values.

# 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.

The consolidated financial statements of W&W AG are prepared on the basis of Section 315e (1) HGB in conjunction with Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of IFRS international accounting standards, as they are to be applied in the European Union. For the purpose of preparing the IFRS consolidated financial statements, the individual companies provide W&W AG with, inter alia, IFRS carrying amounts and IFRS disclosures in the form of reporting data.

The recognition of assets for the purposes of the 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 our 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 Solvency II group 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 and
- the volume or level of activity in markets within which the inputs are observed.

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

The valuation procedures used to determine fair value are appropriate and are based on market data from market data providers observable on the active market. 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, loans and mortgages), 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 IFRS accounting and Solvency II purposes in the identical manner, since the economic value represents the price that would be received if an asset were sold in an orderly transaction between market participants on the valuation date. In the case of interest-bearing positions, the prorated deferred interest amount on the measurement date is also relevant for Solvency II purposes.

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

## Level 3: Alternative valuation methods

If current, verifiable market data are not sufficiently available for determining fair value with valuation models, or if observable inputs are substantially modified, an allocation to Level 3 takes place directly (Article 10(5) of Delegated Regulation (EU) 2015/35). When doing so, the Solvency II group 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) or
- cost approach or current replacement cost approach.

Alternative valuation methods are applied in connection with the provisions mentioned here. The Solvency II group 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 capital investments (including properties and derivatives) | 34,898,790 | – |
| thereof valued using alternative valuation methods | 6,077,422 | 17.4 |

## 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 Solvency II group 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.

The largest share of capital investments valued using alternative valuation methods is property (other than for own use), with a Solvency II value of €2,202,663 thousand. In this regard, the most significant influence on the valuation of properties in third-party use is exercised by the value that can be realised in the event of a future sale, which is calculated on the basis of so-called “exit factors”. The exit factors identifiable on the property market are monitored and analysed on a continuous basis. In this regard, compared to the market, conservatively assigned exit factors are used, meaning that there is no risk of an overstated valuation.

The second largest share of capital investments valued using alternative valuation methods are collective investment undertakings at €2,169,105 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 Solvency II group 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.

Property, plant and equipment held for own use accounts for the third largest share at €638,594 thousand. For properties for own use, external appraisers are engaged if the parameters relevant for the valuation have changed significantly. The valuation is performed on the basis of the capitalised earnings method pursuant to the German Ordinance on the Determination of Property Values (Immobilienwertermittlungsverordnung). When determining property values, the engaged appraisers 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 within the Solvency II 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 the property is being used by Group companies. 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.

## Deferred tax assets

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Deferred tax assets | – | 950,881 | –950,881 |

### 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 each company. In order to increase meaningfulness and comparability, deferred taxes are shown netted.

### IFRS

Valuation differences compared with the IFRS value result from the different reference values used to create deferred tax assets. Deferred tax assets under Solvency II are created on the basis of different carrying amounts in the balance sheet drawn up for tax purposes and in the solvency overview. By contrast, deferred tax assets in the IFRS consolidated financial statements are created on the basis of different carrying amounts between the balance sheet drawn up for tax purposes and the IFRS consolidated balance sheet.

## Property, plant & equipment held for own use

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Property, plant & equipment held for own use | 638,594 | 698,752 | –60,158 |

### Solvency II

The term “property, plant and equipment 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 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”.

Pursuant to IFRS 16, leased properties for own use are recognised as a right of use under “Property, plant and equipment held for own use”. At the start of the lease, the lessee’s balance sheet shows the right of use as an asset, along with a lease liability in the same amount. Measurement subsequently takes place at amortised cost.

### IFRS

The Solvency II value does not include property, plant and equipment of the undertakings in the Housing division. Working in the opposite direction in the case of properties for own use are the differences between the valuation at the economic value and the cost model.

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

## Property (other than for own use)

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Property (other than for own use) | 2,202,663 | 1,828,705 | 373,958 |

### Solvency II

For the IFRS consolidated financial statements, the cost model under IAS 40 is used to value property (other than for own use), meaning that a revaluation is undertaken for Solvency II purposes.

The values of properties (other than for own use) are calculated for Solvency II purposes upon purchase on the basis of appraisals. If the value determined there can no longer be viewed as appropriate, an internal valuation model is applied (discounted cash flow method in accordance with the income approach), which is prepared twice a year on the valuation date. The considered cash flows include various property-specific parameters, which depict the income and expense perspective in a 10-year forecast. This mainly concerns rental income, as well as the expenses associated with preserving and increasing the value of the property. This is performed on the basis of the rules in IAS 40 for the fair value model. This has to do with an alternative valuation method, since for properties there are no active markets within the meaning of the valuation hierarchy presented above.

### IFRS

The difference between the Solvency II value and the IFRS value essentially results from the differences between the valuation at the economic value and the cost model (silent reserves).

## Holdings in affiliated companies, including participations

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Holdings in affiliated companies, including participations | 2,474,408 | 1,542,259 | 932,149 |

## Solvency II

Recognised under this item under Solvency II are affiliated companies that are not considered as part of full consolidation. This concerns holdings in subsidiaries and participations, as well as commitments in the area of alternative investments with a participation of at least 20%.

The major share of this item is attributable to holdings in entities from other financial sectors, which are recognised in the Group solvency overview at their prorated sectoral own funds.

The method for valuing the other 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 Group’s affiliated companies are often not insurance undertakings, such that valuation in accordance with the aforementioned adjusted equity method would not be practical, it was not applied for certain undertakings. In view of the fact that the participation portfolio is so multifaceted, valuation is often 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.

## IFRS

The differences between the carrying amounts in the solvency overview and in the financial reporting are initially the result of the essentially different methods used to determine the value of the holdings in affiliated companies. However, key differences result from the fact that various undertakings and funds are fully consolidated in the IFRS consolidated financial statements, whereas in Solvency they are recognised under the item “Holdings in affiliated companies, including participations”.

# Bonds

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Government bonds | 6,569,683 | 11,697,293 | −5,127,610 |
| Corporate bonds | 4,836,232 | 11,469,379 | −6,633,147 |
| Structured notes | 214,032 | 2,112,124 | −1,898,092 |
| Collateralised securities | 24,829 | 417,618 | −392,789 |
| **Bonds** | **11,644,776** | **25,696,414** | **−14,051,638** |

## 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.

### Structured notes

No price was available on an active market during the period under review for the structured notes in the portfolio. Thus, the economic value was derived from comparable assets, taking into account a necessary adjustment of specific parameters (Solvency II Valuation Level 2).

The fair value of unlisted structured notes 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).

### Collateralised securities

No price was available on an active market during the period under review for the collateralised securities in the portfolio. The economic value of the collateralised securities was derived from comparable assets, taking into account a necessary adjustment of specific parameters, or on the basis of mathematical valuation models customary on the market, using liquid input parameters (Solvency II Valuation Level 2). The fair value of unlisted collateralised securities is calculated using mathematical valuation models customary on the market, using market data as input parameters (inter alia, risk-free interest rate, spreads, exchange rates).

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

### IFRS

In the IFRS consolidated balance sheet, the carrying amount pursuant to IFRS 9 is determined in accordance with the allocation of the bonds to one of the following categories of financial instruments:

- Financial assets at fair value through profit or loss,
- Financial assets at fair value through other comprehensive income or
- Financial assets at amortised cost.

The different valuations for IFRS purposes lead to deviations from the Solvency II values.

However, key differences between the Solvency II values and the IFRS values result mainly from the fact that various undertakings (primarily Wüstenrot Bausparkasse AG) and funds are fully consolidated in the IFRS consolidated balance sheet but not in Solvency II.

## Collective investment undertakings

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Collective investment undertakings | 13,870,170 | 464,800 | 13,405,370 |

### 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).

For some property funds, which closed because of lack of market activities, fair value is the forecast sales value of the funds. This has to do with an alternative valuation method, since for these property funds there are no active markets within the meaning of the valuation hierarchy presented above. They are carried over into the solvency overview for Solvency II purposes.

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

### IFRS

Differences result from the fact that various undertakings and funds are fully consolidated in the IFRS consolidated financial statements, whereas in Solvency II they are recognised under the item “Holdings in affiliated companies, including participations”.

## Assets held for index-linked and unit-linked contracts

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Assets held for index-linked and unit-linked contracts | 2,220,349 | 2,277,646 | −57,297 |

### Solvency II

Recognised under this item are assets held for index-linked and unit-linked contracts. The Solvency II value for unit-linked contracts corresponds to the redemption price of the fund units calculated and provided by the capital management company 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). In addition, since 2016, Württembergische Lebensversicherung AG has offered insurance contracts with profit participation in the form of index participation. Index participation is depicted by means of OTC options. The Solvency II value of complex index options (derivatives) corresponds to the fair value of the options calculated and made available by the counterparties. This has to do with an alternative valuation method.

### IFRS

The difference between the value under Solvency II and the value in IFRS financial reporting is due to the fact that as another financial sector entity, Allgemeine Rentenanstalt Pensionskasse AG is not fully consolidated.

## Loans and mortgages to individuals

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Loans and mortgages to individuals | 830,351 | 25,567,041 | −24,736,690 |

### Solvency II

For the IFRS consolidated financial statements, loans and mortgages to individuals are valued at amortised cost, meaning that a revaluation is undertaken for Solvency II purposes.

For mortgage loans, the “dirty value” (present value, including prorated deferred interest on the valuation date) is recognised as the Solvency II value.

The Solvency II valuation method for mortgages is assigned to Level 2 analogous to the IFRS fair value hierarchy. The main factor for the valuation is the German covered bond curve observable on the market and in effect on the relevant cut-off date. It is correspondingly adjusted by the premium of an undertaking-specific spread pursuant to Article 10(3)(a) of Delegated Regulation (EU) 2015/35. In the process, the cash flows to be expected in the future are discounted using the interest rates applicable to the corresponding remaining maturity. The undertaking-specific spread is determined by taking into consideration cost components and the product calculation. Uncertainties exist with regard to future trends in these components and with respect to the risk provision in the future trend in default probability and amount.

This risk provision is determined in accordance with the default amount and probability for each contract. The future expected default amounts and probabilities are based on past experience. In addition, calculation of the risk provision also includes the basic economic conditions, with the current and foreseeable circumstances.

Optionalities, such as embedded special rights of termination and repayment, are taken into consideration on a blanket basis. The appropriateness of the applied methods and input factors is assured in that they are checked each year for maximum objectivity and whether they are up to date and then adjusted if necessary.

### IFRS

The differences essentially result from the different carrying amounts at economic value instead of at amortised cost.

However, the key difference is that the item "Loans and mortgages to individuals" under IFRS includes, in particular, loans under home loan savings contracts, as well as preliminary and interim financing loans made by Wüstenrot Bausparkasse AG to customers. These values are not included in the Solvency II value due to the different scopes of consolidation.

# D.2 Technical provisions

## Composition of technical provisions

The following table lists the technical provisions – consisting of the two components "Best estimate" and "Risk margin" – of the Solvency II group by business line. The second column presents the corresponding IFRS provisions.

**Technical provisions (best estimate and risk margin)**

| | Solvency II | IFRS (carrying amount) |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 |
| **Non-life (excluding health)** | **1,289,354** | **2,578,711** |
| Best estimate | 1,126,757 | - |
| Risk margin | 162,597 | - |
| **Health (similar to non-life)** | **−4,331** | **125,445** |
| Best estimate | −24,042 | - |
| Risk margin | 19,711 | - |
| **Health (similar to life)** | **813,080** | **2,686,760** |
| Best estimate | 138,371 | - |
| Risk margin | 674,709 | - |
| **Life (excluding health and index-linked and unit-linked)** | **20,635,731** | **26,749,243** |
| Best estimate | 20,634,203 | - |
| Risk margin | 1,528 | - |
| **Index-linked and unit-linked** | **2,164,518** | **2,277,646** |
| Best estimate | 2,056,256 | - |
| Risk margin | 108,263 | - |
| **Technical provisions — total** | **24,898,354** | **34,417,806** |

The recognition of the indicated risk margin is materially influenced by the utilised transitional arrangement on provisions. Please see the following section for an explanation of the transitional arrangement on provisions. The utilised transitional arrangement on provisions is determined per business line, with the deduction initially being made from the risk margin of the respective business line. Portions of the deduction permitted by the transitional arrangement on provisions that exceed the risk margin are deducted from the best estimate of the respective business line.

## Solvency II

Under Solvency II, the technical provisions of the Solvency II group are the sum of the best estimate and the risk margin.

The consolidated best estimate is calculated pursuant to Article 339 of Delegated Regulation (EU) 2015/35. In this regard, the values for the technical provisions of the subsidiaries are used as the basis and adjusted for internal Group transactions.

Solvency II provisions at Württembergische Krankenversicherung AG were measured using an internal valuation model for the first time as at the reporting date. The second-tier calculation bases for this undertaking and for Württembergische Lebensversicherung AG were also updated as scheduled in the reporting period. Other than that, there were no material changes at any of the subsidiaries to the assumptions on which calculation of the technical provisions was based.

In accordance with Article 340 of Delegated Regulation (EU) 2015/35, the Group risk margin is the sum of the risk margins of the subsidiaries.

As at the reporting date, the reinsurance recoverables of the Solvency II group amounted to €31,933 thousand. They correspond to the reinsurers' portion of technical provisions.

Württembergische Lebensversicherung AG applies the volatility adjustment pursuant to Section 82 VAG and the transitional arrangement on provisions pursuant to Section 352 VAG. The provisions of the individual undertaking are included in the calculation of the technical provisions at the Group level, giving consideration, if necessary, to the volatility adjustment and the transitional arrangement on provisions. Because of the transitional arrangement on provisions approved by BaFin, Württembergische Lebensversicherung AG is temporarily permitted to claim a deduction in the case of technical provisions. This deduction corresponds to a portion of the difference between the technical provisions (after deduction of the reinsurance recoverables) that were calculated as at 1 January 2016 under Solvency II and the value of this item that was calculated under the HGB as at 31 December 2015. The maximum deductible portion falls at the start of each calendar year on a straight-line basis from 100% in 2016 to 0% on 1 January 2032.

In the course of the volatility adjustment, Württembergische Lebensversicherung AG applies a premium of 19 basis points on the yield curve as at the reporting date.

Neither the matching adjustment pursuant to Section 80 VAG nor the transitional arrangement on the term structure of interest rates pursuant to Section 351 VAG is used.

The following table shows the effects that result from non-consideration of the volatility adjustment and non-consideration of the transitional arrangement on provisions.

**Impact of the volatility adjustment and the transitional arrangement on provisions**

| | Solvency II | excluding consideration of the volatility adjustment | excluding consideration of the transitional arrangement on provisions | excluding consideration of the transitional arrangement on provisions and excluding consideration of the volatility adjustment |
|---|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Technical provisions | 24,898,354 | 24,994,958 | 26,781,080 | 26,877,684 |
| Basic own funds | 5,057,191 | 5,208,319 | 3,765,730 | 3,908,603 |
| Own funds eligible for the Solvency Capital Requirement (SCR) | 7,181,601 | 7,332,728 | 5,890,139 | 6,033,013 |
| Own funds eligible for the Minimum Capital Requirement (MCR) | 5,055,211 | 5,208,319 | 3,726,116 | 3,883,689 |
| Solvency Capital Requirement (SCR) | 2,886,578 | 3,197,111 | 2,871,278 | 3,190,769 |
| Minimum Capital Requirement (MCR) | 1,132,276 | 1,290,897 | 1,065,164 | 1,223,611 |
| **Solvency ratio (in %)** | **248.8** | **229.4** | **205.1** | **189.1** |
| **Minimum solvency ratio (in %)** | **446.5** | **403.5** | **349.8** | **317.4** |

For further information about the impact of the volatility adjustment and the transitional arrangement on provisions, please see Template S.22.01.22 in the Annex.

## Differences compared with IFRS

In conformity with IFRS 4, insurance-specific business transactions for which IFRS do not include any specific rules are recognised in accordance with the relevant rules of commercial law pursuant to Sections 341 et seq. HGB and the regulations based on them. All insurance contracts concluded by W&W Group undertakings transfer significant insurance risk, i.e. they are insurance contracts within the meaning of IFRS 4. Pursuant to IFRS 4.14 (a), liabilities may not be recognised for claims equalisation reserves to be created in property and personal accident insurance according to national rules, nor for reserves similar to claims equalisation reserves.

The business lines for which reserves are measured under the HGB are more granular than the Solvency II business lines. Each of the individual business lines for which reserves are measured under the HGB is assigned to a specific Solvency II business line. This ensures the availability of the data needed for the calculations and the consistent applicability of the calculation results for risk management and reporting purposes.

The valuation differences between the technical provisions for solvency purposes and those under IFRS are the result of valuation differences in the technical provisions of the individual companies. Therefore, the following summarises only the material valuation differences. For other differences, please see Section D.2 of the respective Solvency and Financial Condition Reports of the individual undertakings as at the reporting date.

- Under Solvency II, the technical provisions for the business lines “Life excluding health and index-linked and unit-linked” and “Health (similar to life)” are calculated with the aid of cash flows from premiums and for benefits, using a risk-free yield curve. The expected profit participation is included, particularly for future years. Under the HGB, technical provisions are determined as at a cut-off date.
- In the business line “Non-life (excluding health)”, the premium provisions under Solvency II are compared with the HGB provision for unearned premiums, and the Solvency II claims equalisation reserve corresponds to the HGB provision for outstanding insurance claims. A key difference is that the HGB items are not discounted. In contrast to the provision for unearned premiums, future cash flows are also taken into consideration in the premium provisions. 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 takes the principle of prudence into account.
- Moreover, in the area of health insurance, valuation differences are attributable to the fact that business is sometimes categorised differently in the areas “Health (similar to life)” and “Health (similar to non-life)”. For instance, only short-term obligations under Solvency II fall under the business line “Health (similar to non-life)”.

- A provision corresponding to the risk margin is not found in the HGB. The risk of future fluctuations in the amounts required to satisfy obligations by a best estimate is implicitly taken into consideration under the HGB through prudent actuarial assumptions and prudent reserving.

In addition to those mentioned above, differences between the Solvency II values and the IFRS values also result from the fact that the technical provisions of Allgemeine Rentenanstalt Pensionskasse AG are not included in the Solvency II value for technical provisions.

## Analysis of the total value of the Group's technical provisions

The following presents an analysis of the Solvency II provisions of the individual business lines. The technical provisions of the individual undertakings are used to calculate the technical provisions of the Solvency II group. For a description of the bases, methods and main assumptions used to derive them, please see Section D.2 of the respective Solvency and Financial Condition Reports of the individual undertakings as at the reporting date. In the Group solvency overview, the provisions of the individual undertakings are adjusted for internal Group transactions. This mainly relates to W&W AG, which offers reinsurance coverage to Württembergische Versicherung AG.

In addition, the provisions of W&W AG are further adjusted in the course of consolidation. W&W AG as an individual undertaking values its provisions with one-year contract limits, whereas Württembergische Versicherung AG does so on the basis of multi-year contract limits. Therefore, in order to be able to consolidate uniformly on the basis of the multi-year view, a corrective booking is made to the provisions of W&W AG in the amount of the value differences between the one-year and multi-year view. The corrective booking has only a minor impact on the amount of the technical provisions of the Solvency II group.

The technical provisions of the Solvency II group can be broken down as follows:

### Non-life (excluding health)

| in € thousands | 31.12.2022 |
|---|---|
| **Group provisions** | **1,289,354** |
| Württembergische Versicherung AG | 1,226,085 |
| W&W AG | 63,270 |

The business line "Non-life (excluding health)" contributes about 5.2% to the technical provisions of the Solvency II group after consolidation. Most of these provisions are attributable to Württembergische Versicherung AG. The remainder of the Group provisions in the business line "Non-life (excluding health)" result from the provisions of W&W AG.

### Health (similar to non-life)

| in € thousands | 31.12.2022 |
|---|---|
| **Group provisions** | **–4,331** |
| W&W AG | 4,122 |
| Württembergische Versicherung AG | –8,453 |

The provisions in the business line "Health (similar to non-life)" are negative in some cases on the level of the individual undertakings. This relates in particular to the provisions of Württembergische Versicherung AG. The provisions result from claims provisions and premium provisions. The premium provisions consist of future premium payments, future claim payments and costs incurred in the future. In making the determination, the outstanding premium payments are taken into account with negative signs, thereby reducing the best estimate of the premium provisions.

### Health (similar to life)

| in € thousands | 31.12.2022 |
|---|---|
| **Group provisions** | **813,080** |
| Württembergische Krankenversicherung AG | 961,410 |
| Württembergische Lebensversicherung AG | –211,576 |
| Württembergische Versicherung AG | 61,723 |
| W&W AG | 1,524 |

The business line "Health (similar to life)" contributes 3.3% to the technical provisions of the Solvency II group after consolidation. It comprises provisions for the insurance policies of Württembergische Krankenversicherung AG, occupational disability insurance policies of Württembergische Lebensversicherung AG and annuities stemming from liability, casualty and motor vehicle contract of Württembergische Versicherung AG related to health insurance obligations.

### Life (excluding health and index-linked and unit-linked)

| in € thousands | 31.12.2022 |
|---|---|
| **Group provisions** | **20,635,731** |
| Württembergische Lebensversicherung AG | 20,589,651 |
| Württembergische Versicherung AG | 45,612 |
| W&W AG | 468 |

Of the technical provisions of the Solvency II group after consolidation, 82.9% are attributable to the business line "Life (excluding health and index-linked and unit-linked)". The majority of these provisions come from Württembergische Lebensversicherung AG. Some of the technical provisions of Württembergische Versicherung AG are attributable to the business line "Life (excluding health and index-linked and unit-linked)". This portion is created for annuities stemming from liability, casualty and motor vehicle contracts that are related to other insurance obligations (with the exception of health insurance obligations).

### Index-linked and unit-linked

| in € thousands | 31.12.2022 |
|---|---|
| **Group provisions** | **2,164,519** |
| Württembergische Lebensversicherung AG | 2,164,519 |

Approximately 8.7% of the technical provisions of the Solvency II group after consolidation are attributable to the business line "Index-linked and unit-linked". All of these provisions are attributable to Württembergische Lebensversicherung AG.

## 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”.

In order to quantify the degree of uncertainty associated with the calculation of technical provisions, various sensitivity analyses were performed. The uncertainty in the technical provisions of the Solvency II group is based on the uncertainties associated with the provisions of the individual companies. Because of the various divisions of the individual companies of the Solvency II group and the variety of methods associated with this for calculating technical provisions, uncertainties also arise from a variety of sources. For an analysis of the individual undertakings concerning their uncertainties, please see Section D.2 of the respective Solvency and Financial Condition Reports of the individual undertakings as at the reporting date.

# D.3 Miscellaneous liabilities

## Pension benefit obligations

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Pension benefit obligations | 921,011 | 1,157,867 | −236,856 |

### 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. There are also pension scheme agreements with W&W for domestic Group companies. As part of the assumption of debt, joint and several liability is assumed for the pension obligations of the respective Group company. The debt assumption agreements and financing of pension benefit obligations result in settlement obligations on the part of the W&W Group to the eligible undertakings, which are to be recognised as separate liabilities in the solvency overview in accordance with IAS 19.

### IFRS

Differences between the values under Solvency II and IFRS result from the fact that several companies (particularly Wüstenrot Bausparkasse AG) are not fully consolidated in Solvency II.

## Deferred tax liabilities

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Deferred tax liabilities | 463,795 | 67,208 | 396,587 |

### Solvency II

The method for calculating deferred tax liabilities follows the rules in IAS 12. Deferred tax liabilities 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 each company. In order to increase meaningfulness and comparability, deferred taxes are shown netted.

### IFRS

Valuation differences compared with IFRS financial reporting result from the different reference values used to create deferred tax liabilities. Deferred tax liabilities under Solvency II are created on the basis of different carrying amounts in the balance sheet drawn up for tax purposes and in the solvency overview. By contrast, deferred tax liabilities in the IFRS consolidated financial statements are created on the basis of different carrying amounts between the balance sheet drawn up for tax purposes and the IFRS consolidated balance sheet.

## Payables (trade, not insurance)

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Payables (trade, not insurance) | 435,026 | 657,430 | –222,404 |

### Solvency II

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 disclosures in the notes. The fair values calculated for IFRS are used as the economic value under Solvency II.

### IFRS

Differences between the Solvency II values and the IFRS values result mainly from the fact that various undertakings and funds are fully consolidated in the IFRS consolidated balance sheet but not in Solvency II.

### Subordinated liabilities

| | Solvency II | IFRS (carrying amount) | Delta |
|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Subordinated liabilities not in Basic Own Funds | 36,642 | 111,849 | –75,207 |
| Subordinated liabilities in Basic Own Funds | 468,040 | 529,619 | –61,579 |
| **Subordinated liabilities** | **504,682** | **641,468** | **–136,786** |

#### Solvency II

Under Solvency II, subordinated liabilities are recognised within or outside basic own funds depending on their structure.

The subordinated securities of Württembergische Lebensversicherung AG and W&W AG are also recognised under subordinated liabilities. Subordinated liabilities are measured at the stock market price (“dirty value” with issue spread).

They are not reported in basic own funds if the investors in the subordinated liabilities are included in the Solvency II scope of consolidation but are not fully consolidated. Interests held by investors outside the Solvency II scope of consolidation are recognised in basic own funds.

#### IFRS

In the IFRS consolidated financial statements, these items are measured at amortised cost. Differences between the Solvency II and IFRS values result from the different valuation methods. In addition, the IFRS value includes participation certificates and subordinated liabilities of Wüstenrot Bausparkasse AG.

### Leasing agreements

For an explanation of leasing information, please see Section A.4.

## D.4 Alternative valuation methods

Alternative valuation methods are applied to the extent specified by supervisory law. Detailed information about them are 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

The amount of the transitional measure used to calculate the technical provisions of Württembergische Lebensversicherung AG, (see Section D.2 “Technical provisions”) is reduced annually on 1 January. As a result, the technical provisions increased on 1 January 2023 by €188,273 thousand. Basic own funds and own funds eligible for the Solvency Capital Requirement (SCR) fell in the Solvency II group by €122,022 thousand. Own funds eligible for the Minimum Capital Requirement (MCR) declined by €123,585 thousand. The effects of the annual deduction of the transitional measure on the Solvency Capital Requirement and the Minimum Capital Requirement are insignificant.

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.

In connection with the review of reporting requirements under Solvency II (Solvency II review), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission conducted consultations and published suggestions for amendments. The amendments being discussed involve far-reaching changes in terms of both qualitative and quantitative requirements for insurance undertakings. In March 2022, EIOPA sent the European Commission drafts of the changes to quantitative requirements. The related implementing regulations have since been finalised by the European Commission and were published in May 2023. They will be applied for the first time as at 31 December 2023. In September 2021, the European Commission also published a legislative proposal to amend the Solvency II Directive. The European Parliament and European Council discussed these proposed amendments in the reporting year. They are expected to reach agreement on the content of these changes in 2023. In addition, the European Commission will prepare a proposed amendment to the Delegated Regulation. No final decision has yet been made as to when the resulting requirements will first take effect.

As at 31 December 2022, the supervisory solvency ratio pursuant to Solvency II amounted to 248.8% (previous year: 243.3%). It consisted of eligible own funds of €7,181,600 (previous year: €7,424,856) thousand and the Solvency Capital Requirement of €2,886,578 (previous year: €3,052,288) thousand. As a consequence of the lower Solvency Capital Requirement, the ratio improved year on year.

As at 31 December 2022, the minimum solvency ratio pursuant to Solvency II amounted to 446.5% (previous year: 446.3%). It consisted of eligible own funds of €5,055,211 (previous year: €5,375,222) thousand and the Minimum Capital Requirement of €1,132,276 (previous year: €1,204,508) thousand. As a consequence of the lower Minimum Capital Requirement, the ratio improved slightly year on year.

In addition, the Solvency II group also discloses ratios that exclude the transitional measures and the volatility adjustment applied by Württembergische Lebensversicherung AG. These can be found, along with an explanation, in Section D.2.

## Determination of eligible Group own funds

Eligible Group own funds under Solvency II are calculated in four steps:

- The starting point for the calculation is the excess of assets over liabilities in the consolidated Group solvency overview.
- For the calculation of available own funds, certain other items are added to or subtracted from the excess of assets over liabilities for available own funds, such as subordinated liabilities.
- Eligible own fund items that are subject to limited transferability, as well as the minority holdings of the individual companies, are capped (under certain conditions).
- Limitations are examined for whether own funds in "poor" quality levels may be eligible only up to the statutorily prescribed limits.
- Own funds of entities from other financial sectors belonging to the Solvency II group that are calculated according to sectoral rules are added on a pro rata basis.

### Excess of assets over liabilities

The excess of assets over liabilities pursuant to Solvency II and IFRS equity consisted of the following as at 31 December 2022 and 31 December 2021:

**Excess of assets over liabilities**

| | Solvency II | IFRS | Solvency II | IFRS |
|---|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2021 |
| Total assets | 35,453,180 | 65,489,513 | 44,377,080 | 75,201,302 |
| Total liabilities | 27,604,343 | 61,778,637 | 36,188,737 | 70,325,739 |
| **Excess of assets over liabilities** | **7,848,837** | **3,710,876** | **8,188,343** | **4,875,563** |
| Share capital | 494,386 | | 494,608 | |
| Reserve capital (premium from the capital contribution) | 993,690 | | 993,468 | |
| Interests of W&W shareholders in paid-in capital | | 1,486,253 | | 1,485,588 |
| Interests of W&W shareholders in earned capital | | 2,228,230 | | 3,359,259 |
| Non-controlling interests in equity | | -4,931 | | 28,727 |
| Own shares | 4,256 | 1,323 | 4,175 | 1,988 |
| Foreseeable dividends | 60,915 | | 60,885 | |
| Surplus funds | 1,197,648 | | 1,376,530 | |
| Reconciliation Reserve | 5,097,942 | | 5,258,136 | |

The differences between Solvency II and IFRS result from revaluation effects as a consequence of the complete economic valuation in the Group solvency overview: under Solvency II compared with the IFRS consolidated financial statements. For an explanation of the value differences for key items, between Solvency II and the IFRS, please see Sections D.1 to D.3.

W&W AG is the ultimate parent undertaking. Thus, particularly the share capital and the capital reserve of W&W AG are recognised within the excess of assets over liabilities.

Surplus funds are calculated as the expected present value of future payments from the provision for premium refunds under German commercial law, which was not specified as at the valuation date. Pursuant to Section 93 of the German Act on the Supervision of Insurance Undertakings (VAG), the funds are own funds in quality level 1. The decline in surplus funds was the result, in particular, of the change in the free provision for premium refunds under the HGB at Württembergische Lebensversicherung AG.

The reconciliation reserved amounted to €5,097,942 (previous year: €5,258,136) thousand and consisted of the following components:

- Reserves from valuation differences,
- Interests of W&W shareholders in earned capital,
- Non-controlling interests in equity and
- Non-consideration of the surplus funds.

The reserves from valuation differences arise from revaluation effects between Solvency II and IFRS. The amount of these reserves and thus also the amount of the reconciliation reserve depend on the capital market situation prevailing on the reporting date, particularly on the risk-free yield curve calculated by the European Insurance and Occupational Pensions Authority (EIOPA), and are thus subject to a certain degree of volatility. The degree of sensitivity compared with the yield curve depends on the maturity mismatches between interest-bearing assets and liabilities (duration gap). In order to further reduce this sensitivity and thus the volatility of the reconciliation reserve, an effort is made to extend maturities on the assets side through targeted investments and thus to reduce maturity mismatches.

The reserves from valuation differences include the transitional arrangement on provisions after taxes of Württembergische Lebensversicherung AG, which amounted to €1,321,674 thousand. For explanations, please see Section D.2. Also included are, inter alia, future shareholder returns and the going-concern reserve. The going-concern reserve is calculated as the portion of future cost surpluses that is “bequeathed” to new business. Because of lower valuation differences between Solvency II and IFRS, the reconciliation reserve declined.

Available own funds under Solvency II consisted of the following as at 31 December 2022 and 31 December 2021:

## Available own funds

| | | Solvency II |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2021 |
| **Excess of assets over liabilities** | **7,848,837** | **8,188,343** |
| Less own interests | 4,256 | 4,715 |
| Less foreseeable dividends | 60,915 | 60,885 |
| Subordinated liabilities | 468,040 | 540,703 |
| **Basic own funds before deductions** | **8,251,706** | **8,663,446** |
| Ancillary own funds | – | – |
| **Available own funds** | **8,251,706** | **8,663,446** |

Eligible subordinated liabilities at the Group level were issued by Württembergische Lebensversicherung AG and W&W AG:

- In 2014 Württembergische Lebensversicherung AG issued a subordinated loan in the nominal amount of €250,000 thousand, of which €20,000 thousand is held within the Group. This debt security matures in 30 years.
- In 2015 Württembergische Lebensversicherung AG issued a further subordinated bearer bond with a volume in the nominal amount of €250,000 thousand without a final maturity date, of which €247,000 thousand is held within the Group.
- W&W AG issued a subordinated loan in the nominal amount of €300,000 thousand in 2021. It matures in 20 years.

All subordinated loans fully meet the Solvency II criteria for classification in quality level 2.

The Solvency II group does not have any ancillary own funds. Principal loss absorbency under Article 71(1)(e) of Delegated Regulation (EU) 2015/35 does not take place.

At the time of publication, a proposal for the appropriation of profit was in place for the ultimate parent undertaking, W&W AG, calling for the unappropriated surplus of W&W AG generated in the 2022 financial year in the amount of €80,048 thousand to be utilised as follows: distribution of a dividend in the amount of €0.65 for each no-par value registered share entitled to receive dividends.

W&W AG distributed a dividend totalling €60,885 thousand for the 2021 financial year.

## Restrictions on the fungibility and transferability of own funds from affiliated companies

The determination of the effectively available own fund items that are calculated for the purpose of covering the Solvency Capital Requirement of the Solvency II group takes into consideration the fungibility and transferability of own funds from affiliated companies pursuant to the Solvency II rules.

Own fund items are considered to be fungible if there are no legal or regulatory restrictions with respect to their ability to offset losses incurred at various locations in the Group.

The transferability of own funds is considered to be not limited if there are no significant impediments to the shifting of own fund items from one undertaking to another.

The insurance undertakings and the ancillary services undertakings of the Solvency II group (hereinafter, the "core group") are taken into consideration for the purposes of capping. The own funds of W&W AG as the ultimate parent undertaking of the Solvency II group are considered to be fully transferable. For the own fund items of entities from other financial sectors, an evaluation of availability is not necessary, since they are taken into consideration in accordance with the sector rules at the level of the Group.

### Capping of own funds with restricted transferability

The following own fund items of the insurance undertakings and the ancillary services undertakings of the Solvency II group are classified as having restricted transferability:

- Surplus funds pursuant to Section 254 (2) No. 1 of the German Act on the Supervision of Insurance Undertakings (VAG),
- Subordinated liabilities
- Net deferred tax assets.

Own funds with restricted transferability are taken into consideration for the calculation of eligible own funds of the Solvency II group only up to the amount of the so-called "risk contribution" of the respective Solvency Capital Requirement of the individual undertakings toward the Group Solvency Capital Requirement. Amounts in excess of this are capped.

As at 31 December 2022, a total of €974,464 thousand (previous year: €1,125,906 thousand) of own funds with restricted transferability was capped. The decrease compared with the previous year was the result, in particular, of lower surplus funds.

### Capping of minority interests

Following any capping of own funds classified as non-transferable, the own fund items of affiliated companies that exceed the risk contribution are to be further reduced by the minority interests.

As at 31 December 2022, a total of €95,642 (previous year: €112,683) thousand of minority interests was capped. The year-on-year decrease primarily reflected the decline in minority interests.

## Overview of capping

The following presents the capping of own funds with restricted transferability and minority interests as at 31 December 2022 and 31 December 2021:

**Own funds not eligible for the Solvency Capital Requirement**

| | Solvency II | |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2021 |
| **Capping of own funds with restricted transferability** | **974,464** | **1,125,906** |
| Surplus funds | 741,761 | 877,567 |
| Subordinated liabilities | 232,703 | 248,339 |
| **Capping of minority interests** | **95,642** | **112,683** |
| **Total capping** | **1,070,106** | **1,238,589** |

The capping of surplus funds relates to two insurance undertakings:

- Württembergische Lebensversicherung AG (WL), Kornwestheim,
- Württembergische Krankenversicherung AG (WK), Kornwestheim.

The capping of subordinated liabilities and of minority interests relates exclusively to Württembergische Lebensversicherung AG. As at 31 December 2022, there were no net deferred tax assets.

For the insurance undertaking in question, the capping of own funds with restricted transferability and of minority interests consisted of the following as at 31 December 2022:

**Own funds not eligible for the Solvency Capital Requirement – individual undertakings**

| | WL | WK |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 |
| Own funds with restricted transferability | 1,353,231 | 77,120 |
| Risk contribution | 438,673 | 17,214 |
| **Capping of own funds with restricted transferability** | **914,558** | **59,906** |
| Surplus funds | 681,855 | 59,906 |
| Subordinated liabilities | 232,703 | – |
| **Capping of minority interests** | **95,642** | **–** |
| **Total capping** | **1,010,200** | **59,906** |

There are no other restrictions on the fungibility and transferability of own funds eligible for covering the Solvency Capital Requirement of the Solvency II group.

## Limitation of own funds

The consideration of the prescribed limitations does not lead to any reduction in the Group own funds eligible for the Solvency Capital Requirement.

The subordinated loan at W&W AG results in a limit on Group own funds eligible for the Minimum Capital Requirement. Own funds in quality level 2 are eligible only up to 20% of the Group Minimum Capital Requirement. As a result, the limit reduces the Group's own funds eligible for the Minimum Capital Requirement by €1,980 thousand.

## Own funds of entities from other financial sectors

Own funds of entities from other financial sectors belonging to the Solvency II group that are calculated according to sectoral rules amounted to €2,124,409 (previous year: €2,005,624) thousand as at 31 December 2022. This includes an Additional Tier 1 bond of Wüstenrot Bausparkasse AG in the nominal amount of €30,000 thousand. It belongs to quality level 1 restricted.

# Eligible own funds

The reconciliation of available own funds with eligible own funds is as follows:

**Reconciliation of available own funds with eligible own funds**

| | Solvency II | |
|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2021 |
| **Available own funds** | **8,251,706** | **8,663,445** |
| Capping of own funds with restricted transferability | –974,464 | –1,125,906 |
| Capping of minority interests | –95,642 | –112,683 |
| Less own funds of entities from other financial sectors | –2,124,409 | –2,005,624 |
| **Eligible own funds of the core group** | **5,057,191** | **5,419,232** |
| Own funds of entities from other financial sectors | 2,124,409 | 2,005,624 |
| **Eligible own funds of the Solvency II group** | **7,181,600** | **7,424,856** |

The own funds eligible for the Solvency Capital Requirement (SCR) are distributed as follows across the three quality levels under Solvency II:

**Own funds eligible for the SCR by quality level**

| | Total | Quality level 1 | Quality level 1 restricted | Quality level 2 | Quality level 3 |
|---|---|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Eligible own funds of the core group | 5,057,191 | 4,828,756 | – | 228,435 | – |
| Eligible own funds of entities from other financial sectors | 2,124,409 | 1,979,298 | 46,818 | 98,293 | – |
| **Eligible own funds of the Solvency II group** | **7,181,600** | **6,808,054** | **46,818** | **326,728** | **–** |

Basic own funds are divided into three quality levels in accordance with Articles 93-96 of the Solvency II framework directive and Articles 69-82 of Delegated Regulation (EU) 2015/35. For this, the characteristics “permanent availability” and ‘subordination” and other eligibility limits are reviewed. The highest quality level (tier 1) is characterised by largely permanent availability and is largely subordinated to all other liabilities in the event of liquidation. The other eligibility limits such as a sufficient term, no repayment incentives, no obligatory fixed costs and no other encumbrances must be met. By contrast, basic own funds in the second quality level (tier 2) are not largely permanently available. Basic own funds not covered by tier 1 or tier 2 are allocated to the third quality level (tier 3).

By comparison, the own funds eligible for the Solvency Capital Requirement (SCR) were distributed as at 31 December 2021 as follows across the three quality levels under Solvency II:

## Own funds eligible for the SCR by quality level (previous year)

| | Total | Quality level 1 | Quality level 1 restricted | Quality level 2 | Quality level 3 |
|---|---|---|---|---|---|
| in € thousands | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| Eligible own funds of the core group | 5,419,232 | 5,134,321 | – | 284,911 | – |
| Eligible own funds of entities from other financial sectors | 2,005,624 | 1,865,984 | 36,750 | 102,890 | – |
| **Eligible own funds of the Solvency II group** | **7,424,856** | **7,000,305** | **36,750** | **387,801** | **–** |

The decrease in eligible own funds is essentially the result of the decline in the excess of assets over liabilities.

The increase in own funds of entities from other financial sectors primarily stems from the rise in own funds at Wüstenrot Bausparkasse AG.

Own funds eligible for the Minimum Capital Requirement (MCR) as at 31 December 2022 are distributed as follows:

## Own funds eligible for the MCR by quality level

| | Total | Quality level 1 | Quality level 1 restricted | Quality level 2 | Total |
|---|---|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2021 |
| Eligible own funds of the Solvency II group | 5,055,211 | 4,828,756 | – | 226,455 | 5,375,223 |

As a rule, only own funds in quality levels 1 and 2 are eligible for the MCR. Own funds of entities from other financial sectors are not eligible at all for the MCR.

For further information about own funds, please see Template S.23.01.22 in the Annex.

# E.2 Solvency capital requirement and minimum capital requirement

The Solvency Capital Requirement and the Minimum Capital Requirement of the core group are calculated using the Solvency II standard approach. In this regard, method 1 (consolidation method) was used to calculate the Solvency Capital Requirement. The requirements as at 31 December 2022 were as follows:

## Solvency Capital Requirement of the core group

| | Sum of the individual undertakings | Consolidation/diversification | Core group | Core group |
|---|---|---|---|---|
| in € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2021 |
| **Solvency Capital Requirement (SCR)** | **3,723,740** | **−2,021,446** | **1,702,294** | **1,897,282** |
| Market risk | 5,137,943 | −2,121,122 | 3,016,821 | 3,839,046 |
| Counterparty default risk | 364,987 | −205,589 | 159,398 | 147,765 |
| Life insurance risk | 1,591,879 | -892 | 1,590,987 | 1,316,842 |
| Health insurance risk | 1,376,454 | −163,707 | 1,212,747 | 1,620,315 |
| Non-life insurance risk | 949,962 | 16,582 | 966,544 | 960,470 |
| Intangible asset risk | – | – | – | - |
| Diversification | −2,156,976 | −170,795 | −2,327,771 | −2,477,673 |
| Operational risk | 204,992 | −48,010 | 156,982 | 181,591 |
| Loss-absorbing capacity of technical provisions | −3,051,473 | 295,330 | −2,756,143 | −3,383,851 |
| Loss-absorbing capacity of deferred taxes | −694,028 | 376,755 | −317,272 | −307,222 |

As was the case in the previous year, market risk constitutes the risk module of the core group with the highest Solvency Capital Requirement, which results, in particular, from the spread risk from capital investments. The greatest declines were seen in the spread and equity risk, although real estate and foreign currency risk also experienced lower capital requirements compared to the previous year.

The Solvency Capital Requirement for market risk is followed by the risk modules life insurance risk, health insurance risk and non-life insurance risk. The decrease in the Solvency Capital Requirement for the insurance risk is chiefly due to the lower risk in the particularly interest-rate-sensitive risk categories. As a result, the health insurance risk declined by €407,568 thousand in the reporting period. This was driven predominantly by the decrease in the disability/morbidity risk for income protection insurance. The life insurance risk moved in the opposite direction and increased by €274,145 thousand, which was particularly attributable to the increase in the cancellation risk. With a slight rise of €6,075 thousand, the non-life insurance risk was virtually in line with the previous year.

Taking account of lower diversification and a lower loss-absorbing capacity, on balance the Solvency Capital Requirement of the core group declined by €194,988 thousand to €1,702,294 thousand.

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

The difference between the sum of the Solvency Capital Requirements of the individual undertakings (W&W AG, Württembergische Versicherung AG, Württembergische Krankenversicherung AG and Württembergische Lebensversicherung AG) and the Solvency Capital Requirement of the core group was due to consolidation and diversification effects. Important consolidation and diversification effects exist in the following areas:

**Diversification:**

- Because of the differing manifestation of the risk positioning of the individual undertakings (e.g. various asset classes, different cash flow structure), there is a clear diversification effect at the Group level, particularly in market risk.

**Consolidation effects:**

- Market risk:
  In calculating the Solvency Capital Requirement of W&W AG as an individual undertaking, its participation risks (e.g. Württembergische Versicherung AG, Württembergische Krankenversicherung AG, Württembergische Lebensversicherung AG and various entities from other financial sectors) are included in the calculation of market risk. However, the Solvency Capital Requirement of the core group is calculated on consolidated portfolios. For this reason, the Group value is lower than the total value from the individual undertakings.
- Counterparty default risk:
  Because of internal Group relationship, various circumstances are to be consolidated in this risk area. This relates, in particular, to the reinsurance relationship between Württembergische Versicherung AG and W&W AG and to the claims for satisfaction of pension obligations that the individual undertakings Württembergische Versicherung AG, Württembergische Krankenversicherung AG and Württembergische Lebensversicherung AG have against W&W AG.

In calculating the Solvency Capital Requirement in the area of counterparty default risk, the individual undertakings apply the simplifications provided for in of Delegated Regulation (EU) 2015/35. The core group undertakings in the W&W AG Solvency II group do not use any undertaking-specific parameters, and no capital add-ons were specified.

As at 31 December 2022, the Solvency Capital Requirement of the Solvency II group consisted of the following:

## Solvency Capital Requirement of the Solvency II group

| in € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Solvency Capital Requirement (SCR) of the core group | 1,702,294 | 1,897,282 |
| Solvency Capital Requirement (SCR) of other financial sector (OFS) entities | 1,009,951 | 952,212 |
| Solvency Capital Requirement (SCR) of other entities | 174,332 | 202,794 |
| **Solvency Capital Requirement (SCR) of the Solvency II group** | **2,886,578** | **3,052,288** |

The Solvency Capital Requirement of entities from other financial sectors is calculated using the sectoral requirements of the individual undertakings. It amounted to €1,009,951. Wüstenrot Bausparkasse AG made the largest contribution to this.

The Solvency Capital Requirement of other entities amounted to €174,332 thousand. This includes, inter alia, immaterial ancillary services undertakings. By contrast, material ancillary services undertakings are included in the item "Solvency Capital Requirement of the core group". The decrease in the Solvency Capital Requirement of other entities was mainly the result of a lower volume of participations in private equity funds.

For further information about the Solvency Capital Requirement, please see Template S.25.01.22 in the Annex.

## Minimum Capital Requirement

| in € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| W&W AG | 460,464 | 492,155 |
| Württembergische Versicherung AG | 230,583 | 248,658 |
| Württembergische Lebensversicherung AG | 431,815 | 448,540 |
| Württembergische Krankenversicherung AG | 9,414 | 15,156 |
| **Minimum Capital Requirement (MCR) of the Solvency II group** | **1,132,276** | **1,204,508** |

The Minimum Capital Requirement of the core group as at 31 December 2022 is the sum of the Minimum Capital Requirements of the individual undertakings W&W AG, Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG. Thus, the Minimum Capital Requirement of the Solvency II group changes in accordance with the changes at the individual undertakings. In the reporting period, the Minimum Capital Requirement of the Solvency II group declined by -6.0% to €1,132,276 thousand. This was mainly the result of the increase in the Minimum Capital Requirement for W&W AG and Württembergische Versicherung AG.

Thus, with eligible MCR own funds as at 31 December 2022 of €5,055,211 thousand (see Section E.1), the minimum solvency ratio was 446.5%.

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

Germany has opted not to allow the use of a duration-based sub-module for equity risk. Accordingly, the Solvency II group does not apply the duration-based sub-module for equity risk for calculating the Solvency Capital Requirement.

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

The Solvency II group 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 Solvency II group 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.

The following templates were not prepared and are therefore not being disclosed:

- Template S.05.02.01 (Premiums, claims and expenses by country) was not prepared because more that 90% of gross premiums written are attributable to Germany. The W&W Group is thus above the minimum threshold established in the supervisory requirements and is exempt from preparing the template.
- Templates S.25.02.22 (Solvency Capital Requirement – for groups using the standard formula and partial internal model) and S.25.03.22 (Solvency Capital Requirement – for groups on full internal models) were not prepared because the Solvency II group uses the standard model.

## S.32.01.22 | Undertakings in the scope of the Group

| Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal name of the undertaking | Type of undertaking | Legal form | Category (mutual/non-mutual) | Supervisory authority |
|---|---|---|---|---|---|---|---|
| C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 |
| DE | 5299003RRH6Z1JD2XG72 | LEI | 3B Boden-Bauten-Beteiligungs-GmbH | Other | GmbH | Non-mutual | |
| DE | 529900Y1LG0XGMMJBB84 | LEI | Adam Riese GmbH | Other | GmbH | Non-mutual | |
| DE | 529900DU31RELHZ50P77 | LEI | Allgemeine Rentenanstalt Pensionskasse AG | Institution for occupational retirement provision | Aktiengesellschaft | Non-mutual | German Federal Financial Supervisory |
| DE | 529900OM2BK9M0UA4T79 | LEI | Altmark Versicherungsmakler GmbH | Other | GmbH | Non-mutual | |
| DE | 5299002S5Z4QJ8XKUR28 | LEI | Altmark Versicherungsvermittlung | Other | GmbH | Non-mutual | |
| DE | 529900IUK7GEDCLFO189 | LEI | Asendorfer Kippe ASK GmbH & Co. KG | Other | GmbH & Co. KG | Non-mutual | |
| DE | 529900QYGMI9NHNTZ326 | LEI | Beteiligungs-GmbH der Württembergischen | Other | GmbH | Non-mutual | |
| DE | 529900X5W9AIGRURHZ17 | LEI | BWK GmbH Unternehmensbeteiligungsgesellschaft | Credit institution, investment firm and financial institution | GmbH | Non-mutual | |
| DE | 529900UL2X6BCXMAKF51 | LEI | BWK Holding GmbH Unternehmensbeteiligungsgesellschaft | Credit institution, investment firm and financial institution | GmbH | Non-mutual | |
| DE | 5299000CU0QEDKWUSS33 | LEI | City Immobilien GmbH & Co. KG der Württembergischen | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | GmbH & Co. KG | Non-mutual | |
| DE | 529900M1MQI2P3ETKH14 | LEI | Feuersee Entwicklungsgesellschaft mbH & Co. KG | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | GmbH & Co. KG | Non-mutual | |
| HU | 529900FB6W5ABZNO8145 | LEI | Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt. | Credit institution, investment firm and financial institution | Zrt. | Non-mutual | Hungarian Financial Supervisory Authority |
| AT | 5299006KHJ2ATJBTR632 | LEI | G6 Zeta Errichtungs- und VerwertungsGmbH & Co | Other | GmbH & Co OG | Non-mutual | |
| DE | 529900ZPA3NDJDND3L10 | LEI | Ganzer GmbH & Co. KG | Other | GmbH & Co. KG | Non-mutual | |
| DE | 529900EKWNWVJKQDA164 | LEI | Gerber GmbH & Co. KG | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | GmbH & Co. KG | Non-mutual | |
| DE | 529900HL7QMBI1NA2Y03 | LEI | GMA Gesellschaft für Markt- und Absatzforschung mbH | Other | GmbH | Non-mutual | |
| DE | 529900AFPUFKD829XX02 | LEI | IVB - Institut für Vorsorgeberatung Risiko- und Finanzierungsanalyse | Other | GmbH | Non-mutual | |
| AT | 529900B3YC5L4QL74J91 | LEI | Kellerwirt Holding GmbH | Other | GmbH | Non-mutual | |
| AT | 52990029NQV8TEFZUS20 | LEI | Kellerwirt Mountain Health Resort GmbH | Other | GmbH | Non-mutual | |

| Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|
| % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for Group solvency calculation | Yes/no | Date of decision if Article 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| 100.0 | 100.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 100.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 100.0 | 94.9 | | Dominant | 94.9 | Included in the scope | | Method 1: Sectoral rules |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 0.0 | 94.9 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 0.0 | 94.9 | | Dominant | 0.0 | Included in the scope | | Other method |
| 34.1 | 34.1 | 34.1 | | Significant | 34.1 | Included in the scope | | Method 1: Sectoral rules |
| 34.1 | 0.0 | 34.1 | | Significant | 34.1 | Included in the scope | | Method 1: Sectoral rules |
| 94.9 | 100.0 | 94.9 | | Dominant | 100.0 | Included in the scope | | Method 1: Full consolidation |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Full consolidation |
| 11.5 | 0.0 | 11.5 | | Significant | 11.5 | Included in the scope | | Method 1: Sectoral rules |
| 99.9 | 0.0 | 99.9 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 0.0 | 94.9 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 100.0 | 94.9 | | Dominant | 100.0 | Included in the scope | | Method 1: Full consolidation |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 0.0 | 94.9 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Not included in the scope (Article 214 b) | 29.09.2022 | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |

## S.32.01.22 | Undertakings in the scope of the Group (continuation)

| Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal name of the undertaking | Type of undertaking | Legal form | Category (mutual/non-mutual) | Supervisory authority |
|---|---|---|---|---|---|---|---|
| C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 |
| DE | 529900P7WCHGUPRR5464 | LEI | KLV BAKO Dienstleistungs-GmbH | Other | GmbH | Non-mutual | |
| DE | 529900TEV6FOVFTB0Z17 | LEI | KLV BAKO Vermittlungs-GmbH | Other | GmbH | Non-mutual | |
| AT | 529900LB58QH4Y9PMM57 | LEI | SAMARIUM drei GmbH & Co OG | Other | GmbH & Co OG | Non-mutual | |
| DE | 529900FB29C36LKTAW50 | LEI | V-Bank AG | Credit institution, investment firm and financial institution | Aktiengesellschaft | Non-mutual | German Federal Financial Supervisory Authority |
| DE | 529900YWZTBTAFZTR686 | LEI | ver.di Service GmbH | Other | GmbH | Non-mutual | |
| DE | 391200QGJR30S0R9Z162 | LEI | V-Fonds GmbH | Other | GmbH | Non-mutual | |
| IE | 635400EFNEEYYHBPZE70 | LEI | W&W Asset Management Dublin DAC | Credit institution, investment firm and financial institution | Designated activity company | Non-mutual | |
| DE | 529900565ZW6QVDPSK87 | LEI | W&W Asset Management GmbH | Credit institution, investment firm and financial institution | GmbH | Non-mutual | German Federal Financial Supervisory Authority |
| DE | 529900Y66NQNQ8TODP03 | LEI | W&W brandpool GmbH | Credit institution, investment firm and financial institution | GmbH | Non-mutual | |
| DE | 5299002ONUD2MB9T1Q45 | LEI | W&W Informatik GmbH | Ancillary services undertaking as defined in Article 1(53) of Delegated Regulation (EU) 2015/35 | GmbH | Non-mutual | |
| DE | 5299006674DHAPDFP336 | LEI | W&W Interaction Solutions GmbH | Other | GmbH | Non-mutual | |
| IE | 635400CI6PTHSYKCZG34 | LEI | W&W Investment Managers DAC | Credit institution, investment firm and financial institution | Designated activity company | Non-mutual | |
| DE | 5299007ERE74KHXK4L75 | LEI | W&W Service GmbH | Other | GmbH | Non-mutual | |
| DE | 529900UWWD3C6D8QRO54 | LEI | WHS Entwicklungs-GmbH | Other | GmbH | Non-mutual | |
| DE | 529900EA5CMR95RA0R24 | LEI | Windpark Golzow GmbH & Co. KG | Other | GmbH & Co. KG | Non-mutual | |
| DE | 529900VE4T3V4KKAWT68 | LEI | WL Erneuerbare Energien Verwaltungs GmbH | Credit institution, investment firm and financial institution | GmbH | Non-mutual | |
| DE | 529900XSSJDB2NMU0P31 | LEI | WL Renewable Energy GmbH & Co. KG | Credit institution, investment firm and financial institution | GmbH & Co. KG | Non-mutual | |
| DE | 529900AJX0PJDGE1NC77 | LEI | WL Sustainable Energy GmbH & Co. KG | Credit institution, investment firm and financial institution | GmbH & Co. KG | Non-mutual | |

| Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|
| % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for Group solvency calculation | Yes/no | Date of decision if Article 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| 90.1 | 0.0 | 90.1 | | Dominant | 0.0 | Included in the scope | | Other method |
| 74.6 | 0.0 | 74.6 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 15.3 | 15.3 | 15.3 | | Significant | 15.3 | Included in the scope | | Method 1: Sectoral rules |
| 50.0 | 0.0 | 50.0 | | Significant | 0.0 | Included in the scope | | Other method |
| 12.3 | 0.0 | 12.3 | | Significant | 0.0 | Included in the scope | | Other method |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Sectoral rules |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Sectoral rules |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Sectoral rules |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Full consolidation |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Sectoral rules |
| 100.0 | 100.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 0.0 | 94.9 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 0.0 | 94.9 | | Dominant | 94.9 | Included in the scope | | Method 1: Sectoral rules |
| 94.9 | 100.0 | 94.9 | | Dominant | 94.9 | Included in the scope | | Method 1: Sectoral rules |
| 94.9 | 100.0 | 94.9 | | Dominant | 94.9 | Included in the scope | | Method 1: Sectoral rules |

## S.32.01.22 | Undertakings in the scope of the Group (continuation)

| Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal name of the undertaking | Type of undertaking | Legal form | Category (mutual/non-mutual) | Supervisory authority |
|---|---|---|---|---|---|---|---|
| C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 |
| DE | 5299008OGSP6H1045T35 | LEI | Württembergische Akademie GmbH | Other | GmbH | Non-mutual | |
| FR | 529900UPEBOMASZW4G96 | LEI | Württembergische France Immobilière S.à.r.l. | Other | SARL | Non-mutual | |
| FR | 5299002T84M1GOAXDC55 | LEI | Württembergische France Strasbourg S.à.r.l. | Other | SARL | Non-mutual | |
| DE | 52990004XH8Y9Z1TPH87 | LEI | Württembergische Immobilien AG | Credit institution, investment firm and financial institution | Aktiengesellschaft | Non-mutual | |
| DE | 529900CUZTIJQGX2PW88 | LEI | Württembergische KÖ 43 GmbH | Other | GmbH | Non-mutual | |
| DE | 529900GJ0H3VGEOLVK85 | LEI | Württembergische Krankenversicherung AG | Non-life insurance undertaking | Aktiengesellschaft | Non-mutual | German Federal Financial Supervisory |
| DE | 529900VKI1GGXANN7C08 | LEI | Württembergische Lebensversicherung AG | Life insurance undertaking | Aktiengesellschaft | Non-mutual | German Federal Financial Supervisory |
| DE | 5299009TXGTEFVHDYA25 | LEI | Württembergische Logistik I GmbH & Co. KG | Other | GmbH & Co. KG | Non-mutual | |
| DE | 529900L4XE3K2IIOKP13 | LEI | Württembergische Rechtsschutz-Schaden-Service-GmbH | Other | GmbH | Non-mutual | |
| DE | 5299003HYFCOPYBYQH77 | LEI | Württembergische Versicherung AG | Non-life insurance undertaking | Aktiengesellschaft | Non-mutual | German Federal Financial Supervisory |
| DE | 529900V55DM1855U2B36 | LEI | Württembergische Vertriebspartner GmbH | Other | GmbH | Non-mutual | |
| DE | 529900E5RXJBAJQXT676 | LEI | Württembergische Verwaltungsgesellschaft mbH | Credit institution, investment firm and financial institution | GmbH | Non-mutual | |
| DE | 5299009VLYXO7V202D54 | LEI | Württfeuer Beteiligungs-GmbH (previously: W&W Gesellschaft für Finanzbeteiligungen mbH) | Credit institution, investment firm and financial institution | GmbH | Non-mutual | |
| DE | 5299008WGKG60HGN7V46 | LEI | WürttLeben Alternative Investments GmbH | Credit institution, investment firm and financial institution | GmbH | Non-mutual | |
| DE | 529900WB102F3HTVOP05 | LEI | WürttVers Alternative Investments GmbH | Credit institution, investment firm and financial institution | GmbH | Non-mutual | |
| DE | 5299003H07ZT0Z5ZNN35 | LEI | Wüstenrot & Württembergische AG | Reinsurance undertaking | Aktiengesellschaft | Non-mutual | German Federal Financial Supervisory |
| DE | 529900S1KHKOEQL5CK20 | LEI | Wüstenrot Bausparkasse AG | Credit institution, investment firm and financial institution | Aktiengesellschaft | Non-mutual | German Federal Financial Supervisory |
| DE | 529900DNVLRJM5QKRY82 | LEI | Wüstenrot Grundstücksverwertungs-GmbH | Other | GmbH | Non-mutual | |
| DE | 529900NNAODLWPJL8590 | LEI | Wüstenrot Haus- und Städtebau GmbH | Other | GmbH | Non-mutual | |
| DE | 529900CJRZC7LBQ9H951 | LEI | Wüstenrot Immobilien GmbH | Other | GmbH | Non-mutual | |

| Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|
| % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for Group solvency calculation | Yes/no | Date of decision if Article 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Sectoral rules |
| 89.9 | 0.0 | 89.9 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Full consolidation |
| 94.9 | 100.0 | 94.9 | | Dominant | 100.0 | Included in the scope | | Method 1: Full consolidation |
| 94.9 | 0.0 | 94.9 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Full consolidation |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 94.9 | 0.0 | 94.9 | | Dominant | 94.9 | Included in the scope | | Method 1: Sectoral rules |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Sectoral rules |
| 94.9 | 100.0 | 94.9 | | Dominant | 94.9 | Included in the scope | | Method 1: Sectoral rules |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Sectoral rules |
| | | | | | | Included in the scope | | Method 1: Full consolidation |
| 100.0 | 100.0 | 100.0 | | Dominant | 100.0 | Included in the scope | | Method 1: Sectoral rules |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 100.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |
| 100.0 | 0.0 | 100.0 | | Dominant | 0.0 | Included in the scope | | Other method |

## S.02.01.02| Balance sheet

in € thousands

| | | Solvency II value |
|---|---|---|
| **Assets** | | **C0010** |
| Intangible assets | R0030 | – |
| Deferred tax assets | R0040 | – |
| Pension benefit surplus | R0050 | – |
| Property, plant & equipment held for own use | R0060 | 638,594 |
| Investments (other than assets for index- or unit-linked contracts) | R0070 | 30,913,474 |
| Property (other than for own use) | R0080 | 2,202,663 |
| Holdings in affiliated companies, including participations | R0090 | 2,474,408 |
| Equities | R0100 | 305,909 |
| Equities – listed | R0110 | 5,000 |
| Equities – unlisted | R0120 | 300,909 |
| Bonds | R0130 | 11,644,776 |
| Government bonds | R0140 | 6,569,683 |
| Corporate bonds | R0150 | 4,836,232 |
| Structured notes | R0160 | 214,032 |
| Collateralised securities | R0170 | 24,829 |
| Collective investment undertakings | R0180 | 13,870,170 |
| Derivatives | R0190 | 135,243 |
| Deposits other than cash equivalents | R0200 | 280,306 |
| Other investments | R0210 | – |
| Assets held for index-linked and unit-linked contracts | R0220 | 2,220,349 |
| Loans and mortgages | R0230 | 1,023,143 |
| Loans on policies | R0240 | 24,119 |
| Loans and mortgages to individuals | R0250 | 830,351 |
| Other loans and mortgages | R0260 | 168,673 |
| Reinsurance recoverables from: | R0270 | 31,933 |
| Non-life and health similar to non-life | R0280 | 207,413 |
| Non-life excluding health | R0290 | 207,480 |
| Health similar to non-life | R0300 | -67 |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | –175,481 |
| Health similar to life | R0320 | –174,815 |
| Life excluding health and index-linked and unit-linked | R0330 | -665 |
| Life index-linked and unit-linked | R0340 | – |
| Deposits to cedants | R0350 | 964 |
| Insurance and intermediaries receivables | R0360 | 135,940 |
| Reinsurance receivables | R0370 | – |
| Receivables (trade, not insurance) | R0380 | 232,559 |
| 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 | – |
| Cash and cash equivalents | R0410 | 115,621 |
| Any other assets, not elsewhere shown | R0420 | 136,347 |
| **Total assets** | **R0500** | **35,453,180** |

## S.02.01.02 | Balance sheet (continuation)

in € thousands

| | | Solvency II value |
|---|---|---|
| **Liabilities** | | **C0010** |
| Technical provisions – non-life | R0510 | 1,285,024 |
| Technical provisions – non-life (excluding health) | R0520 | 1,289,354 |
| Technical provisions calculated as a whole | R0530 | – |
| Best estimate | R0540 | 1,126,757 |
| Risk margin | R0550 | 162,597 |
| Technical provisions – health (similar to non-life) | R0560 | –4,331 |
| Technical provisions calculated as a whole | R0570 | – |
| Best estimate | R0580 | –24,042 |
| Risk margin | R0590 | 19,711 |
| Technical provisions – life (excluding index-linked and unit-linked) (excluding index-linked and unit-linked) | R0600 | 21,448,812 |
| Technical provisions – health (similar to life) | R0610 | 813,080 |
| Technical provisions calculated as a whole | R0620 | – |
| Best estimate | R0630 | 138,371 |
| Risk margin | R0640 | 674,709 |
| Technical provisions – life (excluding index-linked and unit-linked) (excluding health and index-linked and unit-linked) | R0650 | 20,635,731 |
| Technical provisions calculated as a whole | R0660 | – |
| Best estimate | R0670 | 20,634,203 |
| Risk margin | R0680 | 1,528 |
| Technical provisions – index-linked and unit-linked | R0690 | 2,164,518 |
| Technical provisions calculated as a whole | R0700 | – |
| Best estimate | R0710 | 2,056,256 |
| Risk margin | R0720 | 108,263 |
| Contingent liabilities | R0740 | – |
| Provisions other than technical provisions | R0750 | 6,804 |
| Pension benefit obligations | R0760 | 921,011 |
| Deposits from reinsurers | R0770 | 38,644 |
| Deferred tax liabilities | R0780 | 463,795 |
| Derivatives | R0790 | 17,611 |
| Debts owed to credit institutions | R0800 | 132,453 |
| Financial liabilities other than debts owed to credit institutions | R0810 | 107,220 |
| Insurance and intermediaries payables | R0820 | 77,452 |
| Reinsurance payables | R0830 | – |
| Payables (trade, not insurance) | R0840 | 435,026 |
| Subordinated liabilities | R0850 | 504,682 |
| Subordinated liabilities not in Basic Own Funds | R0860 | 36,642 |
| Subordinated liabilities in Basic Own Funds | R0870 | 468,040 |
| Any other liabilities, not elsewhere shown | R0880 | 1,292 |
| **Total liabilities** | **R0900** | **27,604,343** |
| **Excess of assets over liabilities** | **R1000** | **7,848,837** |

## 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 |
| | | **C0010** | **C0020** | **C0030** | **C0040** | **C0050** | **C0060** | **C0070** |
| **Premiums written** | | | | | | | | |
| Gross – Direct Business | R0110 | – | 156,148 | – | 496,932 | 394,140 | 27,708 | 790,791 |
| Gross – Proportional reinsurance accepted | R0120 | – | 1 | – | – | – | 134 | 3,157 |
| Gross – Non-proportional reinsurance accepted | R0130 | | | | | | | |
| Reinsurers' share | R0140 | – | – | – | – | 355 | 30 | 105,419 |
| Net | R0200 | – | 156,149 | – | 496,932 | 393,785 | 27,813 | 688,529 |
| **Premiums earned** | | | | | | | | |
| Gross – Direct Business | R0210 | – | 156,112 | – | 496,895 | 394,135 | 27,708 | 783,724 |
| Gross – Proportional reinsurance accepted | R0220 | – | 1 | – | – | – | 134 | 3,076 |
| Gross – Non-proportional reinsurance accepted | R0230 | | | | | | | |
| Reinsurers' share | R0240 | – | – | – | – | 355 | 30 | 105,419 |
| Net | R0300 | – | 156,113 | – | 496,895 | 393,780 | 27,813 | 681,381 |
| **Claims incurred** | | | | | | | | |
| Gross – Direct Business | R0310 | – | 36,597 | – | 341,489 | 299,046 | 15,232 | 403,310 |
| Gross – Proportional reinsurance accepted | R0320 | – | 1 | – | – | – | -126 | 706 |
| Gross – Non-proportional reinsurance accepted | R0330 | | | | | | | |
| Reinsurers' share | R0340 | – | – | – | -55 | 740 | -1 | 79,974 |
| Net | R0400 | – | 36,598 | – | 341,543 | 298,305 | 15,107 | 324,042 |
| **Changes in other technical provisions** | | | | | | | | |
| Gross – Direct Business | R0410 | – | 177 | – | 905 | 99 | -736 | 92 |
| Gross – Proportional reinsurance accepted | R0420 | – | – | – | – | – | – | – |
| Gross – Non-proportional reinsurance accepted | R0430 | | | | | | | |
| Reinsurers' share | R0440 | – | – | – | – | – | – | – |
| Net | R0500 | – | 177 | – | 905 | 99 | -736 | 92 |
| **Expenses incurred** | **R0550** | **–** | **58,573** | **–** | **137,793** | **118,654** | **12,906** | **284,338** |
| **Other expenses** | **R1200** | | | | | | | |
| **Total expenses** | **R1300** | | | | | | | |

| Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional | | | | | 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** |
| 264,000 | 9,807 | 146,120 | 20,762 | 23,475 | | | | | 2,329,881 |
| 1,681 | 1 | – | – | 2 | | | | | 4,976 |
| | | | | | – | 27 | 2 | – | 29 |
| 10,961 | – | 316 | – | 9,819 | 233 | 2,847 | 323 | 49,093 | 179,395 |
| 254,721 | 9,807 | 145,804 | 20,762 | 13,658 | -233 | –2,820 | -321 | –49,093 | 2,155,492 |
| 262,584 | 8,505 | 145,876 | 20,296 | 23,358 | | | | | 2,319,193 |
| 1,673 | 1 | – | – | 2 | | | | | 4,886 |
| | | | | | – | 27 | 2 | – | 29 |
| 10,961 | – | 316 | – | 9,819 | 233 | 2,847 | 323 | 49,093 | 179,395 |
| 253,296 | 8,506 | 145,560 | 20,296 | 13,540 | -233 | –2,820 | -321 | –49,093 | 2,144,713 |
| 63,615 | 9,861 | 81,152 | 3,221 | –14,693 | | | | | 1,238,830 |
| –1,733 | -39 | – | – | – | | | | | –1,191 |
| | | | | | – | –1,953 | –1,121 | –3,565 | –6,640 |
| 1,574 | – | 188 | – | 724 | 8 | 3,829 | -105 | 12,263 | 99,140 |
| 60,308 | 9,822 | 80,964 | 3,221 | –15,416 | -8 | –5,782 | –1,017 | –15,829 | 1,131,859 |
| -119 | -72 | 12 | -10 | 14 | | | | | 361 |
| – | – | – | – | – | | | | | – |
| | | | | | – | – | – | – | – |
| – | – | – | – | -5 | – | – | -24 | –10,900 | –10,930 |
| -119 | -72 | 12 | -10 | 19 | – | – | 24 | 10,900 | 11,290 |
| **101,319** | **3,611** | **65,576** | **9,926** | **6,739** | **4** | **260** | **193** | **1,172** | **801,065** |
| | | | | | | | | | **–** |
| | | | | | | | | | **801,065** |

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

| | | Line of Business for: life insurance obligations | | | |
|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance |
| | | **C0210** | **C0220** | **C0230** | **C0240** |
| **Premiums written** | | | | | |
| Gross | R1410 | 532,063 | 1,288,103 | 340,245 | – |
| Reinsurers' share | R1420 | 15,958 | 2,402 | – | – |
| Net | R1500 | 516,105 | 1,285,701 | 340,245 | – |
| **Premiums earned** | | | | | |
| Gross | R1510 | 532,282 | 1,293,403 | 340,245 | – |
| Reinsurers' share | R1520 | 15,958 | 2,402 | – | – |
| Net | R1600 | 516,324 | 1,291,001 | 340,245 | – |
| **Claims incurred** | | | | | |
| Gross | R1610 | 249,845 | 1,942,996 | 134,084 | – |
| Reinsurers' share | R1620 | 16,155 | –7,220 | – | – |
| Net | R1700 | 233,691 | 1,950,216 | 134,084 | – |
| **Changes in other technical provisions** | | | | | |
| Gross | R1710 | –141,784 | 358,593 | 256,562 | – |
| Reinsurers' share | R1720 | – | – | – | – |
| Net | R1800 | –141,784 | 358,593 | 256,562 | – |
| **Expenses incurred** | **R1900** | **69,737** | **164,732** | **47,344** | **–** |
| **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** |
| | | | | |
| – | – | – | 27 | 2,160,437 |
| – | – | – | – | 18,359 |
| – | – | – | 27 | 2,142,078 |
| | | | | |
| – | – | – | 27 | 2,165,957 |
| – | – | – | – | 18,359 |
| – | – | – | 27 | 2,147,597 |
| | | | | |
| 7,528 | –5,238 | – | 455 | 2,329,669 |
| – | –1,645 | – | – | 7,289 |
| 7,528 | –3,593 | – | 455 | 2,322,381 |
| | | | | |
| – | – | – | 451 | 473,821 |
| – | – | – | – | – |
| – | – | – | 451 | 473,821 |
| **–** | **–** | **–** | **3** | **281,817** |
| | | | | **14,470** |
| | | | | **296,286** |

## S.22.01.22 | Effects of long-term guarantees and transitional

in € thousands

| | | Amount with long-term guarantees and transitional measures | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of volatility adjustment set to zero | Impact of matching adjustment set to zero |
|---|---|---|---|---|---|---|
| | | **C0010** | **C0030** | **C0050** | **C0070** | **C0090** |
| Technical provisions | R0010 | 24,898,354 | 1,882,726 | – | 96,604 | – |
| Basic own funds | R0020 | 5,057,191 | −1,291,462 | – | 142,874 | – |
| Eligible own funds to meet SCR | R0050 | 7,181,601 | −1,291,462 | – | 142,874 | – |
| SCR | R0090 | 2,886,578 | −15,300 | – | 319,491 | – |

## S.23.01.22 | Own funds

in € thousands

| | | Total | Tier 1 – unrestricte | Tier 1 – restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sectors** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 494,386 | 494,386 | | – | |
| Non-available called but not paid in ordinary share capital at group level | R0020 | – | – | | – | |
| Share premium account related to ordinary share capital | R0030 | 993,690 | 993,690 | | – | |
| Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings | R0040 | – | – | | – | |
| Subordinated mutual member accounts | R0050 | – | | – | – | – |
| Non-available subordinated mutual member accounts at Group | R0060 | – | | – | – | – |
| Surplus funds | R0070 | 1,197,648 | 1,197,648 | | | |
| Non-available surplus funds at Group level | R0080 | 741,761 | 741,761 | | | |
| Preference shares | R0090 | – | | – | – | – |
| Non-available preference shares at Group level | R0100 | – | | – | – | – |
| Share premium account related to preference shares | R0110 | – | | – | – | – |
| Non-available share premium account related to preference shares at Group level | R0120 | – | | – | – | – |
| Reconciliation Reserve | R0130 | 5,097,942 | 5,097,942 | | | |
| Subordinated liabilities | R0140 | 468,040 | | – | 468,040 | – |
| Non-available subordinated liabilities at Group level | R0150 | 232,703 | | – | 232,703 | – |
| An amount equal to the value of net deferred tax assets | R0160 | – | | | | – |
| The amount equal to the value of net deferred tax assets not available at the Group level | R0170 | – | | | | – |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | R0180 | – | – | – | – | – |
| Non available own funds related to other own funds items approved by supervisory authority | R0190 | – | – | – | – | – |
| Minority interests (if not reported as part of a specific own fund item) | R0200 | – | – | – | – | – |
| Non-available minority interests at Group level | R0210 | 95,642 | 88,740 | – | 6,901 | – |
| **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 | – | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities | R0230 | 2,124,409 | 2,124,409 | – | – | |
| whereof deducted according to Article 228 of Directive 2009/138/EC | R0240 | – | – | – | – | |
| Deductions for participations where there is non-availability of information (Article 229) | R0250 | – | – | – | – | – |
| Deduction for participations included by using D&A when a combination of methods is used | R0260 | – | – | – | – | – |
| Total of non-available own fund items | R0270 | 1,070,106 | 830,501 | – | 239,605 | – |
| **Total deductions** | **R0280** | **3,194,515** | **2,954,911** | **–** | **239,605** | **–** |
| **Total basic own funds after deductions** | **R0290** | **5,057,191** | **4,828,756** | **–** | **228,435** | **–** |

## S.23.01.22 | Own funds (continuation)

in € thousands

| | | Total | Tier 1 – unrestricte | Tier 1 – restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | – | | | – | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type undertakings, callable on demand | R0310 | – | | | – | |
| Unpaid and uncalled preference shares callable on demand | R0320 | – | | | – | – |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | – | | | – | – |
| Letters of credit and guarantees under Article 96(2) of the Directive | R0340 | – | | | – | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | – | | | – | – |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | – | | | – | |
| Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | – | | | – | – |
| Non-available ancillary own funds at Group level | R0380 | – | | | – | – |
| Other ancillary own funds | R0390 | – | | | – | – |
| **Total ancillary own funds** | **R040** | – | | | – | – |
| **Own funds of other financial sectors** | | | | | | |
| Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total | R0410 | 2,029,023 | 1,883,912 | 46,818 | 98,293 | |
| Institution for occupational retirement provision | R0420 | 95,387 | 95,387 | – | – | – |
| Non-regulated entities carrying out financial activities | R0430 | – | – | – | – | |
| Total own funds of other financial sectors | R0440 | 2,124,409 | 1,979,298 | 46,818 | 98,293 | – |
| **Own funds when using the D&A, exclusively or in combination of method 1** | | | | | | |
| Own funds aggregated when using the D&A and combination of method | R0450 | – | – | – | – | – |
| Own funds aggregated when using the D&A and combination of method net of IGT | R0460 | – | – | – | – | – |
| | | | | | | |
| Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sectors and from the undertakings included via D&A) | R0520 | 5,057,191 | 4,828,756 | – | 228,435 | – |
| Total available own funds to meet the minimum consolidated Group SCR | R0530 | 5,057,191 | 4,828,756 | – | 228,435 | |
| Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | R0560 | 5,057,191 | 4,828,756 | – | 228,435 | – |
| Total eligible own funds to meet the minimum consolidated Group SCR | R0570 | 5,055,211 | 4,828,756 | – | 226,455 | |
| **Minimum consolidated Group SCR (Article 230)** | **R0610** | 1,132,276 | | | | |
| **Ratio of eligible own funds to minimum consolidated Group SCR** | **R0650** | 446.5 | | | | |
| **Total eligible own funds to meet the Group SCR (including own funds from other financial sector and from the undertakings included via D&A)** | **R0660** | **7,181,600** | **6,808,054** | **46,818** | **326,728** | **–** |
| **Group SCR** | **R068** | 2,886,578 | | | | |
| **Ratio of eligible own funds to Group SCR including other financial sectors and undertakings included via D&A** | **R0690** | 248.8 | | | | |

## S.23.01.22 | Own funds (continuation)

in € thousands

| | | C0060 |
|---|---|---|
| **Reconciliation Reserve** | | |
| Excess of assets over liabilities | R0700 | 7,848,837 |
| Own shares (held directly and indirectly) | R0710 | 4,256 |
| Foreseeable dividends, distributions and charges | R0720 | 60,915 |
| Other basic own fund items | R0730 | 2,685,724 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | R0740 | – |
| Other non-available own funds | R0750 | – |
| **Reconciliation reserve before deduction for participations in other financial sectors** | **R0760** | **5,097,942** |
| **Expected profits** | | |
| Expected profits included in future premiums (EPIFP) – life business | R0770 | 326,328 |
| Expected profits included in future premiums (EPIFP) – Non-life business | R0780 | 748,568 |
| **Total expected profits included in future premiums (EPIFP)** | **R0790** | **1,074,896** |

## S.25.01.22 | Solvency Capital Requirement – for groups on Standard Formula

in € thousands

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | **C0110** | **C0090** | **C0120** |
| Market risk | R0010 | 3,016,821 | | – |
| Counterparty default risk | R0020 | 159,398 | | |
| Life insurance risk | R0030 | 1,590,987 | – | – |
| Health insurance risk | R0040 | 1,212,747 | – | – |
| Non-life insurance risk | R0050 | 966,544 | – | – |
| Diversification | R0060 | –2,327,771 | | |
| Intangible asset risk | R0070 | – | | |
| **Basic Solvency Capital Requirement** | **R0100** | 4,618,727 | | |

| | | | | |
|---|---|---|---|---|
| **Calculation of Solvency Capital Requirement** | | **C0100** | | |
| Operational risk | R0130 | 156,982 | | |
| Loss-absorbing capacity of technical provisions | R0140 | –2,756,143 | | |
| Loss-absorbing capacity of deferred taxes | R0150 | –317,272 | | |
| Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC | R0160 | – | | |
| **Solvency Capital Requirement excluding capital add-on** | **R0200** | **1,702,294** | | |
| Capital add-on already set | R0210 | – | | |
| **Solvency capital requirement** | **R0220** | **–** | | |
| **Other information on SCR** | | | | |
| **Capital requirement for duration-based equity risk sub-module** | **R0400** | **–** | | |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | – | | |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | R0420 | – | | |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | R0430 | – | | |
| Diversification effects due to RFF nSCR aggregation for Article 304 | R0440 | – | | |
| Minimum consolidated Group Solvency Capital Requirement | R0470 | 1,132,276 | | |
| **Information on other entities** | | | | |
| Capital requirement for other financial sectors (non-insurance capital requirements) | R0500 | 1,009,951 | | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) — Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies | R0510 | 952,020 | | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) — Institutions for occupational retirement provisions | R0520 | 57,931 | | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) — Capital requirement for non-regulated entities carrying out financial activities | R0530 | – | | |
| Capital requirement for non-controlled participation requirements | R0540 | – | | |
| Capital requirement for residual undertakings | R0550 | 174,332 | | |
| **Overall SCR** | | | | |
| SCR for undertakings included via D and A | R0560 | – | | |
| **Solvency capital requirement** | **R0570** | **2,886,578** | | |

# Wüstenrot & Württembergische AG
# Imprint and contact

## Publisher

Wüstenrot & Württembergische AG
70801 Kornwestheim
Germany
phone + 49 711 662-0
www.ww-ag.com

### Production
W&W Service GmbH, Stuttgart

### Investor Relations

The financial reports of the W&W Group are available at www.ww-ag.com/go/geschaeftsberichte_w&w_gruppe. In case of any divergences, the German original is legally binding.

E-mail: ir@ww-ag.com

Investor relations hotline: + 49 711 662-725252

W&W AG is member of

DIRK Deutscher Investor Relations Verband

W&W AG is listed in

DEUTSCHE BÖRSE PRIME STANDARD

w&w gruppe