2020

Interim Report as at 30 June
Wüstenrot & Württembergische AG

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w&w gruppe

Wüstenrot & Württembergische AG
Key figures of W&W Group

W&W Group (according to IFRS)

Consolidated balance sheet		30/6/2020	31/12/2019
Total assets	€ bn	76.3	75.7
Capital investments	€ bn	50.6	49.0
Senior debenture bonds and registered bonds	€ bn	12.7	13.0
Senior fixed-income securities	€ bn	25.4	24.0
Building loans	€ bn	22.5	21.5
Liabilities to customers	€ bn	22.7	21.6
Technical provisions	€ bn	38.7	37.4
Equity	€ bn	4.9	4.8
Equity per share	€	51.95	51.23

Consolidated incom statement		1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Net financial result (after credit risk adjustments)	€ mn	732.6	1,514.7
Earned premiums (net)	€ mn	2,173.2	2,119.4
Insurance benefits (net)	€ mn	–1,995.3	–2,582.9
Earnings before income taxes from continued operations	€ mn	163.6	251.6
Consolidated net profit	€ mn	107.0	175.8
Total comprehensive income	€ mn	139.7	661.0
Earnings per share	€	1.14	1.87

Other information		30/6/2020	31/12/2019
Employees (Germany)[1]		6,412	6,456
Employees (Group)[2]		7,583	7,991

Key sales figures		1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Group			
Gross premiums written	€ mn	2,513.5	2,434.0
New construction financing business (including brokering for third parties)	€ mn	3,204.2	3,393.6
Sales of own and third-party investment funds	€ mn	281.4	243.1
Housing			
New home loan savings business (gross)	€ mn	6,157.0	6,911.9
New home loan savings business (net)	€ mn	5,084.9	5,238.8
Life and Health Insurance			
Gross premiums written	€ mn	1,191.1	1,183.0
New premiums	€ mn	377.1	368.2
Property/Casualty Insurance			
Gross premiums written	€ mn	1,327.1	1,255.5
New premiums (measured in terms of annual contributions to the portfolio)	€ mn	162.8	159.9

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

Wüstenrot & Württembergische AG
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Economic report

Business environment

Macroeconomic environment

In the first half of 2020, the German economy experienced the deepest recession in post-war history. The reason was the coronavirus pandemic, and to overcome it, extensive restrictions were imposed on social and economic life. In the first quarter, gross domestic product fell by 2.2% compared with the fourth quarter of 2019. In the second quarter of 2020, economic output declined even further by 10.1%. A number of sectors, particularly tourism, hospitality, aviation and trade fair construction, were and still are severely affected by the coronavirus crisis. Central banks and governments responded quickly with extremely comprehensive monetary and fiscal policy measures. In the short term, the main objective was to prevent corporate and personal insolvencies in order to forestall the emergence of a pronounced economic crisis. In addition, packages were enacted to directly sustain supply and, in particular, demand. In April, the infection numbers began to progressively decline in Germany and Europe, which enabled the imposed restrictions on public life to be gradually lifted. This prompted a recovery in the economy, meaning that positive growth rates can be expected for the second half of 2020, provided that the coronavirus pandemic remains in check. For the year 2020 as a whole, however, a pronounced decline in gross domestic product can be expected.

Capital markets

Bond markets

On the bond markets, yields on long-term German government bonds began to fall again at the start of 2020. For instance, in the initial trading days of the new year, the yield on 10-year German government bonds reach a temporary high of −0.15%, but with the emergence of the coronavirus pandemic, the situation on the bond markets began to change in mid-January. Interest rates fell. This movement worsened substantially when the coronavirus reached Europe. The bond markets accordingly priced in a sharp recession in the EMU and further expansive measures by the ECB. Yields fell sharply worldwide. For instance, on 9 March, the yield on 10-year German government bonds reached a new record low of −0.91% during the course of the day, and the yield on 2-year bonds hit −1.03%. Starting on 10 March, yields began to move in the opposite direction. For instance, on 19 March, the yield on 10-year German government bonds climbed to −0.14%, putting it back at the pre-crisis level again.

The bond markets then settled down noticeably over the remainder of the first half of 2020. For instance, the yield on 10-year German government bonds ultimately traded sideways in a range between −0.60% and −0.25%. At the end of the reporting period, the yield on 10-year German government bonds stood at −0.45%. For 2-year German government bonds, the yield was −0.69%.

Equity markets

At the start of the year, European equity markets initially continued their upward trend of the previous year. On 19 February, the DAX posted a new all-time high of 13,789. The escalating coronavirus pandemic then led to a drop in economic and profit expectations by companies and caused investors to flee to the asset class “liquidity”, which occasioned a crash on the equity markets. Even extremely extensive emergency measures by leading central banks were initially not enough to stabilise the equity markets. As a result, the DAX fell in mid-March at times to below 8,300, amounting to a price drop of approximately 40% from the all-time high.

However, the comprehensive monetary and fiscal policy measures by central banks and governments, as well as rising hopes that the pandemic might have peaked in Europe, led to an increase in prices starting in mid-March. At the end of the first half of 2020, the leading German index stood at 12,311 and thus just 7.1% below its value at the end of 2019.

The SDAX, which reflects trends in the prices of 70 smaller German companies, essentially progressed similarly to its big brother, the DAX. For the first half of 2020, it was down −7.8%.

Industry trends

New home loan savings business for the first half of 2020 is not expected to achieve the level of the previous year, both in terms of gross new business and paid-in new business. In particular, the restrictions imposed during the coronavirus crisis made customers reluctant to conclude new contracts.

New business in private residential construction financing in the first half of 2020 was above the level of the previous year. Private households took out roughly €137 billion (previous year: roughly €128 billion) in building loans. The main drivers for construction financing business were mortgage interest rates, which remained low, and continued strong demand for housing. The initial impact of the coronavirus crisis worked as a brake on the market at the end of the first half of the year. For the year 2020 as a whole, we expect new business volume to decline for the market of private residential construction financing as a consequence of the delayed emergence of the effects of the coronavirus crisis, such as in the form of purchase reluctance by home owners in the second half of the year.

The following information is based on preliminary industry figures for the first half of 2020 published by the German Insurance Association (GDV).

Now that the first wave of the coronavirus pandemic has likely subsided, it appears that insurers have so far emerged from the coronavirus crisis relatively unscathed. However, some areas suffered, particularly new business.

With respect to life insurance companies and pension funds, new premiums rose in the first half of 2020 by 7.9% to €22.0 billion (previous year: €20.4 billion). In this regard, new single-premium business rose by 10.0%, while new business with payment of regular premiums fell by 5.0%. Gross premiums written increased year on year by 3.6% to €50.9 billion (previous year: €49.1 billion). For life insurance, the GDV expects gross premiums to decline by approximately 6.5% in 2020.

In property/casualty insurance, premium income increased moderately despite the coronavirus crisis, but it is expected to be substantially lower than the premium growth of the previous year. The GDV expects gross premium income to increase by approximately 2.2% (previous year: 3.4%) as at the end of the year. At the same time, it is anticipated that claims expenses will rise significantly by 5.5% for the financial year.

However, because of the coronavirus crisis, the estimate of further development as the year progresses is associated with substantial uncertainty.

W&W stock

W&W stock closed at €19.36 at the end of 2019 before moving sideways at the start of the year, repeatedly attempting without success to rise past the €20 mark. With the slump on the European equity markets triggered by the coronavirus pandemic and its economic impact, W&W stock also fell sharply until mid-March, when it closed at a record low of €11.52. It then benefited from the subsequent recovery wave on the international exchanges, and by mid-April it was able to once again exceed the €16 mark for the first time. Over the remainder of the first half of 2020, W&W stock then moved sideways in a price range around the €16 mark, ending the first half of the year at €15.16. As a result, W&W stock posted a price decline of –21.7%. Taking into account the dividend distribution in the amount of €0.65, overall performance was –18.3% for the reporting period. Euro STOXX banks posted a decline in performance of –34.6% for the same period, and Euro STOXX insurance companies, –17.9%.

Outlook

The further economic outlook for Germany is marked significantly by the expected duration of the coronavirus pandemic. If Germany and the EMU succeed in the second half of 2020 in overcoming the pandemic on a sustained basis, we expect the economy to recover, with heavy support from fiscal policy. Ultimately, if the economy moves in the opposite direction, above-average growth rates could be achieved in the coming quarters. Even under that scenario, however, the growth rate will be negative for the calendar year 2020 as a whole because of the slump in the first half of the year. Nevertheless, in 2021 we expect the catch-up process to continue and growth rates to recover. Should a second, broad wave of infections occur, severe restrictions on social and economic life would once again have to be imposed, at least on a regionally limited basis. That would trigger a longer-lasting recession. In addition, a new flare-up in the global trade dispute in the course of the U.S. election campaign cannot be ruled out, and this could palpably curb the momentum of the economic recovery.

The after-effects of the coronavirus crisis, particularly the even more expansive monetary policy of leading central banks, are causing the current interest rate environment to become entrenched. The historically low yields on the German bond markets are expected to continue for the foreseeable future. Should the negative scenario of a second wave of infections occur, thus triggering a longer-term recession, it cannot be ruled out that yields may decline even below the new all-time low.

With their impressive recovery in the second quarter of 2020, the international equity markets are betting that the pandemic will be rapidly overcome and economic restrictions will be widely lifted, and thus that a transition to economic recovery will set in. Moreover, the trends on the equity markets are benefiting from the very expansive monetary policy environment, high liquidity and low interest rates. However, should a second, broad wave of infections occur with renewed restrictions on public life, with an associated cementing of recessive trends, this poses a risk of significant price losses. In addition, a revival of the global trade dispute in the course of the U.S. election campaign could have a palpably adverse impact on trends on the equity markets in the second half of the year.

Ratings

In July 2020, Standard & Poor's (S&P) again confirmed the ratings with a stable outlook. Even in light of the great challenges posed by the coronavirus pandemic, the W&W Group continued to show that it is on very sound footing. Thus the core companies in the W&W Group continue to have a rating of A-, while the holding company Wüstenrot & Württembergische AG maintained its BBB+ rating.

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

As in the past, the German mortgage covered bonds issued by Wüstenrot Bausparkasse AG possess the top rating of AAA with a stable outlook.

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

Standard & Poor's Ratings

	Financial Strength	Issuer Credit Rating
W&W AG	BBB+ outlook stable	BBB+ outlook stable
Württembergische Versicherung AG	A– outlook stable	A– outlook stable
Württembergische Lebensversicherung AG	A– outlook stable	A– outlook stable
Wüstenrot Bausparkasse AG		A– outlook stable

Development of business and Group position

Development of business

The first half of 2020 was marked by the coronavirus pandemic. The W&W Group took a variety of measures to ensure that its business ran smoothly, both for customers and for employees. For instance, approximately 80% of the workforce has been working from home since the end of March. Owing to digitalisation, and thanks to the flexibility and commitment of all employees, business operations remained stable.

On the one hand, the coronavirus pandemic had an impact on the operational level of the divisions of the W&W Group. The insurance area suffered from expenses due to business closures by customers, but it also enjoyed positive effects, such as lower vehicle claims because of the sharp drop in traffic. In addition, the risk provision for construction loans increased significantly.

On the other hand, the W&W Group felt the effects of the coronavirus pandemic through the upheaval on the capital markets. Measurement losses on equities and a higher risk provision for building loans were mainly attributable to this.

A variety of supportive measures by central banks and countries mitigated the effects on national economies. Particularly noteworthy is the German Act to Mitigate the Consequences of the Coronavirus Pandemic (Gesetz zur Abmilderung der Folgen der COVID 19-Pandemie), which was enacted by the Bundestag on 27 March 2020. Among other things, the act provided for the ability to defer payments for three months (statutory moratorium).

Against this background, the W&W Group posted net profit of €107.0 million (previous year: €175.8 million) as at 30 June 2020, thus gaining considerable momentum compared with the first quarter of 2020.

Composition of consolidated net profit

in € million	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Housing segment	39.6	39.0
Life and Health Insurance segment	10.7	12.6
Property/Casualty Insurance segment	62.4	105.7
All other segments/consolidation	–5.7	18.5
Consolidated net profit	**107.0**	**175.8**

New business and gross premiums written in property/casualty insurance and in life and health insurance once again rose despite temporary restrictions on physical contact. Domestic construction financing business also showed itself to be resilient in the face of the crisis, posting growth over the previous year.

Group-wide, however, construction financing business and new home loan savings business declined. In this regard, it should be taken into consideration that the previous year's figures still included the sales results of the two Czech subsidiaries, which have since been sold. If the Czech subsidiaries were excluded from the comparable figures for the previous year, construction financing business would have increased by 3.4%. Under this calculation, the decline in net new home loan savings business would have decreased to –2.9%.

New business key figures (Group)

	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	Change
	in € million	in € million	in %
Gross premiums property/casualty/insurance	1,327.1	1,255.5	5.7
Gross premiums life and health/insurance	1,191.1	1,183.0	0.7
Construction financing business (including brokering for third parties)	3,204.2	3,393.6	–5.6
New home loan savings business (gross)	5,084.9	5,471.7	–7.1

Effective 1 January 2020, control of Aachener Bausparkasse AG (ABAG) was transferred to Wüstenrot Bausparkasse AG (BSW). In the first quarter of 2020, ABAG was included for the first time in the consolidated financial statements of W&W AG. This resulted in an income (badwill) of €25.0 million. On 26 June 2020, ABAG was merged into BSW retroactive to 1 January 2020.

The two Czech subsidiaries, Wüstenrot stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s., were transferred to the new owner, Moneta Money Bank a.s., effective 1 April 2020. The two subsidiaries were also deconsolidated at that time. The deconsolidation effect amounted to –€9.9 million. During the first half of the year, we also collected a dividend totalling €7.9 million from the Czech subsidiaries.

None of the changes to the scope of consolidation had any material effect on the comparability of the current year's figures with those for the previous year.

Executive Board

Alexander Mayer was appointed to the Executive Board of Wüstenrot & Württembergische AG (W&W AG), effective 1 September 2020. He will be taking the place of Dr Michael Gutjahr, who is retiring effective 31 August 2020 after 32 years with the W&W Group, including 21 years as a member of the Executive Board. Alexander Mayer has been management spokesman for W&W Asset Management GmbH since 2015 and CFO of Württembergische Lebensversicherung AG and Württembergische Versicherung AG since 2019. He is thus additionally assuming the capital investments and accounting remit on the Executive Board of W&W AG.

W&W Besser!

Innovation, digitalisation and close personal service remain important cornerstones for sustainably strengthening the competitiveness of the W&W Group in view of uncertain economic trends and the persistent phase of low interest rates. The W&W Group has modified the strategic initiative "W&W Besser!" to conform to changed basic conditions and is focusing on four approaches:

- Inspiring customers and employees
- Doubling market growth in profitable lines
- Tapping into new customer groups and providing even better service to existing customers
- Lowering costs to at least the market level

In the first half of 2020, we expanded digital offerings for our customers. Examples include:

W&W brandpool GmbH launched its own digital offering on the market in the area of personal retirement planning. The Rente.de app provides an introduction to a topic that many people find to be complex. The target group is persons aged 27 and older who are covered by statutory pension insurance.

FinanzGuide now includes a free banking cover and other self-service features for its users. The banking cover provides insurance against financial losses and legal protection for bank accounts loaded in the app.

Our digital brand Adam Riese has expanded its success and now has 130,000 customers. In addition, it is enjoying very high customer satisfaction, and because of that it was given the 2020 eKomi Award as best direct insurer. In addition, we boosted our technological innovation power and expanded the process for digitally concluding dog owner liability insurance by adding image recognition software based on artificial intelligence.

The Wohnwelt portal continued to develop very positively. Since the consolidation of the wüstenrot.de and Wohnwelt websites in July 2019, the number of visitors has risen by about 20% compared with the prior-year period. This not only strengthens our sales by feeding in new potential customers, but it also helps us to appeal to existing customers in a manner suited to the target group.

Württembergische Lebensversicherung AG expanded its range of products with two products in the area of employee insurance. With this, we are offering our customers a newly developed policy covering basic abilities and an expansion of the occupational disability insurance cover. The basic abilities insurance policy covers the most important physical abilities. In the event of loss of a basic ability, our customers receive the agreed basic abilities annuity. The occupational disability insurance cover offers a number of additional ways to tailor the product to meet the customer's specific needs.

New brand identity receives prize

The new brand identity of the W&W Group, which brings the Group's strategic foundation – the connectedness of diverse people and companies – into a new digital age in a visual way, was awarded the German Brand Award by the German Design Council in June 2020. Wüstenrot also received the highest award, "Brand Strategy of the Year", for its brand identity "Wohnen heißt Wüstenrot".

Sustainability

The topic of sustainability plays an important role for the W&W Group. In this regard, we are rigorously enhancing our sustainability measures.

For the purpose of further strengthening its sustainability-focused orientation, the W&W Group signed on to the Principles for Responsible Investment (PRI), an investor initiative launched by the UN, in May 2020, as well as to the Principles for Sustainable Insurance (PSI) in August 2020.

A sustainability board was created to coordinate these issues and activities across the Group, and the orientation in the area of capital investment was further honed. This means that, for instance, companies will be excluded whose activities relate to coal or weapons.

Financial performance

Consolidated income statement

As at 30 June 2020, consolidated net profit amounted to €107.0 million (previous year: €175.8 million).

Net financial result fell to €732.6 million (previous year: €1,514.7 million). It consists of the following components:

- Current net income decreased to €560.3 million (previous year: €597.5 million). This was due to a smaller interest surplus as a result of the interest rate level, as well as lower dividend income.

- The net expense from risk provision amounted to −€54.0 million (previous year: −€13.6 million). The trend was mainly attributable to the coronavirus pandemic.

- The net measurement loss was −€438.2 million (previous year: net gain of €462.7 million). This decline was also attributable to upheavals on the market as a result of the coronavirus pandemic. Equity instruments as well as fixed-interest financial instruments lost value. Investments for unit-linked life insurance policies were likewise affected.

- By contrast, net income from disposals rose to €664.4 million (previous year: €468.1 million), particularly with regard to bonds.

Net premiums earned rose by €53.8 million to €2,173.2 million (previous year: €2,119.4 million). Increases were recorded for both Property/Casualty Insurance and Life and Health Insurance, despite the coronavirus pandemic.

Net insurance benefits declined to €1,995.3 million (previous year: €2,582.9 million). This decline was the result of Life and Health Insurance, where net financial income has an adverse impact on technical provisions. Owing to our profitable insurance portfolio, Property/Casualty Insurance once again posted very good claims development.

The net commission expense amounted to −€240.3 million (previous year: −€221.1 million). On the one hand, this was attributable to the commission result of the sold Wüstenrot Bank AG Pfandbriefbank, which was included in the previous year. Also having an impact were higher service commissions as a result of the by and large gratifying increase in the property insurance portfolio.

General administrative expenses were able to be reduced to €516.4 million (previous year: €532.9 million) through continued rigorous cost management. In particular, materials costs fell, for instance as a result of lower advertising, travel and consulting costs.

Net other operating income rose sharply to €9.8 million (previous year: net expense of –45.6 million). This was mainly attributable to a one-off effect in the previous year. The deconsolidation of Wüstenrot Bank AG Pfandbriefbank at that time resulted in a shifting of individual results. This led to income of €48.4 million being added to net income from disposals, whereas a charge of –€43.1 was made to the net other operating expense for 2019. In addition, the figure for the current year includes badwill of €25.0 million from the sale of Aachener Bausparkasse AG, as well as, working in the opposite direction in this context, restructuring provisions created in the amount of €11.2 million.

Consolidated statement of comprehensive income

As at 30 June 2020, total comprehensive income stood at €139.7 million (previous year: €661.0 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 30 June 2020, OCI stood at €32.7 million (previous year: €485.2 million). As a result of the coronavirus pandemic, there were two developments involving fixed-income securities and registered securities that worked in opposing directions. . On the one hand, interest rates fell further in the first half of the year as a consequence of measures by governments and central banks, which supported the market values of securities in the portfolio. On the other, spreads widened, which had an offsetting effect on market values. All told, this resulted in unrealised gains of €67.0 million (previous year: €643.6 million).

In addition, actuarial losses –€15.3 million (previous year: –€160.9 million) from defined benefit plans for pension schemes and currency translation differences of –€19.0 million (previous year: €2.4 million) were recognised in other comprehensive income.

Housing segment

New business

Gross new home loan savings business came in at €6,157.0 million (previous year: €6,911.9 million), falling short of the previous year’s value because of the restrictions imposed as a result of the coronavirus pandemic. However, we outperformed the market in this area, thereby increasing our market share. In this regard, the performance by our mobile sales force improved, whereas in partnership business, the branch lockdowns occasioned by the coronavirus had an adverse impact on partners. Net new business (paid-in new business) by contract volume amounted to €5,084.9 million, which was slightly below the figure for the previous year (€5,238.8 million).

Taking into account brokering for third parties, new construction financing business came in at €3,174.2 million, which constituted an increase over the very good figure for the previous year (€3,072.1 million).

New business key figures

	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	Change
	in € million	in € million	in %
Gross new business	6,157.0	6,911.9	-10.9
Net new business	5,084.9	5,238.8	-2.9
Construction financing business (including brokering for third parties)	3,174.2	3,072.1	3.3

Financial performance

Net income in the Housing segment rose slightly to €39.6 million (previous year: €39.0 million).

Net financial result fell to €190.2 million (previous year: €208.4 million). This was due to the following aspects:

- Current net income rose to €134.8 million (previous year: €113.8 million). This was mainly attributable to lower expenses for deposits under home loan savings contracts due to continued portfolio management and a lower addition to provisions for home loan savings business. By contrast, interest income from construction loans was lower as a consequence of the persistently low level of interest rates.

- The net expense from risk provision came in at –€35.0 million (previous year: –€4.6 million). This was mainly attributable to a risk provision created for loans for which customers made use of the deferral options granted by legislators (known as the statutory moratorium).

- The net measurement gain amounted to €12.3 million (previous year: €23.4 million). Above all, the widening of spreads on the capital markets in the case of securities and the measurement of derivatives concluded to reduce risks associated with changes in interest rates led to the decline. By contrast, the result from the discounting of provisions for home loan savings business (bonus provisions) improved.

Net commission income amounted to €0.6 million (previous year: €9.9 million). This was attributable to the net commission income of the sold Wüstenrot Bank AG Pfandbriefbank, which was included in the previous year, as well as to lower new home loan savings business.

General administrative expenses were able to be reduced to €162.9 million (previous year: €168.6 million) due to lower charges for Group projects and the general objective of improving all cost positions.

Net other operating income reached €21.3 million (previous year: €6.7 million). This includes badwill of €25.0 million from the sale of Aachener Bausparkasse AG, as well as, working in the opposite direction in this context, restructuring provisions of €11.2 million that were recognised in this period.

Tax expenses amounted to €9.6 million (previous year: €17.4 million). The decline resulted in particular from the initial consolidation of Aachener Bausparkasse AG, which was tax-neutral.

Life and Health Insurance segment

New business/premium development

New premiums in the Life and Health Insurance segment rose to €377.1 million (previous year: €368.2 million) despite the coronavirus crisis. Single-premium income grew to €330.4 million (previous year: €317.0 million). Regular premiums in life insurance amounted to €42.6 million (previous year: €46.1 million).

New business key figures

	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	Change
	in € million	in € million	in %
New premiums	**377.1**	**368.2**	**2.4**
Single premiums	330.4	317.0	4.2
Regular premiums	42.6	46.1	-7.6
Annual premium health	4.1	5.1	-19.6

Total premiums for new life insurance business fell to €1,591.0 million (previous year: €1,722.0 million).

Gross premiums written increased to €1,191.1 million (previous year: €1,183.0 million), mainly as a result of higher single-premium income.

Financial performance

Segment net income stood at €10.7 million (previous year: €12.6 million).

Net financial result in the Life and Health Insurance segment declined sharply to €510.5 million (previous year: €1,138.3 million). The following income components were responsible for this:

- Current net income fell to €366.4 million (previous year: €403.7 million). This was mainly attributable to lower interest income as a result of lower capital market interest rates for new investments and reinvestments.

- The net expense from risk provision increased to −€17.1 million (previous year: −€5.9 million). Spread widenings and ratings deteriorations led a higher addition to the risk provision, particularly in the case of bearer bonds. In this regard, however, the high proportion of solvent debtors with investment-grade securities helped to cushion the increase in the risk provision.

- The net measurement loss amounted to −€412.1 million (previous year: net gain of €402.4 million). As a result of upheavals on the market during the first half of the year, equities, alternative investments, fund units and interest-bearing securities experienced heavy measurement losses. This development had an impact particularly on investments to cover unit-linked life insurance policies. It was offset by the compensatory effects on net insurance benefits.

- Net income from disposals increased to €573.4 million (previous year: €338.1 million). This was due to higher net income from bonds and from investment property.

Net premiums earned rose to €1,226.6 million (previous year: €1,220.2 million), mainly owing to increased single-premium income.

Net insurance benefits stood at €1,520.9 million (previous year: €2,120.3 million). This significant improvement was related to movements in net financial income, which resulted in lower additions to the provision for premium refunds and to the provision for unit-linked life insurance. Through the regular increase of the additional interest reserve (including interest rate reinforcement), we are already ensuring the fulfilment of future interest obligations and safeguarding benefits to our customers. Additions totalled €219.8 million (previous year: €180.9 million). The additional interest reserve as a whole rose to €2,785.7 million (end of the previous year: €2,565.9 million).

General administrative expenses fell to €130.5 million (previous year: €132.7 million). Whereas personnel expenses declined, materials costs increased moderately.

Property/Casualty Insurance segment

New business/premium development

New business developed positively in spite of the coronavirus pandemic, coming in at €162.8 million (previous year: €159.9 million). The corporate customers area grew significantly. Our digital brand Adam Riese was also successful in terms of sales and again outperformed our expectations. In terms of retail customers, however, a decline was posted compared with the previous year, which was influenced by a major transaction.

New business key figures

	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	Change
	in € million	in € million	in %
New business	**162.8**	**159.9**	**1.8**
Motor	112.6	110.1	2.3
Corporate customers	29.7	26.0	14.2
Retail customers	20.5	23.8	-13.9

Gross premiums written increased further by €71.6 million (+5.7%) to €1,327.1 million (previous year: €1,255.5 million). An increase was posted in all business segments.

Gross premiums written

	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	Change
	in € million	in € million	in %
Segment total	**1,327.1**	**1,255.5**	**5.7**
Motor	618.3	594.3	4.0
Corporate customers	332.9	304.9	9.2
Retail customers	375.9	356.3	5.5

Financial performance

Segment net income fell to €62.4 million (previous year: €105.7 million). Claims development was again encouraging. Net financial result came in significantly below the previous year's figure as a consequence of the coronavirus pandemic.

Net financial result stood at €3.0 million (previous year: €82.7 million). It consists of the following components:

- Current net income stood at €35.2 million (previous year: €39.1 million). The interest surplus declined as a result of the continuing low level of interest rates. Dividend income also fell.
- The net measurement loss came in at −€41.2 million (previous year: net gain of €40.1 million). The reason for the sharp decline were the upheavals on the capital markets in the wake of the coronavirus pandemic. This led to slumps on the equity markets. On the bond markets, spread widening led to measurement losses.
- Net income from disposals increased to €10.5 million (previous year: €4.7 million). In the case of registered securities, we were able to make use of market opportunities.

Net premiums earned continued to trend very positively. They rose by €40.3 million to €808.7 million (previous year: €768.4). All business segments made a contribution to this.

Net insurance benefits increased by €13.8 million to €401.0 million (previous year: €387.2 million) due to the significantly larger insurance portfolio. Relative to premium development, however, this item's performance is disproportionately low. The coronavirus pandemic had an impact on claims development in two respects. On the one hand, claims expenses in the motor line fell as a consequence of the lockdown. On the other, expenses in the amount of €40.6 million (gross) were incurred for business closure insurance policies as a consequence of the business closures ordered by the authorities. Therefore, due to our very good portfolio, the loss ratio (gross) amounted to 61.7% (previous year: 60.6%). The expense ratio fell to 26.9% (previous year: 27.4%). The combined ratio (gross) came in at 88.6% (previous year: 88.0%). The combined ratio (net) amounted to 85.3% (previous year: 87.7%).

Net commission expense stood at −€127.1 million (previous year: −€130.2 million). Sales commissions fell year on year. By contrast, growth in the insurance portfolio led to higher service commissions.

General administrative expenses fell to €180.3 million (previous year: €182.7 million). Personnel expenses rose slightly. By contrast, materials costs declined.

All other segments

"All other segments" covers the divisions that cannot be allocated to any other segment. This mainly includes W&W AG, W&W Asset Management GmbH, Wüstenrot Haus- und Städtebau GmbH, W&W brandpool GmbH and the Group's internal service providers.

Segment net income after taxes amounted to €1.1 million (previous year: €30.0 million).

Net financial result stood at €18.8 million (previous year: €65.8 million). The following income components contributed to the development:

- Current net income decreased to €26.1 million (previous year: €45.0 million). This was mainly attributable to lower interest income from construction loans as a result of the sale of the Czech subsidiaries, as well as the interest on tax refunds included in the previous years.
- The net measurement loss was −€9.2 million (previous year: net gain of €22.2 million). Because of the upheavals on the capital markets as a consequence of the coronavirus pandemic, equities and fund units experienced measurement losses.

Earned premiums rose to €147.7 million (previous year: €141.3 million). The volume ceded by Württembergische Versicherung AG to W&W AG for reinsurance within the Group increased as a result of positive premium development.

The net commission expense increased to –€38.2 million (previous year: –€29.5 million). This was mainly due to the rise in commission expenses of W&W AG for property and casualty insurance, which were incurred in connection with cross-segment reinsurance.

General administrative expenses fell to €43.7 million (previous year: €51.3 million) due to, inter alia, lower consulting and hardware costs.

Net assets

Asset structure

The W&W Group's total assets amounted to €76.3 billion (previous year: €75.7 billion). Assets mainly consist of building loans of €22.5 billion (previous year: €21.5 billion) and investments of €50.6 billion (previous year: €49.0 billion).

Valuation reserves

Valuation reserves are formed if the current fair value of an asset is higher than the value at which it is carried in the balance sheet (carrying amount).

The W&W Group maintains valuation reserves primarily for building loans in the amount of €553.5 million (previous year: €499.0 million) and for investment properties in the amount of €542.7 million (previous year: €533.2 million).

Financial position

Capital structure

The business model of the W&W Group as a financial services group means that the liabilities side is dominated by technical provisions and liabilities to customers.

Technical provisions – including those for unit-linked life insurance policies of €1.8 billion (previous year: €2.2 billion) – totalled €38.7 billion (previous year: €37.4 billion). This includes €30.3 billion (previous year: €30.0 billion) for the provision for future policy benefits, €5.2 billion (previous year: €4.6 billion) for the provision for premium refunds, and €2.6 billion (previous year: €2.6 billion) for the provision for outstanding insurance claims. Liabilities primarily related to liabilities to customers in the amount of €22.7 billion (previous year: €21.6 billion). They largely consist of deposits from home loan savings business amounting to €19.7 billion (previous year: €18.4 billion).

Liquidity

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

The cash flow statement shows inflows of cash amounting to €302.0 million (previous year: €341.8 million) from operating activities and outflows of cash amounting to €89.8 million (previous year: €472.9 million) for investing activities, including capital investments. Financing activities resulted in an outflow of cash of €122.7 million (previous year: €81.2 million). This resulted in a net change in cash in the reporting year of €89.5 million (previous year: –€212.3 million).

Equity

As at 30 June 2020, the W&W Group's equity stood at €4,908.8 million, compared with €4,835.1 million as at 31 December 2019.

This includes consolidated net profit as at 30 June 2020, as well as net income included in equity, together totalling €139.7 million. In addition, equity was reduced by the dividend payment of €60.9 million. Other effects reduced equity by €5.1 million.

Exercise of discretion

Because of the ongoing coronavirus crisis, general uncertainty has increased in various areas. These include areas relevant for the financial statements, such as discretionary judgments made by management and assumptions and estimates made with respect to the net assets, financial position and financial performance of the W&W Group. These estimates were made on the basis of management's best knowledge and currently available information. Nevertheless, in light of the coronavirus pandemic, deviations from these estimates cannot be ruled out. More extensive information can be found in the notes.

Related party disclosures

Detailed related party disclosures are found in the Notes under "Other disclosures".

Opportunity and risk report

Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful development of our Group. Consequently, we pursue the goal of systematically identifying, analysing and evaluating opportunities and initiating suitable measures to utilise them. The starting point is our firmly established strategy, planning and control processes. For this purpose, we evaluate market and environment scenarios and examine the orientation of our product portfolio, cost drivers and other critical success factors. This takes place from the standpoint of sustainable value orientation.

The opportunities derived from this are discussed in the management within the scope of strategy retreats and then incorporated into strategic planning. We also have sound governance and control structures in place in order to evaluate and pursue opportunities on the basis of their potential, the required investment and the risk profile.

Risk report

Risk reporting in the W&W Group's Half-Year Financial Report is carried out in compliance with Section 115 in conjunction with Section 117, no. 2 of the German Securities Trading Act (WpHG), German Accounting Standard 16 and IAS 34.

Risk management

W&W AG is the ultimate parent company of the financial conglomerate (W&W Group), the Solvency II Group and the financial holding group. By letter of 22 July 2020, BaFin advised that the financial holding group is no longer applicable. This is because several institutions belonging to the Group were eliminated from the scope of consolidation with the sale of Wüstenrot Bank AG Pfandbriefbank, Wüstenrot stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s.

The objectives and principles of risk management described in the 2019 Annual Report continued to apply in the W&W Group as at 30 June 2020. The planned enhancements of the risk models and risk governance processes are being continuously pursued. These include, inter alia, modifications to conform to new and changing regulatory requirements, the enhancement of risk-bearing capacity concepts and measures for ensuring risk-bearing capacity, the promotion of a Group-wide risk culture and process and data optimisation.

The organisational and operational structure of our risk management system as at 30 June 2020 corresponds to that described in the 2019 Annual Report, with the exception of the changes described below.

As described in the 2019 Annual Report, Wüstenrot Bausparkasse AG concluded a contract at the end of 2018 to purchase Aachener Bausparkasse AG. Transfer of control took place effective 1 January 2020. Since then, Aachener Bausparkasse AG has been included in the Group-wide risk management system through Wüstenrot Bausparkasse AG. In June 2020, the takeover process was completed with the merger of Aachener Bausparkasse AG into Wüstenrot Bausparkasse AG.

In addition, the W&W Group sold its home loan savings bank (Wüstenrot stavební spořitelna a.s.) and mortgage bank (Wüstenrot hypoteční banka a.s.) in the Czech Republic. Moneta Money Bank became the new owner of the companies on 1 April 2020. Accordingly, the companies were removed from the scope of consolidation depicted in the 2019 Annual Report.

Basic conditions

The coronavirus crisis has so far resulted in considerable adverse effects on the financial markets, which, compared with the state of affairs prior to the coronavirus crisis, take the form of falling equity prices, declining interest rates, a widening of spreads, a lowering of market liquidity and an overall highly volatile environment. Economic growth has shrunk significantly, although counteractive measures taken by governments and central banks are having a supportive effect. Despite the partial recovery witnessed recently, extremely high uncertainties remain for the rest of the year with respect to further trends on the financial markets and in the economy.

Because of these developments, the W&W Group is exposed to considerably higher risks in 2020 compared with 2019, particularly in the event that the coronavirus crisis persists for an extended period.

Macroeconomic developments are described in the section "Business environment" in this Half-Year Financial Report. Please see the section "Outlook" with respect to anticipated developments for, inter alia, financial performance.

Current risk situation

The risk areas depicted in the 2019 Annual Report remained valid without change as at 30 June 2020:
- Market price risks,
- Counterparty credit risks,
- Underwriting risks,
- Operational risks,
- Business risks and
- Liquidity risks.

As part of the risk strategy, the W&W Group strives for an economic risk-bearing capacity ratio of greater than 145% (based on a confidence level of 99.5%). For the financial holding group, the target ratio is greater than 125% (based on a confidence level of 99.9%), and for W&W AG, greater than 125% (based on a confidence level of 99.5%). Our calculations show that risk-bearing capacity exceeded these target ratios as at 30 June 2020.

There have been no material changes in what the sensitivity analyses tell us about market price risks, meaning that the remarks in the 2019 consolidated financial statements of W&W AG should be consulted on this issue.

Compared with the risk report contained in the 2019 Group management report, we see material changes or changed basic conditions due to internal and external influences in the following risk areas:

Market price risks

Particularly in the months of March and April, the coronavirus pandemic resulted in a significant widening of the credit spread, which then narrowed again owing to monetary and fiscal policy measures.

Nevertheless, the spread level, which continues to be relatively high internationally, reflects uncertainties about impending risks occasioned by the economy. Rating downgrades and credit defaults could cause credit spreads, and thus market price risks, to rise sharply again. To this extent, the credit spread risk remains significant for the W&W Group.

Interest rates were able to recover slightly from their lows in the first quarter. The 10-year swap rate stood at −0.17% as at 30 June, thus putting it above the lows of March 2020, although below the level at the end of 2019.

The current interest rate environment continues to pose great challenges for the industry's life insurance companies, home loan savings banks and pension funds, and thus also for the W&W Group with its interest-rate-dependent customer business, its long-term customer guarantees and its predominantly interest-rate-dependent investments.

This also affects the required increase of the additional interest reserve and interest rate reinforcement of Allgemeine Rentenanstalt Pensionskasse AG. In this regard, two increases were made to the capital reserve of Allgemeine Rentenanstalt Pensionskasse AG by Württembergische Lebensversicherung AG in the amount of €15 million in the 2019 financial year and €30 million in July 2020. A further increase of €30 million is planned for the 2021 financial year.

Compared with the end of 2019, the DAX fell by 7.1%, Euro STOXX 50 by 12.8%, and the U.S. S&P 500 by 4.0%. Thus, following the massive drop in prices in March, the indexes had made a significant recovery as at 30 June 2020.

We have reduced our exposure to equities as part of the pursued investment and collateralisation strategies, which also limits the effects of further potential fluctuations in prices.

In the alternative investments asset class, fund valuations have declined, which is attenuated by diversification in the portfolio. Ripple-down effects and other declines in market value cannot be ruled out, depending on how the crisis continues to progress. We will therefore continue to be selective in subscribing to new investments by taking into account the current situation.

In the property segment, the coronavirus crisis resulted in temporary deferrals of lease payments, particularly by key commercial tenants in the retail, hotel and office sectors. Depending on how the situation progresses, income may suffer further due to rent losses caused by the crisis. In view of recently rising property prices in various regions and segments, price corrections cannot be ruled out, particularly in the event of a prolonged, sharp downturn in the economy.

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). Most of our foreign currency exposure is hedged against exchange rate fluctuations.

The objectives and risk governance measures described in the 2019 Annual Report for the risk area "Market price risk" remain valid. In light of the coronavirus pandemic, we have further intensified our risk governance measures, including with respect to the monitoring and governance of credit spread risks and other investment risks. As a result of uncertainties about the further progression of the coronavirus crisis, the W&W Group remains exposed to considerably increased risks in the area of market price risk compared with 2019.

Counterparty credit risks

As described in the 2019 Annual Report, we continue to emphasise ensuring high creditworthiness for our bond portfolio, as well as a good collateral structure. As at 30 June 2020, the portfolio's share of investments in the investment grade area was 95.7% (31 December 2019: 96.9%).

Rating downgrades were primarily experienced in the especially hard-hit industries of commodities, transport, retail and leisure. However, no defaults occurred in the bond portfolio in the first half of the year.

Because of the negative economic consequences of the coronavirus crisis, we expect delayed effects over the remainder of the year in the form of a deterioration in credit quality and credit defaults. In particular, corporate bonds in economic sectors that have been particularly hard hit (petroleum, aviation / tourism, automotive, retail / services and shipping), government bonds issued by countries with a highly commodity-intensive export structure and financial securities could be affected.

In customer lending business, the credit default rate of Wüstenrot Bausparkasse AG remains roughly at the year-end level. Substantial effects from the coronavirus crisis are currently not apparent.

Since March, we have been implementing the aid measure enacted by the Federal government by concluding coronavirus-related deferral agreements with customers. In the customer lending business of Wüstenrot Bausparkasse AG and in the mortgage business of Württembergische Lebensversicherung AG and Württembergische Versicherung AG, approximately 3,800 customers have made use of the statutory moratorium in order to defer principal and interest payments. In order to account for higher uncertainty and the increased likelihood of payment defaults related to the coronavirus pandemic, we increased the risk provision for customer loans.

The objectives and risk governance measures described in the 2019 Annual Report for the risk area “Counterparty credit risk” remain valid. With respect to the risk governance measures that have been intensified in the course of the coronavirus crisis, please see the section “Market price risk”. As a result of uncertainties about the further progression of the coronavirus crisis, the W&W Group remains exposed to considerably increased risks in the area of counterparty credit risk compared with 2019.

Underwriting risks

The Sabine storm and coronavirus-related claims expenses under business closure insurance policies had an adverse effect. By contrast, claims development in the motor line was considerably better. The loss ratio for the 2020 financial year in the Property/Casualty Insurance segment thus stands somewhat below the level of the prior year.

At this time, lawsuits are pending with respect to the indemnity payment in business closure insurance.

In the area of health insurance, we expect moderately rising expenses for benefits as a result of expenditures occasioned by the pandemic.

In addition, the actuarial risk in life insurance and pension funds is adversely affected by the current interest rate level in connection with long-term customer guarantees.

The objectives and risk governance measures described in the 2019 Annual Report for the risk area “Underwriting risk” remain applicable. As a result of uncertainties about the further progression of the coronavirus crisis and the ultimate claims volume, the W&W Group is exposed to increased risks in the area of underwriting risk compared with 2019.

Operational risks

Through various guidelines and processes, the W&W Group had already prepared itself in advance of the coronavirus pandemic for the occurrence of crisis situations and extraordinary events like the current coronavirus pandemic. This includes the management of operational risks. The W&W standard for emergency and crisis management governs the organisational and operational structure in the event of a crisis. This includes, for example, guidelines concerning the establishment of a crisis team, concerning processes and concerning communication channels. Accordingly, in the coronavirus crisis, the W&W Group established a crisis team to coordinate the necessary measures, which was headed by the Chief Risk Officer of W&W AG. In addition, we activated our existing business continuity management in order to maintain business processes.

Critical operational risks were able to be avoided through prompt action. However, in the event of a new outbreak of the coronavirus pandemic in Germany, we cannot rule out the emergence of operational risks to business processes as a result of employee absences.

As a result of the uncertainty about the further progression of the coronavirus crisis, the W&W Group is exposed to considerably increased risks in the area of operational risk compared with 2019.

Liquidity risks

Liquidity planning shows positive liquidity balances at the level of both the W&W Group and the individual companies over the entire planning period, meaning that sufficient liquidity is available to ensure solvency.

With regard to W&W AG, the sale of the Czech subsidiaries provided additional liquidity in the reporting period. Following the coronavirus-related decline in March/April, market liquidity had improved by June, although in several market segments it has not yet quite reached the pre-crisis level. A re-emergence of the coronavirus crisis could lead to a renewed increase in market liquidity risk.

Business risks

The W&W Group cannot evade the implications of the coronavirus crisis on the economy and the capital markets. For instance, in March the capital markets initially suffered a significant slump, which took the form of, in particular, falling equity prices, spread widenings and a decline in market liquidity. In the wake of this, interest rates fell again in an environment that continued to be highly volatile.

For the balance of the year as well, there is great uncertainty with respect to the outlook concerning further trends on the capital markets. In addition, because of the negative economic consequences of the coronavirus crisis, we expect a deterioration in credit quality and credit defaults as the year progresses. Similarly, we cannot rule out that the coronavirus crisis will have further effects on new business and on expenses for insurance claims. Countermeasures by governments and central banks may in some cases afford relief. Accordingly, depending on how the coronavirus crisis develops in the future, a decline in results and pressure on the financial position, net assets and risk position can be expected, particularly if the coronavirus crisis persists for an extended period.

Furthermore, unfavourable developments in the political and economic environment (e.g. resurgence of trade disputes, risk of a no-deal Brexit) and changes in the legal environment may generate additional, possibly significant risk potential.

In the W&W Group, strategy is implemented in connection with “W&W Besser!” The W&W Group continued to push ahead with its “W&W Besser!” projects in the first half of 2020, as described in the chapter “Development of business”.

Summary

As a result of the developments associated with coronavirus crisis, the W&W Group is exposed to considerably higher risks in 2020 compared with 2019, particularly in the event that the coronavirus crisis persists for an extended period.

Despite the effects of the coronavirus crisis, the W&W Group and W&W AG at all times had sufficient economic and supervisory risk-bearing capacity in the first half of 2020. Pursuant to our economic risk-bearing capacity model, we had sufficient risk capital in order to be able to cover the assumed risks with a high degree of confidence.

The W&W Group has a risk management system in place that is capable of identifying existing and foreseeable future risks early on and evaluating them. The W&W Group is thus well equipped to successfully implement the internal and external requirements for risk management.

In July 2020, S&P confirmed the ratings for the core W&W companies, notwithstanding the current environment marked by the coronavirus. The confirmation also reflects, inter alia, the positive assessment of the risk management system of the W&W Group, particularly with respect to the implemented risk controls and strategic risk management.

Outlook

In light of the negative economic effects of the coronavirus pandemic, we proceeded in the first half of the year to adjust our expectations for the 2020 financial year.

Accordingly, we continue to expect that consolidated net income will come in below the medium-term target corridor of €220 to €250 million. The impact of the coronavirus pandemic is making itself apparent in all of the Group’s segment results.

Because of the current uncertainties on the markets with respect to economic trends and, in particular, the further progression of the pandemic, we continue to be unable to make a reliable forecast for the 2020 financial year at this time. Opportunities and risks include, in particular, further trends in interest rates, on the capital markets and in the economy.

Proviso concerning forward-looking statements

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

These forward-looking statements represent estimates based on information that is available at the present time and is considered to be material. They can be associated with known and unknown risks and uncertainties, but also with opportunities. Because of the variety of factors that influence the business operations of the companies, actual results may differ from those currently anticipated. Therefore, the company does not assume any liability for the forward-looking statements. There is no obligation to adjust forward-looking statements to conform to actual events or to update them.

Wüstenrot & Württembergische AG
Condensed financial statements

Consolidated balance sheet

Assets

in € thousands	cf. Note no[1]	30/6/2020	31/12/2019
Cash reserves		**78,872**	**35,758**
Non-current assets held for sale and discontinued operations	1	**—**	**2,636,760**
Financial assets at fair value through profit or loss	2	**7,944,322**	**8,299,631**
Financial assets at fair value through other comprehensive income	3	**38,703,752**	**36,808,770**
Thereof sold under repurchase agreements oder lent under securities lending transactions		**692,594**	**1,029,181**
Financial assets at amortised cost	4	**25,336,770**	**23,984,047**
Subordinated securities and receivables		165,481	163,978
Senior debenture bonds and registered bonds		47,552	30,898
Building loans		22,455,496	21,493,189
Other loans and receivables		2,593,798	2,220,544
Portfolio hedge adjustment		74,443	75,438
Positive market values from hedges	5	**129,608**	**88,994**
Financial assets accounted for using the equity method		**95,442**	**100,100**
Investment property	6	**1,816,695**	**1,855,224**
Reinsurers' portion of technical provisions		**320,142**	**276,064**
Other assets		**1,908,254**	**1,658,161**
Intangible assets		107,035	99,939
Property, plant and equipment		430,092	397,777
Inventories		163,304	152,828
Current tax assets		8,234	34,398
Deferred tax assets		1,147,772	931,591
Other assets		51,817	41,628
Total assets		**76,333,857**	**75,743,509**

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

Liabilities

in € thousands	cf. Note no	30/6/2020	31/12/2019
Liabilities under non-current assets classified as held for sale and discontinued operations	1	**—**	**2,427,916**
Financial liabilities at fair value through profit or loss		**83,930**	**80,287**
Liabilities	7	**27,766,520**	**26,320,204**
Liabilities evidenced by certificates		914,805	947,565
Liabilities to credit institutions		2,454,607	2,232,992
Liabilities to customers		22,730,106	21,641,444
Finance lease liabilities		90,995	77,268
Miscellaneous liabilities		1,268,238	1,373,138
Portfolio hedge adjustment		307,769	47,797
Negative market values from hedges	8	**182,053**	**216,195**
Technical provisions	9	**38,684,512**	**37,429,141**
Other provisions	10	**3,070,461**	**2,955,370**
Other liabilities		**1,255,718**	**1,054,464**
Current tax liabilities		172,718	144,347
Deferred tax liabilities		1,064,377	904,323
Other liabilities		18,623	5,794
Subordinated capital	11	**381,848**	**424,850**
Equity	12	**4,908,815**	**4,835,082**
Interests of W&W shareholders in paid-in capital		1,486,464	1,486,514
Interests of W&W shareholders in earned capital		3,383,418	3,313,465
Retained earnings		3,062,381	3,026,543
Other reserves (other comprehensive income)		321,037	286,922
Non-controlling interests in equity		38,933	35,103
Total liabilities		**76,333,857**	**75,743,509**

Consolidated income statement

in € thousands	cf. Note no	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Current net income	13	**560,293**	**597,468**
Net interest income		442,259	467,474
Interest income		675,352	755,765
Thereof calculated using the effective interest method		609,439	691,512
Interest expenses		−233,093	−288,291
Dividend income		89,302	99,388
Other current net income		28,732	30,606
Net income/expense from risk provision	14	**−53,960**	**−13,574**
Income from risk provision		47,373	53,806
Expenses from risk provision		−101,333	−67,380
Net measurement gain/loss	15	**−438,163**	**462,663**
Measurement gains		1,089,522	1,177,940
Measurement losses		−1,527,685	−715,277
Net income/expense from disposals	16	**664,384**	**468,100**
Income from disposals		718,432	479,162
Expenses from disposals		−54,048	−11,062
Thereof gains/losses from financial assets at amortised cost		−5	47
Net financial result		**732,554**	**1,514,657**
Thereof net income/expense from financial assets accounted for using the equity method		767	709
Earned premiums (net)	17	**2,173,212**	**2,119,378**
Earned premiums (gross)		2,243,224	2,185,829
Premiums ceded to reinsurers		−70,012	−66,451
Insurance benefits (net)	18	**−1,995,258**	**−2,582,897**
Insurance benefits (gross)		−2,053,036	−2,612,608
Received reinsurance premiums		57,778	29,711
Net commission expense	19	**−240,347**	**−221,064**
Commission income		121,256	127,769
Commission expenses		−361,603	−348,833
Carryover		**670,161**	**830,074**

in € thousands	cf. Note no	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Carryover		**670,161**	**830,074**
General administrative expenses		**–516,372**	**–532,881**
Personnel expenses		–311,568	–309,956
Materials costs		–168,133	–185,555
Depreciation/amortisation		–36,671	–37,370
Net other operating income/expense		**9,825**	**–45,628**
Other operating income		85,197	117,881
Other operating expenses		–75,372	–163,509
Consolidated earnings before income taxes from continued operations		**163,614**	**251,565**
Of which are sales revenues[1]		3,464,707	3,524,492
Income taxes	20	–56,588	–75,735
Consolidated net profit		**107,026**	**175,830**
Result attributable to shareholders of W&W AG		106,604	175,393
Result attributable to non-controlling interests		422	437
Basic (= diluted) earnings per share, in €	21	**1.14**	**1.87**
Thereof from continued operations, in €		1.14	1.87

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

Consolidated statement of comprehensive income

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Consolidated net profit	**107,026**	**175,830**
Other comprehensive income (OCI)		
Elements not reclassified to the consolidated income statement:		
Actuarial gains/losses (–) from pension commitments (gross)	–24,272	–247,795
Provision for deferred premium refunds	2,181	16,056
Deferred taxes	6,755	70,860
Actuarial gains/losses (—) from pension commitments (net)	**–15,336**	**–160,879**
Elements subsequently reclassified to the consolidated income statement:		
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI, gross)	707,553	2,592,410
Thereof from the reclassification of financial assets (gross)	—	304,918
Provision for deferred premium refunds	–611,750	–1,665,432
Deferred taxes	–28,791	–283,426
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI, net)	**67,012**	**643,552**
Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross)	—	28
Provision for deferred premium refunds	—	—
Deferred taxes	—	—
Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)	**—**	**28**

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Unrealised gains/losses (-) from cash flow hedges (gross)	49	104
Provision for deferred premium refunds	–	–
Deferred taxes	–15	–32
Unrealised gains/losses (-) from cash flow hedges (net)	**34**	**72**
Currency translation differences of economically independent foreign units	**–19,003**	**2,418**
Total other comprehensive income, gross	664,327	2,347,165
Total provision for deferred premium refunds	–609,569	–1,649,376
Total deferred taxes	–22,051	–212,598
Total other comprehensive income, (OCI, net)	**32,707**	**485,191**
Total comprehensive income for the period	**139,733**	**661,021**
Result attributable to shareholders of W&W AG	135,903	651,361
Result attributable to non-controlling interests	3,830	9,660

Consolidated statement of changes in equity

		Interests of W&W shareholders equity	
		Share capital	Capital reserve
in € thousands	cf. Note no.		
Equity as at 1 January 2019		**489,648**	**995,947**
Changes to the scope of consolidation		–	–
Total comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	12	–	–
Treasury shares		381	538
Other		–	–
Equity as at 30 June 2019		**490,029**	**996,485**
Equity as at 1 January 2020		**490,029**	**996,485**
Changes to the scope of consolidation		–	–
Total comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	12	–	–
Treasury shares		202	-252
Other		–	–
Equity as at 30 June 2020		**490,231**	**996,233**

Retained earnings	Reserve for pension commitments	Reserve from fixed-income financial assets accounted for at fair value directly in equity (OCI)	Reserve for financial assets accounted for using the equity method	Reserve for cash flow hedges	Reserve for currency translation	Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
	Other reserves							
Interests of W&W shareholders in equity								
2,855,048	**−558,568**	**413,314**	**41**	**−153**	**16,185**	**4,211,462**	**24,869**	**4,236,331**
−14,686	14,686	–	–	–	–	–	–	–
175,393	**—**	**—**	**—**	**—**	**—**	**175,393**	**437**	**175,830**
–	−160,789	634,239	28	72	2,418	475,968	9,223	485,191
175,393	**−60,789**	**634,239**	**28**	**72**	**2,418**	**651,361**	**9,660**	**661,021**
−60,902	–	–	–	–	–	−60,902	–	−60,902
364	–	–	–	–	–	1,283	–	1,283
−54	–	–	–	–	–	−54	–	−54
2,955,163	**−704,671**	**1,047,553**	**69**	**− 81**	**18,603**	**4,803,150**	**34,529**	**4,837,679**
3,026,543	**−716,675**	**984,559**	**82**	**− 47**	**19,003**	**4,799,979**	**35,103**	**4,835,082**
−4,816	–	4,816	–	–	–	–	–	–
106,604	–	–	–	–	–	106,604	422	107,026
—	**−15,325**	**63,593**	**—**	**34**	**− 19,003**	**29,299**	**3,408**	**32,707**
106,604	−15,325	63,593	–	34	− 19,003	135,903	3,830	139,733
−60,927	–	–	–	–	–	−60,927	–	−60,927
193	–	–	–	–	–	143	–	143
−5,216	**—**	**—**	**—**	**—**	**—**	**−5,216**	**—**	**−5,216**
3,062,381	**−732,000**	**1,052,968**	**82**	**− 13**	**—**	**4,869,882**	**38,933**	**4,908,815**

Condensed consolidated cash flow statement

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

The balance of cash and cash equivalents in the financial year consists of the item “Cash reserve” in the amount of €78.9 million (previous year: €85.6 million), and bank deposits payable on demand in the amount of €1,065.9 million (previous year: €1,139.6 million) that are reported under the item “Other receivables”. The cash reserve consists of cash on hand, deposits with central banks and deposits with foreign postal giro offices.

Included in “Cash flow from financing activities” are deposits in the amount of €0 (previous year: €919 thousand) from the sale of treasury shares in connection with an employee share ownership programme as well as payments due to the repurchase of treasury shares amounting to €0.3 million (previous year: €0.9 million). The W&W Group can freely dispose of its cash and cash equivalents. As at 30 June 2020, the legally mandated balance with the Deutsche Bundesbank that is subject to the reserve requirement amounted to €25.9 million (previous year: €52.5 million).

Condensed consolidated cash flow statement

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Consolidated net profit	**107,026**	**175,830**
Increase (–)/decrease (+) in building loans	–230,444	–395,535
Increase (+)/decrease (–) in liabilities evidenced by certificates	–32,761	84,439
Increase (+)/decrease (–) in liabilities to credit institutions	213,418	213,458
Increase (+)/decrease (–) in liabilities to customers	–311,962	965,365
Other changes	556,743	–701,717
I. Cash flow from operating activities	**302,020**	**341,840**
Cash receipts from the disposal of intangible assets and property, plant and equipment	1,061	944
Cash payments for investments in intangible assets and property, plant and equipment	–63,493	–77,721
Cash receipts from the disposal of financial assets	7,666,056	7,249,029
Cash payments for investments in financial assets	–8,076,141	–7,655,026
Cash receipts from the loss of control over subsidiaries	139,892	9,812
Cash receipts from the disposal of interests in financial assets accounted for using the equity method	242,836	–
Cash payments for investments in financial assets accounted for using the equity method	–	–15
II. Cash flow from investing activities	**–89,789**	**–472,947**
Dividend payments to shareholders	–60,927	–60,902
Transactions between shareholders	–251	919
Change in funds resulting from subordinated capital	–49,895	–10,000
Interest payments on subordinated capital	–2,934	–2,122
Cash payments towards lease liabilities	–8,682	–9,080
III. Cash flow from financing activities	**–122,689**	**–81,185**

in € thousands	2020	2019
Cash and cash equivalents as at 1 January	**1,053,947**	**1,437,128**
Net change in cash and cash equivalents (I.+II.+III.)	89,542	–212,292
Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation	1,272	379
Cash and cash equivalents as at 30 June	**1,144,761**	**1,225,215**

Selected explanatory notes

General accounting principles and application of IFRS

General information

In accordance with the provisions of Section 115 in conjunction with Section 117, no. 2, of the German Securities Trading Act (WpHG), the half-year financial report of Wüstenrot & Württembergische AG consists of condensed consolidated interim financial statements, an interim group management report and the responsibility statement required under Section 297 (2) sentence 4 and Section 315 (1) sentence 5 of the German Commercial Code (HGB). The interim group management report is prepared in accordance with the applicable provisions of the WpHG and the German Accounting Standard DRS 16.

The accounting policies applied were the same as those used for the consolidated annual financial statements as at 31 December 2019, as well as those applicable from 1 January 2020 for the first time. The provisions applicable for the first time had no material impact on the presentation of the assets, financial position and financial performance of the W&W Group.

The condensed consolidated interim financial statements of Wüstenrot & Württembergische AG – consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated cash flow statement and select explanatory disclosures – are presented in conformity with IAS 34 "Interim Financial Reporting", were drawn up on the basis of Section 315e HGB in conformity with the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and have a condensed scope of reporting compared with the consolidated annual financial statements as at 31 December 2019. The Executive Board of Wüstenrot & Württembergische AG authorised publication of the the Group's half-year financial report on 7 August 2020.

The half-year financial report of the W&W Group was drawn up in euros. Small discrepancies between the amounts indicated here are possible because of rounding.

Employee share ownership programme

An employee share ownership programme was again offered in the first half of 2020. It enabled all employees of companies in the W&W Group who were entitled to participate to acquire up to 40 shares of W&W AG at a price of €6.76 per share, which represented a discount of €5.00 per share. Employees are required to hold these shares for at least three years.

In addition to issuing treasury shares from the portfolio, a further 40,000 shares were repurchased on the market for the programme and then issued. Employees acquired a total of 78,634 of these shares. This resulted in personnel expenses of €0.4 million. Thus, as at 30 June 2020, W&W AG held 15,252 treasury shares.

Utilisation of discretionary judgments and estimates

In the course of calculating a risk provision under IFRS 9, we exercised discretion to the extent that, as a rule, we did not mechanistically adopt currently available macroeconomic information but rather were guided by macroeconomic information that, in the long term, is more stable (including historical information), and we under-weighted the short-term developments in the coronavirus pandemic. Depending on how the coronavirus pandemic continues to develop, the discretionary judgments will again be subjected in the coming months to a review of whether they remain valid. Additional disclosures on the calculation of the risk provision can be found in the corresponding section.

In line with the pronouncements by the European Securities and Markets Authority (ESMA), the process for changing levels under IFRS 9 was modified for customers that made use of the statutory moratorium. Other remarks are contained in the section on the coronavirus pandemic.

In the area of the measurement of provisions for home loan savings business, an estimate was changed so that in future the technical margin will be left out of consideration with respect to the customer behaviour forecast. The application of the technical margin is no longer necessary because of the now very extensive data history covering many years, as well as experience with customer behaviour in the phase of low interest rates. Because of the change of estimate, the positive effect on results was in the low eight figures in the first half of the year.

In addition, there were no material changes in connection with the utilisation of discretionary judgments and estimates compared with the consolidated financial statements as at 31 December 2019.

Accounting policies

Changes in accounting policies

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

With the exception of the standards described below, which were required to be applied for the first time, the same accounting policies were applied as in the consolidated financial statements as at 31 December 2019:

- Amendments to the IFRS Conceptual Framework with initial application for financial years starting on or after 1 January 2020
- Amendments to IFRS 3 with initial application for financial years starting on or after 1 January 2020
- Amendments to IAS 1 and IAS 8 with initial application for financial years starting on or after 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform) with initial application for financial years starting on or after 1 January 2020.

The foregoing amendments had no material impact on the presentation of the net assets, financial position and financial performance of the W&W Group.

Issued accounting rules whose applications ist noch yet mandatory

IFRS 17 „Insurance Contracts“

IFRS 17 "Insurance Contracts" was published in May 2017. Following publication, criticism was expressed with respect to certain requirements in IFRS 17. As a result, on 25 June 2020, the IASB published "Amendments to IFRS 17", which, inter alia, postponed the date of initial application of IFRS 17 to business years beginning on or after 1 January 2023, as well as possible earlier initial application.

IFRS 17 replaces IFRS 4 "Insurance Contracts", which had been in effect since 1 January 2005. With regard to the recognition of insurance contracts, it for the first time introduces uniform requirements for the recognition, measurement and presentation of, as well as disclosures concerning, insurance contracts and reinsurance contracts. For adoption into EU law, IFRS 17 must still successfully pass the endorsement procedure. The schedule for this is currently being revised.

In the W&W Group, the effects on the consolidated financial statements are currently being studied. At this time, we intend to apply IFRS 17 for the first time as at 1 January 2023.

IFRS 16: Amendments occasioned by Covid-19
In May 2020, the IASB issued amendments to IFRS 16 "Leases" in order to make it easier for lessees to account for concessions occurring as a direct consequence of the Covid-19 pandemic, such as rent holidays and temporary rent reductions. As a rule, the amendments are to be applied for reporting periods beginning on or after 1 June 2020. Earlier application is permitted. However, application presupposes EU endorsement, which has not yet been given.

The effects of the coronavirus pandemic are described in the section of the same name.

Consolidation

Changes to the scope of consolidation

Additions to the scope of consolidation

Effective 1 January 2020, Aachener Bausparkasse AG (ABAG), Aachen, was taken over and included for the first time in the scope of consolidation. In addition, in the first half of 2020, Fonds LBBW AM Emerging Markets Bonds-Fonds 3, Stuttgart, which had previously not been consolidated, was consolidated for the first time.

Further information about the inclusion of ABAG can be found in the following section on company mergers.

Disposals from the scope of consolidation

In the first half of the year, ABAG was eliminated from the scope of consolidation as a result of the merger into Wüstenrot Bausparkasse AG, Ludwigsburg.

With the transfer to the new owners effective 1 April 2020, Wüstenrot hypoteční banka a.s., Prague, and Wüstenrot stavební spořitelna a.s., Prague, were deconsolidated. Further information about the transaction involving the Czech companies can be found in Note 1 “Non-current assets held for sale and discontinued operations”.

Company mergers

Effective 1 January 2020, W&W AG, through its subsidiary Wüstenrot Bausparkasse AG (BSW), Ludwigsburg, acquired 100% of the voting shares of Aachener Bausparkasse AG (ABAG) from various owners and thereby obtained control over this company. ABAG was a private home loan and savings bank with registered office in Aachen. In addition to home loan savings, its business also focused on the financing of measures relating to home ownership for private use. In the course of the takeover, BSW also acquired the voting interests held by ABAG in Aachener Bausparkasse Immobilien GmbH (100%), with registered office in Aachen, and in Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH (8.91%), with registered office in Berlin. These two companies are currently not operational. With the takeover of ABAG, we rigorously continued our path of growth in home loan savings business. The additional new business volume is expected to be in the nine-figure range annually.

Transfer of control over ABAG took place with effect on 1 January 2020 following supervisory approval. ABAG’s results were included in the consolidated financial statements of W&W AG starting with the time of initial consolidation. With the takeover, BSW entered into long-term sales partnerships in the home loan and savings area and the construction financing sector with nearly all of the insurance companies that previously owned the company, becoming their exclusive product partner. Multi-year sales targets have been agreed upon with these collaboration partners. On 26 June 2020, ABAG was merged into BSW retroactive to 1 January 2020.

The fair value of the transferred consideration amounted to –€0.5 million, which included the agreed and paid purchase price in the amount of one euro and any compensatory payments by the former owners. In the coming years, the compensatory payments may amount to as much as €5.0 million if the established sales targets are not reached. It currently appears unlikely that the compensatory payments will have to be made in the full amount. The present value of the compensatory payment was estimated at –€0.5 million. Based on current figures for new business, the compensatory payment was not remeasured.

The fair value of the acquired assets and the assumed liabilities that was calculated for the purpose of the acquisition can be found in the following tables.

Assets

in € thousands	1.1.2020
Cash reserves	205,476
Financial assets at fair value through other comprehensive income	457,544
Financial assets at amortised cost	824,279
Other assets	83,066
Total assets	**1,570,365**

Liabilities

in € thousands	1.1.2020
Liabilities	1,417,620
Thereof liabilities to customers	1,246,748
Thereof liabilities from negative customer relationships	153,876
Thereof liabilities to credit institutions	8,198
Thereof lease liabilities	3,384
Thereof other miscellaneous liabilities	5,414
Other provisions	103,493
Other liabilities	24,768
Equity	24,484
Total liabilities	**1,570,365**

The acquired receivables consisted of loans and advances to credit institutions and loans and advances to customers. As at 1 January 2020, the acquired receivables were mainly assessed as unimpaired. The receivables are included in the two balance sheet items “Financial assets at fair value through other comprehensive income” and “Financial assets at amortised cost”.

Acquired receivables

	Fair value of the contractual receivables	Gross amount of the contractual receivables
in € thousands	1.1.2020	1.1.2020
Loans and advances to credit institutions	61,680	60,913
Loans and advances to customers	783,796	729,700
Total	**845,476**	**790,613**

The difference between the acquired net assets of ABAG, i.e. the recognised assets less the assumed liabilities, and the fair value of the transferred consideration amounted to –€25.0 million. Following a further review of the provisional purchase price allocation, this negative goodwill was recognised in the 2020 reporting year as other operating income under “Other operating income/expense”.

Compared with the provisional allocation of the purchase price for this corporate merger, which was reported on in the notes to consolidated financial statements for the 2019 reporting year, mainly the following changes occurred, which in some cases also had an impact on negative goodwill:

- With regard to loans and advances to customers in construction financing business, which were measured at amortised cost, impairment provisions of €3.0 million were no longer taken into consideration. In addition, right-of-use assets were taken into consideration in the amount of €3.4 million, as were the corresponding lease liabilities. Additionally, deferred tax assets and deferred tax liabilities were increased.
- The silent loss calculated for the customer relationship in the amount of €153.9 million was recognised as a financial liability after having been formerly recognised as a provision in the provisional purchase price allocation.

Ultimately, the final difference between the acquired net assets of ABAG, i.e. the recognised assets less the assumed liabilities, and the fair value of the transferred consideration in the amount of €25.0 million amounted to €22.7 million on the basis of the provisional purchase price allocation.

There were a number of reasons for this negative goodwill. In addition to the transferred consideration, the main reason was the level of interest rates that currently prevails, which resulted in the realisation of silent reserves in connection with loans and advances to customers. Having an opposite effect were the realisation of silent losses in the area of customer relationships and the increase of provisions, which reduced profit.

In connection with the purchase price allocation, silent reserves were identified. A significant portion of them (€54.7 million) was attributable to financial instruments that were held. The higher fair value of the financial instruments was essentially attributable to the currently low level of interest rates. In addition, with regard to properties owned by ABAG, silent reserves in the amount of €7.1 million were realised, and with respect to the fair value of the sales partnerships, an intangible asset in the amount of €8.8 million was capitalised.

The realised silent losses resulted, in particular, from the measurement of existing customer relationships. The primary reason was customer deposits, which bear interest at rates higher than current market interest rates. The liabilities recognised for customer relationships in the amount of €153.9 million are largely offset by charges under existing obligations on the basis of the expected run-off of existing business.

Furthermore, the existing legal risks in connection with terminations under sections 313 and 314 of the German Civil Code (BGB) were re-evaluated at the time of acquisition, and the current provisions were increased by €2.8 million. If, depending on the run-off of existing business over time, the provisions actually have to be utilised, then in addition, portions of them may be charged on to the former owners if necessary. Based on the assessment at the time of initial consolidation, the fair value of this seller guarantee was measured at €0, since it is not expected that the threshold established in the purchase contract will be exceeded for claims for legal risks under sections 313 and 314 BGB.
A contingent liability was created with respect to an obligation to provide additional funding in connection with the acquired interests in Domus Beteiligungsgesellschaft der Privaten Bausparkasse mbH. It had a fair value of €224 thousand at the time of acquisition. This contingent liability was reevaluated on the reporting date. Based on the expected outflows, this contingent liability was not remeasured.

Since the time of acquisition, ABAG has contributed revenues totalling €7.4 million to consolidated net income, consisting of interest income and commission income. ABAG generated a net loss of €11.5 million, which was included in consolidated net profit.

The costs of the merger in the amount of €45 thousand were mostly recognised as an expense in previous years and shown under general administrative expenses.

Coronavirus pandemic

The business model of the W&W Group proved to be stable, including during the coronavirus pandemic. Its impact on the W&W Group will be depicted in the following.

In the first half of 2020, the basic business and economic conditions of the W&W Group were adversely influenced by the pandemic dissemination of the coronavirus. The crisis team of the W&W Group initiated a variety of measures early on in order to stem the spread in the W&W Group and curb the impact of the pandemic on business operations. In the process, our availability to our customers, as well as the ability of our employees to work, was assured at all times.

The half-year financial statements of the W&W Group are affected by the impact of the coronavirus pandemic to varying degrees of intensity, particularly in customer lending business, in the area of capital investments and real estate, and in insurance business. A variety of supportive measures by central banks and countries mitigated the effects on national economies. Particularly noteworthy is the German Act to Mitigate the Consequences of the COVID-19 Pandemic (Gesetz zur Abmilderung der Folgen der Covid-19-Pandemie), which was enacted by the Bundestag on 27 March 2020. Among other things, the act provided for the ability to defer payments for three months (statutory moratorium).

Because of the duration and extent of the coronavirus pandemic, it is difficult to estimate the spread of the virus and the associated effects on the real economy, as well as its impact on the net assets, financial position and financial performance of the W&W Group. The estimates, assumptions and discretionary judgments that are relevant to the financial statements were made on the basis of management’s best knowledge and currently available information. Despite increased uncertainties, the W&W Group believes that the assumptions and estimates utilised appropriately reflect the current situation. Nevertheless, particularly in light of the further development of the coronavirus pandemic, there may be deviations from these estimates.

Customer lending business primarily relates to customer lending by Wüstenrot Bausparkasse AG and, to a lesser extent, to the mortgage portfolios of Württembergische Lebensversicherung AG and Württembergische Versicherung AG. The main impact of the coronavirus pandemic in this area was that approximately 3,800 customers of the W&W Group made use of the statutory moratorium in order to defer principal and interest payments. The loans concerned were accounted for at amortised cost in the amount of €510.1 million. In the W&W Group, the loan repayment instalments, which were deferred by up to three months, amounted to €5.5 million as at 30 June 2020, and they do not constitute a substantial modification within the meaning of IFRS 9. In line with the pronouncements by the European Securities and Markets Authority (ESMA), the process for changing levels was modified. It did not appear to be appropriate to conclude that customers who made use of the statutory moratorium were all experiencing payment difficulties. Rather, some customers also used this tool as a precautionary measure in order ensure their liquidity during the pandemic and the associated period of uncertainty. The W&W Group decided on the basis of past experience whether an increased default risk should be assumed. In the first half of the year, the risk provision for customer lending was increased by €31.0 million. The adjustment of the risk provision was primarily attributable to increased uncertainty, as well as to the greater likelihood of payment defaults in connection with the coronavirus pandemic.

The coronavirus pandemic also affected the area of **investments**. Overall, the markets were considerably more volatile during the pandemic than previously. In the area of equity investments, equity prices initially fell sharply during the first half of the year, but then largely recovered. Losses incurred at the start of the coronavirus pandemic were able to be made up in for in part through recoveries in value.

As is customarily the case, participations in alternative investments tend to show delayed volatility compared with the equities market due to data availability and market transparency (Level 3 measurement). Therefore, measurement was not impacted as quickly by the effects of the coronavirus pandemic, as well as by the recovery effects, which move in the opposite direction. The value changes that have occurred overall so far can be seen in the disclosures concerning the measurement of fair value.

In the area of interest-bearing securities, a deterioration in creditworthiness was observed in several sectors. The risk provision created for this rose in the first half of the year by €16.6 million, which was primarily attributable to the effects of the coronavirus pandemic. In this regard, the high proportion of solvent debtors with investment-grade securities helped to cushion the increase in the risk provision. In addition, the high degree of diversification in the portfolio and the general recovery on the market had a positive effect. To date, there have been no payment defaults.

Details on the sensitivity of market price risks can be found in the risk report.

The coronavirus pandemic also had an effect on the **property area** of the W&W Group. The statutory moratorium enabled lessees to defer their lease payments for up to three months, starting in April. Most of those deferred lease payments involved only a few key commercial tenants in the retail, hotel and office sectors. In the first half of the year, deferred lease payments totalled €6.7 million. The area of residential properties is largely unaffected by deferrals of lease payments.

The selective choice of lessees with appropriate business models had a positive impact. At the same time, the existing properties, which are mostly in very good locations, are normally used by lessees in a variety of ways. For this reason, there was on the whole no material, coronavirus-related net measurement loss on investment property in the first half of 2020.

To date, the coronavirus pandemic has not yet had any effect on matters that are accounted for under IFRS 16.

In **insurance business,** the W&W Group incurred expenditures of €40.6 million in connection with business closure insurance policies. As at 30 June 2020, after making payments to policyholders totalling €11.6 million, provisions still amounted to €29.0 million. In the area of life and health insurance, there were no significant effects.

Accounting policies

Determining the fair value of financial instruments

The procedure described in the following is used to determine the fair value of financial instruments, irrespective of the category or class to which the financial instrument is assigned and regardless of whether the fair value so determined is used for measurement purposes or for information in the notes. As a rule, classification for the measurement of fair value pursuant to IFRS 13 corresponds to the classification that is made for the purpose of the extended disclosures for financial instruments pursuant to IFRS 7. The extension arises through the inclusion of non-current assets classified as held for sale and discontinued operations, as well as, in analogous fashion, liabilities under non-current assets classified as held for sale and discontinued operations, in order to cover the relevant assets and liabilities.

The fair value of a financial instrument means the price that the W&W Group would receive if it were to sell an asset or pay if it were to transfer a liability in an orderly transaction between market participants on the measurement date. Fair value is thus a market-based measurement, not an entity-specific measurement.

The further procedure and the policies for measuring fair value are described in the chapter "Notes concerning financial instruments and fair value".

Risk provision – Financial assets

With respect to the coronavirus pandemic, the current approach for calculating a risk provision under IFRS has essentially remained the same, but small modifications were necessary due to the new situation. This concerned the use of macroeconomic factors and the level classification under IFRS 9. The latter modification is described in the section on the coronavirus pandemic.

The model for calculating the risk provision requires estimates to be made with respect to the question of the degree to which trends in macroeconomic factors may have an impact on expected credit losses. In this regard, the derivation of the relevant macroeconomic factors under each scenario for the forecast for the IFRS 9 risk provision calculation was as a rule in line with internal company planning, as well as with the availability of the data bases for the forecasts.

In order to determine the sensitivity of the risk provision in accordance with IFRS 9, the following scenarios were considered in customer lending business. In light of the coronavirus pandemic, macroeconomic factors were used that are more stable in the medium to long term. This discretionary judgment is in line with the requirements of ESMA.

Forecast of the relevant macroeconomic factors in …	Base scenario	Alternative scenario – optimistic	Alternative scenario – pessimistic
Price index for existing residential properties[1]	159.1	169.1	144.1
Unemployment rate, in %[2]	4.4	3.2	5.5
Nominal GDP growth, in %[3]	3.3	6.3	1.0
Long-term 10-year interest rate for German government bonds, in %[4]	0.4	0.2	0.7

1 Base year = 2010, data base of the German Federal Statistical Office at the quarterly level, forecast over three years
2 Data base of the OECD at the quarterly level, forecast over one year
3 Data base of the OECD at the quarterly level, forecast over one year
4 Data base of the OECD at the quarterly level, forecast over two years
The foregoing macroeconomic factors relate to Germany.

In the course of calculating an IFRS 9 risk provision for accounting purposes in customer lending business, the base scenario is exclusively applied, since the modelled risk parameters are themselves already based on various model scenarios (default, no default, recovery, settlement) and this base scenario remains well suited for making forecasts. The alternative scenarios are shown here merely for informational purposes. The employed characteristics of the various macro factors were estimated in light of the coronavirus pandemic, and a purely mechanistic adoption of the current macroeconomic situation was avoided. The forecast for the relevant factors was based on the objective of giving greater weight to assumptions that are more stable in the long term.

In connection with the derivation of risk parameters in the area of investments, we make use of information provided by rating agencies and by the capital market, particularly in the case of the derivation of multiyear default parameters, taking into account internal valuation interest rate curves and empirically observed (multiyear) default rates for bonds that are published on a regular basis by the rating agencies. We also use information provided by rating agencies when modelling multiyear parameters relating to the loss given default (LGD). The probabilities of default take into account forward-looking macroeconomic information in the form of a correction factor on the basis of market-implicit probabilities of default. This is because the macroeconomic factors listed above are implicitly included in the risk provision calculation through the expectations of market participants. This correction factor describes the relationship between the current and long-term credit spread-based expectations of investors on the capital market concerning credit ratings. If this relationship is greater than 1 (less than 1) in the pessimistic (optimistic) scenario, the capital market assumes a higher (lower) probability of default for an issuer, which, in accordance with the correction factor, then has an effect on the calculation of the risk provision.

In the W&W Group as a whole, the risk provision in accordance with IFRS 9 would, in the pessimistic scenario, increase by €98.0 million for customer lending business and in the area of capital investments and, in the optimistic scenario, fall by €29.5 million for both areas.

Concessions and renegotiations (forbearance measures)

In justified exceptional cases, we enter into reorganisation/restructuring agreements with contract partners, irrespective of the coronavirus pandemic. These agreements generally call for a temporary or permanent reduction in the amount of loan repayment instalments in exchange for an extension of the total term of the loan, which ultimately is intended to lead to complete repayment. Further information about this process can be found in the consolidated financial statements as at 31 December 2019. However, the changed basic conditions occasioned by the coronavirus pandemic and the associated statutory changes made it necessary to make modifications to the current approach for level classification. The changes are described in more detail in the section on the coronavirus pandemic.

Segment reporting

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

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

Housing

The reportable segment Housing consists of one business segment and includes home loan savings and banking products primarily for retail customers, e.g. home loan savings contracts, bridging loans and mortgage loans.

Life and Health Insurance

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

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

Property/Casualty Insurance

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

All other segments

All other business activities of the W&W Group, such as central Group functions, asset management activities, property development and the marketing of home loan savings and banking products outside of Germany, are subsumed under “All other segments”, since they are not directly related to the other reportable segments. It also includes interests in subsidiaries of W&W AG that are not consolidated in “All other segments” because they are allocated to another segment.

Consolidation/reconciliation

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

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

Measurement principles

The measurement principles for segment reporting correspond to the accounting and measurement methods applied to the IFRS consolidated financial statements, with the following exceptions. In conformity with internal Group reporting and control, we are continuing to apply IAS 17 to leases within the Group. The interests in the subsidiaries of W&W AG that are not consolidated in “All other segments” are measured there at fair value through other comprehensive income and not reclassified to the consolidated income statement.

Segment income statement

in € thousands	Housing		Life and Health Insurance	
	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Current net income	134,774	113,783	366,386	403,733
Net result from risk provision	-34,991	-4,644	-17,103	-5,949
Net measurement gain/loss	12,295	23,354	-412,146	402,365
Net income from disposals	78,144	75,919	573,404	338,113
Net financial result	**190,222**	**208,412**	**510,541**	**1,138,262**
Thereof net income/expense from financial assets accounted for using the equity method	—	—	92	218
Earned premiums (net)	—	—	1,226,600	1,220,165
Insurance benefits (net)	—	—	-1,520,859	-2,120,260
Net commission income/expense	576	9,902	-72,338	-67,118
General administrative expenses[2]	-162,897	-168,558	- 130,478	-132,733
Net other operating income/expense	21,308	6,654	2,375	-17,164
Segment net income before income taxes from continued operations	**49,209**	**56,410**	**15,841**	**21,152**
Income taxes	-9,562	-17,374	-5,106	-8,577
Segment net income after taxes	**39,647**	**39,036**	**10,735**	**12,575**
Other information				
Total revenue[3]	440,301	473,622	1,615,917	1,648,403
Thereof with other segments	11,103	11,329	12,201	16,363
Thereof with external customers	429,198	462,293	1,603,716	1,632,040
Segment assets[4]	31,095,389	29,354,084	39,185,983	37,923,983
Segment liabilities[4]	29,169,148	27,456,958	38,250,423	37,064,843
Financial assets accounted for using the equity method[4]	—	—	43,159	45,779

1 The column "Consolidation/reconciliation" includes the effects of consolidation between segments.
2 Includes rental and other service income with other segments.
3 Interest, dividend, commission, and rental income, as well as income from property development business and gross premiums written.
4 Values as at 30 June 2020 and 31 December 2019, respectively.
5 Prior-year figures adjusted. See the remarks in the chapter "Changes in the depiction of the financial statements" starting on page 104 of the Annual Report 2019.

Property and casualty insurance		Total for reportable segments		All other segments[1]		Consolidation/ reconciliation[2]		Group	
1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
35,197	39,059	536,357	556,575	26,130	45,005[5]	−2,194	−4,112[5]	560,293	597,468
−1,449	−1,056	−53,543	−11,649	−505	−2,368	88	443	−53,960	−13,574
−41,235	40,050	−441,086	465,769	−9,161	22,173	12,084	−25,279	−438,163	462,663
10,509	4,690	662,057	418,722	2,327	947	—	48,431	664,384	468,100
3,022	**82,743**	**703,785**	**1,429,417**	**18,791**	**65,757[5]**	**9,978**	**19,483[5]**	**732,554**	**1,514,657**
7,271	8,719	7,363	8,937	582	273	−7,178	−8,501	767	709
808,667	768,360	2,035,267	1,988,525	147,900	141,332	−9,955	−10,479	2,173,212	2,119,378
−401,004	−387,232	−1,921,863	−2,507,492	−83,059	−85,739	9,664	10,334	−1,995,258	−2,582,897
−127,090	−130,223	−198,852	−187,439	−38,196	−29,461	−3,299	−4,164	−240,347	−221,064
−180,311	−182,681	−473,686	−483,972	−43,678	−51,342	992	2,433	−516,372	−532,881
−821	−4,060	22,862	−14,570	−843	−940	−12,194	−30,118	9,825	−45,628
102,463	**146,907**	**167,513**	**224,469**	**915**	**39,607[5]**	**−4,814**	**−12,511[5]**	**163,614**	**251,565**
−40,049	−41,244	−54,717	−67,195	137	−9,615[5]	−2,008	1,075[5]	−56,588	−75,735
62,414	**105,663**	**112,796**	**157,274**	**1,052**	**29,992[5]**	**−6,822**	**−11,436[5]**	**107,026**	**175,830**
1,449,499	1,375,243	3,505,717	3,497,268	358,926	525,784	−399,936	−498,560	3,464,707	3,524,492
82,191	74,522	105,495	102,214	294,441	396,346	−399,936	−498,560	—	—
1,367,308	1,300,721	3,400,222	3,395,054	64,485	129,438	—	—	3,464,707	3,524,492
5,180,546	4,910,456	75,461,918	72,188,523	5,216,313	7,668,831	−4,344,374	−4,113,845	76,333,857	75,743,509
3,702,184	3,477,666	71,121,755	67,999,467	2,148,449	4,526,687	−1,845,162	−1,617,727	71,425,042	70,908,427
59,509	54,950	102,668	100,729	9,124	8,542	−16,350	−9,171	95,442	100,100

Information by region (Group)

in € thousands	Revenue from external customers[1] 1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019	Non-current assets[2] 30/6/2020	31/12/2019
Germany	3,439,160	3,477,541	2,352,974	2,339,214
Czech Republic	25,126	46,278	—	—
Other countries	421	673	849	861
Total	**3,464,707**	**3,524,492**	**2,353,823**	**2,340,075**

1 Revenue was allocated in accordance with the country in which the operational units are based. This includes interest, dividend, commission, and rental income, as well as income from property development business and gross premiums written.
2 Non-current assets include investment property, intangible assets and property, plant and equipment.

Notes concerning the consolidated balance sheet

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

in € thousands	30/6/2020	31/12/2019
Cash reserves	–	26,203
Financial assets at fair value through profit or loss	–	6,491
Financial assets at fair value through other comprehensive income (OCI)	–	8,389
Financial assets at amortised cost	–	2,572,303
Investment property	–	3,413
Other assets	–	19,961
Non-current assets held for sale and discontinued operations	**–**	**2,636,760**

in € thousands	30/6/2020	31/12/2019
Liabilities	–	2,409,254
Financial liabilities at fair value through profit or loss	–	772
Other provisions	–	6,655
Other liabilities	–	11,235
Liabilities under non-current assets classified as held for sale and discontinued operations	**–**	**2,427,916**

As at 31 December 2019, this item included one investment property and one disposal group.

The property held for sale as at 31 December 2019 has to do with a commercial building in third-party use allocated to the Life and Health Insurance segment. Ownership was transferred in early January 2020. The sale of the property resulted in a gain of €8.6 million, which was recognised in "Net income from disposals". The sale was made for reasons of diversification.

In addition, an investment property of the life and health segment has been sold during the year for reasons of diversification. The sale resulted in a net gain of €49.7 million, shown in the "net income from disposals".

The disposal group held for sale as at 31 December 2019 included the assets and liabilities of Wüstenrot hypoteční banka a.s. and Wüstenrot stavební spořitelna a.s., both with registered office in Prague. Both subsidiaries, which had been assigned to the segment "All other segments", were sold effective 1 April 2020. The sale resulted in a deconsolidation loss of €9.9 million. In the consolidated statement, within "net financial result", €1.6 million (reserve for financical assets at faire value through OCI) were recognized under „net disposal income/expense". €3.9million (reserve for currency translations) were recognized under „net measurement result" and €- 15.4 million in „net other operating income/expense". The sale was made for strategic reasons.

The income statement for Wüstenrot hypoteční banka a.s. and Wüstenrot stavební spořitelna a.s. as a disposal group after consolidation was as follows from 1 January 2020 until the time of deconsolidation:

in € thousands	1/1/2020 to 31/3/2020	1/1/2019 to 30/6/2019
Current net income	**12,975**	**25,019**
Net interest income	12,975	25,019
Interest income	22,953	42,138
Interest expenses	–9,978	–17,119
Net expense from risk provision	**–180**	**–1,333**
Income from risk provision	3,167	4,716
Expenses from risk provision	–3,347	–6,049
Net measurement gain/loss	**94**	**–1,138**
Measurement gains	94	—
Measurement losses	—	–1,138
Net financial income	**12,889**	**22,548**
Net commission income	**909**	**1,647**
Commission income	2,076	3,909
Commission expenses	–1,167	–2,262
General administrative expenses	**–5,392**	**–13,087**
Personnel expenses	–3,194	–6,299
Materials costs	–2,198	–4,718
Depreciation/amortisation	—	–2,070
Net other operating expense	**–2,058**	**–1,087**
Other operating income	247	622
Other operating expenses	–2,305	–1,709
Net income from the disposal group before income taxes	**6,348**	**10,021**
Income taxes	–1,001	–1,805
Net income from the disposal group after income taxes	**5,347**	**8,216**

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

in € thousands	30/6/2020	31/12/2019
Participations, shares, fund units	3,597,172	3,708,049
Fixed-income financial instruments that do not pass the SPPI test	2,201,630	1,482,665
Derivative financial instruments	224,940	147,084
Senior fixed-income securities	105,125	723,814
Capital investments for the account and risk of holders of life insurance policies	1,815,455	2,238,019
Financial assets at fair value through profit or loss	**7,944,322**	**8,299,631**

In connection with the acquisition of ABAG, the W&W Group was offered capitalisation products provided by some of the former owners. In the 2019 financial year, as well as at the start of 2020, the W&W Group subscribed to capitalisation products of a former owner of ABAG in the total amount of €100.0 million each. The capitalisation products were recognised under "Fixed-income financial instruments that do not pass the SPPI test".

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

in € thousands	30/6/2020	31/12/2019
Subordinated securities and receivables	752,183	720,209
Senior debenture bonds and registered bonds	12,700,023	12,984,231
Senior fixed-income securities	25,251,546	23,104,330
Financial assets at fair value through other comprehensive income (OCI)	**38,703,752**	**36,808,770**

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

in € thousands	30/6/2020	31/12/2019
Subordinated securities and receivables	–1,203	–817
Senior debenture bonds and registered bonds	–8,104	–7,434
Senior fixed-income securities	–38,775	–23,349
Risk provision	**–48,082**	**–31,600**

(4) Financial assets at amortised cost

	Carrying amount		Fair value	
in € thousands	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Subordinated securities and receivables	165,481	163,978	170,818	179,570
Senior debenture bonds and registered bonds[1]	47,552	30,898	48,441	32,224
Construction loans	22,455,496	21,493,189	23,106,666	22,058,945
Other loans and receivables	2,593,798	2,220,544	2,594,164	2,220,512
Other loans and advances[1]	2,215,076	1,892,175	2,215,442	1,892,141
Miscellaneous receivables[2]	378,722	328,369	378,722	328,371
Portfolio hedge adjustment	74,443	75,438	n/a	n/a
Financial assets at amortised cost	**25,336,770**	**23,984,047**	**25,920,089**	**24,491,251**

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

To enable a better understanding of the information, the following table provides a detailed breakdown of the carrying amounts of assets at amortised cost by risk provision:

in € thousands	30/6/2020	31/12/2019
Subordinated securities and receivables	**165,481**	**163,978**
Credit institutions	95,084	94,843
Other financial companies	29,733	36,110
Other companies	40,664	33,025
Senior debenture bonds and registered bonds	**47,552**	**30,898**
Construction loans	**22,455,496**	**21,493,189**
Loans under home loan savings contracts	1,603,156	1,610,040
Preliminary and interim financing loans	13,481,327	12,489,644
Other construction loans	7,371,013	7,393,505
Other loans and receivables	**2,593,798**	**2,220,544**
Other loans and advances[1]	2,215,075	1,892,175
Miscellaneous receivables[2]	378,723	328,369
Portfolio hedge adjustment	**74,443**	**75,438**
Financial assets at amortised cost	**25,336,770**	**23,984,047**

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

Not including risk provision, the loans and advances to credit institutions included under “Other loans and advances” amounted to €1,864.7 million (previous year: €1,557.9 million), of which €1,371.0 million (previous year: €1,056.9 million) were due on demand and €493.6 million (previous year: €501.0 million) were not due on demand.

The item “Portfolio hedge adjustment” involves a measurement item from the interest-rate-based measurement of financial assets at amortised cost designated in connection with the portfolio fair value hedge. Recognised in this regard is the change in the hedged item as it relates to the hedged risk.

Risk provision by class for financial assets at amortised cost

in € thousands	30/6/2020	31/12/2019
Subordinated securities and receivables	−285	−235
Senior debenture bonds and registered bonds	−69	−29
Senior fixed-income securities	—	—
Building loans	−97,705	−66,747
Other loans and advances	−29,201	−25,811
Other receivables	−10,688	−10,925
Risk provision	**−137,948**	**−103,747**

(5) Positive market values from hedges

in € thousands	30/6/2020	31/12/2019
Fair value hedges	**129,608**	**88,994**
Hedging of interest rate risk	129,608	88,994
Positive market values from hedges	**129,608**	**88,994**

(6) Investment property

The fair value of investment property amounted to €2,369.8 (previous year: €2,388.4 million).

(7) Liabilities

	Carrying amount		Fair value	
in € thousands	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Liabilities evidenced by certificates	914,805	947,565	896,689	922,614
Liabilities to credit institutions	2,454,607	2,232,992	2,311,378	2,247,795
Liabilities to customers	22,730,106	21,641,444	22,804,112	21,722,877
Lease liabilities[1]	90,995	77,268	90,995	77,268
Miscellaneous liabilities	1,268,238	1,373,138	1,268,238	1,373,138
Other liabilities[2]	383,513	418,792	383,513	418,792
Sundry liabilities[3]	884,725	954,346	884,725	954,346
Portfolio hedge adjustment	307,769	47,797	n/a	n/a
Liabilities	**27,766,520**	**26,320,204**	**27,371,412**	**26,343,692**

1 Designation has been changed (formerly "Finance lease liabilities"). IFRS 16 was applied.
2 Liabilities that constitute a class pursuant to IFRS 7.
3 Liabilities that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially contain liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

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

in € thousands	30/6/2020	31/12/2019
Liabilities evidenced by certificates	**914,805**	**947,565**
Liabilities to credit institutions	**2,454,607**	**2,232,992**
Liabilities to customers	**22,730,106**	**21,641,444**
Deposits from home loan savings business and savings deposits	19,668,437	18,446,460
Other liabilities	3,061,669	3,194,984
Lease liabilities[1]	**90,995**	**77,268**
Miscellaneous liabilities	**1,268,238**	**1,373,138**
Other liabilities[2]	383,513	418,792
Sundry liabilities[3]	884,725	954,346
Liabilities from reinsurance business	144,264	124,575
Liabilities from direct insurance business	591,045	678,553
Other sundry liabilities	149,416	151,218
Portfolio hedge adjustment	**307,769**	**47,797**
Liabilities	**27,766,520**	**26,320,204**

1 Designation has been changed (formerly "Finance lease liabilities"). IFRS 16 was applied.
2 Liabilities that constitute a class pursuant to IFRS 7.
3 Liabilities that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially contain liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

The item "Portfolio hedge adjustment" involves a measurement item from the interest-rate-based measurement of liabilities designated in connection with the portfolio fair value hedge. Recognised in this regard is the change in the hedged item as relates to the hedged risk.

Other liabilities to credit institutions, which are included under "Liabilities to credit institutions", amounted to €2,404.3 million (previous year: €2,219.8 million), of which €49.6 million (previous year: €12.0 million) were due on demand and €2,354.7 million (previous year: €2,207.9 million) were not due on demand.

(8) Negative market values from hedges

in € thousands	30/6/2020	31/12/2019
Fair value hedges	**182,053**	**216,195**
Hedging of interest rate risk	182,053	216,195
Negative market values from hedges	**182,053**	**216,195**

(9) Technical provisions

		Gross
in € thousands	30/6/2020	31/12/2019
Provision for unearned premiums	548,063	241,497
Provision for future policy benefits	30,281,286	29,959,727
Provision for outstanding insurance claims	2,568,616	2,591,943
Provision for premium refunds	5,243,376	4,594,755
Other technical provisions	43,171	41,219
Technical provisions	**38,684,512**	**37,429,141**

(10) Other provisions

in € thousands	30/6/2020	31/12/2019
Provisions for pensions and other long-term employee benefits	1,851,749	1,820,129
Miscellaneous provisions	1,218,712	1,135,241
Other provisions	**3,070,461**	**2,955,370**

The assumptions underlying the pension commitments that concern the actuarial interest rate were reviewed during the reporting period in accordance with market conditions. The actuarial interest rate used to measure pension commitments remained unchanged at 0.8% as at 31 December 2019.

In the financial year, there were releases from “Miscellaneous provisions” totalling €10.3 million (previous year: €7.6 million).

(11) Subordinated capital

	Carrying amount		Fair value	
in € thousands	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Subordinated liabilities	379,820	422,736	411,740	476,423
Profit participation certificates	2,028	2,114	2,446	2,652
Subordinated capital	**381,848**	**424,850**	**414,186**	**479,075**

(12) Equity

On 25 June 2020, the Annual General Meeting of W&W AG resolved to distribute a dividend in the amount of €0.65 (previous year: €0.65) per share from the unappropriated surplus for the 2019 financial year as calculated in accordance with the German Commercial Code (HGB), which amounted to €75.4 million (previous year: €65.3 million).

Dividends totalling €60,927,404.20 were distributed on 30 June 2020.

As at 1 January 2019, the W&W Group reclassified senior debenture bonds and registered bonds as well as senior bearer bonds from the business model “Hold to collect” to the business model “Hold to collect and sell”. As a result, portfolios of in the category “Financial assets at amortised cost” with a carrying amount of €1,900.0 million were reclassified to the category “Financial assets at fair value through other comprehensive income” with a carrying amount/fair value of €2,206.0 million, with unrealised gains of €305.0 million, gross, being recognised in other comprehensive income. The business model was adjusted as a consequence of the changed objective (particularly due to the sale of Wüstenrot Bank AG Pfandbriefbank) of earning income in future on a regular basis from cash flows and from the sale of financial assets. As at 30 June 2020, there were no reclassifications.

Notes concerning the consolidated income statement

(13) Current net income

in € thousands	30/6/2020	30/6/2019
Interest income	**675,352**	**755,765**
Subordinated securities and receivables	13,887	12,473
Fixed-income financial instruments that do not pass the SPPI test	27,348	24,058
Derivative financial instruments	37,000	35,171
Senior debenture bonds and registered bonds	114,515	143,369
Senior fixed-income securities	197,808	207,132
Construction loans	268,405	306,658
Other loans and receivables	11,667	23,463
Other loans and advances	8,959	10,684
Other receivables	2,708	12,779
Negative interest on liabilities	4,722	3,441
Interest expenses	**−233,093**	**−288,291**
Liabilities evidenced by certificates	−4,034	−6,158
Deposit liabilities and other liabilities	−156,373	−200,604
Lease liabilities	−740	−871
Reinsurance liabilities	−1,252	−1,278
Miscellaneous liabilities	−973	−1,360
Subordinated capital	−9,822	−10,450
Derivative financial instruments	−48,847	−47,702
Negative interest on receivables	−3,114	−3,292
Other	−7,938	−16,576
Dividend income	**89,302**	**99,388**
Other current net income	**28,732**	**30,606**
Net income from financial assets accounted for using the equity method	767	709
Net income from investment property	27,956	29,896
Other	9	1
Current net income	**560,293**	**597,468**

The indicated interest expenses mainly correspond to financing expenses of the W&W Group.

Net income from investment property contains income from leasing in the amount of €56.9 million (previous year: €63.2 million). In addition, it includes directly attributable operating expenses for repairs, maintenance and management, as well as depreciation. These expenses consisted of €27.2 million (previous year: €32.2 million) for investment property that generated rental income and €1.7 million (previous year: €1.2 million) for investment property that did not generate any rental income.

(14) Net income from risk provision

in € thousands	30/6/2020	30/6/2019
Income from risk provision	**47,373**	**53,806**
Release of risk provision	38,933	46,356
Subordinated securities and receivables	53	111
Senior debenture bonds and registered bonds	1,364	1,671
Senior fixed-income securities	7,401	8,654
Construction loans	29,392	33,419
Other loans and receivables	723	2,501
Other loans and advances	485	2,033
Other receivables	238	468
Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees	3,139	2,102
Write-ups/receipts on written-down securities and receivables	5,301	5,348
Expenses from risk provision	**–101,333**	**–67,380**
Additions to risk provision	–96,656	–64,412
Subordinated securities and receivables	–514	–1,027
Senior debenture bonds and registered bonds	–1,991	–6,126
Senior fixed-income securities	–22,852	–15,301
Construction loans	–60,328	–32,771
Other loans and receivables	–10,971	–9,187
Other loans and advances	–10,633	–8,654
Other receivables	–338	–533
Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees	–2,668	–2,968
Other expenses	–2,009	—
Net expense from risk provision	**–53,960**	**–13,574**

(15) Net measurement gain/loss

in € thousands	30/6/2020	30/6/2019
Net income/expense from financial assets/liabilities at fair value through profit or loss	**–384,775**	**573,053**
Participations, shares, fund units	–155,231	164,011
Senior fixed-income securities	–6,485	24,761
Derivative financial instruments	72,112	86,645
Capital investments for the account and risk of holders of life insurance policies	–240,709	246,038
Fixed-income financial instruments that do not pass the SPPI test	–54,462	51,598
Net expense from the discounting of provisions for home loan savings business	**–30,632**	**–52,612**
Net income/expense from hedges[1]	**20,445**	**–11,169**
Impairments/reversals of impairment losses taken on investment property	**–72**	**–580**
Net currency expense	**–43,129**	**–46,029**
Participations, shares, fund units	–4,326	6,559
Subordinated securities and receivables	—	91
Fixed-income financial instruments that do not pass the SPPI test	–5,784	130
Senior fixed-income securities	–12,045	19,179
Other loans and receivables	1,603	4,406
Derivative financial instruments	–22,126	–77,972
Capital investments for the account and risk of holders of life insurance policies	1,190	1,765
Liabilities	–1,641	–187
Net measurement gain/loss	**–438,163**	**462,663**

1 Hedge accounting (hedged items and hedging instruments)

The net income/expense from financial assets/liabilities at fair value through profit or loss included measurement gains in the amount of €371.2 million (previous year: €755.6 million) and measurement losses in the amount of €756.0 million (previous year: €182.6 million). Of this, measurement gains in the amount of €227.1 million (previous year: €207.2 million) and measurement losses in the amount of €155.0 million (previous year: €120.5 million) were attributable to derivatives, which mainly hedged interest-rate-dependent measurement gains and losses on capital investments.

The net currency expense included gains in the amount of €223.8 million (previous year: €100.7 million) and losses in the amount of €266.9 million (previous year: €146.8 million). Of this, currency gains in the amount of €183.4 million (previous year: €54.6 million) and currency losses in the amount of €205.6 million (previous year: €132.6 million) were attributable to currency derivatives, which hedged currency gains and losses on capital investments.

(16) Net income from disposals

in € thousands	30/6/2020	30/6/2019
Income from disposals	**718,432**	**479,162**
Subordinated securities and receivables	296	1,793
Senior debenture bonds and registered bonds	416,758	261,580
Senior fixed-income securities	243,266	204,891
Construction loans	–	1
Investment property	58,112	10,897
Expenses from disposals	**−54,048**	**−11,062**
Subordinated securities and receivables	–	−874
Senior fixed-income securities	−53,934	−10,132
Other loans and receivables	−6	–
Investment property	–	−1
Other	−108	−55
Net income from disposals	**664,384**	**468,100**

(17) Earned premiums (net)

Life and health insurance

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Gross premiums written	1,181,110	1,172,517
Change in the provision for unearned premiums	14,261	14,881
Premiums from the provision for premium refunds	36,281	37,463
Earned premiums (gross)	**1,231,652**	**1,224,861**
Premiums ceded to reinsurers	−15,007	−15,175
Earned premiums (net)	**1,216,645**	**1,209,686**

Property/casualty insurance and reinsurance

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Gross premiums written	1,332,399	1,261,436
Direct	1,325,743	1,255,537
Reinsurance	6,656	5,899
Change in the provision for unearned premiums	−320,827	−300,468
Earned premiums (gross)	**1,011,572**	**960,968**
Premiums ceded to reinsurers	−55,005	−51,276
Earned premiums (net)	**956,567**	**909,692**

(18) Insurance benefits (net)

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

Recognised under the item "Change in the provision for premium refunds" is also the change in the provision for deferred premium refunds recognised in the income statement.

Life and health insurance

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Payments for insurance claims	-1,052,270	-1,084,369
Gross amount	-1,060,467	-1,092,396
Thereof to: reinsurers' portion	8,197	8,027
Change in the provision for outstanding insurance claims	11,584	1,824
Gross amount	11,183	1,319
Thereof to: reinsurers' portion	401	505
Change in the provision for future policy benefits	-320,163	-676,158
Gross amount	-322,594	-676,516
Thereof to: reinsurers' portion	2,431	358
Change in the provision for premium refunds	-148,166	-351,120
Gross amount	-148,166	-351,120
Thereof to: reinsurers' portion	—	—
Change in other technical provisions	-1,952	-60
Gross amount	-1,952	-60
Thereof to: reinsurers' portion	—	—
Insurance benefits (net)	**-1,510,967**	**-2,109,883**
Gross amount, total	-1,521,996	-2,118,773
Thereof to (total): reinsurers' portion	11,029	8,890

Property/casualty insurance and reinsurance

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Payments for insurance claims	–513,221	–450,515
Gross amount	–542,291	–486,795
Thereof to: reinsurers' portion	29,070	36,280
Change in the provision for outstanding insurance claims	28,970	–24,009
Gross amount	10,927	–8,393
Thereof to: reinsurers' portion	18,043	–15,616
Change in the provision for premium refunds	–229	–43
Gross amount	–229	–43
Thereof to: reinsurers' portion	–	–
Change in other technical provisions	189	1,553
Gross amount	553	1,396
Thereof to: reinsurers' portion	–364	157
Insurance benefits (net)	**–484,291**	**–473,014**
Gross amount, total	–531,040	–493,835
Thereof to (total): reinsurers' portion	46,749	20,821

(19) Net commission expense

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Commission income	**121,256**	**127,769**
from the conclusion of home loans savings contracts	57,531	53,624
from home loan savings business	17,510	18,836
from reinsurance	13,726	13,499
from brokering activities	28,470	23,297
from investment business	1,592	15,802
from other business	2,427	2,711
Commission expenses	**–361,603**	**–348,833**
from insurance	–236,483	–232,236
from banking/home loan savings business	–81,325	–74,254
from reinsurance	–355	–16
from brokering activities	–6,929	–5,210
from investment business	–10,700	–16,373
from other business	–25,811	–20,744
Income taxes	**–240,347**	**–221,064**

(20) Income taxes

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Current income taxes paid for the reporting period	–101,113	–53,431
Current taxes paid for other periods	2,884	–3,327
Deferred taxes	41,641	–18,977
Income taxes	**–56,588**	**–75,735**

(21) Earnings per share

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

		1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Result attributable to shareholders of W&W AG	in €	106,603,936	175,393,569
Number of shares at the beginning of the financial year	#	93,695,834	93,622,994
Treasury shares on the reporting date	#	– 15,252	– 53,886
Weighted average number of shares	#	93,715,044	93,659,414
Basic (= diluted) earnings per share	in €	**1.14**	**1.87**

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

Notes concerning financial instruments and fair value

(22) Disclosures concerning the measurement of fair value

Determining the fair value of financial instruments

A hierarchical classification is undertaken for financial instruments measured at fair value in the consolidated balance sheet, and it takes into account the relevance of the factors forming part of the measurement. The inputs forming part of the measurement methods for determining fair value are assigned to three levels, and this level classification is used for all assets and liabilities that are measured regularly, once or for the purposes of preparing disclosures about fair value. The uniform standards and principles described below apply to this. In conceptual terms, the hierarchy is determined by the market basis of the input factors. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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

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

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

Financial instruments that are traded on an active market are measured at the unadjusted quoted or market price for identical assets and liabilities (Level 1 input parameter). In this regard, the essential features of an active market are regular trading frequency and a sufficiently traded market volume that guarantees reliable price information. If pricing is not available on active markets, fair value is derived from comparable financial instruments or determined through application of recognised measurement models using parameters that are directly or indirectly observable on the market (e.g. interest rate, exchange rate, volatility, prices offered by third parties) (Level 2). If measurement is impossible, or not fully possible, using quoted or market prices or by means of a measurement model using input factors that are directly or indirectly observable on the market, factors based on non-observable market data (non-observable input factors) are used to measure financial instruments (Level 3). Generally, the measurement method used is the one that market participants use to determine the price of a financial instrument and that provides an evidence-based and reliable estimate of a price under a market transaction. The levels utilised in the respective balance sheet items can be found in the following overview “2020 measurement hierarchy”.

The level classification as at the reporting date is determined on a regular basis throughout the reporting period. If the relevant input factors change, this may lead to regroupings between the levels at such time. Financial instruments in Level 1 are regrouped to Level 2 if the previously identified active market on which quoting took place no longer exists. In analogous fashion, it is possible to regroup from Level 2 to Level 1 once an active market can be identified.

Regroupings to Level 3 take place if fair value no longer can be measured on the basis of observable input parameters. However, if these are identified for financial instruments that had previously been grouped in Level 3, they can be switched to Level 1 or Level 2 if there are reliable price quotations on an active market or if input parameters are observable on the market.

Unadjusted quoted or market prices are used as Level 1 input factors only for financial instruments in the balance sheet items “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”.

The measurement methods used for determining fair value in Levels 2 and 3 consist of generally accepted measurement models, such as the present-value method, under which anticipated future cash flows are discounted at current interest rates applicable to the relevant residual term to maturity, credit risks and markets. This method is used to measure securities, including debt securities, with agreed cash flows under the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”. Moreover, it is used to measure interest rate swaps and non-optional forward transactions (e.g. currency forwards) in Level 2, which are depicted under the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Positive market values from hedges” and “Negative market values from hedges”. Fund units and capital investments for the account and risk of holders of life insurance policies are also mainly allocated to Level 2. The most recently available redemption price for the underlying investment certificate is used for measurement.

Level 3 for the item “Financial assets at fair value through profit or loss” is characterised by non-exchange-traded equities, as well as investments, including alternative investments. Fair value is mainly determined on the basis of the net asset value. If no information is available, amortised cost is used as an approximate value for fair value. Level 3 for items that are not measured at fair value mainly consists of construction loans. On the other hand, deposits under home loan savings contracts are allocated to the balance sheet item “Liabilities to customers” and likewise measured at amortised cost.

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

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

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

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

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

The following table depicts all financial assets and liabilities that were measured at fair value.

For accounting purposes, the only financial instruments regularly measured at fair value in the W&W Group are those that are assigned to the categories

- Financial assets/liabilities at fair value through profit or loss,
- Financial assets at fair value through other comprehensive income and
- Positive/negative market values from hedges.

There were no reclassifications between levels during the reporting year or the previous year.

2020 measurement hierarchy (items that were measured at fair value)

	Level 1	Level 2	Level 3	Fair value/ carrying amount
in € thousands	30/6/2020	30/6/2020	30/6/2020	30/6/2020
Financial assets at fair value through profit or loss	**439,365**	**5,379,632**	**2,125,325**	**7,944,322**
Participations, shares, fund units	435,311	1,072,951	2,088,910	3,597,172
Participations other than in alternative investments	–	–	215,370	215,370
Participations in alternative investments, including private equity	–	–	1,657,533	1,657,533
Equities	435,311	–	104,521	539,832
Fund units	–	1,072,951	111,486	1,184,437
Fixed-income financial instruments that do not pass the SPPI test	–	2,168,418	33,212	2,201,630
Derivative financial instruments	4,054	220,886	–	224,940
Interest-rate-based derivatives	169	97,438	–	97,607
Currency-based derivatives	–	112,902	–	112,902
Equity- and index-based derivatives	3,885	10,480	–	14,365
Other derivatives	–	66	–	66
Senior fixed-income securities	–	105,125	–	105,125
Capital investments for the account and risk of holders of life insurance policies	–	1,812,252	3,203	1,815,455
Financial assets at fair value through other comprehensive income	**–**	**38,703,752**	**–**	**38,703,752**
Subordinated securities and receivables	–	752,183	–	752,183
Senior debenture bonds and registered bonds	–	12,700,023	–	12,700,023
Credit institutions	–	7,946,860	–	7,946,860
Other financial companies	–	159,927	–	159,927
Public authorities	–	4,552,940	–	4,552,940
Senior fixed-income securities	–	25,251,546	–	25,251,546
Credit institutions	–	7,254,307	–	7,254,307
Other financial companies	–	1,258,720	–	1,258,720
Other companies	–	1,583,904	–	1,583,904
Public authorities	–	15,154,615	–	15,154,615
Positive market values from hedges	**–**	**129,608**	**–**	**129,608**
Total assets	**439,365**	**44,212,992**	**2,125,325**	**46,777,682**

2020 measurement hierarchy (items that were measured at fair value) (continued)

in € thousands	Level 1 30/6/2020	Level 2 30/6/2020	Level 3 30/6/2020	Fair value/ carrying amount 30/6/2020
Financial liabilities at fair value through profit or loss	**3,184**	**80,746**	**—**	**83,930**
Derivative financial instruments	3,184	80,746	—	83,930
Interest-rate-based derivatives	431	64,643	—	65,074
Currency-based derivatives	—	11,768	—	11,768
Equity- and index-based derivatives	2,753	4,335	—	7,088
Technical provisions	**—**	**1,815,455**	**—**	**1,815,455**
Provision for future policy benefits for unit-linked insurance contracts	—	1,815,455	—	1,815,455
Negative market values from hedges	**—**	**182,053**	**—**	**182,053**
Total liabilities	**3,184**	**2,078,254**	**—**	**2,081,438**

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

in € thousands	Level 1 31/12/2019	Level 2 31/12/2019	Level 3 31/12/2019	Fair value/ carrying amount 31/12/2019
Non-current assets held for sale and discontinued operations	**–**	**14,760**	**120**	**14,880**
Financial assets at fair value through profit or loss	**664,598**	**5,589,941**	**2,045,092**	**8,299,631**
Participations, shares, fund units	640,945	1,061,471	2,005,633	3,708,049
Participations other than in alternative investments	–	–	219,034	219,034
Participations in alternative investments, including private equity	–	–	1,594,796	1,594,796
Equities	640,945	–	104,573	745,518
Fund units	–	1,061,471	87,230	1,148,701
Fixed-income financial instruments that do not pass the SPPI test	–	1,449,453	33,212	1,482,665
Derivative financial instruments	23,653	123,431	–	147,084
Interest-rate-based derivatives	–	80,999	–	80,999
Currency-based derivatives	–	37,091	–	37,091
Equity- and index-based derivatives	23,653	5,233	–	28,886
Other derivatives	–	108	–	108
Senior fixed-income securities	–	723,814	–	723,814
Capital investments for the account and risk of holders of life insurance policies	–	2,231,772	6,247	2,238,019
Financial assets at fair value through other comprehensive income	**–**	**36,808,770**	**–**	**36,808,770**
Subordinated securities and receivables	–	720,209	–	720,209
Senior debenture bonds and registered bonds	–	12,984,231	–	12,984,231
Credit institutions	–	8,694,056	–	8,694,056
Other financial companies	–	157,339	–	157,339
Public authorities	–	4,132,836	–	4,132,836
Senior fixed-income securities	–	23,104,330	–	23,104,330
Credit institutions	–	6,852,781	–	6,852,781
Other financial companies	–	1,106,461	–	1,106,461
Other companies	–	1,360,503	–	1,360,503
Public authorities	–	13,784,585	–	13,784,585
Positive market values from hedges	**–**	**88,994**	**–**	**88,994**
Total assets	**664,598**	**42,502,465**	**2,045,212**	**45,212,275**

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

in € thousands	Level 1 31/12/2019	Level 2 31/12/2019	Level 3 31/12/2019	Fair value/ carrying amount 31/12/2019
Liabilities under non-current assets classified as held for sale and discontinued operations	**—**	**772**	**—**	**772**
Financial liabilities at fair value through profit or loss	**694**	**79,593**	**—**	**80,287**
Derivative financial instruments	694	79,593	–	80,287
Interest-rate-based derivatives	–	67,079	–	67,079
Currency-based derivatives	–	6,958	–	6,958
Equity- and index-based derivatives	694	5,556	–	6,250
Technical provisions	**—**	**2,238,019**	**—**	**2,238,019**
Provision for future policy benefits for unit-linked insurance contracts	–	2,238,019	–	2,238,019
Negative market values from hedges	–	216,195	–	216,195
Total liabilities	**694**	**2,534,579**	**—**	**2,535,273**

Changes in Level 3

in € thousands	Participations other than in alternative investments	Participations in alternative investments	Equitie
As at 1 January 2019	**228,349**	**1,333,043**	**63,574**
Total comprehensive income for the period	6,560	20,598	-385
Income recognised in the consolidated income statement[1]	7,224	42,838	–
Expenses recognised in the consolidated income statement[1]	-664	-22,240	-385
Purchases	541	208,934	38,153
Sales	-1,456	-100,073	–
Reclassifications	–	2,959	–
Changes in the scope of consolidation	31	–	–
As at 30 June 2019	**234,025**	**1,465,461**	**101,342**
Income recognised in the consolidated income statement as at 31 December[2]	7,224	42,838	–
Income recognised in the consolidated income statement as at 31 December[2]	-664	-22,178	-385
As at 1 January 2020	**219,034**	**1,594,796**	**104,572**
Total comprehensive income for the period	-3,590	-58,343	-232
Income recognised in the consolidated income statement[1]	2,756	51,082	–
Expenses recognised in the consolidated income statement[1]	-6,346	-109,425	-232
Purchases	886	194,667	2,990
Sales	-1,070	-74,080	-2,809
Reclassifications	–	493	–
Changes in the scope of consolidation	110	–	–
As at 30 June 2020	**215,370**	**1,657,533**	**104,521**
Income recognised in the consolidated income statement as at 31 December[2]	2,756	51,082	–
Income recognised in the consolidated income statement as at 31 December[2]	-6,346	-109,425	-232

1 Income and expenses are mainly included in the net measurement gain/loss in the consolidated income statement.
2 Net income/expense includes period income and expenses for assets still in the portfolio at the end of the reporting period.

Financial assets at fair value through profit or loss				Total
Fund units	Fixed-income financial instruments that do not pass the SPPI test	Derivative financial instruments	Capital investments for the account and risk of holders of life insurance policies	
24,607	**35,837**	**—**	**574**	**1,685,984**
2,171	—	—	2,302	31,246
2,310	—	—	2,302	54,674
–139	—	—	—	–23,428
2,212	—	72	1,633	251,545
–609	–432	–2	–159	–102,731
–2,959	—	—	—	—
–	—	—	—	31
25,422	**35,405**	**70**	**4,350**	**1,866,075**
2,310	—	—	2,302	54,674
–139	—	—	—	–23,366
87,230	**33,212**	**—**	**6,247**	**2,045,091**
–130	—	—	–1,088	–63,383
441	—	—	192	54,471
–571	—	—	–1,280	–117,854
32,820	—	—	2,202	233,565
–8,434	—	—	–4,158	–90,551
—	—	—	—	493
—	—	—	—	110
111,486	**33,212**	**—**	**3,203**	**2,125,325**
441	—	—	192	54,471
–571	—	—	–1,280	–117,854

Description of the applied measurement processes and effects of alternative assumptions in the case of financial instruments in Level 3.

Used in connection with the measurement process for calculating fair value are the capitalised earnings method, the adjusted net asset value method and the approximation method.

With regard to the capitalised earnings method, which is uniform throughout the Group, internal plan values and estimates are used as the basis for discounting future net cash flows and distributions under application of risk parameters derived on the market.

With regard to the adjusted net asset value method, the externally calculated and reported pro-rata net asset value is normally the measurement parameter that is used as the basis for calculating fair value. The external fund manager calculates the net asset value on the basis of recognised measurement methods. Subsequently, the net asset value figures and trends as provided by the fund management companies are validated and assessed for plausibility, and the main portfolio companies are examined in the W&W Group, if necessary. In addition, carrying amounts, fair values, distributions and obligations to provide additional funding are monitored. Where appropriate, the pro-rata net asset value is adjusted by outstanding performance-related compensation claims of the participating fund manager or by risk premiums in order thereby to represent the fair value. An exception to the external provision of the pro-rata net asset value is made in the case of self-measured property participations that are assigned to “Participations other than in alternative investments”.

With regard to the approximation method, amortised cost is regularly used to measure fair value for reasons of simplicity. The approximation method is applied, for instance, in the case of no quotation and minor significance.

The securities in Level 3 mainly consist of unquoted interests in participations in alternative investments, including private equity, as well as other participations. The fair values of Level 3 portfolios are customarily calculated by the management of the respective company. For the majority of all externally measured interests, namely in the amount of €1,439.8 million (previous year: €1,441.8 million), fair value is determined on the basis of the net asset value. By contrast, the net asset value of participations other than in alternative investments is calculated internally in all cases. Of the total amount of the interests measured externally using the net asset value, €80.3 million (previous year: €80.4 million) was attributable to unquoted equities and fund certificates, and €1,359.5 million (previous year: €1,331.4 million) to participations in alternative investments, including private equity. The calculation of the net asset value in the case of externally measured interests is based on specific information that is not publicly available and to which the W&W Group does not have access. Thus, it was not possible to subject them to a sensitivity analysis.

In the W&W Group, net asset values (2020: €168.3 million; previous year: €172.0 million) are measured internally for Group property participations that are assigned to “Participations other than in alternative investments”. The value of the properties included there is calculated using income-based present value methods. These recognised measurement methods are based on discount rates of 2.89% to 7.54% (previous year: 2.89% to 7.54%), which determine the fair value of the property. A change in discount rates by +100 basis points in connection with a sensitivity analysis leads to a reduction in fair value to €153.8 million (previous year: €157.3 million), while a change in discount rates by -100 basis points leads to an increase to €184.7 million (previous year: €188.2 million).

The most significant measurement parameters for interests measured using the capitalised earnings method (2020: €49.5 million; previous year: €50.3 million) are the risk-adjusted discount rate and future net cash flows. A material increase in the discount rate reduces fair value, whereas a decline increases fair value. However, a change by 10% has only a minor influence on the presentation of the net assets, financial position and financial performance of the W&W Group.

In addition, for certain interests, fair value is deemed to be approximated by amortised cost. In this case, as well, a sensitivity analysis is not possible due to lack of the specific parameters used.

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

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

Quantitative information about the measurement of fair value in Level 3

	Fair value		Measurement method	Non-observable input factors	Range in %	
in € thousands	30/6/2020	31/12/2019			30/6/2020	31/12/2019
Financial assets at fair value through profit or loss	**2,125,325**	**2,045,092**				
Participations, shares, fund units	2,088,910	2,005,633				
Participations without alternative investments	215,370	219,034				
	24,656	25,465	Capitalised earnings method	Discount rate, future cash flows	6.50–12.09	6.50–12.09
	12,639	11,881	Approximation method	n/a	n/a	n/a
	178,075	181,688	Adjusted net asset value	n/a	n/a	n/a
Alternative investments, including private equity	1,657,533	1,594,796				
	24,850	24,850	Capitalised earnings method	Discount rate, future cash flows	3.76	3.76
	252,356	201,118	Approximation method	n/a	n/a	n/a
	1,380,327	1,368,828	Adjusted net asset value	n/a	n/a	n/a
Equities	104,521	104,573				
	25,102	25,102	Approximation method	n/a	n/a	n/a
	79,419	79,471	Adjusted net as-set value	n/a	n/a	n/a
Funds units	111,486	87,230				
	16,817	12,635	Approximation method	n/a	n/a	n/a
	94,669	74,595	Adjusted net asset value	n/a	n/a	n/a
Fixed-income financial instruments that do not pass SPPI test	33,212	33,212	Approximation method	n/a	n/a	n/a
Capital investments for the account and risk of holders of life insurance policies	3,203	6,247	Black-Scholes Model	Index weighting, volatility	n/a	n/a
Non-current assets held for sale and discontinued operations	**—**	**120**	**Approximation method**	**n/a**	**n/a**	**n/a**

(23) Counterparty credit risk

We define counterparty credit risk as 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, including debt securities (counterparty credit risk associated with 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 our counterparties in reinsurance (other counterparty credit risk).

We limit counterparty credit risks through the careful selection of issuers and reinsurance partners, as well as broadly diversified investments. In this context, we take into consideration the capital investment rules applicable to the respective business area. The contracting partners and securities, including debt securities, are mainly limited to good credit ratings in the investment grade range. In customer lending business, we largely focus on construction financing loans for private customers, which are secured with in-rem collateral. Construction loans are mainly secured with first-rate land charges (Grundpfandrechte).

In addition, loans and advance payments on insurance policies are fully secured with life insurance policies.

Our strategic focus on residential construction loans excludes individual loans that endanger the portfolio due to the high granularity and the predominant collateralisation with land charges.

Reinsurance contracts are in place with counterparties on the reinsurance market that have flawless credit, meaning that the default risk is significantly reduced

For further information about the management of counterparty credit risk in the W&W Group, please see the risk reporting in the Management Report.

Breakdown of risk provision for financial assets at amortised cost in 2020

in € thousands	Opening balance as at 1.1.2020	Reclassifications from Level 1	Reclassifications from Level 2	Reclassifications from Level 3	Additions for newly issued/ acquired financial assets	Additions for financial assets currently in the portfolio
Subordinated securities and receivables	**−235**	**–**	**–**	**–**	**−12**	**−57**
Level 1	−235	–	–	–	−12	−57
Senior debenture bonds and registered bonds	**−29**	**–**	**–**	**–**	**−36**	**−6**
Level 1	−29	–	–	–	−36	−6
Senior fixed income securities	**–**	**–**	**–**	**–**	**–**	**–**
Level 1	–	–	–	–	–	–
Construction loans	**−66,747**	**–**	**–**	**–**	**−10,035**	**−46,765**
Level 1	−12,963	552	−411	−9	−5,672	−1,742
Level 2	−28,363	−499	3,069	−994	−960	−38,519
Level 3	−25,421	−53	−2,658	1,003	−3,403	−6,504
Other loans and advances	**−25,811**	**–**	**–**	**–**	**−10,368**	**–**
Level 1	−19,091	–	–	–	−9,281	–
Level 2	−1,132	–	1	−2	−115	–
Level 3	−5,588	–	−1	2	−972	–
Miscellaneous receivables	**−10,925**	**–**	**–**	**–**	**−1**	**–**
Level 1	−10,925	–	–	–	−1	–
Risk provision by class for financial assets at amortised cost	**−103,747**	**–**	**–**	**–**	**−20,452**	**−46,828**

Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Utilisation/ reclassification (write-off)	Changes from currency-translation	Interest effects	Reclassifications	Closing balance as at 30.6.2020
3	**16**	**–**	**–**	**–**	**–**	**–285**
3	16	–	–	–	–	–285
–	**2**	**–**	**–**	**–**	**–**	**–69**
–	2	–	–	–	–	–69
–	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–
19,711	**4,483**	**1,940**	**–**	**–292**	**–**	**–97,705**
3,011	211	3	–	–	–	–17,020
11,491	**986**	**27**	**–**	**–**	**–**	**–53,762**
5,209	3,286	1,910	–	–292	–	–26,923
–	306	6,672	–	–	–	–29,201
–	132	6,241	–	–	–	–21,999
–	**8**	**–**	**–**	**–**	**–**	**–1,239**
–	166	431	–	–	–	–5,963
–	238	–	–	–	–	–10,688
–	238	–	–	–	–	–10,688
19,714	**5,045**	**8,612**	**–**	**– 292**	**–**	**–137,948**

Breakdown of risk provision for financial assets at amortised cost in 2019

in € thousands	Opening balance as at 1.1.2019	Reclassifi-cations from Level 1	Reclassifi-cations from Level 2	Reclassifi-cations from Level 3	Additions for newly issued/ acquired financial assets	Additions for finan-cial assets currently in the portfolio
Subordinated securities and receiva-bles	**−145**	**—**	**—**	**—**	**−185**	**−121**
Level 1	−145	—	—	—	−185	−121
Senior debenture bonds and registered bonds	**−741**	**—**	**—**	**—**	**—**	**−119**
Level 1	−741	—	—	—	—	−119
Senior fixed-income securities	**−468**	**—**	**—**	**—**	**—**	**−2**
Level 1	−468	—	—	—	—	−2
Construction loans	**−128,293**	**—**	**—**	**—**	**−3,597**	**−28,832**
Level 1	−14,893	380	−394	−10	−1,403	−1,787
Level 2	−38,806	−340	3,315	−1,398	−901	−12,766
Level 3	−74,594	−40	−2,921	1,408	−1,293	−14,279
Other loans and advances	**−29,623**	**—**	**—**	**—**	**−7,422**	**−49**
Level 1	−1,116	—	—	—	−148	−4
Level 2	−26,486	—	2	−3	−7,075	−7
Level 3	−2,021	—	−2	3	−199	−38
Miscellaneous receivables	**−10,634**	**—**	**—**	**—**	**—**	**—**
Level 1	−10,634	—	—	—	—	—
Risk provision by class for financial assets at amortised cost	**−169,904**	**—**	**—**	**—**	**−11,204**	**−29,123**

Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Utilisation/ reclassification (write-off)	Changes from currency-translation	Interest effects	Reclassifications	Closing balance as at 30.6.2019
1	**20**	**—**	**—**	**—**	**—**	**−430**
1	20	—	—	—	—	−430
15	**11**	**—**	**—**	**—**	**631**	**−203**
15	11	—	—	—	631	−203
5	**—**	**—**	**−1**	**—**	**349**	**−117**
5	—	—	−1	—	349	−117
23,486	**6,488**	**5,013**	**−628**	**−366**	**−42**	**−126,771**
3,066	255	—	−28	—	—	−14,814
12,455	**1,122**	**—**	**−106**	**—**	**—**	**−37,425**
7,965	5,111	5,013	−494	−366	−42	−74,532
52	1,719	7,026	−8	—	42	−28,263
1	60	165	—	—	—	−1,042
5	**1,463**	**6,861**	**—**	**—**	**—**	**−25,240**
46	196	—	−8	—	42	−1,981
—	468	—	—	—	—	−10,166
—	468	—	—	—	—	−10,166
23,559	**8,706**	**12,039**	**−637**	**−366**	**980**	**−165,950**

Breakdown of risk provision for financial assets at fair value through other comprehensive income in 2020

in € thousands	Opening balance as at 1.1.2020	Reclassifications from Level 1	Additions for newly issued/acquired financial assets	Additions for financial assets currently in the portfolio
Subordinated securities and receivables	**–817**	**–**	**–219**	**–204**
Level 1	–817	–	–219	–204
Senior debenture bonds and registered bonds	**–7,434**	**–**	**–613**	**–1,326**
Level 1	–7,434	–	–613	–1,326
Senior fixed-income securities	**–23,349**	**–**	**–7,564**	**–14,393**
Level 1	–19,606	318	–7,564	–3,996
Level 2	–3,743	–318	–	–10,397
Risk provision for financial assets at fair value through other comprehensive income	**–31,600**	**–**	**–8,396**	**–15,923**

Breakdown of risk provision for financial assets at fair value through other comprehensive income in 2019

in € thousands	Opening balance as at 1.1.2019	Reclassifications from Level 1	Additions for newly issued/acquired financial assets	Additions for financial assets currently in the portfolio
Subordinated securities and receivables	**–640**	**–**	**–173**	**–509**
Level 1	–640	–	–173	–509
Senior debenture bonds and registered bonds	**–7,931**	**–**	**–65**	**–5,811**
Level 1	–7,931	–	–65	–5,811
Senior fixed-income securities	**–23,158**	**–**	**–6,271**	**–8,029**
Level 1	–16,106	10	–6,271	–7,806
Level 2	–7,052	–10	–	–223
Risk provision for financial assets at fair value through other comprehensive income	**–31,729**	**–**	**–6,509**	**–14,349**

	Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Chances in scope of consolidation	Reclassifications	Closing balance as at 30.6.2020
	3	**3**	**–**	**5**	**–1,203**
	3	3	–	5	–1,203
	73	**73**	**–**	**–**	**–8,104**
	73	73	–	–	–8,104
	1,659	**1,659**	**?**	**–5**	**–38,775**
	1,644	1,644	?	–5	–25,352
	15	15	?	–	–13,423
	1,735	**1,735**	**–633**	**–**	**–48,082**

	Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Chances in scope of consolidation	Reclassifications	Closing balance as at 30.6.2019
	8	**77**	**–**	**–12**	**–1,249**
	8	77	–	–12	–1,249
	576	**1,065**	**–**	**–631**	**–12,797**
	576	1,065	–	–631	–12,797
	3,582	**4,694**	–	**–337**	**–29,519**
	2,558	2,938	–	–337	–25,014
	1,024	1,756	–	–	–4,505
	4,166	**5,836**	**–**	**–980**	**–43,565**

Other disclosures

(24) Revenues from contracts with customers

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

2020

in € thousands	Housing 1/1/2020 to 30/6/2020	Life and Health Insurance 1/1/2020 to 30/6/2020	Property/ Casualty Insurance 1/1/2020 to 30/6/2020	All other segments 1/1/2020 to 30/6/2020	Consolidation/ reconciliation 1/1/2020 to 30/6/2020	Total 1/1/2020 to 31/12/2020
Commission revenue	**43,875**	**6,187**	**7,554**	**23,350**	**–30,967**	**49,999**
From home loan savings business	15,781	–	–	1,729	–	17,510
From brokering activities	26,088	6,187	7,554	910	–12,269	28,470
From investment business	–	–	–	20,290	–18,698	1,592
From other business	2,006	–	–	421	–	2,427
Net other operating income/expense	**3,180**	**357**	**2,702**	**13,290**	**–1,388**	**18,141**
Disposal revenue from inventories (property development business)	–	–	–	7,275	–	7,275
Disposal revenue from property, plant and equipment	–	–	–	6	–	6
Other revenue	3,180	357	2,702	6,009	–1,388	10,860
Net income/expense from disposals	**–**	**114,800**	**–**	**4**	**–4**	**114,800**
Disposal revenue from investment property	–	114,800	–	4	–4	114,800
Total	**47,055**	**121,344**	**10,256**	**36,644**	**–32,359**	**182,940**
Type of revenue recognition						
Satisfied at a point in time	33,442	121,344	10,256	19,249	–20,996	163,295
Satisfied over time	13,613	–	–	17,395	–11,363	19,645
Total	**47,055**	**121,344**	**10,256**	**36,644**	**–32,359**	**182,940**

2019

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

(25) Contingent receivables, contingent liabilities and other obligations

in € thousands	30/6/2020	31/12/2019
Contingent liabilities	**2,107,386**	**2,110,199**
from deposit protection funds	347,619	347,501
from sureties and warranties	10,144	10,148
from capital contribution calls not yet made	1,399,476	1,388,257
Contractual obligations to acquire and construct investment property	125,053	107,631
sales proceeds from intangible assets	208,128	239,700
Other contingent liabilities	16,966	16,962
Other obligations	**1,379,967**	**1,220,444**
Irrevocable loan commitments	1,379,967	1,220,444
Total	**3,487,353**	**3,330,643**

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

The provisions for irrevocable loan commitments amounted to €3.7 million as at 31 December 2019 and to €3.0 million as at 30 June 2020.

(26) Related party disclosures

Transactions with related persons

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

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

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

As at 30 June 2020, receivables from related persons amounted to €99 thousand (previous year: €598 thousand), and liabilities to related persons amounted to €634 thousand (previous year: €750 thousand). In the first half of 2020, interest income from loans made to related persons amounted to €8 thousand (previous year: €10 thousand), and interest expenses for savings deposits of related persons amounted to €15 thousand (previous year: €1 thousand). In the first half of 2020, premiums in the amount of €34 thousand (previous year: €34 thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance.

Transactions with related companies

Unconsolidated subsidiaries of W&W AG and other related companies

The W&W Group is a party to various services agreements with unconsolidated W&W AG subsidiaries and other related W&W AG companies, inter alia, in the area of capital investment management. Wüstenrot Holding AG and W&W AG are parties to a brand name transfer and use agreement. As at 30 June 2020, a financial liability was owed to Wüstenrot Holding AG under this agreement in the amount of €13.1 million (previous year: €15.1 million). W&W AG makes fixed annual amortisation payments (principal and interest) to Wüstenrot Holding AG in the amount of € 2.5 million, plus value-added tax.

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

The transactions were at arm's length.

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

in € thousands	30/6/2020	31/12/2019
Financial assets with respect to related companies	**181,561**	**176,912**
Unconsolidated subsidiaries	157,098	151,925
Other related companies	24,463	24,987
Financial liabilities with respect to related companies	**192,550**	**194,752**
Affiliated undertakings	80,873	73,889
Unconsolidated subsidiaries	80,246	80,442
Other related companies	31,431	40,421

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

in € thousands	1/1/2020 to 30/6/2020	1/1/2019 to 30/6/2019
Income from transactions with related companies	**24,669**	**28,304**
Unconsolidated subsidiaries	23,592	27,208
Associated companies	41	40
Other related companies	1,036	1,056
Expenses from transactions with related companies	**–32,562**	**–41,861**
Unconsolidated subsidiaries	–24,528	–28,637
Associated companies	–160	–161
Other related companies	–7,874	–13,063

(27) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as at 30 June 2020 was 6,423 (previous year: 6,754). As at the reporting date, the number of employees was 7,583 (previous year: 7,991).

The average headcount in the last 12 months was 7,631 (previous year: 8,033). This average is calculated as the arithmetic mean of the end-of-quarter headcounts as at the reporting date between 30 September 2019 and 30 June 2020 and during the corresponding prior-year period and is distributed over the individual segments as follows:

Number of employees by segment on annual average

	30/6/2020	31/12/2019
Housing	2,157	2,166
Life and Health Insurance	738	836
Property/Casualty Insurance	3,703	3,583
All other segments	1,033	1,448
Total	**7,631**	**8,033**

(28) Events after the reporting date

Because of the coronavirus pandemic, customers in the customer lending business with financial difficulties have since the start of July been offered a private moratorium that allows them to defer amortisation payments. This moratorium was recognised by the banking supervisory authorities as a moratorium within the meaning of EBA/GL/2020/02. To date, approximately 1,000 customers have applied for this moratorium. We expect that this number will rise only slightly in the coming months, depending on macroeconomic developments, with the moratorium being offered for a limited period of time until 30 September 2020. At this time, the specific financial impact on the W&W Group cannot yet be reliably predicted.

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

For information about the additional potential effects of the coronavirus pandemic on the W&W Group, please see the corresponding remarks in the management report, as well as the disclosures in the notes.

W&W Group
Responsibility statement

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

Stuttgart, 7 August 2020

Jürgen A. Junker

Dr. Michael Gutjahr

Jürgen Steffan

Jens Wieland

W&W Group
Auditor‘s review report

To Wüstenrot & Württembergische AG, Stuttgart

We have reviewed the condensed consolidated half-year financial statements – consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated cash flow statement, and select notes – and the interim group management report of Wüstenrot & Württembergische AG, Stuttgart, for the period from 1 January to 30 June 2020, which form part of the half-year financial report pursuant to Section 115 of the German Securities Trading Act (WpHG). The preparation of the condensed consolidated half-year financial statements in accordance with IFRS applicable to interim reporting, as adopted by the EU, and of the interim group management report in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the company’s management. Our responsibility is to issue a review report on the condensed consolidated half-year financial statements and on the interim group management report based on our review.

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

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

Stuttgart, 12 August 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Wagner	Gehringer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

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