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Interim Report as at 30 June 2017
Wüstenrot & Württembergische AG

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Wüstenrot & Württembergische AG
Key figures of W&W Group

W&W Group (according to IFRS)

Consolidated balance sheet		6M 2017	FY 2016
Total assets	€ bn	72.2	72.3
Capital investments	€ bn	45.5	45.8
Financial assets available for sale	€ bn	24.4	24.6
First tier loans and advances to institutional investors	€ bn	14.1	14.3
Building loans	€ bn	23.6	23.7
Liabilities to customers	€ bn	24.9	25.4
Technical provisions	€ bn	33.8	33.3
Equity	€ bn	3.8	3.8
Equity per share	€	40.95	40.56

Consolidated profit and loss statement		6M 2017	6M 2016
Net financial result (after credit risk adjustments)	€ mn	1,074.0	876.1
Premiums/contributions earned (net)	€ mn	1,908.8	1,997.6
Insurance benefits (net)	€ mn	–2,117.0	–1,998.1
Earnings before income taxes from continued operations	€ mn	214.2	180.6
Consolidated net profit	€ mn	154.9	121.0
Total comprehensive income	€ mn	90.1	211.3
Earnings per share	€	1.65	1.28

Other information		6M 2017	FY 2016
Employees (Germany)[1]		6,672	6,745
Employees (Group)[2]		8,309	8,395

Key sales figures		6M 2017	6M 2016
Group			
Gross premiums written	€ mn	2,182.2	2,258.4
New construction financing business (including brokering for third parties)	€ mn	2,762.2	2,555.4
Sales of own and third-party investment funds	€ mn	220.9	195.1
Home Loan and Savings Bank			
New home loan savings business (gross)	€ mn	7,012.9	7,641.4
New home loan savings business (net)	€ mn	5,757.0	6,049.0
Life and Health Insurance			
Gross premiums written	€ mn	1,066.2	1,191.0
New premiums	€ mn	249.1	368.9
Property/Casualty Insurance			
Gross premiums written	€ mn	1,122.3	1,073.1
New premiums (measured in terms of annual contributions to the portfolio)	€ mn	140.5	120.1

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

Wüstenrot & Württembergische AG
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Business environment

Macroeconomic environment

The German economy got off to a dynamic start in 2017. This was helped by strong export business and attractive investments by companies. The construction sector once again posted above-average growth. The real estate sector continues to benefit from historically low interest rates and lively demand for housing, particularly in large conurbation centres. Consumer demand, the most important growth driver last year, still showed positive trends, but its intensity diminished somewhat at the start of the year. Record high employment, solid wage increases and only moderate inflation point to consumption remaining robust. From the perspective of the W&W Group, the positive trends in household income from a historical standpoint and the dynamism of the residential construction sector continued to present a favourable macroeconomic environment.

Outlook

The economic outlook for Germany in 2017 and 2018 remains favourable. The low level of unemployment and attractive wages will boost disposable household income, meaning that consumption is likely to remain robust. So far, inflation is rising only modestly and over a long period of time. Therefore, we do not expect any serious burdens. In the spring, corporate investments rose noticeably. A very favourable business outlook for companies, increasingly full capacities, and financing terms that continue to be very attractive are all signs that this upturn will persist. These trends are also benefitting from a marked abatement in political uncertainties within the EU. For some time, the construction sector has been posting dynamic growth. In 2017/2018, the economic environment should remain favourable for the W&W Group in view of prolonged positive growth, stable trends in household income and sustained positive trends in the German residential property market, even though certain risks will continue to exist in the (geo-) political area.

Capital markets

Bond markets

Long-term interest rates on the German bond market moved sideways during the first half of 2017. For instance, the yield on 10-year German government bonds fluctuated between 0.2% and 0.5%. Surprisingly good reports regarding the economic climate caused yields to rise. The increase in inflation reported for April proved to be a merely temporary phenomenon. Because inflation remains stuck below the target level set by the European Central Bank (ECB), interest rates fell again. Finally, European politics, particularly the presidential and parliamentary elections in France, had an impact on interest rates in the first half of 2017. Investors tended to favour bonds with good credit ratings, causing yields to fall. Following the outcome of the elections, which the markets viewed favourably, the tide turned, and interest rates rose again. Near the end of the half-year, a speech by ECB President Draghi indicating that monetary policy might become less expansive caused interest rates to jump again.

In the short-term maturity range, yields once again fell noticeably at the start of the year. For instance, in late February the yield on two-year German government bonds fell to a record low of –0.95%. Thereafter, short-term interest rates, though fluctuating, began to show a tentative turnaround, such that yields on two-year German government bonds stood at –0.57% at the end of June. In addition to political risks having abated in the EU, there are initial signs that the ECB's monetary policy is likely to become less expansive, and this is playing an important role here, at least in the medium term. This rise in interest rates benefitted from the unexpectedly aggressive approach taken by the U.S. Federal Reserve, which raised the prime rate three times during the first half of 2017.

Equity markets

After posting considerable gains in December 2016, European equity markets went through a sideways consolidation in the first few weeks of 2017. Then, in mid-February, a number of encouraging corporate reports on business performance had a positive impact on prices and caused the upward trend on the equity markets to resume. This trend was furthermore supported by surprisingly good global economic data. In particular, business prospects in Europe began to brighten for companies. In addition, abating political risks in the EU in the wake of the elections in the Netherlands and France, which the markets viewed favourably, caused investors to become less risk averse and prices to rise on equity markets. Even though the U.S. Federal Reserve raised the prime rate three times, this had no negative effects on equity markets. In June, the DAX reached a new all-time high at nearly 13,000 points. Profit-taking set in near the end of the quarter, such that the DAX closed the half-year at 12,325 points. This constituted a price rise of 7.4% in the first half of 2017, compared with a rise of 4.6% posted by Euro STOXX 50 during the same period.

The SDAX initially continued its upward trend with moderate dynamism in the first several weeks of the year. But after a brief phase of consolidation in the first half of February, this dynamism increased noticeably, and in early June the SDAX posted a new record high of more than 11,300 points. This was followed by another phase of consolidation, and by the end of June, the SDAX stood at 10,847 points. Thus, the SDAX posted a price rise of 13.9% for the first half of 2017.

W&W stock

W&W stock trended positively in the first half of the year: After closing at €18.57 at year-end 2016, it reached €19.33 on 5 January 2017. This was followed by significant profit-taking, causing the price to fall to €18.15. Once selling pressure had abated over the course of the first six months, the closing price on Xetra was €19.15 on 30 June 2017. Allowing for a dividend payment of €0.60 per share, the overall performance was 6.4%.

In April, Bankhaus Metzler began analysing W&W stock and issued a buy recommendation with a target price of €21.80.

Following the reporting date, the W&W stock price closed at €22.25 on 3 August 2017, its high for the year.

As was the case in the previous year, the employee share ownership programme carried out in April 2017 was very well received by employees. Roughly one third of the employees accepted the offer.

Industry trends

The continuing environment of low interest rates is the predominant factor for the financial services industry in the current financial year as well. Wüstenrot has not been able to escape this effect, but was able however to strengthen its market share. New business in private residential financing rose during the first five months of 2017. Private households took out roughly €118 billion (previous year: roughly €117 billion) in building loans. That corresponds to an increase of 3% over the previous-year period. The main drivers were affordable mortgage interest rates. Rising property prices at sought-after locations likewise contributed to the growth. The good financing conditions also led to existing properties changing hands more frequently, as well as to upgrade and renovation work. By contrast, the market suffered somewhat from bottlenecks in the supply of building land and existing properties and at many locations from a lack of building and trade capacities. As a result, we anticipate for 2017 that the market for private residential construction financing will remain on the same level.

According to calculations by the German Insurance Association (GDV), life insurance companies and pension funds saw new premiums fall by 1.3% to €14.3 billion (previous year: €14.5 billion) during the first half of 2017. Thus, new business fell slightly in terms of both payment of regular premiums and against a single premium.

Gross premiums written fell slightly year on year by 0.4% to €43.2 billion (previous year: €43.4 billion).

Property/casualty insurance showed growth similar to that in 2016. The German Insurance Association (GDV) expects that the year will close up noticeably by about 3.1% compared with the previous year. At the same time, however, it is assumed that claims expenses will increase more strongly, namely by about 4.7%, which would lead overall to lower profit than in the previous year.

Ratings

In June 2017, Standard & Poor‘s (S&P) again confirmed all ratings of the W&W Group with a stable outlook. Thus the core companies of the W&W Group continue to have a rating of A-, while the holding company Wüstenrot & Württembergische AG has a BBB+ rating.

Because the W&W Group has high liquidity, the short-term rating of Wüstenrot Bausparkasse has been raised from A-2 to A-1.

The risk management of the W&W Group continues to be classified in the category „strong“.

Development of business and Group position

Development of business

As at 30 June 2017, consolidated net profit after taxes rose to €154.9 million (previous year: €121.0 million). This was particularly attributable to the outstanding result in the property/casualty area.

Construction financing business rose markedly to €2,762 million (previous year: €2,555 million). New business in property/casualty insurance and regular premiums in life insurance also performed well. Single premiums for life insurance declined. As expected, new home loan savings business (net) fell in the first six months, although it was still ahead of the market. The previous year was characterised by the introduction of a new savings plan.

With the transfer of the construction-financing and covered-bond business of Wüstenrot Bank AG Pfandbriefbank to Wüstenrot Bausparkasse AG, Wüstenrot became the first German building society with active Pfandbrief business. In this pioneering role, it exploited the opportunities presented by the Building Society Act (BauSparkG), which was amended in late 2015, and issued a covered bond in May 2017. Furthermore, the previous months saw the transfer of the savings and investment products from the bank to the building society. Both projects have had a positive effect on refinancing and on the building society's earnings situation and are opening up prospects for growth in the area of homes and housing. The product range of Wüstenrot Bank AG Pfandbriefbank will continue to comprise accounts, card services, fund brokerage and online activities.

At present, Wüstenrot & Württembergische AG is exploring future options for Wüstenrot Bank AG Pfandbriefbank without any firm expectations. These range from a further narrowing of business activities to collaborations to a sale of the bank, which is wholly owned by W&W. This process is intended to give the bank greater opportunities for growth. Its products will in any case continue to be offered in the W&W Group. Wüstenrot Bank AG Pfandbriefbank is an affiliated undertaking of Wüstenrot Bausparkasse AG, which remains unaffected by a potential transaction.

The W&W Group is current developing a new digital trademark. It intends to use it to reach new customers and market segments and actively support the Group's growth strategy in order to expand strategic leeway. The new digital trademark is designed to appeal to customers who wish to make their own comparisons and are less interested in personal advice.

In the first six months of 2017, the Group also continued to push forward with work on its new smartphone app "Finanzguide", which is aimed specifically at W&W customers.

Financial performance

Consolidated income statement

As at 30 June 2017, consolidated net profit after taxes rose to €154.9 million (previous year: €121.0 million).

Composition of consolidated net profit

in € million	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Home Loan and Savings Bank segment	27.4	33.1
Life and Health Insurance segment	16.4	18.1
Property/Casualty Insurance segment	96.1	56.3
All other segments	98.6	70.5
Consolidation across segments	–83.6	–57.0
Consolidated net profit	**154.9**	**121.0**

Net financial income increased significantly, rising €197.9 million to €1,074.0 million (previous year: €876.1 million). Rising equity markets had a positive impact particularly on the development of investments for unit-linked life insurance policies. In addition, there was an increase in net income from disposals.

The W&W Group also made investments in foreign currency in order to be able to exploit attractive yield opportunities for its customers. The associated exchange-rate risks are extensively hedged. In view of the strongly rising price of the euro during the first half of 2017 (the euro rose less strongly during the first half of 2016), net income from investments in foreign currency (available for sale) deteriorated. By contrast, profits were generated from currency derivatives (fair value through profit or loss) related to hedges of these investments. The effects on results were therefore largely offset in total.

- Net income from financial assets available for sale amounted to €388.5 million (previous year: €463.6 million). The decline was due to the above-mentioned currency losses. Improved net income from disposals and lower impairments offset this effect.
- Net income from financial assets at fair value through profit or loss increased to €252.0 million (previous year: –€72.9 million). An increase in net income from investments for unit-linked life insurance policies had a positive effect here, as did the described gains from currency hedges.
- The hedge result fell to –€0.4 million (previous year: €80.0 million). This decline was due to the discontinuation of portfolio fair value hedges and lower releases of OCI reserves from cash flow hedges.
- Net income from receivables, liabilities and subordinated capital increased to €430.3 million (previous year: €401.5 million). This increase was particularly attributable to higher net income from disposals.

Net premiums earned declined to €1,908.8 million (previous year: €1,997.6 million). A further increase in property/casualty insurance was unable to compensate for the decline in life and health insurance.

Net insurance benefits increased by €118.9 million to €2,117.0 million (previous year: €1,998.1 million). Claims development in property insurance was once again very good. In life and health insurance, the provision for unit-linked life insurance policies increased significantly as a consequence of the increased value of the underlying investments.

At €534.3 million (previous year: €533.0 million), general administrative expenses were essentially unchanged year on year. Due to a lower headcount, personnel expenses increased only slightly despite collectively bargained salary increases.

The net other operating result increased to €31.8 million (previous year: –€11.6 million). This was attributable to conversion of surplus participation in life insurance, higher sales proceeds from property development business and higher provisions in the previous year.

Income tax expenses remained nearly unchanged at €59.2 million (previous year: €59.6 million) despite higher pre-tax income. Tax-free sales of shares were the main reason for this development.

Consolidated statement of comprehensive income

As at 30 June 2017, total comprehensive income stood at €90.1 million (previous year: €211.3 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 30 June 2017, OCI stood at –€64.8 million (previous year: €90.3 million). It was essentially shaped by two effects: First, the actuarial assumptions underlying the pension provisions were adjusted to conform to market conditions. The actuarial interest rate used to measure pension commitments increased from 1.5% to 1.75% compared with the end of the previous year. This resulted in €49.5 million in actuarial gains from defined benefit plans for pension schemes (previous year: –€162.9 million).

The unrealised net income from financial assets available for sale is the second noteworthy effect. After additions to the provision for premium refunds and to deferred taxes, it amounted to –€119.2 million (previous year: €267.7 million). The decline is due to sales of securities whose reserves were previously recognised in equity, thus increasing consolidated net income. In addition, there was a decline in prices of bearer instruments due to the increased interest rate level since the start of the year.

These measurement effects, which are recognised directly in equity, mainly reflect the interest rate sensitivity of the assets side of the balance sheet, as well as that of pension provisions. However, in accordance with IFRS, developments in the opposite direction in the area of underwriting and deposits are not presented in total comprehensive income.

Home Loan and Savings Bank segment

Segment net income stood at €27.4 million (previous year: €33.1 million).

New home loan savings business declined in the first half of the year. The segment's total assets amounted to €31.2 billion (previous year: €31.7 billion).

New business

Gross new business in terms of total home loan savings contracts fell to €7.0 billion (previous year: €7.6 billion). In the previous year period, one-off effects from the savings plan introduced last year, "Wüstenrot Wohnsparen", increased gross new business. Net new business (paid-in new business) came in slightly below the previous year at €5.8 billion (previous year: €6.0 billion) and outperformed the market significantly. With a market share of 13.7%, Wüstenrot has been able to consolidate its position as Germany's second-biggest building society and develop according to plan.

New construction financing business continued to focus on more profitable offers and increased to €1,420.0 million (previous year: €1,277.9 million). This includes €189.5 million in refinancing (previous year: €209.5 million). New lending business came in at €1,230.5 million (previous year: €1,068.4 million).

New business key figures

	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	Change
	in € million	in € million	in %
Gross new business	7,012.9	7,641.4	–8.2
Net new business (paid-in new business)	5,757.0	6,049.0	–4.8
New construction financing business (approvals)	1,420.0	1,277.9	11.1

Financial performance

Segment net income declined by €5.7 million to €27.4 million (previous year: €33.1 million), which was mainly attributable to lower net financial income.

Net financial income in the Home Loan and Savings Bank segment stood at €197.6 million (previous year: €240.4 million). The first half of 2017 was marked by the strategic restructuring of the segment, with the centralisation of construction financing business at Home Loan and Savings. The reduction of total assets carried out in this regard resulted in lower current interest income.

Interest rate risks are hedged as part of managing the interest book, on the one hand for financial instruments and, on the other, to neutralise the offsetting effect on net income from discounting the provisions for loan savings business (bonus provisions). Interest rates in medium to long-term maturities increased in the first half of 2017 after declining significantly in the same period the previous year.

- Net income from financial assets available for sale increased to €106.7 million (previous year: €101.5 million), mainly as a result of higher net income from disposals in connection with the reduction of risk-weighted assets. The decline in current interest income and the rise in net income as a result of the discontinuation of fair value hedges essentially offset each other.
- As a result of the development of the free-standing derivatives used to manage the interest book, the net income from assets at fair value through profit or loss fell to –€30.6 million (previous year: –€16.2 million). The effects from the discounting of provisions for loan savings business had the opposite impact on net income from receivables.
- The hedge result was clearly negative at –€0.4 million (previous year: €80.0 million), which is due to the discontinuation of the portfolio fair value hedge and lower releases of reserves (OCI) from cash flow hedges.
- The lower discounting of the interest bonus provision compared with the previous year due to higher interest rates provided substantial relief for net income from receivables, liabilities and subordinated capital, which rose to €119.4 million (previous year: €70.4 million).
- Net income from risk provision amounted to €2.6 million (previous year: €4.7 million). Both the good macroeconomic situation and the very good quality of the credit portfolio contributed to the further positive result.

Net commission income increased to €10.5 million (previous year: –€5.6 million). This was attributable, inter alia, to improved net commission income in new home loan savings business.

General administrative expenses decreased by €6.8 million to €180.6 million (previous year: €187.3 million). Personnel expenses were virtually unchanged, but write-downs, materials costs, particularly in the area of marketing, and contributions to the deposit guarantee scheme were all lower.

Net other operating income increased significantly to €15.2 million (previous year: €1.6 million). This was mainly due to higher additions to miscellaneous provisions in the previous year.

Tax expenses fell to €15.2 million (previous year: €16.0 million). As in the previous year, the financial year was marked by non-deductible operating expenses (including expenses for the banking levy).

Life and Health Insurance segment

Segment net income stood at €16.4 million (previous year: €18.1 million). New premiums were lower than in the previous year. The segment's total assets increased to €33.6 billion (previous year: €33.5 billion).

New business/premium development

Total premiums for new life insurance business were similar to the level of the previous year at €1,550.6 million (previous year: €1,598.7 million). As at 30 June 2017, new premiums for the Life and Health Insurance segment stood at €249.1 million (previous year: €368.9 million). New regular premiums rose to €49.8 million (previous year: €46.4 million). This was also due to higher new business by supplementary health insurers. Single premiums fell to €199.3 million (previous year: €322.5 million) as a consequence of a cautious underwriting policy.

Gross premiums written decreased to €1,066.2 million (previous year: €1,191.0 million), mainly as a result of lower single-premium income.

New business key figures

	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	Change
	in € million	in € million	in %
New premiums (segment)	**249.1**	**368.9**	**-32.5**
Single premiums, life	199.3	322.5	-38.2
Regular premiums, life	44.0	42.8	2.8
Annual new premiums, health	5.8	3.6	61.1

Financial performance

Segment net income stood at €16.4 million (previous year: €18.1 million). The increase in net financial income and net other operating income was able to offset nearly in full the decline in net underwriting income.

Net financial income in the Life and Health Insurance segment increased by €223.8 million to €816.6 million (previous year: €592.8 million). The main causes were an increase in net income from investments for unit-linked life insurance policies, higher net income from disposals and lower impairments on equity instruments. In addition, the results for the individual categories include currency effects, which had a slightly positive impact on net financial income.

- Net income from financial assets available for sale fell by €79.7 million to €261.3 million (previous year: €341.0 million). This was mainly due to lower net currency income. Because the price of the euro rose during the financial year, currency losses were experienced with respect to investments in foreign currency.

Lower impairments and higher net income from disposals had a positive impact.

- Net income from financial assets at fair value through profit or loss rose by €301.2 million to €244.0 million (previous year: –€57.2 million). On the one hand, net income from investments to cover unit-linked life insurance policies was higher. This was largely because the share price increases in the market segments in which the funds invest were higher than in the previous year. On the other hand, higher measurement gains from currency hedges had an impact.
- Net income from receivables, liabilities and subordinated capital increased to €310.0 million (previous year: €307.6 million). This was due to higher net income from disposals. Net interest income declined because of volume and also lower interest rates for new investments and reinvestments.

Net income from investment property fell to €35.4 million (previous year: €38.8 million). This was due to lower gains from disposals.

Net premiums earned declined to €1,096.6 million (previous year: €1,214.2 million). This was mainly attributable to a lower volume of single-premium insurance policies in new business.

Net insurance benefits stood at €1,726.8 million (previous year: €1,583.7 million). This increase was due to higher additions to the provision for unit-linked life insurance policies as a result of the positive trends in the underlying investments. Benefits to customers were secured further through the regular increase of the additional interest reserve (including interest rate reinforcement). Additions exceeded the level of the previous year, which was already high, coming in at €276.8 million (previous year: €231.8 million). The additional interest reserve as a whole thus now totals €1,876.6 million.

General administrative expenses fell to €126.9 million (previous year: €129.7 million). This was due to lower material costs. Personnel expenses were about the same year on year.

The net other operating loss was smaller at –€9.4 million (previous year: –€38.4 million). This was primarily because of a change to the surplus declaration for 2017. Since 2017, surplus that had formerly been allocated as direct credits are now being granted through the provision for premium refunds. The related expenses are therefore now recognised under "Insurance benefits" instead of under "Other net operating income/expense" as before.

Tax expenses fell to €6.2 million (previous year: €9.4 million). This was due, in particular, to lower pre-tax income.

Property/Casualty Insurance segment

Segment net income increased significantly to €96.1 million (previous year: €56.3 million). New business in the Property/Casualty Insurance segment was also able to be expanded strongly in the first six months of 2017. Total assets stood at €4.7 billion (previous year: €4.4 billion).

New business/premium development

New business developed very positively, coming in at €140.5 million (previous year: €120.1 million). This growth was fuelled by all of the business segments. The corporate customers business line experienced particular growth in the first half of 2017.

New business key figures

	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	Change
	in € million	in € million	in %
New business	**140.5**	**120.1**	**17.0**
Motor	99.9	90.4	10.5
Corporate customers	26.6	16.8	58.3
Retail customers	14.0	12.9	8.5

Gross premiums written increased further by €49.2 million to €1,122.3 million (previous year: €1,073.1 million).

Financial performance

Segment net income increased to €96.1 million (previous year: €56.3 million). Net financial income grew. Net underwriting income came in slightly lower than the very good figure for the previous year.

Net financial income stood at €28.7 million (previous year: €15.2 million). Higher net income from disposals and lower impairments had a positive impact here.

- Net income from financial assets available for sale stood at €14.3 million (previous year: €7.2 million). Significantly higher net income from disposals and lower impairment expenses had a positive impact. Because the price of the euro rose during the financial year, currency losses were experienced with respect to investments in foreign currency.
- Net income from financial assets at fair value increased to €32.3 million (previous year: €0.0 million). This was mainly attributable to currency derivatives used to hedge securities in the available-for-sale portfolio. The currency effects on the individual results largely offset one another.
- The net result from receivables, liabilities and subordinated capital fell to –€18.0 million (previous year: €7.8 million) as a result of payment of a voluntary subsidy to the pension fund.

Net commission expense amounted to –€106.0 million (previous year: –€102.2 million). The larger insurance portfolio led to an increase in renewal commissions. By contrast, very good claims development resulted in higher commission revenues on the part of the internal Group reinsurer.

Net earned premiums continued to trend positively. They rose by €26.4 million to €695.7 million (previous year: €669.3 million). In the first half of 2017, the W&W Group posted growth in all business segments of Property/Casualty Insurance

Net insurance benefits declined by €14.7 million to €330.2 million (previous year: €344.9 million) despite the larger insurance portfolio. In the first half of 2017, this result was aided by a sustainable, risk-conscious underwriting policy, as well as lower claims relating to acts of nature. The combined ratio (gross) was therefore very good, coming in at 86.2% (previous year: 90.0%).

General administrative expenses increased to €173.0 million (previous year: €165.2 million). Personnel expenses went up slightly, mainly as a result of restructuring provisions. In addition, material costs rose due to investments in the new trademark, which will be launched with an insurance product.

Tax expenses rose only slightly to €33.9 million (previous year: €32.7 million), even though pre-tax income increased significantly. Tax-free sales of shares were the main reason for this development.

All other segments

"All other segments" covers the divisions that cannot be allocated to any other segment. This includes W&W AG, W&W Asset Management GmbH, the Czech subsidiaries and the Group's internal service providers. The total assets of the other segments amounted to €6.4 billion (previous year: €6.2 billion). After-tax net income stood at €98.6 million (previous year: €70.5 million). This was composed, among other things, of the following:

W&W AG €84.0 million (previous year: €47.0 million), W&W Asset Management GmbH €10.3 million (previous year: €9.6 million) and Czech subsidiaries €10.8 million (previous year: €6.7 million).

Net financial income stood at €156.6 million (previous year: €112.8 million). It was shaped by higher equity investment income from within the Group received by W&W AG, particularly from Württembergische Versicherung AG, which is included in net income from financial assets available for sale. Dividend income from fully consolidated subsidiaries is eliminated in the consolidation/reconciliation column in order to obtain values for the Group. In addition, the improvement was aided by the net income from financial assets measured at fair value. This was offset by the positive impact on net income in the previous year from the sale of the Czech insurance subsidiaries.

Net commission expense increased to –€29.1 million (previous year: –€22.0 million). This was mainly due to the rise in claims-dependent commission expenses of W&W AG for property and casualty insurance, which were incurred within the scope of the cross-segment reinsurance.

Earned premiums rose to €126.3 million (previous year: €122.9 million). The volume ceded by Württembergische Versicherung AG to W&W AG for reinsurance within the Group increased as a result of positive business development.

Net insurance benefits fell to €72.6 million (previous year: €78.2 million) as a consequence of very good claims development in the Property/Casualty Insurance segment.

General administrative expenses increased to €49.0 million (previous year: €43.8 million). This was mainly due to an increase in consulting costs for IT projects.

Net other operating income increased to €14.0 million (previous year: €7.5 million) mainly as a result of higher net income from property development activities.

Net assets

Asset structure

The consolidated total assets of the W&W Group amounted to €72.2 billion (previous year: €72.3 billion), consisting primarily of building loans in the amount of €23.6 billion (previous year: €23.7 billion) and investments in the amount of €45.5 billion (previous year: €45.8 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). Valuation reserves declined due to higher interest rates in the first half-year. The W&W Group maintains valuation reserves primarily for building loans in the amount of €398.7 million (previous year: €612.9 million), for first-rate receivables from institutional investors in the amount of €2,336.1 million (previous year: €2,973.9 million), and for investment properties in the amount of €427.5 million (previous year: €430.8 million).

Financial position

Capital structure

The W&W Group being a financial services group, the liabilities side is dominated by technical provisions and liabilities to customers.

Technical provisions – including those for unit-linked life insurance policies in the amount of €1.8 billion (previous year: €1.6 billion) – totalled €33.8 billion (previous year: €33.3 billion). This includes €28.8 billion (previous year: €28.3 billion) for the provision for future policy benefits, €2.0 billion (previous year: €2.2 billion) for the provision for premium refunds, and €2.5 billion (previous year: €2.5 billion) for the provision for outstanding insurance claims. The liabilities are primarily liabilities to customers amounting to €24.9 billion (previous year: €25.4 billion). They largely consist of savings deposits and deposits from home loan savings business amounting to €18.8 billion (previous year: €18.5 billion).

Liquidity

W&W AG and its subsidiaries always had sufficient liquidity. 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 €487.1 million (previous year: outflow of €74.2 million) from operating activities and outflows of cash amounting to € 26.5 million (previous year: inflow of €517.8 million) for investing activities, including capital investments. Financing activities resulted in cash outflows of –€28.5 million (previous year: –€164.6 million). Changes attributable to the effects of exchange rates and the scope of consolidation amounted to €1.6 million (previous year: –€0.6 million). This resulted in a net change in cash of €431.7 million in the reporting year.

Equity

As at 30 June 2017, the W&W Group's equity stood at €3,846.8 million, compared with €3,811.6 million as at 31 December 2016. This primarily includes consolidated net profit as at 30 June 2017, as well as net income included in equity totalling €90.1 million. This was offset by the dividend payment of €56.1 million. Other effects increased equity by €1.2 million.

Related party disclosures

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

Opportunity and risk report

Opportunity report

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

The market opportunities derived from this are discussed with the management within the framework of closed-door strategy meetings and incorporated into strategic planning. We have sound governance and control structures in place in order to evaluate and pursue opportunities on the basis of their potential, the required investment and the risk profile. The opportunities depicted in our 2016 Annual Report did not change materially during the first six months of 2017, such that we make reference to these in this context.

Risk report

Risk reporting in the W&W Group's Half-Year Financial Report is carried out in compliance with Section 37w of the German Securities Trading Act (WpHG) and German Accounting Standard 16.

Risk management

W&W AG is the ultimate parent company of the financial conglomerate (W&W Group), the Solvency II Group and the financial holding group. The objectives and principles of risk management described in the 2016 Annual Report continued to apply in the W&W Group as at 30 June 2017. The planned enhancements of risk models and risk governance processes are continuously tackled and implemented. The organisational and operational structure of our risk management system as at 30 June 2017 corresponds to that described in the 2016 Annual Report.

In the first half of 2017, the processing of all construction financing business at German credit institutions was centralised at Wüstenrot Bausparkasse AG. In the course of this restructuring, the building loan portfolio and current investment and covered-bond business of Wüstenrot Bank AG Pfandbriefbank were transferred to the building society. As a result, modifications were made to the risk management process of the relevant institutions. As a result of its restructuring, Wüstenrot Bank AG Pfandbriefbank was assigned to Risk Class 2. In addition, future options for Wüstenrot Bank AG Pfandbriefbank are being explored without any firm expectations.

On 1 July 2017, Group Risk Management became a part of the new organisational unit Risk, Compliance and Data Management.

Basic conditions

Macroeconomic developments are described in the chapter "Business environment" in this Half-Year Financial Report.

Despite a market environment that remains difficult for the financial industry, the W&W Group had a good start to the first half of the year, as is also described in the "Outlook". The prolonged environment of low interest rates continues to shape the risk position within the W&W Group, particularly at the life insurance companies.

In connection with its risk strategy, the W&W Group aims for a risk-bearing capacity ratio of at least 125%. As at 30 June 2017, the calculations made on the basis of the internal risk-bearing capacity model at Group level show that there are sufficient financial resources to cover our risks.

Current risk position

The risk areas depicted in the 2016 Annual Report remained valid without change as at 30 June 2017:

- Market price risks
- Counterparty risks
- Insurance risks
- Pool risks
- Operational risks
- Business risks
- Liquidity risks

Compared with the risk report contained in the 2016 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

Long-term interest rates on the German bond market moved sideways during the first half of 2017. For instance, the yield on 10-year German government bonds fluctuated between 0.2% and 0.5%. Near the end of the half-year, the ECB indicated that its monetary policy might become less expansive, causing interest rates to jump again. Thus, from the start of the year to the end of June, the yield on 10-year German government bonds rose from 0.21% to 0.47%, constituting an increase of 26 basis points. In the short-term maturity range, yields on two-year German government bonds stood at 0.57% at the end of June.

Even though a tentative turnaround in interest rate developments is emerging, low interest rates continue to pose great challenges for the industry’s life insurance companies and home loan savings banks and thus also for the W&W Group, with its long-term customer guarantees and predominantly interest-rate-dependent investments. The focus is also on the servicing of long-term guarantees and commitments (e.g. from pensions).

The remainder of the economic environment for the W&W Group is characterised by prolonged positive growth, robust trends in household income and a sustained positive trends in the German residential property market. Risks continue to exist in the (geo-) political area.

The objectives and risk governance measures described in the 2016 Annual Report for the risk area “Market price risks” remain valid.

Counterparty credit risks

In the course of the restructuring of construction-finance business, counterparty credit risks at the relevant credit institutions shifted within the W&W Group.

The objectives and risk governance measures described in the 2016 Annual Report for the risk area “Counterparty credit risks” remain valid.

Insurance risks

Claims relating to acts of nature were below average in the first half of 2017. The positive claims development during the financial year is marked by this fact, among others. We expect claims to rise slightly in the second half of the year.

Low interest rates continue to pose especially great challenges for the industry’s life insurance companies and also those within the W&W Group, with its long-term customer guarantees.

The objectives and risk governance measures described in the 2016 Annual Report for the risk area “Underwriting risks” remain applicable.

In light of the described developments, the overall assessment remains unchanged with respect to the risk position in the defined risk areas compared with the risk report in the 2016 Group Management Report.

Summary

In the first half of 2017, the W&W Group and W&W AG at all times had sufficient economic and supervisory risk-bearing capacity. The requirements for coverage ratios were more than satisfied. Pursuant to our economic risk-bearing capacity model, we had sufficient financial resources in order to be able to cover the assumed risks with a high degree of confidence. For the assessment of the overall risk profile of the W&W Group and W&W AG, please see the 2016 Group Management Report.

With the programme W&W@2020, the W&W Group is meeting the challenge of sustainably achieving the income targets that it has set, despite increasingly unfavourable basic conditions and the associated risks (such as persistently low interest rates). We are also tenaciously meeting the challenge posed by the growing influence that digitalisation is having on customer behaviour. We have defined five strategic action areas in order to implement it:

- Profitability
- Market – customer – sales
- Digitisation
- Efficiency
- Skills

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.

Within the scope of the company rating, rating agency S&P also rates the W&W Group’s risk management in the form of enterprise risk management (ERM). S&P recently confirmed that the W&W Group’s ERM continues to be rated “strong” S&P thus underscores the great importance of ERM for the W&W Group.

Outlook

This Half-Year Financial Report is based on the outlook for the W&W Group made in the 2016 Annual Report. In the following, we update our estimates for 2017 as a whole to the extent that we are in possession of new information based on business development during the first half of the year.

In June, we modified our outlook for consolidated net income for 2017. IFRS consolidated net profit is expected to discernibly exceed the previous year's figure of €235 million. Previously, consolidated net profit for 2017 had been predicted to come in at the level of 2016.

The upward adjustment of the outlook is based on growth in new business, the effects of sales and customer care measures and the very good claims development thus far in the Property/Casualty Insurance segment. Additionally, an anticipated one-time effect will have an impact.

Because of the very good claims development thus far, segment net income for Property/Casualty Insurance is likewise expected to discernibly exceed the previous year‘s figure. In the Home Loan and Saving Bank segment, we expect that pre-tax income will come in at the level of the previous year. Because of tax effects, it is now expected that after-tax net income will slightly exceed the previous year.

Business performance in the year to date does not necessarily mean that income will continue to develop in the same way beyond 2017.

With regard to the number of corporate customers, the picture is mixed: Whereas Württembergische Versicherung AG is growing, Wüstenrot Bausparkasse AG is experiencing declines, particularly as a result of portfolio measures. At the Group level, we expect that by the end of the year, this will slightly reduce the customer portfolio compared with the previous year.

Opportunities and risks include, in particular, trends in interest rates and claims. Furthermore, developments on the capital markets or in the economy or the political environment could have a positive or negative effect on the W&W Group. The strategic alignment of the individual segments as well as further optimisation of costs will provide additional opportunities. Other risks may arise from potential counterparty defaults and increased regulatory or statutory requirements.

Proviso concerning forward-looking statements

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

These forward-looking statements represent estimates based on information that is available at the present time and is considered to be material. They can be associated with known and unknown risks and uncertainties, but also with opportunities. Because of the number of factors that influence the company's business operations, actual results may differ from those currently anticipated.

The company can therefore assume no liability for 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 consolidated interim financial statements

Consolidated balance sheet as at 30 June 2017

Assets

in € thousands	cf. Note no.[1]	30.6.2017	31.12.2016
A. Cash reserves		**699 729**	**366 482**
B. Non-current assets classified as held for sale and discontinued operations	1	**83 310**	**15 211**
C. Financial assets at fair value through profit or loss	2	**3 076 781**	**2 996 697**
D. Financial assets available for sale	3	**24 447 381**	**24 564 474**
thereof sold under repurchase agreements or lent under securities lending transactions		1 267 430	113 745
E. Receivables	4	**40 550 795**	**40 860 885**
I. Subordinated securities and receivables		91 047	122 334
II. First-rank receivables from institutional investors		14 108 265	14 311 613
III. Building loans		23 600 697	23 708 597
IV. Other loans and receivables		2 750 786	2 718 341
F. Risk provision	5	**−167 605**	**−169 288**
G. Positive market values from hedges	6	**10 620**	**21 431**
H. Financial assets accounted for using the equity method		**98 310**	**97 407**
I. Investment property	7	**1 652 033**	**1 742 228**
J. Reinsurers' portion of technical provisions		**329 387**	**312 999**
K. Other assets		**1 401 469**	**1 467 112**
I. Intangible assets		98 795	100 724
II. Property, plant and equipment		260 257	238 985
III. Inventories		78 128	97 435
IV. Current tax assets		37 254	60 317
V. Deferred tax assets		839 539	888 466
VI. Other assets		87 496	81 185
Total assets		**72 182 210**	**72 275 638**

1 See numbered explanations in the notes to the consolidated financial statements, starting on page 31.

Liabilities

in € thousands	cf. Note no.	30.6.2017	31.12.2016
A. Financial liabilities at fair value through profit or loss		**754 414**	**1 129 266**
B. Liabilities	8	**29 801 374**	**29 596 623**
I. Liabilities evidenced by certificates		624 879	647 685
II. Liabilities to credit institutions		3 004 382	2 252 968
III. Liabilities to customers		24 920 057	25 418 956
IV. Finance lease liabilities		26 042	28 129
V. Miscellaneous liabilities		1 226 014	1 248 885
C. Negative market values from hedges	9	**64 478**	**—**
D. Technical provisions	10	**33 798 382**	**33 319 748**
E. Other provisions	11	**2 703 676**	**3 147 368**
F. Other liabilities		**777 030**	**874 304**
I. Current tax liabilities		222 193	233 452
II. Deferred tax liabilities		547 711	634 492
III. Other liabilities		7 126	6 360
G. Subordinated capital	12	**436 099**	**396 739**
H. Equity		**3 846 757**	**3 811 590**
I. Interests of W&W shareholders in paid-in capital		1 484 645	1 483 639
II. Interests of W&W shareholders in earned capital		2 343 065	2 308 146
Retained earnings		2 442 045	2 344 149
Other reserves (other comprehensive income)		−98 980	−36 003
III. Non-controlling interests in equity		19 047	19 805
Total liabilities		**72 182 210**	**72 275 638**

Consolidated income statement for the period 1 January to 30 June 2017

in € thousands	cf. Note no.	1.1.2016 to 30.6.2017	1.1.2016 to 30.6.2016
Income from financial assets available for sale		655 269	688 192
Expenses from financial assets available for sale		–266 818	–224 587
1. Net income from financial assets available for sale	13	**388 451**	**463 605**
Income from financial assets accounted for using the equity method		1 836	1 905
Expenses from financial assets accounted for using the equity method		–	–
2. Net income from financial assets accounted for using the equity method		**1 836**	**1 905**
Income from financial assets/liabilities at fair value through profit or loss		774 216	851 156
Expenses from financial assets/liabilities at fair value through profit or loss		–522 185	–924 010
3. Net result from financial assets/liabilities at fair value through profit or loss	14	**252 031**	**–72 854**
Income from hedges		4 462	220 278
Expense from hedges		–4 902	–140 281
4. Net result from hedges		**–440**	**79 997**
Income from receivables, liabilities and subordinated capital		789 572	829 898
Expense from receivables, liabilities and subordinated capital		–359 291	–428 389
5. Net income from receivables, liabilities and subordinated capital	15	**430 281**	**401 509**
Income from risk provision		46 508	55 143
Expense from risk provision		–44 699	–53 251
6. Net result from risk provision	16	**1 809**	**1 892**
7. Net financial result		**1 073 968**	**876 054**
Income from investment property		70 260	73 325
Expense from investment property		–32 239	–32 187
8. Net income from investment property		**38 021**	**41 138**
Commission income		128 296	124 114
Commission expense		–315 411	–315 663
9. Net commission expense	17	**–187 115**	**–191 549**
Earned premiums (gross)		1 966 764	2 048 336
Premiums ceded to reinsurers		–57 992	–50 781
10. Earned premiums (net)	18	**1 908 772**	**1 997 555**
Insurance benefits (gross)		–2 144 947	–2 026 592
Received reinsurance premiums		27 970	28 528
11. Insurance benefits (net)	19	**–2 116 977**	**–1 998 064**
Carryover		**716 669**	**725 134**

in € thousands	cf. Note no.	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Carryover		**716 669**	**725 134**
Personnel expenses		–300 231	–296 371
Materials costs		–204 710	–203 072
Depreciation/amortisation		–29 309	–33 533
12. General administrative expenses		**–534 250**	**–532 976**
Other operating income		127 851	104 822
Other operating expense		–96 090	–116 407
13. Net other operating expense		**31 761**	**–11 585**
14. Consolidated earnings before income taxes from continued operations		**214 180**	**180 573**
15. Income taxes	20	**–59 239**	**–59 614**
16. Consolidated net profit		**154 941**	**120 959**
Result attributable to shareholders of W&W AG		154 202	120 084
Result attributable to non-controlling interests		739	875
17. Basic (= diluted) earnings per share, in €	21	**1,65**	**1,28**
Thereof from continued operations, in €		1,65	1,28

Consolidated statement of comprehensive income

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Consolidated net profit	**154 941**	**120 959**
Other comprehensive income		
Elements not reclassified to the consolidated income statement:		
Actuarial gains/losses (–) from defined-benefit plans (gross)	77 699	–255 571
Provision for deferred premium refunds	– 6 446	20 954
Deferred taxes	–21 787	71 740
Actuarial gains/losses (–) from defined-benefit plans (net)	**49 466**	**–162 877**
Elements subsequently reclassified to the consolidated income statement:		
Unrealised gains/losses (–) from financial assets available for sale (gross)	–440 535	1 037 223
Provision for deferred premium refunds	265 988	–650 307
Deferred taxes	55 357	–119 264
Unrealised gains/losses (–) from financial assets available for sale (net)	**–119 190**	**267 652**
Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross)	–130	78
Provision for deferred premium refunds	—	—
Deferred taxes	2	–1
Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)	**–128**	**77**

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Unrealised gains/losses (–) from cash flow hedges (gross)	–2 781	–21 562
Provision for deferred premium refunds	–	–
Deferred taxes	851	6 593
Unrealised gains/losses (–) from cash flow hedges (net)	**–1 930**	**–14 969**
Currency translation differences of economically independent foreign units	**6 971**	**410**
Total other comprehensive income, gross	–358 775	760 578
Total provision for deferred premium refunds	259 542	–629 353
Total deferred taxes	34 423	–40 932
Total other comprehensive income, net	**–64 810**	**90 293**
Total comprehensive income for the period	**90 131**	**211 252**
Attributable to shareholders of W&W AG	90 889	206 759
Attributable to non-controlling interests	–758	4 493

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 2016		**490 311**	**997 265**
Consolidated net profit		–	–
Other comprehensive income		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	22	–	–
Treasury shares		–1 427	–2 511
Other		–	–
Equity as at 30 June 2016		**488 884**	**994 754**
Equity as at 1 January 2017		**488 884**	**994 755**
Changes in the scope of consolidation		–	–
Consolidated net profit		–	–
Other comprehensive income		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	22	–	–
Treasury shares		386	620
Other		–	–
Equity as at 30 June 2017		**489 270**	**995 375**

						Interests of W&W shareholders in equity	Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
	Retained earnings					Other reserves			
		Reserve for pension commitments	Reserve for finan-cial assets available for sale	Reserve for finan-cial assets accounted for using the equity method	Reserve for cash flow hedges	Reserve for currency translation			
	2 169 651	**— 488 719**	**422 313**	**6 509**	**24 919**	**3 683**	**3 625 932**	**17 810**	**3 643 742**
	120 084	–	–	–	–	–	120 084	875	120 959
	–	-162 758	263 912	76	-14 969	413	86 674	3 618	90 292
	120 084	**-162 758**	**263 912**	**76**	**-14 969**	**413**	**206 758**	**4 493**	**211 251**
	-56 086	–	–	–	–	–	-56 086	–	-56 086
	-1 364	–	–	–	–	–	-5 302	–	-5 302
	-1 021	–	–	–	–	–	-1 021	–	-1 021
	2 231 264	**-651 477**	**686 225**	**6 585**	**9 950**	**4 096**	**3 770 281**	**22 303**	**3 792 584**
	2 344 149	**– 587 540**	**526 089**	**7 264**	**13 005**	**5 179**	**3 791 785**	**19 805**	**3 811 590**
	-336	–	336	–	–	–	–	–	–
	154 202	–	–	–	–	–	154 202	739	154 941
	–	49 429	-117 655	— 128	-1 931	6 971	-63 313	-1 497	-64 810
	154 202	**49 429**	**-117 655**	**— 128**	**-1 931**	**6 971**	**90 889**	**-758**	**90 131**
	-56 131	–	–	–	–	–	-56 131	–	-56 131
	370	–	–	–	–	–	1 376	–	1 376
	-209	–	–	–	–	–	-209	–	-209
	2 442 045	**-538 111**	**408 770**	**7 136**	**11 074**	**12 150**	**3 827 710**	**19 047**	**3 846 757**

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 €699.7 million (previous year: €380.5 million) and bank deposits payable on demand in the amount of €781.8 million (previous year: €841.3 million) that are reported under the item "Miscellaneous receivables". The cash reserve consists of cash on hand, deposits with central banks, and deposits with foreign postal giro offices.

Contained in "Cash flow from financing activities" are deposits in the amount of €1,006 thousand (previous year: €1,145 thousand) from the sale of treasury shares in connection with an employee share ownership programme. In the previous year, treasury shares were repurchased, which resulted in corresponding payouts in the amount of €6,872 thousand during the comparable period in the previous year.

The W&W Group can freely dispose of its cash and cash equivalents.

As of 30 June 2017, the legally required balances with national central banks that are subject to reserve requirements amounted to €66.0 million (previous year: €72.6 million).

Consolidated cash flow statement

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
I. Cash flow from operating activities	**487 147**	**–74 194**
II. Cash flow from investing activities	**– 26 532**	**517 763**
III. Cash flow from financing activities	**– 28 897**	**–164 614**

in € thousands	2017	2016
Cash and cash equivalents as at 1 January	**1 022 742**	**943 331**
Net change in cash and cash equivalents (I.+II.+III.)	431 718	278 955
Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation	27 043	–553
Cash and cash equivalents as at 30 June	**1 481 503**	**1 221 733**

Selected explanatory notes to the consolidated financial statements

General accounting principles and application of IFRS

General information

In accordance with the provisions of Section 37w in conjunction with Section 37y, 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, para. 2, fourth sentence, and Section 315, para. 1, sixth sentence, 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 of 31 December 2016, as well as those applicable as of 1 January 2017 for the first time. The latter 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 notes – are presented in conformity with IAS 34 “Interim Financial Reporting”, were drawn up on the basis of Section 315a HGB in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and have a condensed scope of reporting compared with the consolidated annual financial statements as of 31 December 2016.

The Executive Board of Wüstenrot & Württembergische AG authorised publication of the consolidated half-year financial report on 7 August 2017.

Employee share ownership programme

An employee share ownership programme was offered in the first half-year of 2017. It enabled all employees of companies in the W&W Group to acquire up to 40 shares of W&W AG at a price of €13.60 per share, which represented a discount of €5.00 per share. The employees are required to hold these shares for at least three years.

Treasury shares in the portfolio were used for this programme. Employees acquired a total of 74,015 of these shares. Thus, as of 30 June 2017, W&W AG holds 198,765 treasury shares. This resulted in personnel expenses of €0.4 million.

Consolidation

Changes to the scope of consolidation

Additions to the scope of consolidation

In the first half-year of 2017, 2. GeMo Assekur GmbH, Stuttgart, and LBBW-AM USD Corporate Bond Fonds 2 were added to the scope of consolidation.

Disposals from the scope of consolidation

In the first half-year of 2017, the fund LBBW AM-15 was eliminated from the scope of consolidation. These changes had no material influence on the presentation of the net assets, financial position and financial performance of the W&W Group.

Accounting policies: remarks concerning the consolidated balance sheet

Determining the fair value of financial instruments

The principles described in the following are used to determine the fair value of financial instruments, regardless of whether the fair value so determined is used for measurement purposes or for information in the notes.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, they might not be available. However, the objective of fair value measurement in both cases is the same: to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date.

When no observable market transactions or market information is available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs.

To increase the comparability, consistency and quality of fair value measurements, the IFRSs establish a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

If fair value cannot be reliably determined, the carrying amount is used as an approximate value to measure fair value. This essentially relates to loans under home loan savings contracts from collective business due to the special features of home loan savings products and the variety of rate constructions. Loans under home loan savings contracts are allocated to the item “Receivables” and are accordingly measured for accounting purposes at amortised cost.

Level classification is to be used for all assets and liabilities that are measured regularly, once or for the purposes of preparing disclosures about fair value. The identical aforementioned standards and principles apply to this.

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

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

Financial instruments that are traded on an active market are measured at the unadjusted quoted or market price for identical assets and liabilities (Level 1). If pricing is not available on active markets, fair value is derived from comparable financial instruments or determined through application of recognised measurements models using parameters that are directly or indirectly observable on the market (e.g. interest rate, exchange rate, volatility) (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).

Unadjusted quoted or market prices (Level 1) are used to measure securities – equity instruments as well as debt-financing instruments – under the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Financial assets available for sale”, “Positive market values from hedges” and “Negative market values from hedges”. Derivatives traded on exchanges or on the market are likewise measured at their quoted or market price.

The measurement methods used for Levels 2 and 3 consist of generally accepted measurement models, such as the present-value method, under which anticipated future cash flows are discounted at current interest rates applicable to the relevant residual term to maturity, credit risks and markets. This method is used to measure securities with agreed cash flows under the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss” and “Financial assets available for sale”. Furthermore, it is used to measure interest rate swaps and non-optional forward transactions (e.g. currency forwards), which are depicted under the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Positive market values from hedges” and “Negative market values from hedges”.

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, individual operating segments are combined within the Life and Health Insurance segment and the Property/Casualty 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.

Home Loan and Savings Bank

The Home Loan and Savings Bank segment includes a broad range of home loan savings, as well as banking products primarily for private customers, e.g. home loan savings contracts, bridging loans, savings and investment products, current accounts, call money accounts, Maestro and credit cards, and mortgage and bank loans.

Life and Health Insurance

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

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

All other 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”.

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

The measurement principles for segment reporting correspond to the accounting policies applied to the IFRS consolidated half-year financial statements.

Segment income statement

in € thousands	Home Loan and Savings Bank 1.1.2017 to 30.6.2017	Home Loan and Savings Bank 1.1.2016 to 30.6.2016	Life and Health Insurance 1.1.2017 to 30.6.2017	Life and Health Insurance 1.1.2016 to 30.6.2016
1. Net income from financial assets available for sale	106 664	101 476	261 274	340 970
2. Net income from financial assets accounted for using the equity method	–	–	451	497
3. Net income from financial assets/liabilities at fair value through profit or loss	-30 636	-16 173	244 035	-57 136
4. Net income from hedges	-440	79 997	–	–
5. Net income from receivables, liabilities and subordinated capital	119 425	70 361	309 696	307 642
6. Net income from risk provision	2 563	4 737	1 107	838
7. Net financial result	**197 576**	**240 398**	**816 563**	**592 811**
8. Net income from investment property	–	–	35 387	38 781
9. Net commission income	10 462	-5 558	-62 785	-66 500
10. Earned premiums (net)	–	–	1 096 601	1 214 230
11. Insurance benefits (net)	–	–	-1 726 807	-1 583 680
12. General administrative expenses[3]	-180 552	-187 302	-126 929	-129 735
13. Net other operating income	15 171	1 644	-9 392	-38 372
14. Segment net income before income taxes from continued operations	**42 657**	**49 182**	**22 638**	**27 535**
15. Income taxes	-15 224	-16 049	-6 240	-9 410
16. Segment net income after taxes	**27 433**	**33 133**	**16 398**	**18 125**
Other information				
Total revenue[4]	559 166	663 501	1 504 312	1 648 525
thereof with other segments	11 583	14 252	18 983	18 637
thereof with external customers	547 583	649 249	1 485 329	1 629 888
Segment assets[6]	31 189 756	31 691 568	33 608 842	33 544 152
Segment liabilities[6]	29 377 142	29 825 462	33 109 808	33 032 387
Financial assets accounted for using the equity method[6]	–	–	45 887	45 436

1 Includes amounts from proportional profit transfers eliminated in the Consolidation column.
2 The column "Consolidation/reconciliation" includes the effects of consolidation between segments.
3 Includes service revenues and rental income with other segments.
4 Interest, commission and rental income and earned premiums (net) from insurance business.
5 Includes cross-segment premiums ceded to reinsurers.
6 Values as at 31 December 2017 and 31 December 2016, respectively.

Property/Casualty Insurance		Total for reportable segments		All other segments[1]		Consolidation/ reconciliation[2]		Group	
1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
14 284	7 247	382 222	449 693	140 073	112 083	−133 844	−98 171	388 451	463 605
451	497	902	994	934	911	–	–	1 836	1 905
32 322	34	245 721	−73 275	6 310	−3 821	–	4 242	252 031	−72 854
–	–	−440	79 997	–	–	–	–	−440	79 997
−17 963	7 823	411 158	385 826	10 783	6 912	8 340	8 771	430 281	401 509
−376	−410	3 294	5 165	−1 485	−3 273	–	–	1 809	1 892
28 718	**15 191**	**1 042 857**	**848 400**	**156 615**	**112 812**	**−125 504**	**−85 158**	**1 073 968**	**876 054**
928	886	36 315	39 667	445	190	1 261	1 281	38 021	41 138
−106 025	−102 228	−158 348	−174 286	−29 117	−22 049	350	4 786	−187 115	−191 549
695 664	669 265	1 792 265	1 883 495	126 255	122 942	−9 748	−8 882	1 908 772	1 997 555
−330 173	−344 901	−2 056 980	−1 928 581	−72 579	−78 175	12 582	8 692	−2 116 977	−1 998 064
−172 965	−165 196	−480 446	−482 233	−49 005	−43 826	−4 799	−6 917	−534 250	−532 976
13 788	15 954	19 567	−20 774	14 010	7 502	−1 816	1 687	31 761	−11 585
129 935	**88 971**	**195 230**	**165 688**	**146 624**	**99 396**	**−127 674**	**−84 511**	**214 180**	**180 573**
−33 882	−32 666	−55 346	−58 125	−48 021	−28 912	44 128	27 423	−59 239	−59 614
96 053	**56 305**	**139 884**	**107 563**	**98 603**	**70 484**	**−83 546**	**−57 088**	**154 941**	**120 959**
803 195	767 957	2 866 673	3 079 983	209 844	210 689	−127 033	−123 504	2 949 484	3 167 168
−92 287[5]	−88 410[5]	−61 721	−55 521	188 754	179 025	−127 033	−123 504	–	–
895 482	856 367	2 928 394	3 135 504	21 090	31 664	–	–	2 949 484	3 167 168
4 680 972	4 390 916	69 479 570	69 626 636	6 390 834	6 240 937	−3 688 194	−3 591 935	72 182 210	72 275 638
3 513 983	3 350 377	66 000 933	66 208 226	4 100 538	4 020 920	−1 766 018	−1 765 098	68 335 453	68 464 048
65 691	65 239	111 578	110 675	6 535	6 535	−19 803	−19 803	98 310	97 407

Information by region (Group)

in € thousands	Revenue from external customers[1]		Non-current assets[2]	
	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Germany	2 908 099	3 122 088	1 985 614	2 055 246
Czech Republic	40 467	43 768	8 020	8 418
Other countries	918	1 312	566	584
Total	**2 949 484**	**3 167 168**	**1 994 200**	**2 064 248**

1 Revenues were allocated to the operating units based on the country of registration, and they consist of interest, commission and rental income, and earned premiums (net) from insurance business.
2 Non-current assets include investment property, intangible assets with the exception of capitalised insurance portfolios, and property, plant and equipment.

Notes concerning the consolidated balance sheet

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

in € thousands	30.6.2017	30.6.2016
Financial assets accounted for using the equity method	15 211	15 211
Investment property	68 099	–
Non-current assets held for sale and discontinued operations	**83 310**	**15 211**

Non-current assets held for sale and discontinued operations consist of interests in a credit institution included under "All other segments" that is accounted for using the equity method. The sale was made for strategic reasons and is expected to close during the 2017 financial year.

Non-current assets held for sale and discontinued operations also include a commercial property in third-party use in Volkmarsen, which was disposed of in July, as well as commercial properties in third-party use in Mannheim and Grasbrun, all of which are allocated to the Life and Health Insurance segment. The properties were sold, among other things, for reasons of diversification, thus serving to further optimise the asset portfolio in the W&W Group. The sales are expected to close during the 2017 financial year.

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

in € thousands	30.6.2017	30.6.2016
Designated as financial assets at fair value through profit or loss	**2 585 102**	**2 480 041**
Equity instruments	1 043	49 940
Senior fixed-income securities	161 779	165 243
Structured products	615 597	631 666
Capital investments for the account and risk of holders of life insurance policies	1 806 683	1 633 192
Financial assets held for trading	**491 679**	**516 656**
Equity instruments	8 233	13 532
Derivative financial instruments	483 446	503 124
Financial assets at fair value through profit or loss	**3 076 781**	**2 996 697**

(3) Financial assets available for sale

	Amortised cost		Unrealised gains (gross)		Unrealised losses (gross)		Fair value/carrying amount	
in € thousands	30.6.2017	30.6.2016	30.6.2017	30.6.2016	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Equity instruments	**2 636 806**	**2 865 759**	**550 850**	**525 888**	**–86 445**	**–54 291**	**3 101 211**	**3 337 356**
Investments	1 052 709	1 023 354	348 792	326 605	–34 163	–22 357	1 367 338	1 327 602
Equities	630 203	525 066	131 769	143 826	–39 149	–28 220	722 823	640 672
Fund units	953 894	1 317 339	70 289	55 457	–13 133	–3 714	1 011 050	1 369 082
Subordinated securities and receivables	**1 224 466**	**1 242 612**	**55 367**	**28 493**	**–3 506**	**–12 648**	**1 276 327**	**1 258 457**
Senior fixed-income securities	**19 667 159**	**19 097 893**	**709 832**	**1 078 409**	**–307 148**	**–207 641**	**20 069 843**	**19 968 661**
Financial assets available for sale	**23 528 431**	**23 206 264**	**1 316 049**	**1 632 790**	**–397 099**	**–274 580**	**24 447 381**	**24 564 474**

(4) Receivables

in € thousands	Carrying amount 30.6.2017	Carrying amount 31.12.2016	Fair value 30.6.2017	Fair value 31.12.2016
Subordinated securities and receivables	91 047	122 334	103 880	127 520
First-rank receivables from institutional investors[1, 2]	14 108 265	14 311 613	16 444 319	17 285 505
Building loans[2]	23 600 697	23 708 597	23 999 383	24 321 535
Other loans and receivables	2 750 786	2 718 341	2 768 936	2 735 585
Other loans and advances[3]	2 324 471	2 347 544	2 342 604	2 364 950
Other receivables[4]	426 315	370 797	426 332	370 635
Receivables	**40 550 795**	**40 860 885**	**43 316 518**	**44 470 145**

1 Includes senior debenture bonds and registered bonds.
2 Includes portfolio hedge adjustment.
3 Receivables that constitute a class pursuant to IFRS 7.
4 Receivables that do not constitute a class pursuant to 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 receivables:

in € thousands	30.6.2017	31.12.2016
Subordinated securities and receivables	**91 047**	**122 334**
First-rank receivables from institutional investors[1]	**14 108 265**	**14 311 613**
Credit institutions	10 080 122	10 328 264
Other financial companies	134 211	68 553
Other companies	44 191	40 147
Public authorities	3 846 012	3 870 656
Portfolio hedge adjustment	3 729	3 993
Building loans	**23 600 697**	**23 708 597**
Loans under home loan savings contracts	2 061 488	2 209 983
Preliminary and interim financing loans	11 972 691	11 739 422
Other building loans	9 402 640	9 568 737
Portfolio hedge adjustment	163 878	190 455
Other loans and receivables	**2 750 786**	**2 718 341**
Other loans and advances[2]	2 324 471	2 347 544
from customers	423 947	373 470
from credit institutions	1 900 524	1 974 074
due on demand	781 775	656 260
not due on demand	1 118 749	1 317 814
Other receivables[3]	426 315	370 797
Receivables from reinsurance business	72 106	78 919
Receivables from insurance agents	120 570	61 147
Receivables from policyholders	228 457	224 255
Miscellaneous other receivables	5 182	6 476
Receivables	**40 550 795**	**40 860 885**

1 Includes senior debenture bonds and registered bonds.
2 Receivables that constitute a class pursuant to IFRS 7.
3 Receivables that do not constitute a class pursuant to IFRS 7 and essentially contain receivables from insurance business with disclosure requirements pursuant to IFRS 4.

The carrying amount of receivables as a whole less impairments in the form of risk provision amounted to €40,383.2 million (previous year: €40,691.6 million).

The sub-item “Portfolio hedge adjustment” contains a measurement item from the interest-rate-based measurement of loans and advances to customers, registered bonds and debenture bonds designated in connection with the portfolio fair value hedge. Recognised here was the change in the hedged item as relates to the hedged risk. The portfolio of derivatives as of 30 June 2017 resulted from earlier portfolio fair value hedges.

(5) Risk provision

in € thousands	30.6.2017	31.12.2016
Subordinated securities and receivables	–20	–22
First-rank receivables from institutional investors	–1 208	–1 297
Building loans	–128 208	–131 522
Other loans and advances[1]	–14 738	–13 027
Other receivables[2]	–23 431	–23 420
Risk provision	**–167 605**	**–169 288**

1 Liabilities that constitute a class pursuant to IFRS 7.
2 Liabilities that do not constitute a class pursuant to IFRS 7 and essentially contain liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

(6) Positive market values from hedges

in € thousands	30.6.2017	31.12.2016
Cash flow hedges	**9 633**	**16 689**
Hedging of interest rate risk	9 633	16 689
Fair value hedges	**987**	**4 742**
Hedging of interest rate risk	987	4 742
Positive market values from hedges	**10 620**	**21 431**

(7) Investment property

The fair value of investment property amounted to €2,079.6 million (previous year: €2,173.1 million).

(8) Liabilities

	Carrying amount		Fair value	
in € thousands	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Liabilities evidenced by certificates	624 879	647 685	639 474	667 554
Liabilities to credit institutions	3 004 382	2 252 968	3 025 425	2 301 404
Liabilities to customers	24 920 057	25 418 956	25 055 579	25 594 839
Finance lease liabilities	26 042	28 129	26 644	28 731
Miscellaneous liabilities	1 226 014	1 248 885	1 227 540	1 248 391
Other liabilities[1]	349 499	351 744	351 026	351 249
Sundry liabilities[2]	876 515	897 141	876 514	897 142
Liabilities	**29 801 374**	**29 596 623**	**29 974 662**	**29 840 919**

1 Liabilities that constitute a class pursuant to IFRS 7.
2 Liabilities that do not constitute a class pursuant to 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	30.6.2017	31.12.2016
Liabilities evidenced by certificates	**624 879**	**647 685**
Liabilities to credit institutions	**3 004 382**	**2 252 968**
Liabilities to customers	**24 920 057**	**25 418 956**
Deposits from home loan savings business and savings deposits	18 801 049	18 544 454
Other liabilities	6 080 039	6 819 347
Down payments received	38 969	55 155
Finance lease liabilities	**26 042**	**28 129**
Miscellaneous liabilities	**1 226 014**	**1 248 885**
Other liabilities[1]	349 499	351 744
Sundry liabilities[2]	876 515	897 141
Liabilities from reinsurance business	151 175	128 785
Liabilities from direct insurance business	590 760	655 359
Other sundry liabilities	134 580	112 997
Liabilities	**29 801 374**	**29 596 623**

1 Liabilities that constitute a class pursuant to IFRS 7.
2 Liabilities that do not constitute a class pursuant to IFRS 7 and essentially contain liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

(9) Negative market values from hedges

in € thousands	30.6.2017	31.12.2016
Cash flow hedges	**—**	**—**
Hedging of interest rate risk	—	—
Fair value hedges	**64 478**	**—**
Hedging of interest rate risk	64 478	—
Negative market values from hedges	**64 478**	**—**

(10) Technical provisions

		Gross
in € thousands	30.6.2016	31.12.2016
Provision for unearned premiums	489 652	249 337
Provision for future policy benefits	28 755 504	28 310 409
Provision for outstanding insurance claims	2 510 558	2 525 075
Provision for premium refunds	2 008 744	2 201 023
Other technical provisions	33 924	33 904
Technical provisions	**33 798 382**	**33 319 748**

(11) Other provisions

in € thousands	30.6.2017	31.12.2016
Provisions for pensions and other long-term employee benefits	1 578 334	1 988 085
Miscellaneous provisions	1 125 342	1 159 283
Other provisions	**2 703 676**	**3 147 368**

The assumptions underlying the pension commitments that concern the actuarial interest rate were adjusted during the reporting period to conform to market conditions. As a result, the actuarial interest rate used to measure pension commitments rose from 1.50% as of 31 December 2016 to 1.75%. The adjustment of the interest rate is recognised as an actuarial gain, taking into account deferred taxes and the provision for deferred premium refunds, in the reserve for pension commitments and forms a part of other comprehensive income.

Effective 30 April 2017, some of the current pension commitments of Wüstenrot Bausparkasse AG were transferred to a pension fund of Metzler Pensionsfonds AG in exchange for a one-time contribution of €326.9 million. The commitments, which amount to €447.8 million and were outsourced in accordance with IFRS, consist of current pension commitments and vested pension entitlements, as well as statutory and guaranteed pension adjustments in accordance with Section 16 of the German Occupational Pensions Act (BetrAVG). Future salary adjustments and some of the premature risk benefits for disability and death, as well as pension entitlements that will vest in the future, will continue to be maintained in the direct commitment.

After the transfer takes place, the pension fund will handle the payment of pension benefits to pensioners. All eligible beneficiaries will be granted an irrevocable right to draw down from the pension fund, and if the latter is not able to service the benefits in full, the beneficiaries will have a legal claim against Wüstenrot Bausparkasse AG.

The non-insurance-based pension fund is a legally independent unit and is subject to oversight by the German Federal Financial Supervisory Authority (BaFin).

The plan assets capable of being netted in connection with the outsourcing of pension commitments can be broken down as follows:

List of plan assets by investment class

in € thousands	30.6.2017	31.12.2016
Financial assets	**323 861**	**–**
Cash reserves	167 236	–
Senior fixed-income securities	152 378	–
Derivative financial instruments	4 247	–
Financial liabilities	**110**	**–**
Other liabilities	110	–
Total	**323 751**	**–**

(12) Subordinated capital

	Carrying amount		Fair value	
in € thousands	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Subordinated liabilities	408 292	368 097	446 889	386 609
Profit participation certificates	27 807	28 642	31 691	31 539
Subordinated capital	**436 099**	**396 739**	**478 580**	**418 148**

In the first half year of 2017, Wüstenrot Bausparkasse AG emitted subordinated capital of €31.0 million.

Notes concerning the consolidated income statement

(13) Net income from financial assets available for sale

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Income from financial assets available for sale	**655 269**	**688 192**
Interest income	215 990	237 129
Dividend income	67 216	71 642
Income from sales	363 196	343 135
Income from currency translation	8 128	31 209
Income from repurchase agreements and securities lending transactions	2	—
Income from the ending of fair value hedges	592	4 953
Receipts on written-down bonds and other fixed-income securities	145	124
Expenses from financial assets available for sale	**−266 818**	**−224 587**
Expenses from sales	−34 806	−68 207
Expenses from impairments	−6 770	−59 201
Expenses from currency translation	−224 846	−74 662
Expenses from repurchase agreements and securities lending transactions	—	−2
Expenses from the ending of fair value hedges	−396	−22 515
Net income from financial assets available for sale	**388 451**	**463 605**

(14) Net income/expenses from financial assets/liabilities at fair value through profit or loss

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Income from financial assets/liabilities at fair value through profit or loss	**774 216**	**851 156**
Income from assets/liabilities designated as financial assets/liabilities at fair value through profit or loss	147 781	76 959
Interest income	5 330	6 139
Dividend income	384	301
Income from measurement at fair value	43 228	37 823
Income from sales	918	2 466
Income from investments for the account and risk of holders of life insurance policies	91 226	12 118
Income from currency changes	6 695	18 112
Income from financial assets/liabilities held for trading	626 435	774 197
Interest income	44 516	74 401
Dividend income	210	141
Income from measurement at fair value	170 550	429 361
Income from sales	105 930	68 118
Income from currency changes	305 229	202 176
Expenses from financial assets/liabilities at fair value through profit or loss	**–522 185**	**–924 010**
Expenses from assets/liabilities designated as financial assets/liabilities at fair value through profit or loss	–76 814	–150 979
Expenses from measurement at fair value	–19 427	–38 632
Expenses from sales	–791	–1 067
Expenses from investments for the account and risk of holders of life insurance policies	–25 361	–92 426
Expenses from currency changes	–31 235	–18 854
Expenses from financial assets/liabilities held for trading	–445 371	–773 031
Interest expenses	–88 406	–143 397
Expenses from measurement at fair value	–207 156	–418 802
Expenses from sales	–112 557	–71 213
Expenses from currency changes	–37 252	–139 619
Net income/expense from financial assets/liabilities at fair value through profit or loss	**252 031**	**–72 854**

(15) Net income from receivables, liabilities and subordinated capital

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Income from receivables, liabilities and subordinated capital	**789 572**	**829 898**
Interest income from receivables	591 722	667 116
Income from sales of receivables	187 786	155 296
Income from the ending of fair value hedges	1 350	1 376
Income from currency translation	8 714	6 110
Expenses from receivables, liabilities and subordinated capital	**–359 291**	**–428 389**
Interest expenses for liabilities	–286 909	–347 146
Interest expenses for subordinated capital	–10 622	–14 220
Expenses from sales of receivables	–1 672	–529
Expenses from the disposal of liabilities	–	–235
Expenses from the ending of fair value hedges	–27 572	–32 477
Expenses from currency translation	–32 516	–33 782
Net income from receivables, liabilities and subordinated capital	**430 281**	**401 509**

Interest expenses for subordinated capital contain €0.8 million (previous year: €0.8 million) for profit participation certificates and €9.8 million (previous year: €13.4 million) for subordinated liabilities.

(16) Net income from risk provision

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Income from risk provision	**46 508**	**55 143**
Release of risk provision	33 958	40 256
Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees	283	156
Receipts on written-down receivables	12 267	14 731
Expenses from risk provision	**–44 699**	**–53 251**
Additions to risk provision	–38 103	–45 114
Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees	–464	–572
Direct depreciations	–6 132	–7 565
Net expense from risk provision	**1 809**	**1 892**

(17) Net commission expense

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Commission income	**128 296**	**124 114**
from the conclusion of building savings contracts	61 161	62 494
from banking/building savings business	19 718	19 505
from reinsurance	11 276	8 710
from brokering activities	15 437	12 064
from investment business	17 380	17 564
from other business	3 324	3 777
Commission expenses	**−315 411**	**−315 663**
from insurance	−209 122	−196 212
from banking/building savings business	−77 501	−96 291
from reinsurance	−107	281
from brokering activities	−4 633	−3 815
from investment business	−11 359	−11 659
from other business	−12 689	−7 967
Net commission expense	**−187 115**	**−191 549**

(18) Earned premiums (net)

Life and health insurance

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Gross premiums written	1 056 489	1 182 071
Change in the provision for unearned premiums	20 519	20 607
Premiums from the provision for premium refunds	24 882	16 441
Earned premiums (gross)	**1 101 890**	**1 219 119**
Premiums ceded to reinsurers	−15 036	−13 676
Earned premiums (net)	**1 086 854**	**1 205 443**

Property/casualty insurance and reinsurance

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Gross premiums written	1 125 708	1 076 354
Direct	1 122 261	1 073 114
Reinsurance	3 447	3 240
Change in the provision for unearned premiums	−260 834	−247 137
Earned premiums (gross)	**864 874**	**829 217**
Premiums ceded to reinsurers	−42 956	−37 105
Earned premiums (net)	**821 918**	**792 112**

(19) Insurance benefits (net)

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

Recognised under the item "Change in the provision for premium refunds" are additions to the provision for premium refunds, as well as the change in the provision for deferred premium refunds recognised in the income statement.

Life and health insurance

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Payments for insurance claims	−1 112 269	−1 107 839
Gross amount	−1 120 590	−1 117 734
Thereof to: reinsurers' portion	8 321	9 895
Change in the provision for outstanding insurance claims	1 942	224
Gross amount	2 028	−189
Thereof to: reinsurers' portion	−86	413
Change in the provision for future policy benefits	−445 416	−365 805
Gross amount	−445 119	−365 906
Thereof to: reinsurers' portion	−297	101
Change in the provision for premium refunds	−158 069	−101 496
Gross amount	−158 069	−101 496
Thereof to: reinsurers' portion	—	—
Change in other technical provisions	−20	−20
Gross amount	−20	−20
Thereof to: reinsurers' portion	—	—
Insurance benefits (net)	**−1 713 832**	**−1 574 936**
Gross amount, total	−1 721 770	−1 585 345
Thereof to (total): reinsurers' portion	7 938	10 409

Property/casualty insurance and reinsurance

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Payments for insurance claims	–416 089	–409 514
Gross amount	–439 541	–434 320
Thereof to: reinsurers' portion	23 452	24 806
Change in the provision for outstanding insurance claims	13 354	–13 252
Gross amount	16 774	–6 565
Thereof to: reinsurers' portion	–3 420	–6 687
Change in the provision for premium refunds	–410	–131
Gross amount	–410	–131
Thereof to: reinsurers' portion	–	–
Change in other technical provisions	–	–231
Gross amount	–	–231
Thereof to: reinsurers' portion	–	–
Insurance benefits (net)	**–403 145**	**–423 128**
Gross amount, total	–423 177	–441 247
Thereof to (total): reinsurers' portion	20 032	18 119

(20) Income taxes

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Current income taxes paid for the reporting period	–64 242	–38 503
Current taxes paid for other periods	967	888
Deferred taxes	4 036	–21 999
Income taxes	**–59 239**	**–59 614**

(21) Earnings per share

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

		1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Result attributable to shareholders of W&W AG	in €	154 202 320	120 083 962
Number of shares at the beginning of the financial year	#	93 476 940	93 749 720
Treasury shares (as of 30 June 2017)	#	–198 765	–272 780
Weighted average number of shares	#	93 513 334	93 507 767
Basic (= diluted) earnings per share	in €	**1,65**	**1,28**

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

(22) Appropriation of profit

On 1 June 2017, the Annual General Meeting of W&W AG resolved to distribute the dividend from the unappropriated surplus for the 2016 financial year as calculated in accordance with the HGB, which amounted to €63.4 million (previous year: €61.5 million), in the amount of €0.60 (previous year: €0.60) per share in cash.
Dividends totalling €56,130,573 were distributed on 7 June 2017.

Notes concerning financial instruments and fair value

(23) Disclosures concerning the measurement of fair value

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

2017 measurement hierarchy (items that were measured at fair value)

	Level 1	Level 2	Level 3	Fair value/ carrying amount
in € thousands	30.6.2017	30.6.2017	30.6.2017	30.6.2017
Financial assets at fair value through profit or loss	**33 191**	**3 040 091**	**3 499**	**3 076 781**
Designated as financial assets at fair value through profit or loss	–	2 582 729	2 373	2 585 102
Equity instruments	–	1 043	–	1 043
Fund units	–	1 043	–	1 043
Senior fixed-income securities	–	161 779	–	161 779
Other companies	–	25 935	–	25 935
Public authorities	–	135 844	–	135 844
Structured products	–	615 597	–	615 597
Interest-rate-based structured products	–	199 629	–	199 629
Equity- and index-based structured products	–	415 968	–	415 968
Capital investments for the account and risk of holders of life insurance policies	–	1 804 310	2 373	1 806 683
Financial assets held for trading	33 191	457 362	1 126	491 679
Equity instruments	–	7 108	1 125	8 233
Fund units	–	7 108	1 125	8 233
Derivative financial instruments	33 191	450 254	1	483 446
Interest-rate-based derivatives	1 211	303 598	–	304 809
Currency-based derivatives	–	139 098	–	139 098
Equity- and index-based derivatives	31 603	7 558	–	39 161
Other derivatives	377	–	1	378
Financial assets available for sale	**689 884**	**22 332 960**	**1 424 537**	**24 447 381**
Equity instruments	689 884	1 008 385	1 402 942	3 101 211
Investments, excluding alternative investments	–	–	271 864	271 864
Credit institutions	–	–	22 671	22 671
Other financial companies	–	–	5 996	5 996
Other companies	–	–	243 197	243 197

2017 measurement hierarchy (items that were measured at fair value) (continued)

in € thousands	Level 1 30.6.2017	Level 2 30.6.2017	Level 3 30.6.2017	Fair value/ carrying amount 30.6.2017
Alternative investments, including private equity	–	–	1 095 474	1 095 474
Other financial companies	–	–	1 065 604	1 065 604
Other companies	–	–	29 870	29 870
Equities	689 884	–	32 939	722 823
Credit institutions	76 441	–	27 507	103 948
Other financial companies	69 873	–	5 432	75 305
Other companies	543 570	–	–	543 570
Fund units	–	1 008 385	2 665	1 011 050
Subordinated securities and receivables	–	1 254 732	21 595	1 276 327
Credit institutions	–	513 639	–	513 639
Other financial companies	–	346 612	21 595	368 207
Other companies	–	394 481	–	394 481
Senior fixed-income securities	–	20 069 843	–	20 069 843
Credit institutions	–	7 313 083	–	7 313 083
Other financial companies	–	1 270 937	–	1 270 937
Other companies	–	1 847 387	–	1 847 387
Public authorities	–	9 638 436	–	9 638 436
Positive market values from hedges	**–**	**10 620**	**–**	**10 620**
Total assets	**723 075**	**25 383 671**	**1 428 036**	**27 534 782**
Financial liabilities at fair value through profit or loss	**1 052**	**753 362**	–	**754 414**
Financial liabilities held for trading	1 052	753 362	–	754 414
Derivative financial instruments	1 052	753 362	–	754 414
Interest-rate-based derivatives	88	743 472	–	743 560
Currency-based derivatives	–	2 514	–	2 514
Equity- and index-based derivatives	964	7 376	–	8 340
Negative market values from hedges	**–**	**64 478**	**–**	**64 478**
Total liabilities	**1 052**	**817 840**	**–**	**818 892**

2016 measurement hierarchy (items that were measured at fair value)

in € thousands	Level 1 31.12.2016	Level 2 31.12.2016	Level 3 31.12.2016	Fair value/ carrying amount 31.12.2016
Financial assets at fair value through profit or loss	**15 696**	**2 977 664**	**3 337**	**2 996 697**
Designated as financial assets at fair value through profit or loss	–	2 478 032	2 009	2 480 041
Equity instruments	–	49 940	–	49 940
Fund units	–	49 940	–	49 940
Senior fixed-income securities	–	165 243	–	165 243
Other companies	–	26 813	–	26 813
Public authorities	–	138 430	–	138 430
Structured products	–	631 666	–	631 666
Interest-rate-based structured products	–	199 627	–	199 627
Equity- and index-based structured products	–	432 039	–	432 039
Capital investments for the account and risk of holders of life insurance policies	–	1 631 183	2 009	1 633 192
Financial assets held for trading	15 696	499 632	1 328	516 656
Equity instruments	–	12 205	1 327	13 532
Fund units	–	12 205	1 327	13 532
Derivative financial instruments	15 696	487 427	1	503 124
Interest-rate-based derivatives	10	467 613	–	467 623
Currency-based derivatives	–	9 631	–	9 631
Equity- and index-based derivatives	15 686	10 183	–	25 869
Other derivatives	–	–	1	1
Financial assets available for sale	**606 373**	**22 570 912**	**1 387 189**	**24 564 474**
Equity instruments	606 373	1 365 389	1 365 594	3 337 356
Investments, excluding alternative investments	–	–	272 012	272 012
Credit institutions	–	–	22 610	22 610
Other financial companies	–	–	5 304	5 304
Other companies	–	–	244 098	244 098

2016 measurement hierarchy (items that were measured at fair value) (continued)

in € thousands	Level 1 31.12.2016	Level 2 31.12.2016	Level 3 31.12.2016	Fair value/ carrying amount 31.12.2016
Alternative investments, including private equity	–	–	1 055 590	1 055 590
Other financial companies	–	–	1 025 720	1 025 720
Other companies	–	–	29 870	29 870
Equities	606 373	9	34 290	640 672
Credit institutions	71 899	–	27 507	99 406
Other financial companies	60 358	–	6 783	67 141
Other companies	474 116	9	–	474 125
Fund units	–	1 365 380	3 702	1 369 082
Subordinated securities and receivables	–	1 236 862	21 595	1 258 457
Credit institutions	–	534 465	–	534 465
Other financial companies	–	352 556	21 595	374 151
Other companies	–	349 841	–	349 841
Senior fixed-income securities	–	19 968 661	–	19 968 661
Credit institutions	–	7 464 716	–	7 464 716
Other financial companies	–	1 260 874	–	1 260 874
Other companies	–	2 030 395	–	2 030 395
Public authorities	–	9 212 676	–	9 212 676
Positive market values from hedges	**–**	**21 431**	**–**	**21 431**
Total assets	**622 069**	**25 570 007**	**1 390 526**	**27 582 602**
Financial liabilities at fair value through profit or loss	**14 719**	**1 114 547**	–	**1 129 266**
Financial liabilities held for trading	14 719	1 114 547	–	1 129 266
Derivative financial instruments	14 719	1 114 547	–	1 129 266
Interest-rate-based derivatives	1 118	951 197	–	952 315
Currency-based derivatives	-	157 769	–	157 769
Equity- and index-based derivatives	13 424	5 581	–	19 005
Other derivatives	177	–	–	177
Total liabilities	**14 719**	**1 114 547**	**–**	**1 129 266**

Changes in Level 3

	Designated as financial assets at fair value through profit or loss	Financial assets held for trading				
	Capital investments for the account and risk of holders of life insurance policies	Equity instruments	Derivative financial instruments			
		Fund units			Investments, excluding alternative investments	
				Credit institutions	Other financial companies	Other companies
in € thousands						
As at 1 January 2016	**—**	**—**	**—**	**20 918**	**4 164**	**239 413**
Total comprehensive income for the period	-108	-192	–	-68	65	-1 063
Income recognised in the consolidated income statement	-108	-192	–	–	–	-387
Unrealised gains/losses (-) from financial assets available for sale (gross)	–	–	–	–68	65	–676
Purchases	–	–	–	–	–	2
Sales	–	–	–	–	–	-3 376
Transfers to Level 3	2 022	2 195	–	–	845	–
Changes in the scope of consolidation	–	–		–	127	–
As at 30 June 2016	**1 914**	**2 003**	**—**	**20 850**	**5 201**	**234 976**
Income recognised in the consolidated income statement as at 30 June[1]	–	–	–	–	–	–
Expenses recognised in the consolidated income statement as at 31 June[1]	-108	-192	–	–	–	–387
As at 1 January 2017	**2 009**	**1 327**	**1**	**22 610**	**5 304**	**244 099**
Total comprehensive income for the period	-254	-202	–	61	692	-1 360
Income recognised in the consolidated income statement	-254	-202	–	–	–	-122
Unrealised gains/losses (-) from financial assets available for sale (gross)	–	–	–	61	692	-1 238
Purchases	618	–	1	–	–	2 094
Sales	–	–	–	–	–	-1 676
Transfers to Level 3	–	–	–	–	–	40
Changes in the scope of consolidation	–	–	–	–	–	–
As at 30 June 2017	**2 373**	**1 125**	**1**	**22 671**	**5 996**	**243 197**
Income recognised in the consolidated income statement as at 31 June[1]	–	–	–	–	–	–
Expenses recognised in the consolidated income statement as at 31 June[1]	-254	-202	–	–	–	-122

1 Net income from financial assets available for sale includes period income and expenses for assets still in the portfolio at the end of the reporting period.

						Financial assets available for sale	Total
					Equity instruments	Subordinate bonds and receivables	
	Alternative investments, including private equity			Equities	Fund units		
	Other financial companies	Other companies	Credit institutions	Other financial companies		Other financial companies	
	901 091	**31 291**	**27 357**	**8 386**	**13 559**	**27 357**	**1 273 536**
	–19 611	—	—	–601	852	—	–20 726
	–7 027	—	—	—	–1 242	—	–8 956
	–12 584	—	—	–601	2 094	—	–11 770
	97 536	—	—	—	—	—	97 538
	–41 187	—	—	–131	—	—	–44 694
	—	—	—	-	3 704	—	8 766
	—	—	—	-	—	—	127
	937 829	**31 291**	**27 357**	**7 654**	**18 115**	**27 357**	**1 314 547**
	—	—	—	—	—	—	—
	–7 027	—	—	—	–1 242	—	–8 956
	1 025 720	**29 870**	**27 507**	**6 783**	**3 702**	**21 595**	**1 390 527**
	5 618	—	—	–605	–17	—	3 933
	–5 223	—	—	-	–17	—	–5 818
	10 841	—	—	–605	-	—	9 751
	73 654	—	—	-	-	—	76 366
	–39 388	—	—	–746	–1 020	—	–42 830
	—	—	—	—	—	—	40
	—	—	—	—	—	—	—
	1 065 604	**29 870**	**27 507**	**5 432**	**2 665**	**21 595**	**1 428 036**
	—	—	—	—	—	—	—
	–5 223	—	—	—	–17	—	–5 818

Effects of alternative assumptions for financial instruments in Level 3

Nearly all of the securities in Level 3 consist of unquoted interests in investments that are not fully consolidated or not accounted for using the equity method, alternative investments or private equity funds in the direct portfolio. Their fair values are normally determined by each company's management, primarily on the basis of net asset value, in the amount of €996.8 million (previous year: €968.8 million). Of this, €9.2 million (previous year: €13.4 million) was attributable to "Investments, excluding alternative investments", and €987.6 million (previous year: €955.4 million) to "Alternative investments, including private equity". They were determined on the basis of specific information that is not publicly available, to which the W&W Group does not have access. Thus, it was not possible to subject them to a sensitivity analysis.

In the W&W Group, net asset values (2016: €153.6 million; previous year: €152.3 million) are measured for Group property investments that are assigned to "Investments, excluding alternative investments". These are based on discount rates that essentially determine the property's fair value. A change in discount rates by +100 basis points in connection with a sensitivity analysis leads to a reduction in fair value to €140.7 million (previous year: €140.7 million), while a change in discount rates by -100 basis points leads to an increase to €162.2 million (previous year: €162.2 million).

All changes in fair value are reflected in "Other comprehensive income".

The most significant measurement parameter for interests measured using the capitalised earnings method (2016: €68.5 million; previous year: €68.5 million) is the risk-adjusted discount rate. A material increase in the discount rate reduces fair value, whereas a decline increases fair value. However, a change by 10% has only a minor influence on the presentation of the net assets, financial position and financial performance of the W&W Group. At mid-year, the values as of 31 December 2016 are used for these interests.

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

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

Quantitative information about the measurement of fair value in Level 3

in € thousands	Fair value 30.6.2017	Fair value 31.12.2016	Measurement method	Non-observable input factors	Range, in % 30.6.2017	Range, in % 31.12.2016
Financial assets at fair value through profit or loss	**3 499**	**3 337**				
Designated as financial assets at fair value through profit or loss	2 373	2 009				
Capital investments for the account and risk of holders of life insurance policies	2 373	2 009	Net asset value	n/a	n/a	n/a
Financial assets held for trading	1 126	1 328				
Equity instruments	1 125	1 327				
Fund units	1 125	1 327	Net asset value	n/a	n/a	n/a
Derivative financial instruments	1	1				
Other derivatives	1	1	Black-Scholes Model	Index weighting, volatility	n/a	n/a
Financial assets available for sale	**1 424 537**	**1 387 189**				
Equity instruments	1 402 942	1 365 594				
Investments, excluding alternative investments	271 864	272 012				
	39 007	38 946	Capitalised earnings method	Discount rate	6.2–9.06	6.23–10.37
	34 162	31 341	Approximation method	n/a	n/a	n/a
	198 695	201 725	Net asset value	Discount rate	5.10–7.60	5.77–7.19
Alternative investments, including private equity	1 095 474	1 055 590				
	29 519	29 519	Capitalised earnings method	Discount rate	4.34	4.94
	78 312	70 676	Approximation method	n/a	n/a	n/a
	987 643	955 395	Net asset value	n/a	n/a	n/a
Equities	32 939	34 290				
	27 507	27 507	Approximation method	n/a	n/a	n/a
	5 432	6 783	Net asset value	n/a	n/a	n/a
Fund units	2 665	3 702				
	2 347	3 367	Approximation method	n/a	n/a	n/a
	318	335	Net asset value	n/a	n/a	n/a
Subordinated securities and receivables	21 595	21 595				
	21 595	21 595	Approximation method	n/a	n/a	n/a

Other disclosures

(24) Contingent liabilities and other liabilities

in € thousands	30.6.2017	31.12.2016
Contingent liabilities	**862 172**	**791 044**
from deposit protection funds	242 392	235 318
from sureties and warranties	10 167	321
from capital contribution calls not yet made	607 489	554 705
Other contingent liabilities	2 124	700
Other obligations	**1 383 970**	**1 129 357**
Irrevocable loan commitments	1 333 887	1 100 228
Financial guarantees	50 083	29 129
Total	**2 246 142**	**1 920 401**

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.

(25) Related party disclosures

Transactions with related persons

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

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

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

As of 30 June 2017, receivables from related persons amounted to €607.5 thousand (previous year: €812.0[1] thousand), and liabilities to related persons amounted to €751.6 thousand (previous year: €725.7[1] thousand). In the first half-year of 2017 interest income from related persons that resulted from granted loans amounted to €3.1 thousand (previous year: €5.7 thousand), and interest expenses for savings deposits from related persons amounted to €0.3 thousand (previous year: €1.0 thousand). In the first half-year of 2017, premiums in the amount of €27.5 thousand (previous year: €40.4[1] thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance.

Transactions with related companies

Unconsolidated subsidiaries of W&W AG and other related companies

The W&W Group is a party to various services agreements with unconsolidated W&W AG subsidiaries and other related W&W AG companies. In addition, unconsolidated W&W AG subsidiaries and other related W&W AG companies made use of banking services. Wüstenrot Holding AG and W&W AG are parties to a brand name transfer and use agreement. As of 30 June 2017, a financial liability was owed to Wüstenrot Holding AG under this agreement in the amount of €18.9 million (previous year: €20.6 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.

In 2015 W&W AG purchased a bond of V-Bank AG for the price of €6.5 million. During the reporting period, it received interest income from the bond, which was sold in the first half-year, in the amount €112.5 thousand (previous year: €259.0 thousand).

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.

1 Previous year's figure adjusted.

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

in € thousands	30.6.2017	31.12.2016
Associates	–	6 782
Receivables from credit institutions	–	6 782
Other related companies	24 301	24 953
Loans and advances to customers	24 301	24 953
Unconsolidated subsidiaries	34 113	26 289
Associates	4 079	5 263
Other related companies	3 697	798
Other loans and receivables	41 889	32 350
Receivables from related companies	**66 190**	**64 085**
Associates	80 075	80 179
Liabilities to credit institutions	80 075	80 179
Unconsolidated subsidiaries	57 307	24 222
Other related companies	5 518	6 179
Liabilities to customers	62 825	30 401
Unconsolidated subsidiaries	17 433	10 871
Associates	2 926	5 842
Other related companies	64 822	30 767
Miscellaneous liabilities	**85 181**	**47 480**
Liabilities to related companies	**228 081**	**158 060**

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

in € thousands	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
Unconsolidated subsidiaries	17 833	16 100
Associates	269	264
Other related companies	956	1 088[1]
Income from transactions with related companies	**19 058**	**17 452**
Unconsolidated subsidiaries	–18 545	–17 391
Associates	–119	–195
Other related companies	39 809	–15 580[1]
of which is a voluntary subsidy to the pensionfund	–38 299	–13 978
Expenses from transactions with related companies	**– 58 473**	**–33 166**

1 Previous year's figure adjusted.

(26) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as of 30 June 2017 was 6,951 (previous year: 7,020). As of the reporting date, the number of employees was 8,309 (previous year: 8,395).

The average headcount in the last 12 months was 8,378 (previous year: 8,490). This average is calculated as the arithmetic mean of the end-of-quarter headcounts as of the reporting date between 30 September 2016 and 30 June 2017 and during the corresponding prior-year period and is distributed over the individual segments as follows:

Number of employees by segment on annual average

	30.6.2017	31.12.2016
Home Loan and Savings Bank	2 325	2 373
Life and Health Insurance	901	941
Property/Casualty Insurance	3 614	3 709
All other segments	1 538	1 467
Total	**8 378**	**8 490**

(27) Events after the reporting date

After the reporting date, the company decided to sell a residential property in third-party use. It is allocated to the Life and Health Insurance segment. The sale serves to further optimise the asset portfolio in the W&W Group and is expected to close within the next year.

Wüstenrot & Württembergische AG
Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim 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 2017

Jürgen A. Junker

Dr. Michael Gutjahr

Jens Wieland

Wüstenrot & Württembergische AG
Auditor‘s review report

To Wüstenrot & Württembergische AG, Stuttgart

We have reviewed the condensed consolidated interim 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 2017, which form part of the half-year financial report pursuant to Section 37w German Securities Trading Act (WpHG). The preparation of the condensed consolidated interim 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 interim financial statements and on the interim group management report based on our review. We conducted our review of the condensed consolidated interim 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 interim 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 interim 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, 10. August 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

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

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