Interim Report

Wüstenrot & Württembergische AG

# Building for the future.
# Interim Report as at 30 June 2018.

This is a convenient translation of the German Report. In case of any divergences, the German original is legally binding.

# Wüstenrot & Württembergische AG
# Key figures of W&W Group

## W&W Group (according to IFRS)

| **Consolidated balance sheet** | | 30/6/2018 | 31/12/2017 |
|---|---|---|---|
| Total assets | € bn | 74.3 | 72.0 |
| Capital investments | € bn | 47.8 | 45.8 |
| Senior fixed-income securities | € bn | 20.5 | 19.7 |
| Senior debenture bonds and registered bonds | € bn | 14.9 | 14.1 |
| Building loans | € bn | 23.2 | 23.5 |
| Liabilities to customers | € bn | 23.6 | 23.8 |
| Technical provisions | € bn | 35.6 | 33.8 |
| Equity | € bn | 4.3 | 4.0 |
| Equity per share | € | 45.74 | 42.16 |

| **Consolidated profit and loss statement** | | 1/1.2018 to 30/6/2018 | 1/1.2017 to 30/6/2017 |
|---|---|---|---|
| Net financial result (after credit risk adjustments) | € mn | 935.6 | 1,112.0 |
| Premiums/contributions earned (net) | € mn | 1,980.9 | 1,908.8 |
| Insurance benefits (net) | € mn | −2,036.0 | −2,117.0 |
| Earnings before income taxes from continued operations | € mn | 165.7 | 214.2 |
| Consolidated net profit | € mn | 116.4 | 154.9 |
| Total comprehensive income | € mn | −28.7 | 90.1 |
| Earnings per share | € | 1.24 | 1.65 |

| **Other information** | 30/6/2018 | 31/12/2017 |
|---|---|---|
| Employees (Germany)[1] | 6,543 | 6,603 |
| Employees (Group)[2] | 8,097 | 8,166 |

| **Key sales figures** | | 1/1.2018 to 30/6/2018 | 1/1.2017 to 30/6/2017 |
|---|---|---|---|
| **Group** | | | |
| Gross premiums written | € mn | 2,277.2 | 2,182.2 |
| New construction financing business (including brokering for third parties) | € mn | 2,973.9 | 2,762.2 |
| Sales of own and third-party investment funds | € mn | 239.1 | 220.9 |
| **Home Loan and Savings Bank** | | | |
| New home loan savings business (gross) | € mn | 6,734.2 | 7,012.9 |
| New home loan savings business (net) | € mn | 5,251.0 | 5,757.0 |
| **Life and Health Insurance** | | | |
| Gross premiums written | € mn | 1,092.6 | 1,066.2 |
| New premiums | € mn | 280.3 | 249.1 |
| **Property/Casualty Insurance** | | | |
| Gross premiums written | € mn | 1,180.1 | 1,122.3 |
| New premiums (measured in terms of annual contributions to the portfolio) | € mn | 151.0 | 140.5 |

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

# Wüstenrot & Württembergische AG
## Contents

# Business report

## Business environment

### Macroeconomic environment

The German economy slowed noticeably in the first half of 2018. Gross domestic product (GDP) rose by just 0.3% in the first quarter. While consumer demand and corporate investments were strong, German export business declined.

### Capital markets

#### Bond markets

Long-term interest rates on the German bond market initially rose appreciably at the start of the year. For instance, the yield on the benchmark 10-year German government bond increased from 0.43% at the end of 2017 to 0.8% at the beginning of February 2018. This was attributable to calls by several ECB representatives at the start of the year to bring the bond-buying programme to an end. Repeated statements by ECB President Draghi that the ECB needs to continue its very expansive monetary policy initiated a turnaround and interest rates fell again. Beginning in mid-May, investors became rattled by political risks and increasingly sought shelter in German government bonds. For instance, the formation of a populist, EU-critical government coalition in Italy in particular caused the yield on 10-year German government bonds to fall briefly to around 0.2%. After a short recovery toward 0.5%, rates collapsed again in the face of growing fears of a global trade war and a worldwide recession that this might cause. At the end of the first half-year, the yield on 10-year German government bonds stood at 0.3%, which was 13 basis points lower than at the start of the year.

Yields for bonds with short-term maturities showed little change in view of the ECB's passive policy concerning key interest rates. For instance, the yield on two-year German government bonds fluctuated between −0.5% and −0.7%. At the end of June, it stood at −0.67%, which was four basis points lower than at the start of the year.

#### Equity markets

European stocks, which had posted encouraging price gains during the first trading days of 2018, underwent a significant correction between early February and late March. For instance, the Euro STOXX 50 fell from 3,670 to just under 3,280, which is its low for the year. This was triggered by a surprisingly high rate of growth in wages in the U.S., which raised fears that the Fed would make key interest rate increases even more rapidly. Corresponding negative price trends on the U.S. stock markets, as well as investors liquidating positions in order to avoid further losses, also put a strain on price trends in Europe. In April and May, European equity markets reversed course and began to post gains again. On the one hand, there was increased hope at that time that U.S. President Trump would refrain from launching a global trade war after all. On the other, the value of the euro declined noticeably starting in mid-April, which benefited the stock prices of European export companies. However, this recovery in the price of European equities came to an abrupt end in the second half of May when the turmoil surrounding the formation of a government in Italy rattled investors and at times put a massive strain on, in particular, Italian bank stocks. As the first half-year came to a close, there were growing indications that the global trade conflict was intensifying, which put a damper on the global economic outlook and caused companies to lower their profit forecasts. As a result, stock prices fell again, with the Euro STOXX 50 closing out the reporting period at 3,396 for a decline of 3.1%. Because it would suffer even more from a global trade war due to the high weighting given to export-focused companies, the DAX, the German benchmark index, took an even greater hit, falling by 4.7% in the first half of 2018.

The SDAX, which reflects the stock price development of 50 smaller German companies, did not change much in the first half of 2018. Specifically, the index stood at 11,950 at the end of June, representing an increase of 0.5% compared with the start of the year. SDAX prices tend to be more stable than those on the DAX because the index is not as dependent on foreign trade, meaning that it is less susceptible to strains resulting from Italian politics or a potential global trade war.

## Outlook

Prolonged strong domestic demand is a sign that the German economy is developing positively, meaning that W&W Group will continue to find itself in a favourable economic environment in 2018. The key drivers of growth this year will probably continue to be consumer demand and corporate investments. The prospects for the German real estate sector remain favourable in view of the fact that interest rates still are very low and the demand for housing continues to be strong despite the limited growth potential resulting from the scarcity of building land. The Deutsche Bundesbank is forecasting that German economic output will increase by 2.0% in 2018, meaning a continued favourable economic outlook. However, growing political risks are currently posing a threat to this estimate.

We expect that the historic phase of low interest rates on the European bond markets will persist in 2018. Despite the ongoing cycle of interest rate hikes by the Fed, the potential for rising interest rates is probably limited. Moreover, although the ECB would like to raise key interest rates, this will not happen until the second half of 2019, at the earliest. The yield curve will probably be somewhat steeper. However, this scenario presupposes that the political situation will remain stable.

Prospects for the European equity markets generally remain favourable. In particular, rising corporate profits and a lack of investment alternatives are indications of a positive outlook on the exchanges. However, price fluctuations are likely to increase over the remainder of the year owing to growing political risks, which could pose a threat to the positive economic outlook and lower the risk tolerance of investors, and thus their interest in equities. In particular, an escalation of the current trade dispute between the leading economic regions could result in a significant slowdown in the global economy and a noticeable worsening of the economic environment for companies.

### 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.

In the first half of 2018, the industry's new home loan savings business exceeded its result for the previous year. Gross new business amounted to roughly €51 billion (previous year: roughly €49 billion). Paid-in new business came in at the level of the previous year (roughly €42 billion). New business in private residential construction financing in the first half of 2018 was above the level of the previous year. Private households took out roughly €121 billion (previous year: roughly €118 billion) in building loans. The main drivers for construction financing business are favourable mortgage interest rates and continued strong demand for housing. Rising real estate prices in sought-after areas are likewise contributing to growth in a realestate price cycle that is already unusually long. The good financing conditions are also resulting in existing properties changing hands more frequently, as well as in upgrade and renovation work. By contrast, the market is suffering 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 2018 as a whole 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 increase during the first half year by 10.5% to €15.8 billion (previous year: €14.3 billion). In this regard, new business with payment of regular premiums rose by 1.0%, whereas new business against a single premium rose 12.5%.

Gross premiums written increased year on year by 3.6% to €44.8 billion (previous year: €43.2 billion).

Property/casualty insurance showed growth similar to that in 2017. The German Insurance Association (GDV) expects that by the end of the year, gross premium income will increase noticeably by about 2.9% compared with the previous year.

At the same time, however, it is anticipated that claims expenses will rise sharply by 5.9% for the financial year.

### W&W stock

After closing out the year 2017 at €23.36, the W&W stock price reached €25.05 – its high for the year so far – during the initial trading days in 2018 in a favourable market environment. This was followed by profit-taking, which became more intense in the increasingly unfavourable market for, in particular, providers of financial services. In early April, the W&W stock price briefly fell to around €18.00. But the fact that it soon recovered shows that the planned extensive investments by the W&W Group, inter alia, in the expansion of digital business, are increasingly being viewed positively by the capital market. This was also the overwhelming opinion of analysts, all of whom believe that the W&W stock price will exceed €20. However, the W&W stock price did not remain entirely unscathed by the political headwinds on the equity markets, which have been growing since late May, or by the resulting general price weakness on the exchanges, particularly for bank stocks. It closed the first half-year of 2018 at €17.58. Taking into account the fact that the dividend for 2017 was increased from €0.60 to €0.65 per share, the performance decline was 22.0%. Over the same period, Euro Stoxx banks fell 15.42%, and the Prime Bank Performance Index slid even further at 35.6%.

### Ratings

In July 2018, Standard & Poor's (S&P) again confirmed the 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 still has a BBB+ rating.

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

The short-term rating of Wüstenrot Bausparkasse AG, which was raised in the previous year, remains at A-1.

## Development of business and Group position

### Development of business

As at 30 June 2018, consolidated net profit after taxes stood at €116.4 million (previous year: €154.9 million) and thus slightly above our expectations. Once again, the largest contribution was made by the Property/Casualty Insurance segment.

#### Composition of consolidated net profit

| in € million | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| Home Loan and Savings Bank segment | 30.0 | 27.4 |
| Life and Health Insurance segment | 14.7 | 16.4 |
| Property/Casualty Insurance segment | 62.1 | 96.1 |
| All other segments | 9.6 | 15.0 |
| **Consolidated net profit** | **116.4** | **154.9** |

Construction financing business rose markedly to €2,974 million (previous year: €2,762 million). New business in property/casualty insurance and in life insurance also performed well. Gross premiums written likewise increased in both segments. By contrast, new home loan savings business declined in the first half of the year.

#### New business key figures (Group)

| | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| Gross premiums property/casualty/insurance | 1,188 | 1,122 | 5.9 |
| Gross premiums life and health/insurance | 1,093 | 1,066 | 2.5 |
| Construction financing business (including broke-ring for third parties) | 2,974 | 2,762 | 7.7 |
| New home loan savings business (gross) | 6,914 | 7,224 | -4.3 |

Wüstenrot & Württembergische AG has agreed to sell its subsidiary Wüstenrot Bank AG Pfandbriefbank to Bremer Kreditbank AG. At the same time, the W&W Group agreed with the acquiring bank group to establish a broad sales collaboration to enable the reciprocal provision of financial products and to further increase sales strength. Both parties have executed the contract, and transfer of control will take place, inter alia, following receipt of the required official approvals, which are expected by the end of 2018.

#### W&W Besser!

In connection with W&W Besser!, the W&W Group successfully implemented its projects in the first half of 2018 as well.

In May 2018, brandpool GmbH was launched. In future, it will advance the development of new business models. This includes our digital brand "Adam Riese", which offers liability and legal expenses insurance.

April 2018 saw the launch of NIST – the digital financing assistant for property purchases – as a part of brandpool GmbH. The web-based financing assistant helps users in simple steps from the start of the search for a property to the financing of the purchase of it.

The web-based residential platform "Wüstenrot-Wohnwelt" was expanded further and now offers 350,000 residential properties for immediate selection. Since June 2018, customers have also been able to place ads on it for their own properties.

### Changes in accounting policies

The W&W Group began applying the new version of IFRS 9 “Financial Instruments” on 1 January 2018. The values for the previous year continued to be accounted for in accordance with IAS 39. The following changes had substantial effects on the W&W consolidated financial statements:

- Until 31 December 2017, senior debenture bonds and registered bonds had been accounted for pursuant to IAS 39 under receivables measured at amortised cost. From 1 January 2018, pursuant to IFRS 9, these financial instruments are now predominantly measured in the W&W Group at fair value through other comprehensive income, since they fall under the “held to collect and sell” business model.

- Until 31 December 2017, participations, equities, and fund units had predominantly been measured in the W&W Group (in available for sale) under IAS 39 at fair value through other comprehensive income. From 1 January 2018, pursuant to IFRS 9, these financial instruments are now exclusively measured in the W&W Group at fair value through profit or loss, since the W&W Group is not making use of the option to measure them at fair value through other comprehensive income.

- Until 31 December 2017, the risk provision for receivables measured at amortised cost had been created under IAS 39 using the incurred loss model. From 1 January 2018, pursuant to IFRS 9, the risk provision is now calculated on the basis of the expected credit loss model. In addition, financial instruments falling under the “held to collect and sell” business model, which are measured at fair value through other comprehensive income, are also included in the calculation.

- As at 1 January 2018, after accounting for the provision for deferred premium refunds and for deferred taxes, the conversion effect on Group equity from the foregoing effects amounted to approximately +€377 million.

In connection with the first-time application of IFRS 9, the W&W Group changed the structure of the net financial result. The new net financial result, which henceforth will also contain the net income/expense from investment property, is broken down into:

- Current net income/expense,
- Net income/expense from risk provision,
- Net measurement gain/loss, and
- Net income/expense from disposals.

We expect that this change will further increase reporting transparency and make the income statement even more meaningful at the consolidated and segment levels. The values for the previous year, which were still measured pursuant to IAS 39, were retroactively adjusted to conform to the new structure.

## Earnings performance

### Consolidated income statement

As at 30 June 2018, consolidated net profit after taxes stood at €116.4 million (previous year: €154.9 million).

Net financial income fell to €935.6 million (previous year: €1,112.0 million).

- Current net income rose by €82.1 million to €640.6 million (previous year: €558.4 million). Net interest income for the previous year was lower due to a voluntary supplemental payment that was made to the pension fund. In addition, dividend income rose significantly.

- Net income from risk provision amounted to €13.4 million (previous year: €1.8 million). The good economic climate, as well as a risk customer base that continues to be low-risk, contributed to this development.

- The net measurement loss amounted –€104.1 million (previous year: net measurement gain of €32.3 million). In particular, net investment income from unit-linked life insurance policies declined. Overall, the net measurement result is more volatile than in the previous year, since in connection with application of IFRS 9 financial instruments were measured to a greater extent at fair value through profit or loss.

- Net income from disposals amounted to €385.7 million (previous year: €519.4 million). This was primarily attributable to lower income from disposals in Life and Health Insurance, which was intentionally reduced as a result of a likely smaller draw from the additional interest reserve.

Net commission expense amounted to –€201.2 million (previous year: –€187.1 million). This was mainly attributable to increased portfolio commissions in property insurance.

Net premiums earned rose by €72.1 million to €1,980.9 million (previous year: €1,908.8 million). Both Property/Casualty Insurance and Life and Health Insurance saw increases.

Net insurance benefits fell by €81.0 million to €2,036.0 million (previous year: €2,117.0 million). Owing to our profitable insurance portfolio, claims development in property insurance was once again very good, although somewhat weaker than in the previous year. In Life and Health Insurance, the decline was the result of negative additions to the provision for premium refunds and to the provision for unit-linked life insurance policies.

General administrative expenses rose slightly to €523.3 million (previous year: €516.9 million). Due to a lower headcount, personnel expenses declined despite collectively bargained salary increases. By contrast, materials expenses increased, inter alia, due to new market launches by Württembergische.

Tax expenses fell to €49.3 million (previous year: €59.2 million) as a result of, in particular, lower earnings before taxes.

### Consolidated statement of comprehensive income

As at 30 June 2018, total comprehensive income stood at –€28.7 million (previous year: €90.1 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 30 June 2018, OCI stood at –€145.1 million (previous year: –€64.8 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 1.50% to 1.60% compared with the end of the previous year. This resulted in €13.3 million in actuarial gains from defined benefit plans for pension schemes (previous year: €49.5 million).

The unrealised net loss from debt-financing instruments required to be measured at fair value through other comprehensive income is the second noteworthy effect. After additions to the deferred provision for premium refunds and to deferred taxes, it amounted to –€154.9 million (previous year: –€119.2 million). The negative amount resulted from the reduction of reserves through sales of registered and bearer securities. These hidden reserves were realised and are therefore no longer booked in equity through other comprehensive income but instead in the income statement through profit and loss, i.e. in consolidated earnings.

## Home Loan and Savings Bank

Segment net income increased to €30.0 million (previous year: €27.4 million). New construction financing business rose, whereas new home loan savings business declined in the first half-year. The segment's total assets amounted to €31.0 billion (previous year: € 30.8 billion).

### New business

Gross new business in terms of total home loan savings contracts fell to €6.7 billion (previous year: €7.0 billion). Net new business (paid-in new business) of €5.3 billion also fell short of the previous year (€5.8 billion). Growth was already recorded in the second quarter, meaning that we expect a further recovery in new business by the end of the year.

New construction financing business continued to focus on more profitable offers and increased to €1,474.9 million (previous year: €1,420.0 million). Taking into account brokering for third parties and disbursements of loans under home loan savings contracts, the segment posted an increase in new construction financing business as a whole of €2,649.1 million (previous year: €2,406.6 million).

### New business key figures

| | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| Gross new business | 6,734.2 | 7,012.9 | –4.0 |
| Construction financing business (including brokering for third parties) | 2,649.1 | 2,406.6 | 10.1 |

### Earnings performance

Net income in the Home Loan and Savings Bank segment rose to €30.0 million (previous year: €27.4 million). Net financial income increased slightly to €202.8 million (previous year: €197.6 million). This was mainly due to the following aspects:

- Current net income rose by €29.2 million to €142.2 million (previous year: €113.0 million). Particularly the measures undertaken in the portfolio of home loan savings contracts continued to have a positive effect here.
- Net income from risk provision amounted to €13.4 million (previous year: €2.6 million). The economic climate, which continues to be good, and a generally low-risk portfolio of building loans led to this improvement.
- The net measurement loss amounted to –€25.2 million (previous year: –€5.1 million). The standalone derivatives used for interest book management, as well as the discounting of provisions for home loan savings business (bonus provisions), trended downward.
- Net income from disposals decreased to €72.4 million (previous year: €87.1 million). In 2017 the segment was strategically realigned, with construction financing business being shifted to the home loan savings bank, and this resulted in higher disposal gains in the previous year.

Net commission income amounted to €5.3 million (previous year: €10.5 million). The decline was attributable, in particular, to increased commission fees for the quality of the home loan savings business.

General administrative expenses fell significantly to €173.3 million (previous year: €180.5 million). We were able to reduce personnel expenses. Materials expenses also declined, inter alia, as a result of lower premiums and reduced marketing expenses.

Other operating income fell to €10.3 million (previous year: €15.1 million). This was mainly due to lower income from the release of miscellaneous provisions.

### Life and Health Insurance

Segment net income stood at €14.7 million (previous year: €16.4 million). New premiums rose by 12.5%.

The segment's total assets increased to €35.5 billion (previous year: €33.8 billion).

#### New business/premium development

Total premiums for new life insurance business rose to €1,583.4 million (previous year: €1,550.6 million).

As at 30 June 2018, new premiums for the Life and Health Insurance segment stood at €280.3 million (previous year: €249.1 million). Single premiums increased to €231.3 million (previous year: €199.3 million). New regular premiums amounted to €49.0 million (previous year: €49.8 million).

Gross premiums written increased to €1,092.6 million (previous year: €1,066.2 million), mainly as a result of higher single-premium income. Health insurance posted a 8.4% increase in gross premiums written.

#### New business key figures

| | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| **New premiums** | **280.3** | **249.1** | **12.5** |
| Single premiums life | 231.3 | 199.3 | 16.1 |
| Regular premiums | 49.0 | 49.8 | –1.6 |

#### Earnings performance

Segment net income stood at €14.7 million (previous year: €16.4 million). The decline in net financial income was able to be nearly offset by the rise in net underwriting income.

Net financial income in the Life and Health Insurance segment fell to €681.9 million (previous year: €852.0 million). The following income components were responsible for this:

- Current net income rose by €28.9 million to €430.9 million (previous year: €402.0 million). This was mainly attributable to higher dividend income.
- The net measurement loss amounted to –€64.8 million (previous year: net measurement gain of €38.5 million). This decline was mainly attributable to lower net income from capital investments to cover unit-linked life insurance policies due to poorer stock price developments compared with the previous year. As a result of the conversion to IFRS 9, more equity instruments were measured at fair value through profit or loss. This had a negative impact on income.
- Net income from disposals decreased by €97.3 million to €313.1 million (previous year: €410.4 million). The decline was caused by our having intentionally kept net income at a low level as a result of an expected lower draw from the additional interest reserve. In addition, pursuant to IAS 39, the figure for the previous year includes gains and losses from the disposal of assets measured at fair value through profit or loss, whereby their balance in the previous year was substantial. Pursuant to IFRS 9, these effects are shown for the current reporting year in net measurement result.

Net premiums earned rose to €1,122.1 million (previous year: €1,096.6 million) as a result of the higher volume of insurance policies with a single premium payment in new business.

Net insurance benefits stood at €1,582.1 million (previous year: €1,726.8 million). This decline was the result of negative additions to the provision for premium refunds and to the provision for unit-linked life insurance policies owing to poorer performance by the underlying capital investments. Benefits to customers were secured further through the regular increase of the additional interest reserve (including interest rate reinforcement). At €451.5 million, additions exceeded the prior-year level (€276.8 million), which was already high. The additional interest reserve as a whole thus now totals €2,497.5 million.

General administrative expenses increased slightly to €126.6 million (previous year: €125.1 million). The increase was due to higher personnel expenses. Materials expenses were about the same year on year.

Tax expenses rose to €8.8 million (previous year: €6.2 million). In particular, the settlement of taxes for the previous year resulted in an increase in tax expenses.

### Property/Casualty Insurance

Segment net income amounted to €62.1 million (previous year: €96.1 million). New business in the Property/Casualty Insurance segment rose again. Total assets stood at €4.9 billion (previous year: €4.5 billion).

#### New business/premium development

New business developed positively, coming in at €151.0 million (previous year: €140.5 million). The areas of retail customers and motor posted an encouraging increase.

New business in the area of corporate customers declined. However, taking into account replacement business and cancellations, the decline was small. In addition, the figure for the previous year was unusually high due to major business that we concluded.

### New business key figures

| | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| **New business** | **151.0** | **140.5** | **7.5** |
| Motor | 110.7 | 99.9 | 10.8 |
| Corporate customers | 23.0 | 26.6 | -13.5 |
| Retail customers | 17.3 | 14.0 | 23.6 |

Gross premiums written increased further by €65.8 million (5.9%) to €1,188.1 million (previous year: €1,122.3 million). Once again, all business segments were up.

### Gross premiums written

| | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| **Segment total** | **1,188.1** | **1,122.3** | **5.9** |
| Motor | 571.7 | 539.4 | 6.0 |
| Corporate customers | 280.9 | 260.9 | 7.7 |
| Retail customers | 335.5 | 322.0 | 4.2 |

### Earnings performance

Segment net income stood at €62.1 million (previous year: €96.1 million). Net financial income increased slightly. Net underwriting income was not quite at the level of the previous year, which was very good, but it remained at a high level.

Net financial income stood at €34.3 million (previous year: €29.6 million). It consists of the following components:

- Current net income rose significantly by €22.7 million to €38.7 million (previous year: €16.0 million). This was mainly attributable a higher interest surplus, since in the previous year, a voluntary supplemental payment that was made to the pension fund had a negative impact on interest expenses. In addition, dividend income rose slightly.
- The net measurement loss amounted to –€5.4 million (previous year: –€4.1 million). As a result of the conversion to IFRS 9, more financial instruments were measured at fair value through profit or loss. In particular, the measurement of securities through profit or loss had a negative impact on income. Measurement gains from equity instruments were unable to offset this effect.
- Net income from disposals amounted to €1.8 million (previous year: €18.1 million). Particularly with regard to bearer bonds, there were fewer disposals than in the previous year.

Net commission expense stood at –€119.1 million (previous year: –€106.0 million). The larger insurance portfolio led to an increase in renewal commissions.

Net premiums earned continued to trend positively. They rose by €37.1 million to €732.8 million (previous year: €695.7 million). We posted growth in all business segments in Property/Casualty Insurance.

Net insurance benefits increased €50.9 million to €381.1 million (previous year: €330.2 million). This was partly due to the larger insurance portfolio overall. Another factor was considerably higher losses from acts of nature compared with the previous year. Nevertheless, the combined ratio (gross) was still a very good 90.2% (previous year: 86.2%).

General administrative expenses rose to €179.2 million (previous year: €159.8 million). This was due in part to expenses related to the new market launches by Württembergische. In addition, higher investments were made in the further expansion of our digital brand “Adam Riese”.

Tax expenses fell to €25.8 million (previous year: €33.9 million) as a result of, in particular, lower segment earnings before taxes.

### All other segments

“All other segments” covers the divisions that cannot be allocated to any other segment. This includes e.g. W&W AG, W&W Asset Management GmbH, the Czech subsidiaries and the Group’s internal service providers. The total assets of all other segments amounted to €7.1 billion (previous year: €6.4 billion). After-tax net income stood at €35.4 million (previous year: €98.6 million). This was composed, among other things, of the following:

W&W AG €26.9 million (previous year: €84.0 million), W&W Asset Management GmbH €9.5 million (previous year: €10.3 million) and the Czech subsidiaries €10.5 million (previous year: €10.8 million).

Net financial income stood at €55.1 million (previous year: €157.1 million). The following income components contributed to the development:

- Current net income fell significantly by €81.7 million to €70.0 million (previous year: €151.7 million). This was mainly attributable to lower profit transfers by Württembergische Versicherung AG to W&W AG.

This is eliminated in the consolidation/reconciliation column in order to obtain values for the Group.

- The net measurement loss amounted to –€11.2 million (previous year: net measurement gain of €3.1 million). As a result of the conversion to IFRS 9, more securities were measured at fair value through profit and loss. This had a negative impact on income.

Earned premiums rose to €135.9 million (previous year: €126.3 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. As this relates to quota share insurance, the insurance benefits increased as well, to €81.5 million (previous year: €72.6 million).

General administrative expenses fell to €45.6 million (previous year: €48.9 million), since both personnel expenses and materials expenses declined.

Tax expenses fell to €15.0 million (previous year: €48.0 million) as a result of, in particular, lower segment earnings before taxes.

## Net assets

### Asset structure

The W&W Group's total assets amounted to €74.3 billion (previous year: €72.0 billion). Assets mainly consist of building loans of €23.2 billion (previous year: €23.5 billion) and capital investments of €47.8 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). In connection with the conversion to IFRS 9 at the start of the year, the vast majority of debenture bonds and registered bonds are required to be measured at fair value through other comprehensive income, as a result of which the valuation reserves in OCI were disclosed. By contrast, a small number of bearer bonds are for the first time required to be measured at amortised cost, as a result of which new valuation reserves were created.

The W&W Group maintains valuation reserves primarily for building loans in the amount of €436.3 million (previous year: €357.5 million), for first-rate fixed-income securities in the amount of €159.3 million (previous year: €—), for senior debenture bonds and registered bonds in the amount of €162.1 million (previous year: €2,328.2 million), and for investment properties in the amount of €473.9 million (previous year: €461.9 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 €1.9 billion (previous year: €1.9 billion) – totalled €35.6 billion (previous year: €33.8 billion). This includes €29.5 billion (previous year: €28.9 billion) for the provision for future policy benefits, €2.9 billion (previous year: €2.1 billion) for the provision for premium refunds, and €2.6 billion (previous year: €2.5 billion) for the provision for outstanding insurance claims. Liabilities primarily relate to liabilities to customers amounting to €23.6 billion (previous year: €23.8 billion). They largely consist of savings deposits and deposits from home loan savings business amounting to €19.2 billion (previous year: €19.1 billion).

### Liquidity

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

The cash flow statement shows inflows of cash amounting to €315.8 million (previous year: €487.1 million) from operating activities and outflows of cash amounting to –€321.7 million (previous year: –€26.5 million) for investing activities, including capital investments. Financing activities resulted in an outflow of cash of –€46.8 million (previous year: –€28.9 million). Changes attributable to the effects of exchange rates and the scope of consolidation amounted to €0.2 million (previous year: €27.0 million). This resulted in a net change in cash of –€52.6 million in the reporting year.

### Equity

As at 30 June 2018, the W&W Group's equity stood at €4,255.1 million, compared with €3,964.9 million as at 31 December 2017. On the one hand, the conversion to IFRS 9 on 1 January 2018 resulted in an initial-application effect that increased equity by €376.8 million. This is the result of having disclosed previously hidden reserves associated with financial instruments that are required to be measured at fair value.

On the other hand, it includes consolidated net profit as at 30 June 2018, as well as net income included in equity totalling –€28.7 million. In addition, the dividend payment of €60.9 million reduced equity. Other effects increased equity by €3.0 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 management and then 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 2017 Annual Report did not change materially during the first six months of 2018, 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 115 combined with Section 117 No 2 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 2017 Annual Report continued to apply in the W&W Group as at 30 June 2018. The planned enhancements of risk models and risk governance processes are continuously pursued. This includes modifications to realign the risk-bearing capacity concepts of credit institutions, which were published by BaFin in the first half of the year.

The organisational and operational structure of our risk management system as at 30 June 2018 corresponds to that described in the 2017 Annual Report.

In the first quarter of 2018, it was announced that Wüstenrot & Württembergische AG will be selling its subsidiary Wüstenrot Bank AG Pfandbriefbank to Bremer Kreditbank AG. Transfer of control will take place, inter alia, following receipt of the required official approvals, which are expected by the end of 2018. Until that time, the classification of Wüstenrot Bank AG Pfandbriefbank into risk class 2 and the corresponding inclusion in risk management at the Group level will not change.

In addition, Wüstenrot Haus- und Städtebau GmbH received an influx of equity in the first quarter, as a result of which WHS was classified into risk class 2 and accordingly is now included in the Group-wide risk management system.

### Basic conditions

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

Please see the section "Outlook" with respect to anticipated developments.

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 2018, the calculations made on the basis of the economic 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 2017 Annual Report remained valid without change as at 30 June 2018:

- Market price risks,
- Counterparty risks,
- Underwriting risks
- Pool risks
- Operational risks,
- Business risks
- Liquidity risks

Compared with the risk report contained in the 2017 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 initially rose appreciably at the start of the year. This was attributable to calls by several ECB representatives at the start of the year to bring the bond-buying programme to an end. Then, after repeated statements by ECB President Draghi that the ECB needs to continue its very expansive monetary policy, interest rates fell again. Beginning in mid-May, investors became rattled by political risks and increasingly sought shelter in German government bonds. At the end of the first half-year, the yield on 10-year German government bonds stood at 0.3%, which was 13 basis points lower than at the start of the year.

Persistently 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 capital investments. The focus is also on the servicing of long-term guarantees and commitments (e.g. from pensions).

Furthermore, there are increasing uncertainties arising from geopolitical crises and developments (particularly in the Middle East and East Asia, sovereign debt in the EU, and Brexit), as well as from further developments in the world economy (e.g. U.S. trade policy).

The objectives and risk governance measures described in the 2017 Annual Report for the risk area "Market price risks" remain valid.

### Counterparty credit risks

The risk situation has not changed significantly compared with the 2017 Annual Report.

For our bond portfolio, we continue to emphasise ensuring high creditworthiness and a good collateral structure. Nevertheless, as a result of its portfolio being concentrated on financial securities, which is a consequence of our business model, the W&W Group is exposed both to the associated systemic risk and to the counterparty credit risk that exists at the level of the individual issuer.

The risk profile of the customer loan exposure is likewise constantly at a very good level.

The objectives and risk governance measures described in the 2017 Annual Report for the risk area "Counterparty credit risks" remain valid.

### Underwriting risks

Claims relating to natural disasters were above average in the first half of 2018. Many of the claims were attributable to Cyclone Friederike. Subject to the occurrence of extreme weather events, we expect that in the second half of the year, the number of claims for the year as a whole will approximate the number from the previous years.

The objectives and risk governance measures described in the 2017 Annual Report for the risk area "Underwriting risks" remain applicable.

### Business risks

Business risks arise in connection with the W&W Group's general business activities, including new business models, and from changes in the industry environment.

In this regard, we expect that the accounting rules that were amended by IFRS 9, according to which financial instruments are now required to be measured to a greater extent at fair value through profit or loss, will lead to higher volatility in results.

In the W&W Group, strategy is implemented in connection with "W&W Besser!" In this regard, the focus is on digital transformation in all segments. With this in mind, we designed "W&W Besser!" to be comprehensive. It contain projects in seven fields of action: customers and sales, new business models, profitable growth fields, efficiency and service quality, employees, IT and regulatory matters. The Group's Management Board monitors and guides "W&W Besser!" The W&W Group pushed ahead with its "W&W Besser!" projects in the first half of 2018, as described in the section "Development of business".

### Summary

In the first half of 2018, the W&W Group and W&W AG at all times had sufficient economic and supervisory risk-bearing capacity. Pursuant to our economic risk-bearing capacity model, we had sufficient risk capital in order to be able to cover the assumed risks with a high degree of confidence. For the assessment of the overall risk profile of the W&W Group and W&W AG, please see the 2017 Group Management Report.

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.

In connection with the company rating, the rating agency S&P also rates the W&W Group's risk management in the form of enterprise risk management (ERM). In July 2018, S&P rated the W&W Group's ERM as "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 2017 Annual Report. In the following, we update our estimates for 2018 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.

We expect that, in departure from the previous forecast, net income at the end of 2018 for the Home Loan and Savings Bank segment will be only moderately higher than that for the previous year. This is due to declining developments at Wüstenrot Bank AG Pfandbriefbank. We currently expect that control over the bank will pass to Bremer Kreditbank AG in the fourth quarter of 2018.

Because of good underwriting progress, and despite losses due to acts of nature, we are striving for net income in the Property/Casualty Insurance segment that is higher than previously forecast. We therefore expect that segment net income for 2018 will more likely be comparable to that for the previous year.

We adhere without change to the forecast contained in the 2017 Annual Report concerning consolidated net profit: Because of additional investments, particularly for digital transformation, consolidated net profit for 2018 will not reach the figure for the previous year. However, we expect that consolidated net profit will amount to at least €200 million. We remain committed to our long-term goal of consolidated net profit of €220 million to €250 million.

We see risks and opportunities, in particular, in connection with trends in both interest rates and claims. Furthermore, developments in the capital markets, the economy or the political environment could have both positive and negative effects for the W&W Group. Additional opportunities may present themselves in connection with the strategic alignment of individual segments, new innovative products and business models, additional sales channels as well as further cost optimisation and the increased willingness of our customers to undertake financial planning. 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 business operations of the companies, the actual results may differ from those currently anticipated.

Therefore the company can assume no liability for the forward-looking statements. There is no obligation to adjust forward-looking statements to conform to actual events or to update them.

# Wüstenrot & Württembergische AG
# Condensed financial statements

## Consolidated balance sheet

### Assets

| in € thousands | cf. Note no.[1] | 30/6/2018 | 31/12/2017 |
|---|---|---|---|
| | | IFRS 9 | IAS 39 |
| **Cash reserves** | | **151,723** | **154,095** |
| **Non-current assets held for sale and discontinued operations** | 1 | **1,478,488** | **1,605,812** |
| **Financial assets at fair value through profit or loss** | 2 | **7,330,886** | **–** |
| Thereof sold under repurchase agreements or lent under securities lending transactions | | 45,779 | – |
| **Financial assets at fair value through other comprehensive income** | 3 | **33,223,337** | **–** |
| Thereof sold under repurchase agreements or lent under securities lending transactions | | 565,182 | – |
| **Financial assets at amortised cost** | 4 | **28,348,557** | **–** |
| Thereof sold under repurchase agreements or lent under securities lending transactions | | 410,732 | – |
| Subordinated securities and receivables | | 133,266 | – |
| Senior debenture bonds and registered bonds | | 1,089,566 | – |
| Senior fixed-income securities | | 1,065,125 | – |
| Building loans | | 23,160,967 | – |
| Other loans and receivables | | 2,899,633 | – |
| **Financial assets at fair value through profit or loss** | 2 | **–** | **2,837,312** |
| **Financial assets available for sale** | 3 | **–** | **23,908,533** |
| thereof sold under repurchase agreements or lent under securities lending transactions | | – | 1,001,043 |
| **Loans and receivables** | 4 | **–** | **40,112,140** |
| Subordinated securities and receivables | | – | 80,224 |
| First-rate receivables from institutional investors | | – | 14,076,295 |
| Building loans | | – | 23,525,418 |
| Other loans and receivables | | – | 2,430,203 |
| **Risk provision** | | **–** | **-153,071** |
| **Positive market values from hedges** | 5 | **60,019** | **50,506** |
| **Financial assets accounted for using the equity method** | | **91,412** | **95,469** |
| **Investment property** | | **1,762,990** | **1,683,541** |
| **Reinsurers' portion of technical provisions** | 6 | **333,448** | **325,655** |
| **Other assets** | | **1,519,341** | **1,398,177** |
| Intangible assets | | 97,450 | 100,432 |
| Property, plant and equipment | | 287,018 | 289,401 |
| Inventories | | 153,459 | 99,388 |
| Current tax assets | | 45,290 | 59,708 |
| Deferred tax assets | | 859,159 | 779,624 |
| Other assets | | 76,965 | 69,624 |
| **Total assets** | | **74,300,201** | **72,018,169** |

1 See notes for details.

## Liabilities

| in € thousands | cf. Note no. | 30/6/2018 | 31/12/2017 |
|---|---|---|---|
| | | IFRS 9 | IAS 39 |
| **Liabilities under non-current assets classified as held for sale and discontinued operations** | 1 | **1,203,483** | **1,017,175** |
| **Financial liabilities at fair value through profit or loss** | | **544,011** | **533,614** |
| **Liabilities** | 7 | **28,591,383** | **28,754,334** |
| Liabilities evidenced by certificates | | 972,264 | 918,938 |
| Liabilities to credit institutions | | 2,760,858 | 2,735,133 |
| Liabilities to customers | | 23,637,988 | 23,822,677 |
| Finance lease liabilities | | 21,827 | 23,951 |
| Miscellaneous liabilities | 8 | 1,198,446 | 1,253,635 |
| **Negative market values from hedges** | | **125,519** | **70,311** |
| **Technical provisions** | 9 | **35,567,761** | **33,815,663** |
| **Other provisions** | 10 | **2,681,010** | **2,703,973** |
| **Other liabilities** | | **872,326** | **707,265** |
| Current tax liabilities | | 187,464 | 202,790 |
| Deferred tax liabilities | | 666,184 | 497,926 |
| Other liabilities | | 18,678 | 6,549 |
| **Subordinated capital** | 11 | **459,648** | **450,976** |
| **Equity** | | **4,255,060** | **3,964,858** |
| Interests of W&W shareholders in paid-in capital | | 1,485,595 | 1,484,645 |
| Interests of W&W shareholders in earned capital | | 2,742,635 | 2,459,522 |
| Retained earnings | | 2,756,409 | 2,544,484 |
| Other reserves (other comprehensive income) | | -13,774 | -84,962 |
| Non-controlling interests in equity | | 26,830 | 20,691 |
| **Total liabilities** | | **74,300,201** | **72,018,169** |

# Consolidated income statement

| in € thousands | cf. Note no. | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017[1] |
|---|---|---|---|
| | | IFRS 9 | IAS 39 |
| **Current net income** | 12 | **640,567** | **558,418** |
| Net interest income | | 513,797 | 453,020 |
| Interest income | | 811,017 | 857,558 |
| thereof calculated using the effective interest method | | 747,117 | – |
| Interest expenses | | –297,220 | –404,538 |
| Dividend income | | 99,121 | 76,302 |
| Other current net income | | 27,649 | 29,096 |
| **Net income/expense from risk provision** | 13 | **13,414** | **1,809** |
| Income from risk provision | | 60,285 | 46,508 |
| Expenses from risk provision | | –46,871 | –44,699 |
| **Net measurement gain/loss** | 14 | **–104,129** | **32,347** |
| Measurement gains | | 654,641 | 648,138 |
| Measurement losses | | –758,770 | –615,790 |
| **Net income/expense from disposals** | 15 | **385,699** | **519,415** |
| Income from disposals | | 428,399 | 671,270 |
| Expenses from disposals | | –42,700 | –151,855 |
| **Net financial result** | | **935,551** | **1,111,989** |
| thereof net income/expense from financial assets accounted for using the equity method | | 1,420 | 1,836 |
| **Net commission expense** | 16 | **–201,191** | **–187,115** |
| Commission income | | 133,803 | 128,296 |
| Commission expenses | | –334,994 | –315,411 |
| **Earned premiums (net)** | 17 | **1,980,868** | **1,908,772** |
| Earned premiums (gross) | | 2,042,162 | 1,966,764 |
| Premiums ceded to reinsurers | | –61,294 | –57,992 |
| **Insurance benefits (net)** | 18 | **–2,035,965** | **–2,116,977** |
| Insurance benefits (gross) | | –2,073,690 | –2,144,947 |
| Received reinsurance premiums | | 37,725 | 27,970 |

| in € thousands | cf. Note no. | 1/1/2018 to 30/6/2018 IFRS 9 | 1/1/2017 to 30/6/2017 IAS 39 |
|---|---|---|---|
| **General administrative expenses** | | **–523,301** | **–516,883**[2] |
| Personnel expenses | | –293,305 | –300,231 |
| Materials costs | | –200,469 | –187,342[2] |
| Depreciation/amortisation | | –29,527 | –29,309 |
| **Net other operating income/expense** | | **9,699** | **14,393** |
| Other operating income | | 96,816 | 110,483[2] |
| Other operating expenses | | –87,117 | –96,090 |
| **Consolidated earnings before income taxes from continued operations** | | **165,661** | **214,180** |
| Income taxes | 19 | –49,269 | –59,239 |
| **Consolidated net profit** | | **116,392** | **154,941** |
| Result attributable to shareholders of W&W AG | | 115,748 | 154,202 |
| Result attributable to non-controlling interests | | 644 | 739 |
| **Basic (= diluted) earnings per share, in €** | 20 | **1.24** | **1.65** |
| Thereof from continued operations, in € | | 1.24 | 1.65 |

1 Structure change in financial result. For details see chapter “Changes in the depiction of financial statements”.
2 Previous year’s figure adjusted, see chapter “Changes in accounting policies, IFRS 15”.

# Consolidated statement of comprehensive income

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| | IFRS 9 | IAS 39 |
| **Consolidated net profit** | **116,392** | **154,941** |
| | | |
| **Other comprehensive income** | | |
| **Elements not reclassified to the consolidated income statement:** | | |
| Actuarial gains/losses (–) from pension commitments (gross) | 22,794 | 77,699 |
| Provision for deferred premium refunds | –3,697 | –6,446 |
| Deferred taxes | –5,841 | –21,787 |
| **Actuarial gains/losses (–) from pension commitments (net)** | **13,256** | **49,466** |
| | | |
| **Elements subsequently reclassified to the consolidated income statement:** | | |
| Unrealised gains/losses (–) from debt-financing instruments required to be measured at fair value through other comprehensive income | –617,434 | – |
| Provision for deferred premium refunds | 406,980 | – |
| Deferred taxes | 55,602 | – |
| Unrealised gains/losses (–) from debt-financing instruments required to be measured at fair value through other comprehensive income (net; IFRS 9) | –154,852 | – |
| | | |
| Unrealised gains/losses (–) from financial assets available for sale (gross) | – | –440,535 |
| Provision for deferred premium refunds | – | 265,988 |
| Deferred taxes | – | 55,357 |
| **Unrealised gains/losses (–) from financial assets available for sale (net; IAS 39)** | **–** | **–119,190** |
| | | |
| Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross) | –164 | –130 |
| Provision for deferred premium refunds | – | – |
| Deferred taxes | 3 | 2 |
| **Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)** | **–161** | **–128** |

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| | IFRS 9 | IAS 39 |
| Unrealised gains/losses (-) from cash flow hedges (gross) | 938 | –2,781 |
| Provision for deferred premium refunds | – | – |
| Deferred taxes | –287 | 851 |
| **Unrealised gains/losses (-) from cash flow hedges (net)** | **651** | **–1,930** |
| | | |
| **Currency translation differences of economically independent foreign units** | **–3,975** | **6,971** |
| | | |
| Total other comprehensive income, gross | –597,841 | –358,776 |
| Total provision for deferred premium refunds | 403,283 | 259,542 |
| Total deferred taxes | 49,477 | 34,423 |
| **Total other comprehensive income, net** | **–145,081** | **–64,811** |
| | | |
| **Total comprehensive income for the period** | **–28,689** | **90,130** |
| Result attributable to shareholders of W&W AG | –27,274 | 90,888 |
| Result attributable to non-controlling interests | –1,415 | –758 |

# Consolidated statement of changes in equity

| in € thousands | cf. Note no. | Interests of W&W shareholders equity: Share capital | Capital reserve |
|---|---|---|---|
| **Equity as at 1 January 2017** | | **488,884** | **994,755** |
| Changes in the scope of consolidation | | – | – |
| Consolidated net profit | | – | – |
| Other comprehensive income (OCI) | | – | – |
| **Total comprehensive income for the period** | | **–** | **–** |
| Dividends to shareholders | 21 | – | – |
| Treasury shares | | 386 | 620 |
| Other | | – | – |
| **Equity as at 30 June 2017** | | **489,270** | **995,375** |
| | | | |
| **Equity as at 1 January 2018** | | **489,271** | **995,374** |
| Initial application of IFRS 9 | | – | – |
| Initial application of IFRS 15 | | – | – |
| **Equity as at 1 January 2018** | | **489,271** | **995,374** |
| Consolidated net profit | | – | – |
| Other comprehensive income | | – | – |
| **Total comprehensive income for the period** | | **–** | **–** |
| Dividends to shareholders | 21 | – | – |
| Treasury shares | | 377 | 573 |
| Changes in equitiy without loss of control | | – | – |
| **Equity as at 30 June 2018** | | **489,648** | **995,947** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 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 from fixed-income financial assets accounted for at fair value directly in equity (OCI)<br><br>Previous year: Reserve for financial assets available for sale | Reserve for financial assets accounted for using the equity method | Reserve for cash flow hedges | Reserve for currency translation | | | |
| **2,344,149** | **−587,540** | **526,089** | **7,264** | **13,005** | **5,179** | **3,791,785** | **19,805** | **3,811,590** |
| −336 | – | 336 | – | – | – | – | 739 | 154,941 |
| 154,202 | – | – | – | – | – | 154,202 | – | −64,811 |
| **–** | 49,429 | −117,655 | −128 | −1,931 | 6,971 | −63,314 | −1,497 | **90,130** |
| 154,202 | **49,429** | **−117,655** | **−128** | **−1,931** | **6,971** | **90,888** | **−758** | −56,131 |
| −56,131 | – | – | – | – | – | −56,131 | – | 1,376 |
| 370 | – | – | – | – | – | 1,376 | – | – |
| −208 | – | – | – | – | – | −209 | – | −209 |
| **2,442,046** | **−538,111** | **408,770** | **7,136** | **11,074** | **12,150** | **3,827,710** | **19,047** | **3,846,757** |
| | | | | | | | | |
| **2,544,484** | **−574,252** | **464,985** | **7,594** | **−1,126** | **17,837** | **3,944,167** | **20,691** | **3,964,858** |
| 154,833 | – | 221,403 | −7,395 | – | – | 368,841 | 7,950 | 376,791 |
| 1,993 | – | – | – | – | – | 1,993 | – | 1,993 |
| **2,701,310** | **−574,252** | **686,388** | **199** | **−1,126** | **17,837** | **4,315,001** | **28,641** | **4,343,642** |
| 115,748 | – | – | – | – | – | 115,748 | 644 | 116,392 |
| – | 13,236 | −152,773 | −161 | 651 | −3,975 | −143,022 | −2,059 | −145,081 |
| **115,748** | **13,236** | **−152,773** | **−161** | **651** | **−3,975** | **−27,274** | **−1,415** | **−28,689** |
| −60,855 | – | – | – | – | – | −60,855 | – | −60,855 |
| 360 | – | – | – | – | – | 1,310 | – | 1,310 |
| −154 | – | 202 | – | – | – | 48 | −396 | −348 |
| **2,756,409** | **−561,016** | **533,817** | **38** | **−475** | **13,862** | **4,228,230** | **26,830** | **4,255,060** |

# 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 balance sheet item “Cash reserve” in the amount of €151.7 million (previous year: € 699.7 million), the cash reserve held for sale in the amount of €344.6 million (previous year: €0 million) and bank deposits payable on demand in the amount of €843.1 million (previous year: €781.8 million) that are reported under the item “Other receivables”. The cash reserve consists of cash on hand, deposits with central banks, and deposits with foreign postal giro offices.

The cash flow from financing activities includes deposits in the amount of €949 thousand (previous year: €1,006 thousand) from the sale of treasury shares in connection with an employee share ownership programme.

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

At 30 June 2018, the legally mandated balances at the national central banks that are subject to the respective reserve requirements amounted to €55.3 million (previous year: € 66.0 million).

## Condensed consolidated cash flow statement

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| **I. Cash flow from operating activities** | **315,822** | **487,147** |
| **II. Cash flow from investing activities** | **−321,671** | **−26,532** |
| **III. Cash flow from financing activities** | **−46,786** | **−28,897** |

| in € thousands | 2018 | 2017 |
|---|---|---|
| **Cash and cash equivalents as at 1 January** | **1,391,890** | **1,022,742** |
| Net change in cash and cash equivalents (I.+II.+III.) | −52,635 | 431,718 |
| Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation | 190 | 27,043 |
| **Cash and cash equivalents as at 30 June** | **1,339,445** | **1,481,503** |

# Selected explanatory notes

## General accounting principles and application of IFRS

### General information

In accordance with the provisions of Section 115 in conjunction with Section 117, no. 2, of the German Securities Trading Act (WpHG), the half-year financial report of Wüstenrot & Württembergische AG consists of condensed consolidated half-year 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 financial statements as of 31 December 2017, as well as those standards applicable as of 1 January 2018 for the first time. The material effects on the presentation of the net assets, financial position and financial performance from the initial application of IFRS 9 and IFRS 15 are explained below.

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 selected notes – are presented in conformity with IAS 34 “Interim Financial Reporting”, were drawn up on the basis of Section 315e HGB in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and have a condensed scope of reporting compared with the consolidated financial statements as of 31 December 2017.

The Executive Board of Wüstenrot & Württembergische AG authorised publication of the consolidated half-year financial report on 8 August 2018.

### Employee share ownership programme

An employee share ownership programme was offered again in the first half-year of 2018. 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 €13.18 per share, which represented a discount of €5.00 per share. Employees are required to held these shares for at least three years.

Treasury shares in the portfolio were used for this programme. The employees acquired a total of 72,039 of these shares. Thus, as of 30 June 2018, W&W AG held 126,726 treasury shares. This resulted in personnel expenses of €0.4 million.

## Accounting policies

### Changes in accounting policies

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

The same accounting policies as in the consolidated financial statements as of 31 December 2017 were used with the exception of the standards applied for the first time as described below. The initial application of these standards materially impacts the presentation of the net assets, financial position and financial performance as described below.

The initial application of IFRS 9 has material effects on the presentation of the net assets, financial position and financial performance of the W&W Group as of 31 December 2018.

### IFRS 9 “Financial Instruments”

In July 2014, the International Accounting Standards Board (IASB) published the final version of IFRS 9 “Financial Instruments”. This was endorsed by the EU on 22 November 2016.

The W&W Group began applying the new version of IFRS 9 “Financial Instruments” on 1 January 2018. The standard thus replaces IAS 39 “Financial Instruments: Recognition and Measurement”, which applied until 31 December 2017.

With IFRS 9, in particular the topics of classification and measurement of financial assets and liabilities as well as risk provisions for financial assets are revised. In accordance with the transitional provisions, the introduction of the new standard does not require retrospective application to previous financial years; therefore, no adjustment of the comparative figures is required for the 2017 financial year. The previous year's figures stated in the report satisfy the requirements of IAS 39 and are therefore not directly comparable with the disclosures in accordance with IFRS 9 for the 2018 financial year. The conversion effects from the initial application are recognised directly in equity in the opening balance sheet for 2018 (initial application effect).

#### Classification and measurement – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets. This approach is based, on the one hand, on the classification of the business model, which is reflected in the management and administration of the financial assets, and on the other hand on the characteristics of the cash flows associated with the financial assets.

#### Business model

In connection with the classification of financial assets (debt instruments), the W&W Group distinguishes between the following business models:

- "held to collect": a business model with the objective of accruing contractual cash flows
- "held to collect and for sell": a business model with the objective of accruing contractual cash flows and selling financial assets
- "other/trade": a business model in which financial assets were acquired and held for trading in the short term or financial assets that could not be allocated to the "held to collect" or "held to collect and for sell" models.

The allocation to one of the business models takes place at the time the financial asset is acquired and depends on how the W&W Group companies manage a group of financial assets in order to achieve a specific business objective. When assessing which business model is to be applied, both quantitative and qualitative factors are taken into account. The quantitative factors relate mainly to the expected frequency and the expected value of the sales. The qualitative factors are used to determine how the financial assets are reported to the Executive Board of the respective Group company and how the risks are managed.

#### Cash flow characteristics

If a financial asset is allocated to the business models "Held" or "Held and Sell", it must be determined whether the cash flows comprise only principal and interest payments (so-called basic loan features). This assessment is also known as the Solely Payments of Principal and Interest (SPPI) test, which examines whether the payments are exclusively principal and interest payments on the capital outstanding. Interest payments may only serve as compensation for the current value of the money and the credit risk assumed. Further components include the compensation for the assumed liquidity risk and for administration costs, provided that they can be allocated to the holding of the asset. Interest payments also include a profit margin. In addition, it is assessed whether criteria detrimental to the SPPI exist that have a significant impact on cash flows during the reporting periods and the residual term. Where the impact over the entire term is less than 1% of the cash flows that the financial instrument would have had without this element of the contract, this is considered irrelevant. Contracts with call options for which, at the time of repayment, the outstanding contractual cash flows are paid against payment of an amount equal to the market value, satisfy the SPPI criterion.

#### Financial assets at amortised cost

Financial assets that are allocated to the "Held" business model and pass the SPPI test are carried at amortised cost. Interest components are recognised in current earnings. At the time of acquisition, the fair value is recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or the issue. In the subsequent measurement, the balance sheet statement is amortised through profit or loss by the reversal of premiums and discounts at a constant effective interest rate. When determining the amortised cost, the changes in risk provisions are also included in this balance sheet item, through profit or loss.

#### Financial assets measured directly in equity at fair value through other comprehensive income (OCI)

Financial assets assigned to the "Held and Sell" business model that pass the SPPI test are initially recognised at fair value. In the subsequent measurement, changes in the fair value are recognised directly in equity in other comprehensive income (OCI), currency effects in the measurement gains/losses and interest components in current earnings. Premiums and discounts are reversed at a constant effective interest rate and amortised through profit or loss. Risk provisions are recognised through profit or loss and are reported under other comprehensive income (OCI). When the debt instrument is disposed of, the changes in fair value previously recognised in equity are recycled in the net income from disposals.

In the case of equity instruments, it is possible to reflect changes in value directly in equity. If the equity instrument is disposed of, the disposal result remains in equity (there is no recycling) and is not recognised in the consolidated income statement. The W&W Group generally does not use this option. Interests in the subsidiaries that are not consolidated in All other segments are only recognised directly in equity at fair value in the segment reporting in All other segments.

**Financial assets measured at fair value through profit or loss**
Financial assets that are allocated to the business model "Other/Trading" or that are assigned to the business models "Held" or "Held and Sell" and do not pass the SPPI test are recognised here. In addition, equity instruments and derivatives are reported in this category. Changes in fair value and currency translations are recognised in profit or loss in the measurement gains/losses. Interest components are recognised in current earnings. The initial recognition and the subsequent measurement take place at fair value.

For the initial recognition of financial assets, the financial asset may voluntarily be permanently valued at fair value in order to avoid an accounting mismatch. There are currently no holdings in the W&W Group for which the fair value option is applied.

Key findings of the implementation phase are that building loans are assigned to the business model "Held" and pass the SPPI test on a regular basis. As under IAS 39, these financial instruments continue to be carried at amortised cost, applying the effective interest method. Most of the first-ranking promissory notes and registered bonds, which were previously carried at amortised cost, are measured directly in equity at fair value with changes in value in other comprehensive income (OCI).

Participations, shares and fund units from financial assets available for sale were reclassified to financial assets at fair value through profit or loss. This revaluation effect was recognised directly in equity in retained earnings on the date of reclassification (initial application effect). Debt instruments that were classified under IAS 39 as available for sale were, under IFRS 9, predominantly measured, as previously, at fair value in other comprehensive income (OCI).

**Classification and measurement – Financial liabilities**
IFRS 9 retains the existing requirements of IAS 39 for the classification of financial liabilities. Conversion to IFRS 9 does not result in any need for adjustment in the W&W Group.

**Risk provisions – financial assets and contractual assets**
IFRS 9 replaces the incurred credit loss model in IAS 39 with an expected credit loss model. This model requires discretionary decisions with respect to the degree to which changes in economic factors may have an impact on expected credit losses. Expected credit losses are based on probability-weighted estimates.

In accordance with IFRS 9, the rules on risk provisions are to be applied to financial assets measured at amortised cost or directly in equity at fair value, and to loan commitments and extended financial guarantees. The new risk provision model does not apply to equity instruments and financial assets at fair value through profit or loss.

According to IFRS 9, risk provisions are determined using a three-level approach. In level 1, impairments are measured upon initial recognition on the basis of 12-month credit losses. Expected credit losses are those that result from potential default events within the 12 months following the reporting date. If the credit risk (excluding collateral) has increased significantly as of the measurement date, the financial asset is transferred from level 1 to level 2. Due to possible default events during the remaining term of the financial instrument, the measurement over the residual term of the financial asset takes place in level 2 (lifetime consideration). If impairments of performance occur in the further course of time and there is an objective indication of a deteriorated creditworthiness, the assets are allocated to level 3. In level 3, impairment is calculated in the same manner as in level 2 on the basis of the lifetime consideration, taking into account a default probability of 100%. In levels 1 and 2, interest income is determined on the basis of the gross carrying amount, whereas in level 3, it is calculated on the basis of the gross book value less the risk provisions.

### Material credit deterioration

In lending business, an assessment is made as to whether a material credit deterioration has occurred since initial recognition using the change in the probability of default (PD). The assessment of the change in the PD is made using the rating and other qualitative factors. These include experiential values and credit ratings, as well as forward-looking macroeconomic factors. The latter factor consists of the unemployment rate, nominal GDP growth, and the price index for residential properties, for Germany in each case, as well as the long-term 10-year yield on German government bonds. These macroeconomic factors are used to define point-in-time components. In the area of building loans, the portfolios are assigned to an internal rating class using a scoring procedure, with each rating class being associated with a probability of default. At the time of acquisition, assignment to a rating class is accomplished using an application scoring procedure. As time progresses, the change in the credit quality is reviewed using a behavioural scoring procedure, and the portfolio is assigned to the relevant rating class. The assessment of whether a significant credit deterioration has occurred is made on the basis of the relative change in the probability of default.

In the area of securities, we rely on the external issuer rating and on other qualitative criteria. In general, securities with an investment grade rating are allocated to Level 1. As a rule, they are shifted to Level 2 once the rating changes from investment grade to non-investment grade. In addition, changes in credit risk are monitored in this area by an impairment commission.

Determination of whether creditworthiness is impaired, meaning allocation to Level 3, is made on the basis of supervisory definition pursuant to Article 178 CRR. The following criteria are used for this purpose:

- the Group considers that the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising the security.
- the receivable is past due by more than 90 days.

If the credit quality improves again and a three-month phase of good conduct is complied with, this is taken into consideration for the level classification, and a transfer takes place into Level 1 or Level 2.

The Group's portfolio currently does not contain any financial assets that were already at risk of default at the time of initial recognition.

### Measurement of the expected credit default

In determining the expected credit default, the Group uses a model based on parameters for the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). In calculating the expected credit default, existing parameters from the IRB approach are generally used and then adjusted by the concerns in IFRS 9 (e.g. consideration of remaining term to maturity, including macroeconomic factors).

In lending business, the **probability of default (PD)** is determined on the basis of an internal rating system. In this regard, each loan within the Group is assigned a probability of default on the basis of master scales. The assignment of the rating is based on the customer's specific behaviour, taking into account such factors as general customer behaviour (e.g. income from employment, marital status), external data (e.g. credit rating by Schufa) and payment behaviour.

In connection with the establishment of the parameters for determining **the exposure at default (EAD),** the contractually agreed interest and principal payments and the optional special repayments are modelled for all products.

In determining **the loss given default (LGD),** the multiyear parameters are modelled on the basis of model features that vary over time. In addition to the above-mentioned EAD, these model features that vary over time consist of, for instance, collateral or loan-to-value ratios. Here as well, the modelling of a point-in-time component takes place in order to capture the macroeconomic effects on the loss ratio. In the case of in rem collateral, the price index for existing residential properties is relevant, whereas in the case of non-in rem collateral, the long-term 10-year yield for German government bonds is referenced.

In connection with the derivation of risk parameters in the securities area, use is made of information provided by rating agencies and by the capital market, particularly in the case of the derivation of multiyear default parameters, taking into account internal valuation interest rate curves and empirically observed (multiyear) default rates for bonds that are published on a regular basis of the rating agencies. Where multiyear LGD parameters are modelled, use is likewise made of information provided by rating agencies. In the area of securities, probabilities of default take into account forward-looking information in the form of a correction factor on the basis of market-implicit probabilities of default.

### Recognition of hedges

In connection with the initial application of IFRS 9, the W&W Group is making use of the ability to continue to use the recognition rules in IAS 39 for hedges.

### Initial-application effects

At the time of initial application on 1 January 2018, the following material effects on equity and the provision result from the application of the new standard and the described changes in the classification of financial assets:

- Differences between the carrying amounts of financial assets that are measured differently under IFRS 9 than under IAS 39, as well as the change in the risk provision, were recognised in equity. After taking into account the deferred provision for premium refunds and deferred taxes, these remeasurement effects resulted an increase in equity of €377 million. Of this, €155 million was attributable to retained earnings, €214 million to other reserves (other comprehensive income) and €8 million to non-controlling interests in equity.
- Compared with IAS 39, the risk provision under IFRS 9 increased by €49 million before deferred taxes and the deferred provision for premium refunds.

### Disclosures

In connection with the introduction of IFRS 9, the W&W Group renamed the IFRS 7 classes. The class "Equity instruments" was renamed ""Participations, shares, fund units", and the class "First-rate receivables from institutional investors" was renamed "Senior debenture bonds and registered bonds". The content of these two classes did not change as a result of the renaming. The class "Structured products" has been eliminated, since the recognition and measurement rules were changed and the fair value option for structured products is no longer applicable under IFRS 9. A new class was created, called "Fixed-income financial instruments that do not pass the SPPI test". Former structured products were switched to one of the original asset classes, such as "Senior fixed-income securities" or "Subordinated securities and receivables", or reclassified into the new class "Fixed-income financial instruments that do not pass the SPPI test" if their contractual cash flows do not exclusively consist of principal and interest.

Overview of classes since 1 January 2018 pursuant to IFRS 9:

## Classes of financial instruments starting 1 January 2018

| Risk category | Cash reserves | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income |
|---|---|---|---|
| **Financial assets** | | | |
| Cash reserves | Nominal value | | |
| Participations, shares, fund units | | Fair value | |
| Senior fixed-income securities | | Fair value | Fair value |
| Subordinated securities and receivables | | | Fair value |
| Derivative financial instruments | | Fair value | |
| Fixed-income financial instruments that do not pass the SPPI test | | Fair value | |
| Positive market values from hedges | | | |
| Capital investments for the account and risk of holders of life insurance policies | | Fair value | |
| Building loans | | | |
| Senior debenture bonds and registered bonds | | | Fair value |
| Other loans and advances | | | |
| **Financial liabilities** | | | |
| Liabilities evidenced by certificates | | | |
| Liabilities to credit institutions | | | |
| Liabilities to customers | | | |
| Finance lease liabilities | | | |
| Other liabilities | | | |
| Negative market values from hedges | | | |
| Subordinated capital | | | |
| **Off-balance-sheet business** | | | |
| Financial guarantees[1] | | | |
| Irrevocable loan commitments[1] | | | |

1 The measurement basis for off-balance-sheet business is the nominal value.

| | | | | | | Accounting items and measurement basis |
|---|---|---|---|---|---|---|
| | Financial assets at amortised cost | Positive market values from hedges | Fiancial liabilities at fair value through profit or loss | Liabilities | Negative market values from hedges | Subordinated capital |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | Amortised cost | | | | | |
| | Amortised cost | | | | | |
| | | | Fair value | | | |
| | | | | | | |
| | | Fair value | | | | |
| | | | | | | |
| | Amortised cost | | | | | |
| | Amortised cost | | | | | |
| | Amortised cost | | | | | |
| | | | | | | |
| | | | | Amortised cost | | |
| | | | | Amortised cost | | |
| | | | | Amortised cost | | |
| | | | | Amortised cost | | |
| | | | | Amortised cost | | |
| | | | | | Fair value | |
| | | | | | | Amortised cost |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

## Reconciliation of net balances from IAS 39 to IFRS 9

| in € thousand | IAS 39 carrying amount as at 31.12.2017 | Reclassifications (1) | Reclassifications (2) | Remeasurements | Total IFRS 9 carrying amount as at 1.1.2018 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | |
| Opening net balance | | | | | |
| Participations, shares, fund units | 11,570 | – | – | – | 11,570 |
| Senior fixed-income securities | – | 443,082 | – | – | 443,082 |
| Derivative financial instruments | 273,220 | – | – | – | 273,220 |
| Structured products | 624,895 | -624,895 | – | – | – |
| Capital investments for the account and risk of holders of life insurance policies | 1,927,628 | – | – | – | 1,927,628 |
| Fixed-income financial instruments that do not pass the SPPI test | – | 181,813 | – | – | 181,813 |
| Change in classification: | | | | | |
| From financial assets available for sale (IAS 39) | | | | | |
| Participations, shares, fund units | – | 3,178,463 | – | – | 3,178,463 |
| Senior fixed-income securities | – | 272,188 | -28,751 | – | 243,436 |
| Fixed-income financial instruments that do not pass the SPPI test | – | – | 28,751 | – | 28,751 |
| Subordinated securities and receivables | – | 534,972 | -534,972 | – | – |
| Fixed-income financial instruments that do not pass the SPPI test | – | – | 534,972 | – | 534,972 |
| From liabilities (IAS 39) | | | | | |
| Senior debenture bonds and registered bonds | – | 351,716 | -351,716 | – | – |
| Fixed-income financial instruments that do not pass the SPPI test | – | – | 351,716 | 140,880 | 492,596 |
| **Total changes in financial assets at fair value through profit or loss** | **2,837,312** | **4,337,338** | **–** | **140,880** | **7,315,529** |

## Reconciliation of net balances from IAS 39 to IFRS 9

| in € thousand | IAS 39 carrying amount as at 31.12.2017 | Reclassifications (1) | Reclassifications (2) | Remeasurements | Total IFRS 9 carrying amount as at 1.1.2018 |
|---|---|---|---|---|---|
| **Financial assets at fair value through other comprehensive income (OCI) – Fixed income financial assets (previously called financial assets available for sale under IAS 39)** | | | | | |
| Opening net balance | | | | | |
| Participations, shares, fund units | 3,178,463 | – | – | – | 3,178,463 |
| Senior fixed-income securities | 19,447,947 | – | – | – | 19,447,947 |
| Subordinated securities and receivables | 1,282,124 | – | – | – | 1,282,124 |
| Change in classification: | | | | | |
| To Financial assets at fair value through profit or loss | | | | | |
| Participations, shares, fund units | – | –3,178,463 | – | – | –3,178,463 |
| Senior fixed-income securities | – | –272,188 | – | – | –272,188 |
| Subordinated securities and receivables | – | –534,972 | – | – | –534,972 |
| To financial assets at amortised costs (IFRS 9) | | | | | |
| Senior fixed-income securities | – | –1,213,100 | – | – | –1,213,100 |
| Subordinated securities and receivables | – | –35,590 | – | – | –35,590 |
| Change in classification: | | | | | |
| of receivables (IAS 39) | | | | | |
| Senior debenture bonds and registered bonds | – | 12,630,028 | – | 2,017,880 | 14,647,908 |
| **Total changes in financial assets at fair value through other comprehensive income (OCI) – Fixed income financial assets (IFRS 9)** | **23,908,534** | **7,395,716** | **–** | **2,017,880** | **33,322,129** |

## Reconciliation of net balances from IAS 39 to IFRS 9

| in € thousand | IAS 39 carrying amount as at 31.12.2017 | Reclassifications (1) | Reclassifications (2) | Remeasurements | Total IFRS 9 carrying amount as at 1.1.2018 |
|---|---|---|---|---|---|
| **Financial assets at amortised cost (ex: receivables under IAS 39)** | | | | | |
| Opening net balance | | | | | |
| Subordinates securities and receivables | 80,224 | 4,150 | – | – | 84,374 |
| Building loans | 23,525,418 | – | – | – | 23,525,418 |
| Senior debenture bonds and registered bonds | 14,076,295 | -4,150 | – | – | 14,072,145 |
| Other receivables | 2,430,203 | – | – | – | 2,430,203 |
| Change in classification: | | | | | |
| From financial assets available for sale (IAS 39) | | | | | |
| Senior fixed-income securities | – | 1,213,100 | – | -134,340 | 1,078,760 |
| Subordinates securities and receivables | – | 35,590 | – | -1,770 | 33,820 |
| Change in classification: | | | | | |
| To financial assets at fair value | | | | | |
| Senior debenture bonds and registered bonds | – | -351,716 | – | – | -351,716 |
| To financial assets accounted for at fair value in net other income | | | | | |
| Senior fixed-income securities | – | -12,630,028 | – | – | -12,630,028 |
| **Total changes in financial assets at amortised cost (IFRS 9) (ex: receivables under IAS 39)** | **40,112,140** | **-11,733,054** | **–** | **-136,110** | **28,242,975** |
| | | | | | |
| **Risk provision** | | | – | | |
| Financial assets at amortised cost (previously called receivables under IAS 39) – effect of retained earnings | -131,234 | 1,136 | – | -29,130 | -159,228 |
| Subordinated securities and receivables | -18 | – | – | -51 | -69 |
| Senior debenture bonds and registered bonds | -1,231 | 1 136 | – | -331 | -425 |
| Senior fixed income securities | – | – | – | -353 | -353 |
| Building loans | -121,413 | – | – | -24,200 | -145,612 |
| Other loans and advances | -8,573 | – | – | -4,196 | -12,769 |
| | | | | | |
| **Other remeasurements, not under IFRS 7** | **–** | **–** | **–** | **9,345** | **9,345** |
| | | | | | |
| **Total result of financial assets due to reclassifications and remeasurements as at 1.1.2018** | **66,726,750** | **1,136** | **–** | **2,002,865** | **68,730,752** |

## Reconciliation of net balances from IAS 39 to IFRS 9

| in € thousand | IAS 39 carrying amount as at 31.12.2017 | Reclassifications (1) | Reclassifications (2) | Remeasurements | Total IFRS 9 carrying amount as at 1.1.2018 |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| **Provisions for irrevocable lending committments** | **−3,189** | **—** | **—** | **586** | **−2,603** |
| **Total changes in financial liabilitites due to reclassifications an remeasurements as at 1.1.2018** | **−3,189** | **—** | **—** | **586** | **−2,603** |
| **Risk provision in equity** | | | | | |
| Financial assets at amortised cost (previously called receivables under IAS 39) – effect on retained earnings | – | – | – | −18,952 | −18,952 |
| Subordinated securities and receivables | – | – | – | −373 | −373 |
| Senior debenture bonds and registered bonds | – | – | – | −4,492 | −4,492 |
| Senior fixed income securities | – | – | – | −14,087 | −14,087 |
| Financial assets at amortised cost (previously called receivables under IAS 39) – effect on other comprehensive income (OCI) | – | 1,136 | – | 18,952 | 20,088 |
| Subordinated securities and receivables | – | – | – | 373 | 373 |
| Senior debenture bonds and registered bonds | – | 1,136 | – | 4,492 | 5,628 |
| Senior fixed income securities | – | – | – | 14,087 | 14,087 |
| **Total changes of risk provision in equity due to reclassifications and remeasurements as at 1.1.2018** | **—** | **1,136** | **—** | **—** | **1,136** |

| | |
|---|---|
| **Total result of remeasurements in equity as at 1.1.2018 before deferred provision for premium refunds and before deferred taxes** | **2,003,451** |

In the “Reclassifications (1)” column, the balances by class for all financial assets are reclassified between the original IAS 39 categories and the new IFRS 9 categories. Due to the fact that under IFRS 9, the new class “Fixed-income financial instruments that do not pass the SPPI test” was introduced, the “Reclassifications (2)” column shows only the reclassification between the original IAS 39 class and the new IFRS 9 class “Fixed-income financial instruments that do not pass the SPPI test”, for transparency reasons.

A remeasurement effect before the provision for deferred premium refunds and before deferred taxes totalled €2,003 million. Of this, €1,640 million was attributable to the provision for deferred premium refunds and to deferred taxes, meaning that the net remeasurement effect on equity was €377 million.

On 1 January 2018, financial assets were reclassified from the IAS 39 category “Financial assets available for sale” to the IFRS 9 category “Financial assets at amortised cost”. As at 30 June 2018, the fair value of these financial assets amounted to €1,251 million. The gain/loss from the change in fair value that would have been recognised during the reporting period in other comprehensive income without reclassification of the financial assets amounted to €16.2 million.

**IFRS 15 “Revenue from Contracts with Customers”**

The W&W Group has been applying IFRS 15 since 1 January 2018.

IFRS 15 establishes uniform core principles that are applicable to all sectors and to all types of income from customer contracts. A five-step model is used to answer questions about the amount of revenue from customer contracts that is required to be recognised, the timing of the recognition, and the period over which revenue is recognised. In addition, the standard contains a variety of other detailed rules, as well as extensive quantitative and qualitative disclosures for the notes.

IFRS 15 was published on 28 May 2014 and replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue”, as well as the related interpretations. EU endorsement was given on 22 September 2016. In addition, clarifications to IFRS 15 were published on 16 April 2016. EU endorsement of the clarifications was given on 9 November 2017. The standard is to be applied for the first time for financial years beginning on or after 1 January 2018. The W&W Group retroactively applied the standard in modified form for the first time on 1 January 2018 by recognising cumulative adjustment amounts resulting from first-time application at the time of initial application on 1 January 2018. Under this transitional method, the standard retroactively applies only to those customer contracts that had not yet been performed at the time of initial application on 1 January 2018. Comparative periods will not be adjusted.

Since, in particular, lease contracts, financial instruments and insurance contracts are excluded from the application of IFRS 15, it is mainly commission income and, either in whole or in part, other operating income that falls within the purview of IFRS 15 in the W&W Group. Recognised under “Other operating income” is, in particular, current property development business, which was also adjusted to conform to IFRS 15.

The conversion effect from the initial application of IFRS 15 amounted to €2.9 million before taxes and to €2.0 million after taxes and was recognised in equity in retained earnings. It mainly resulted from the retroactive application of customer contracts in property development business that had not yet been performed at the time of initial application on 1 January 2018. With regard to these still unperformed customer contracts, paid commissions of €2.9 million were capitalised. The share relating to non-controlling interests amounted to €11 thousand after taxes. With regard to the consolidated balance sheet, the initial application resulted in an increase to the item “Other assets” by €2.0 million after taxes from €74.9 million to €76.9 million.

In connection with the initial application of IFRS 15, starting in the 2018 financial year, income from internal Group services from Group netting with immaterial unconsolidated subsidiaries will be recognised in general administrative expenses and no longer shown separately in net income/expenses from other operating income. The figures for the previous year were therefore adjusted accordingly in the consolidated income statement. As a result, general administrative expenses and other operating income each fell by €17.4 million.

The initial application of IFRS 15 had no material influence on the presentation of the net assets, financial position and financial performance or the earnings per share of the W&W Group.

In addition, IFRS 15 had no material effects on accounting in the W&W Group with respect to income from contracts with customers.

### Changes in the presentation of the financial statements

Until 31 December 2017, the W&W Group subdivided net financial income/expenses into the measurement categories of IAS 39. From 1 January 2018, we are switching to a business concept:

- Current net income/expenses (such as interest surplus, dividends),
- Net income/expenses from risk provision,
- Net measurement gain/loss, and
- Net income/expenses from disposals.

This change offers information that is more relevant and, in particular, does an even better job of showing the sources of net income/expenses and increases reporting transparency and the meaningfulness of the income statement at the Group and segment levels. This change relates only to the presentation of the 2017 figures in the income statement. IAS 39 book values were retained.

Recognised under "Current net income/expenses" are interest income and expenses, dividend income, pro-rata annual net income/expenses for financial assets accounted for under the equity method, and current net income/expenses from investment property. Interest income and expenses in the IFRS 9 categories "Financial assets at amortised cost" and "Financial assets at fair value through other comprehensive income" are recognised on an accrual basis using the effective interest method.

Recognised under "Net income/expenses from risk provision" are all income and expenses from the impairment rules in IFRS 9. This relates to lending business, primary insurance and reinsurance business, and other business.

Recognised under "Net measurement gain/loss" are the following gains and losses:

- Measurement gains and losses from financial assets at fair value through profit or loss and such liabilities as equity instruments, fund units, derivative financial instruments and fixed-income financial instruments that do not pass the SPPI test.
- Gains and losses from the interest rate-based measurement of home loan savings provisions measured at present value.
- Recognised under "Net income/expenses from hedges" is the net income/expenses from hedged items and hedging instruments involving fair value hedges. Also recognised here in the income statement are the effects from the ineffective portion of the hedging instrument and from the release of the reserve for cash flow hedges.
- Impairments/reversals taken on financial assets accounted for using the equity method.
- Impairments/reversals taken on investment property.
- Recognised under "Net currency income/expenses" are currency gains and losses for all financial instruments from measurement and disposal.

Recognised under "Net disposal income/expenses" are disposal gains and losses for all financial assets not at fair value through profit or loss (financial assets at amortised cost, financial assets at fair value through other comprehensive income, financial assets accounted for under the equity method and investment property). Pursuant to IFRS 9, financial assets must be remeasured at the time of derecognition. For this reason, all gains and losses from the derecognition of financial assets at financial assets at fair value through profit or loss are generally recognised under "Net measurement gain/loss".

Net financial income/expenses does not contain any costs for the management of the financial instruments contained in them. As was the case under IAS 39, these costs are recognised under "Net commission expenses" and "General administrative expenses".

The following table shows the transition from the old net financial income/expenses to the new net financial income/ expenses:

## Reconciliation of net financial result from the old to the new structure from 1.1.2017 to 30.6.2017

| in € thousand | Current net income | | | |
|---|---|---|---|---|
| | Interest surplus | | Dividend incomes | Other current net income/ expenses |
| Old income statement structure from 1.1.2017 to 30.6.2017: | Interest income | Interest expenses | | |
| **Net income from financial assets available for sale** | **215,990** | **–** | **67,216** | **2** |
| Income from financial assets available for sale | 215,990 | – | 67,216 | 2 |
| Expenses from financial assets available for sale | – | – | – | – |
| **Net income from financial assets accounted for using the equity method** | **–** | **–** | **–** | **1,836** |
| Income from financial assets accounted for using the equity method | – | – | – | 1,836 |
| Expenses from financial assets accounted for using the equity method | – | – | – | – |
| **Net income from financial assets/liabilities at fair value through profit or loss** | **49,846** | **-88,406** | **9,086** | **–** |
| Income from financial assets/liabilities at fair value through profit or loss | 49,846 | – | 9,086 | – |
| Expenses from financial assets/liabilities at fair value through profit or loss | – | -88,406 | – | – |
| **Net income from hedges** | **–** | **–** | **–** | **–** |
| Income from hedges | – | – | – | – |
| Expenses from hedges | – | – | – | – |
| **Net income from receivables, liabilities and subordinated capital** | **591,722** | **-316,131** | **–** | **–** |
| Income from receivables, liabilities and subordinated capital | 591,722 | – | – | – |
| Expenses from receivables, liabilities and subordinated capital | – | -316,131 | – | – |
| **Net income from risk provision** | **–** | **–** | **–** | **–** |
| Income from risk provision | – | – | – | – |
| Expenses from risk provision | – | – | – | – |
| **Net financial income (old structure) from 1.1.2017 to 30.6.2017** | **857,558** | **-404,537** | **76,302** | **1,838** |
| **Net income from investment property** | **–** | **–** | **–** | **27,258** |
| Income from investment property | – | – | – | 59,110 |
| Expenses from investment property | – | – | – | -31,852 |
| **Net financial income (new structure) starting from 1.1.2017 to 30.6.2017** | **857,558** | **-404,537** | **76,302** | **29,096** |

New income statement from 1.1.2017 to 30.6.2017

| Net income from risk provision | | Net measurement result | | Net income from disposals | | Financial result |
|---|---|---|---|---|---|---|
| Income from credit risk adjustments | Expenses for credit risk adjustments | Measurement gains | Measurement losses | Income from disposals | Expenses from disposals | |
| **–** | **–** | **8,865** | **–232,012** | **363,196** | **–34,806** | **388,451** |
| – | – | 8,865 | - | 363,196 | - | 655,269 |
| – | – | – | –232,012 | – | –34,806 | –266,818 |
| **–** | **–** | **–** | **–** | **–** | **–** | **1,836** |
| – | – | – | – | – | – | 1,836 |
| – | – | – | – | – | – | – |
| **–** | **–** | **606,941** | **–320,110** | **108,344** | **–113,669** | **252,032** |
| – | – | 606,941 | – | 108,344 | – | 774,217 |
| – | – | – | –320,110 | – | –113,669 | –522,185 |
| **–** | **–** | **3,229** | **–3,195** | **1,234** | **–1,708** | **–440** |
| – | – | 3,229 | – | 1,234 | – | 4,463 |
| – | – | – | –3,195 | - | –1,708 | –4,903 |
| **–** | **–** | **28,664** | **–60,087** | **187,786** | **–1,672** | **430,282** |
| – | – | 10,064 | - | 187,786 | – | 789,572 |
| – | – | 18,600 | –60,087 | – | –1,672 | –359,290 |
| 46,508 | –44,699 | – | – | – | – | 1,809 |
| 46,508 | – | – | – | – | – | 46,508 |
| – | –44,699 | – | – | – | – | –44,699 |
| **46,508** | **–44,699** | **647,699** | **–615,404** | **660,560** | **–151,855** | **1,073,970** |
| **–** | **–** | **440** | **–386** | **10,710** | **–** | **38,022** |
| – | – | 440 | – | 10,710 | – | 70,260 |
| – | – | – | –386 | – | – | –32,238 |
| **46,508** | **–44,699** | **648,139** | **–615,790** | **671,270** | **–151,855** | **1,111,992** |

## Reconciliation of net financial income/expenses from the old to the new structure, Home Loan and Savings Bank

| in € thousand | Current net income | Net income from risk provision | Net measurement result | Net income from disposals | Financial result |
|---|---|---|---|---|---|
| | New income statement from 1.1.2017 to 30.6.2017 | | | | |
| Old income statement structure from 1.1.2017 to 30.6.2017 | | | | | |
| Net income from financial assets available for sale | 44,900 | – | 341 | 61,423 | 106,664 |
| Net income from financial assets accounted for using the equity method | – | – | – | – | – |
| Net income from financial assets/liabilities at fair value through profit or loss | -37,893 | – | 1,477 | 5,780 | -30,636 |
| Net income from hedges | – | – | 34 | -474 | -440 |
| Net income from receivables, liabilities and subordinated capital | 105,983 | – | -6,976 | 20,418 | 119,425 |
| Net income from risk provision | – | 2,563 | – | – | 2,563 |
| **Net financial income (old structure) from 1.1.2017 to 30.6.2017** | **112,990** | **2,563** | **-5,124** | **87,147** | **197,576** |
| Net income from investment property | 0 | – | – | – | – |
| **Net financial income (new structure) from 1.1.2017 to 30.6.2017** | **112,990** | **2,563** | **-5,124** | **87,147** | **197,576** |

## Reconciliation of net financial income/expenses from the old to the new structure, Life and Health Insurance

| in € thousand | Current net income | Net income from risk provision | Net measurement result | Net income from disposals | Financial result |
|---|---|---|---|---|---|
| | New income statement from 1.1.2017 to 30.6.2017 | | | | |
| Old income statement structure from 1.1.2017 to 30.6.2017 | | | | | |
| Net income from financial assets available for sale | 208,066 | – | -190,183 | 243,391 | 261,274 |
| Net income from financial assets accounted for using the equity method | 451 | – | – | – | 451 |
| Net income from financial assets/liabilities at fair value through profit or loss | 8,398 | – | 244,511 | -8,874 | 244,035 |
| Net income from hedges | - | – | – | – | – |
| Net income from receivables, liabilities and subordinated capital | 159,908 | – | -15,922 | 165,710 | 309,696 |
| Net income from risk provision | – | 1,107 | – | – | 1,107 |
| **Net financial income (old structure) from 1.1.2017 to 30.6.2017** | **376,823** | **1,107** | **38,406** | **400,227** | **816,563** |
| Net income from investment property | 25,130 | – | 53 | 10,204 | 35,387 |
| **Net financial income (new structure) from 1.1.2017 to 30.6.2017** | **401,953** | **1,107** | **38,459** | **410,431** | **851,950** |

## Reconciliation of net financial income/expenses from the old to the new structure, Property/Casualty Insurance

| | New income statement from 1.1.2017 to 30.6.2017 | | | | |
|---|---|---|---|---|---|
| | Current net income | Net income from risk provision | Net measurement result | Net income from disposals | Financial result |
| in € thousand | | | | | |
| Old income statement structure from 1.1.2017 to 30.6.2017 | | | | | |
| Net income from financial assets available for sale | 26,978 | – | –32,535 | 19,841 | 14,284 |
| Net income from financial assets accounted for using the equity method | 451 | – | – | – | 451 |
| Net income from financial assets/liabilities at fair value through profit or loss | –12 | – | 34,068 | –1,734 | 32,322 |
| Net income from hedges | – | – | – | – | – |
| Net income from receivables, liabilities and subordinated capital | –12,325 | – | –5,624 | –14 | –17,963 |
| Net income from risk provision | – | –376 | – | – | –376 |
| **Net financial income (old structure) from 1.1.2017 to 30.6.2017** | **15,092** | **–376** | **–4,091** | **18,093** | **28,718** |
| Net income from investment property | 928 | – | – | – | 928 |
| **Net financial income (new structure) from 1.1.2017 to 30.6.2017** | **16,020** | **–376** | **–4,091** | **18,093** | **29,646** |

## Reconciliation of net financial income/expenses from the old to the new structure, all other segments

| | New income statement from 1.1.2017 to 30.6.2017 | | | | |
|---|---|---|---|---|---|
| | Current net income | Net income from risk provision | Net measurement result | Net income from disposals | Financial result |
| in € thousand | | | | | |
| Old income statement structure from 1.1.2017 to 30.6.2017 | | | | | |
| Net income from financial assets available for sale | 137,107 | – | –769 | 3,735 | 140,073 |
| Net income from financial assets accounted for using the equity method | 934 | – | – | – | 934 |
| Net income from financial assets/liabilities at fair value through profit or loss | 33 | – | 6,775 | –498 | 6,310 |
| Net income from hedges | – | – | – | – | – |
| Net income from receivables, liabilities and subordinated capital | 13,686 | – | –2,903 | – | 10,783 |
| Net income from risk provision | – | –1,485 | – | – | –1,485 |
| **Net financial income (old structure) from 1.1.2017 to 30.6.2017** | **151,760** | **–1,485** | **3,103** | **3,237** | **156,615** |
| Net income from investment property | –62 | – | – | 507 | 445 |
| **Net financial income (new structure) from 1.1.2017 to 30.6.2017** | **151,698** | **–1,485** | **3,103** | **3,744** | **157,060** |

# Consolidation

### Changes to the scope of consolidation

Disposals from the scope of consolidation

In the first half-year of 2018, the funds W&W Global Strategies European Equity Value and LBBW-AM BSW were eliminated from the scope of consolidation.

Change in the shareholding in a subsidiary without creation or loss of the ability to control

Württembergische Lebensversicherung AG increased its shareholding in Karlsruher Lebensversicherung AG by 2.64% from 92.76% to 95.40%.

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

### 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 are 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 determinated using another valuation technique that maximizes the use of parameters observable on the market.

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

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).

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 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 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 measurement models using parameters that are directly or indirectly observable on the market (e.g. interest rate, exchange rate, volatility) (Level 2). Also included here are negotiable, liquid securities whose price is determined by price service agencies on the basis of binding offers or observable transactions. 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 financial instruments in the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income”, “Positive market values from hedges” and “Negative market values from hedges”. Exchange-traded derivatives are also measured at their exchange price.

In addition to the unadjusted prices of service agencies, Levels 2 and 3 use measurement methods to determine fair value. These 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 at fair value through other comprehensive income”. 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”.

Level 3 is characterised by non-exchange-traded equities, as well as investments, including alternative investments. All of these are allocated to the item “Financial assets at fair value through profit or loss”. Fair value is primarily determined on the basis of the net asset value (NAV). If no information is available, amortised cost is used as an approximate value for fair value.

## Segment reporting

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

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

**Home Loan and Savings Bank**

The reportable segment Home Loan and Savings Bank consists of two business segments and includes a broad range of home loan savings and banking products primarily for private clients, 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 reportable segment Life and Health Insurance consists of various business segments, all of which have similar economic characteristics and are comparable in terms of the aggregation criteria in IFRS 8.

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

**Property/Casualty Insurance**

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

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”, since they are not directly related to the other reportable 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 financial statements.

## Segment income statement

| in € thousands | Home Loan and Savings Bank | | Life and Health Insurance | |
|---|---|---|---|---|
| | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017[4] | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017[4] |
| | IFRS 9 | IAS 39 | IFRS 9 | IAS 39 |
| Current net income | 142,194 | 112,990 | 430,932 | 401,953 |
| Net result from risk provision | 13,425 | 2,563 | 2,687 | 1,107 |
| Net measurement gain/loss | -25,181 | -5,124 | -64,754 | 38,459 |
| Net income from disposals | 72,406 | 87,147 | 313,083 | 410,431 |
| **Net financial result** | **202,844** | **197,576** | **681,948** | **851,950** |
| Net commission result | 5,330 | 10,462 | -60,512 | -62,785 |
| Earned premiums (net) | – | – | 1,122,075 | 1,096,601 |
| Insurance benefits (net) | – | – | -1,582,140 | -1,726,807 |
| General administrative expenses[3] | -173,310 | -180,454[5] | -126,579 | -125,061[5] |
| Net other operating result | 10,298 | 15,073[5] | -11,214 | -11,260[5] |
| **Segment net income before income taxes from continued operations** | **45,162** | **42,657** | **23,578** | **22,638** |
| Income taxes | -15,128 | -15,224 | -8,838 | -6,240 |
| **Segment net income after taxes** | **30,034** | **27,433** | **14,740** | **16,398** |
| | | | | |
| **Other disclosures** | | | | |
| Total revenue[6] | 530,434 | 559,166 | 1,525,433 | 1,504,312 |
| thereof with other segments | 11,298 | 11,583 | 19,557 | 18,983 |
| thereof with external customers | 519,136 | 547,583 | 1,505,876 | 1,485,329 |
| Segment assets[8] | 30,971,176 | 30,804,326 | 35,506,350 | 33,806,194 |
| Segment debts[8] | 29,329,346 | 29,027,310 | 34,836,878 | 33,270,897 |
| Financial assets accounted for using the equity method[8] | – | – | 42,326 | 44,468 |

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 rental income with other segments and service revenues.
4 Structure of net financial income/expenses adjusted. Notes can be found in the chapter “Changes in the depiction of the financial statements”.
5 Previous year‘s figure adjusted. See the chapter “Changes in accounting policies, IFRS 15”.
6 Interest, commission and rental income and earned premiums (net) from insurance business.
7 Includes cross-segment premiums ceded to reinsurers.
8 Values as at 30 June 2018 and 31 December 2017, respectively.

| Property and casualty insurance | | Total for reportable segments | | All other segments[1] | | Consolidation/ reconciliation[2] | | Group | |
|---|---|---|---|---|---|---|---|---|---|
| 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017[4] | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017[4] | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017[4] | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017[4] | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
| IFRS 9 | IAS 39 | IFRS 9 | IAS 39 | IFRS 9 | IAS 39 | IFRS 9 | IAS 39 | IFRS 9 | IAS 39 |
| 38,701 | 16,020 | 611,827 | 530,963 | 69,976 | 151,698 | −41,236 | −124,243 | 640,567 | 558,418 |
| −797 | −376 | 15,315 | 3,294 | −2,065 | −1,485 | 164 | — | 13,414 | 1,809 |
| −5,438 | −4,091 | −95,373 | 29,244 | −11,202 | 3,103 | 2,446 | — | −104,129 | 32,347 |
| 1,789 | 18,093 | 387,278 | 515,671 | −1,579 | 3,744 | — | — | 385,699 | 519,415 |
| **34,255** | **29,646** | **919,047** | **1,079,172** | **55,130** | **157,060** | **−38,626** | **−124,243** | **935,551** | **1,111,989** |
| −119,059 | −106,025 | −174,241 | −158,348 | −26,514 | −29,117 | −436 | 350 | −201,191 | −187,115 |
| 732,800 | 695,664 | 1,854,875 | 1,792,265 | 135,901 | 126,255 | −9,908 | −9,748 | 1,980,868 | 1,908,772 |
| −381,121 | −330,173 | −1,963,261 | −2,056,980 | −81,537 | −72,579 | 8,833 | 12,582 | −2,035,965 | −2,116,977 |
| −179,211 | −159,806[5] | −479,100 | −465,321[5] | −45,599 | −48,912[5] | 1,398 | −2,649[5] | −523,301 | −516,882[5] |
| 193 | 629[5] | −723 | 4,442[5] | 13,006 | 13,917[5] | −2,584 | −3,966[5] | 9,699 | 14,393[5] |
| **87,857** | **129,935** | **156,597** | **195,230** | **50,387** | **146,624** | **−41,323** | **−127,674** | **165,661** | **214,180** |
| −25,800 | −33,882 | −49,766 | −55,346 | −15,026 | −48,021 | 15,523 | 44,128 | −49,269 | −59,239 |
| **62,057** | **96,053** | **106,831** | **139,884** | **35,361** | **98,603** | **−25,800** | **−83,546** | **116,392** | **154,941** |
| | | | | | | | | | |
| | | | | | | | | | |
| 834,660 | 803,195 | 2,890,527 | 2,866,673 | 222,181 | 209,844 | −126,578 | −127,033 | 2,986,130 | 2,949,484 |
| −103,544[7] | −92,287[7] | −72,689 | −61,721 | 199,267 | 188,754 | −126,578 | −127,033 | — | — |
| 938,204 | 895,482 | 2,963,216 | 2,928,394 | 22,914 | 21,090 | — | — | 2,986,130 | 2,950,073 |
| 4,933,229 | 4,524,392 | 71,410,755 | 69,134,912 | 7,103,659 | 6,366,411 | −4,214,213 | −3,483,154 | 74,300,201 | 72,182,210 |
| 3,634,414 | 3,329,654 | 67,800,638 | 65,627,861 | 4,069,774 | 4,168,480 | −1,825,271 | −1,743,030 | 70,045,141 | 68,335,453 |
| 62,129 | 64,271 | 104,455 | 108,739 | 6,760 | 6,533 | −19,803 | −19,803 | 91,412 | 95,469 |

## Information by region (Group)

| in € thousands | Revenue from external customers[1] | | Non-current assets[2] | |
|---|---|---|---|---|
| | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
| Germany | 2,943,544 | 2,908,099 | 2,126,300 | 2,050,555 |
| Czech Republic | 42,117 | 40,467 | 5,294 | 6,188 |
| Other countries | 469 | 918 | 554 | 550 |
| **Total** | **2,986,130** | **2,949,484** | **2,132,148** | **2,057,293** |

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 | 30/6/2018 | 31/12/2017 |
|---|---|---|
| | IFRS 9 | IAS 39 |
| Cash reserves | 344,625 | 479,033 |
| Financial assets at fair value through profit or loss | 2,243 | – |
| Financial assets at fair value through other comprehensive income (OCI) | 974,637 | – |
| Financial assets at amortised costs | 127,665 | |
| Financial assets at fair value through profit or loss | – | 160,383 |
| Financial assets available for sale | – | 718,949 |
| Loans and receivables | – | 198,746 |
| Risk provision | – | -976 |
| Investment property | 19,293 | 36,485 |
| Other assets | 10,025 | 13,192 |
| **Non-current assets held for sale and discontinued operations** | **1,478,488** | **1,605,812** |

| in € thousands | 30/6/2018 | 31/12/2017 |
|---|---|---|
| | IFRS 9 | IAS 39 |
| Liabilities | 1,128,552 | 945,892 |
| Financial liabilities at fair value through profit or loss | 21,992 | 16,130 |
| Other provisions | 35,348 | 36,607 |
| Other liabilities | 17,591 | 18,546 |
| **Liabilities under non-current assets classified as held for sale and discontinued operations** | **1,203,483** | **1,017,175** |

Non-current assets held for sale and discontinued operations consist of the assets and debts of a subsidiary, which constitutes a disposal group, as well as one property.

The disposal group held for sale as at 30 June 2018 has to do with the assets and debts of a subsidiary allocated to the Home Loan and Savings Bank segment. The sale was made for strategic reasons and is expected to close during the 2018 financial year. The financial assets at fair value through other comprehensive income that are associated with this disposal group mainly consist of senior fixed-income securities (€841.1 million) and senior debenture bonds and registered bonds (€122.6 million), whereas the liabilities primarily consist of liabilities to customers (€849.5 million) and to credit institutions (€275.3 million). Cumulative unrealised gains and losses recognised under “Other reserves” amounted to €21.7 million (previous year: €7.5).

The property held for sale as at 30 June 2018 has to do with a commercial property in third-party use in Mannheim allocated to the Life and Health Insurance segment. The property is being sold, among other things, for reasons of diversification, thus serving to further optimise the asset portfolio in the W&W Group. The sale is expected to close during the 2018 financial year.

Non-current assets held for sale and discontinued operations as at 31 December 2017 also had included in addition to the property in Mannheim of two commercial properties in third-party use in Ettlingen and Berlin, both of which were allocated to the Life and Health Insurance segment. Both properties were disposed of in the first half of 2018. The properties were disposed of for reasons of diversification, thus serving to further optimise the asset portfolio in the W&W Group.

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

| in € thousands | 30/6/2018 |
|---|---|
| | IFRS 9 |
| Participations, shares, fund units | 3,304,651 |
| Fixed-income financial instruments that do not pass the SPPI test | 1,212,761 |
| Derivative financial instruments | 152,825 |
| Senior fixed-income securities | 722,483 |
| Capital investments for the account and risk of holders of life insurance policies | 1,938,166 |
| **Financial assets at fair value through profit or loss** | **7,330,886** |

| in € thousands | 31/12/2017 |
|---|---|
| | IAS 39 |
| **Designated as financial assets at fair value through profit or loss** | **2,553,068** |
| Equity instruments | 547 |
| Senior fixed-income securities | – |
| Structured products | 624,894 |
| Capital investments for the account and risk of holders of life insurance policies | 1,927,627 |
| **Financial assets held for trading** | **284,244** |
| Equity instruments | 11,023 |
| Derivative financial instruments | 273,221 |
| **Financial assets at fair value through profit or loss** | **2,837,312** |

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

| | Fair value/ carrying amount |
|---|---|
| in € thousands | 30/6/2018 |
| | IFRS 9 |
| **Debt-financing instruments required to be measured at fair value through other comprehensive income (OCI: with recycling)** | **33,223,337** |
| Subordinated securities and receivables | 699,257 |
| Senior debenture bonds and registered bonds | 13,832,425 |
| Senior fixed-income securities | 18,691,655 |
| **Financial assets at fair value through other comprehensive income (OCI)** | **33,223,337** |

| in € thousands | Amortised cost | Unrealised gains | Unrealised losses | Fair value/carrying amount |
|---|---|---|---|---|
| | 31/12/2017 | 31/12/2017 | 31/12/2017 | 31/12/2017 |
| | IAS 39 | IAS 39 | IAS 39 | IAS 39 |
| **Equity instruments** | **2,719,580** | **545,236** | **-86,353** | **3,178,463** |
| Participations | 1,069,422 | 328,154 | -32,390 | 1,365,186 |
| Equities | 685,900 | 145,576 | -44,900 | 786,576 |
| Fund units | 964,258 | 71,506 | -9,063 | 1,026,701 |
| **Subordinated securities and receivables** | **1,205,893** | **77,117** | **-886** | **1,282,124** |
| **Senior fixed-income securities** | **18,830,239** | **788,510** | **-170,803** | **19,447,946** |
| **Financial assets available for sale** | **22,755,712** | **1,410,863** | **-258,042** | **23,908,533** |

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

| in € thousands | 30/6/2018 | 1/1/2018 | 31/12/2017 |
|---|---|---|---|
| | IFRS 9 | IFRS 9 | IAS 39 |
| Subordinated securities and receivables | -501 | -373 | – |
| Senior debenture bonds and registered bonds | -6,140 | -5,628 | – |
| Senior fixed-income securities | -15,113 | -14,087 | – |
| **Risk provision** | **-21,754** | **-20,088** | **–** |

The risk provision for debt instruments required to be measured at fair value through other comprehensive income changed to only an insignificant extent between 1 January 2018 and the reporting date. Additions and releases for each class can be found under “Net income/expense from risk provision”.

As at the reporting date, risk provision was €18.4 million (1 January 2018: €17.1 million) in Level 1 and €3.4 million (1 January 2018: €3.0 million) in Level 2.

### (4) Financial assets at amortised cost

| in € thousands | Carrying amount | Fair value |
|---|---|---|
| | 30/6/2018 | 30/6/2018 |
| | IFRS 9 | IFRS 9 |
| Subordinated securities and receivables | 133,266 | 154,375 |
| Senior debenture bonds and registered bonds[1] | 1,089,566 | 1,249,361 |
| Senior fixed-income securities | 1,065,125 | 1,224,467 |
| Building loans[1] | 23,160,967 | 23,597,174 |
| Other loans and receivables | 2,899,633 | 2,938,325 |
| Other loans and advances[2] | 2,492,922 | 2,522,277 |
| Other receivables[3] | 406,711 | 416,048 |
| **Financial assets at amortised cost** | **28,348,557** | **29,163,702** |

1 Includes portfolio hedge adjustment.
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.

| in € thousands | Carrying amount 31/12/2017 | Fair value 31/12/2017 |
|---|---|---|
| | IAS 39 | IAS 39 |
| Subordinated securities and receivables | 80,224 | 102,117 |
| First-rate receivables from institutional investors[1,2] | 14,076,295 | 16,404,484 |
| Building loans[2] | 23,525,418 | 23,882,918 |
| Other receivables | 2,430,203 | 2,439,821 |
| Other loans and advances[2] | 2,083,632 | 2,093,260 |
| Miscellaneous receivables[3] | 346,571 | 346,561 |
| **Receivables** | **40,112,140** | **42,829,340** |

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 the values as at 30 June 2018 by risk provision:

| in € thousands | 30/6/2018 |
|---|---|
| | IFRS 9 |
| **Subordinated securities and receivables** | **133,266** |
| **Senior debenture bonds and registered bonds** | **1,089,566** |
| **Senior fixed-income securities** | **1,065,125** |
| **Building loans** | **23,160,967** |
| Loans under home loan savings contracts | 1,908,404 |
| Preliminary and interim financing loans | 12,178,052 |
| Other building loans | 8,958,357 |
| Portfolio hedge adjustment | 116,154 |
| **Other receivables** | **2,899,633** |
| Other loans and advances[1] | 2,492,922 |
| Miscellaneous receivables[2] | 406,711 |
| Receivables from reinsurance business | 68,271 |
| Receivables from insurance agents | 122,604 |
| Receivables from policyholders | 210,992 |
| Miscellaneous other receivables | 4,844 |
| **Financial assets at amortised cost** | **28,348,557** |

1 Receivables that constitute a class pursuant to IFRS 7.
2 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.

Contained in “Other receivables” are loans and advances to credit institutions, not including risk provision, of €1,989.2 million, of which €1,158.2 million were due on demand and €826.5 million were not due on demand.

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

## Receivables as at 31 December 2017 (before risk provision)

| in € thousands | 31.12.2017 |
|---|---|
| | IAS 39 |
| **Subordinated securities and receivables** | **80,224** |
| **First-rate receivables from institutional investors[1]** | **14,076,295** |
| Credit institutions | 10,021,183 |
| Other financial companies | 135,311 |
| Other companies | 44,255 |
| Public authorities | 3,871,927 |
| Portfolio hedge adjustment | 3,619 |
| **Building loans** | **23,525,418** |
| Loans under home loan savings contracts | 1,937,940 |
| Preliminary and interim financing loans | 12,206,056 |
| Other building loans | 9,242,521 |
| Portfolio hedge adjustment | 138,901 |
| **Other receivables** | **2,430,203** |
| Other loans and advances[2] | 2,083,632 |
| from customers | 559,163 |
| from credit institutions | 1,524,469 |
| due on demand | 758,762 |
| not due on demand | 765,707 |
| Other receivables[3] | 346,571 |
| Receivables from reinsurance business | 72,388 |
| Receivables from insurance agents | 63,480 |
| Receivables from policyholders | 205,326 |
| Miscellaneous other receivables | 5,377 |
| **Receivables** | **40,112,140** |

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.

## Risk provision by class for financial assets at amortised cost

| in € thousands | 30/6/2018 | 1/1/2018 | 31/12/2017 |
|---|---|---|---|
| | IFRS 9 | IFRS 9 | IAS 39 |
| Subordinated securities and receivables | –104 | –69 | –18 |
| Senior debenture bonds and registered bonds | –547 | –425 | –1,231 |
| Senior fixed-income securities | –207 | –353 | – |
| Building loans | –132,451 | –145,612 | –121,413 |
| Other loans and advances | –29,732 | –12,768 | –8,572 |
| Other receivables | –11,622 | –14,623 | –21,840 |
| **Risk provision** | **–174,663** | **–173,850** | **–151,825** |

Until 31 December 2017, pursuant to IAS 39, a €16.3 million risk provision for loan and advances to home loan savings customers was deducted directly from the receivables item in “Other loans and advances to customers” and not recognised under the item “Risk provision”. Under IFRS 9, it is recognised as at 30 June 2018 in the risk provision under “Other loans and advances”.

Until 31 December 2017, pursuant to IAS 39, a €7.2 million risk provision for the reinsurers’ portion of technical provisions was contained in the risk provision for “Other receivables”. Under IFRS 9, it has been recognised from 1 January 2018 not in the risk provision for financial assets at amortised cost but instead under the item “Reinsurers’ portion of technical provisions”.

The risk provision for financial assets at amortised cost changed to only an insignificant extent between 1 January 2018 and the reporting date. Additions and releases for each class can be found under “Net income/expense from risk provision”.

The risk provision was at the reporting date €28.4 million (1 January 2018: €30.1 million) in Level 1, €68.1 million (1 January 2018: €57.9 million), in Level 2 and €78.1 million (1 January 2018: €85.8 million) in Level 3.

### (5) Positive market values from hedges

| in € thousands | 30/6/2018 | 31/12/2017 |
|---|---|---|
| **Fair value hedges** | **60,019** | **50,506** |
| Hedging of interest rate risk | 60,019 | 50,506 |
| **Positive market values from hedges** | **60,019** | **50,506** |

### (6) Investment property

The fair value of investment property amounted to €2,232.2 (previous year: €2,145.5 million).

## (7) Liabilities

| in € thousands | Carrying amount 30/6/2018 | Carrying amount 31/12/2017 | Fair value 30/6/2018 | Fair value 31/12/2017 |
|---|---|---|---|---|
| Liabilities evidenced by certificates | 972,264 | 918,938 | 977,499 | 929,423 |
| Liabilities to credit institutions | 2,760,858 | 2,735,133 | 2,778,304 | 2,759,506 |
| Liabilities to customers | 23,637,988 | 23,822,677 | 23,743,017 | 23,943,171 |
| Finance lease liabilities | 21,827 | 23,951 | 23,662 | 24,592 |
| Miscellaneous liabilities | 1,198,446 | 1,253,635 | 1,208,063 | 1,254,049 |
| Other liabilities[1] | 343,241 | 360,853 | 352,716 | 361,282 |
| Sundry liabilities[2] | 855,205 | 892,782 | 855,347 | 892,767 |
| **Liabilities** | **28,591,383** | **28,754,334** | **28,730,545** | **28,910,741** |

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 | 30/6/2018 | 31/12/2017 |
|---|---|---|
| **Liabilities evidenced by certificates** | **972,264** | **918,938** |
| **Liabilities to credit institutions** | **2,760,858** | **2,735,133** |
| **Liabilities to customers** | **23,637,988** | **23,822,677** |
| Deposits from home loan savings business and savings deposits | 19,213,056 | 19,088,690 |
| Other liabilities | 4,421,698 | 4,690,654 |
| Down payments received | 3,234 | 43,333 |
| **Finance lease liabilities** | **21,827** | **23,951** |
| **Miscellaneous liabilities** | **1,198,446** | **1,253,635** |
| Other liabilities[1] | 343,241 | 360,853 |
| Sundry liabilities[2] | 855,205 | 892,782 |
| Liabilities from reinsurance business | 146,592 | 129,243 |
| Liabilities from direct insurance business | 589,841 | 636,066 |
| Other sundry liabilities | 118,772 | 127,473 |
| **Liabilities** | **28,591,383** | **28,754,334** |

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.

### (8) Negative market values from hedges

| in € thousands | 30/6/2018 | 31/12/2017 |
|---|---|---|
| **Fair value hedges** | **125,519** | **70,311** |
| Hedging of interest rate risk | 125,519 | 70,311 |
| **Negative market values from hedges** | **125,519** | **70,311** |

### (9) Technical provisions

| | | Gross |
|---|---|---|
| in € thousands | 30/6/2018 | 31/12/2017 |
| Provision for unearned premiums | 506,232 | 245,008 |
| Provision for future policy benefits | 29,518,516 | 28,893,728 |
| Provision for outstanding insurance claims | 2,565,675 | 2,547,305 |
| Provision for premium refunds | 2,941,223 | 2,093,507 |
| Other technical provisions | 36,115 | 36,115 |
| **Technical provisions** | **35,567,761** | **33,815,663** |

### (10) Other provisions

| in € thousands | 30/6/2018 | 31/12/2017 |
|---|---|---|
| Provisions for pensions and other long-term employee benefits | 1,564,555 | 1,594,157 |
| Miscellaneous provisions | 1,116,455 | 1,109,816 |
| **Other provisions** | **2,681,010** | **2,703,973** |

On 20 July 2018, Heubeck AG published new Heubeck mortality tables 2018 G. However. these were not yet applied at at 30 June 2018. A conversion effect would have to be recognised under “Other net other income/expenses”.

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 2017 to 1.60%. 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.

In the financial year, there were releases from “Other provisions” totalling €12.9 million. The mainly related to restructuring and sales provisions.

## (11) Subordinated capital

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| in € thousands | 30/6/2018 | 31/12/2017 | 30/6/2018 | 31/12/2017 |
| Subordinated liabilities | 452,430 | 443,545 | 493,478 | 501,199 |
| Profit participation certificates | 7,218 | 7,431 | 8,171 | 8,641 |
| **Subordinated capital** | **459,648** | **450,976** | **501,649** | **509,840** |

# Notes concerning the consolidated income statement

## (12) Current net income

| in € thousands | 30/6/2018 | 30/6/2017 |
|---|---|---|
| | IFRS 9 | IAS 39[1] |
| **Interest income** | **811,017** | **857,558** |
| Subordinated securities and receivables | 9,939 | 22,296 |
| Fixed-income financial instruments that do not pass the SPPI test | 21,292 | – |
| Structured products | – | 3,214 |
| Derivative financial instruments | 36,920 | 44,516 |
| Senior debenture bonds and registered bonds | 186,100 | 205,139 |
| Senior fixed-income securities | 202,957 | 197,580 |
| Building loans | 336,653 | 369,407 |
| Other loans and receivables | 12,672 | 9,885 |
| Other loans and advances | 7,835 | 8,448 |
| Other receivables | 4,837 | 1,439 |
| Other | 4,484 | 5,521 |
| **Interest expenses** | **–297,220** | **–404,538** |
| Liabilities evidenced by certificates | –21,954 | –4,559 |
| Deposit liabilities and other liabilities | –198,990 | –240,699 |
| Finance lease liabilities | –189 | –239 |
| Reinsurance liabilities | –1,409 | –1,452 |
| Miscellaneous liabilities | –1,265 | –36,843 |
| Subordinated capital | –8,380 | –10,622 |
| Derivative financial instruments | –46,576 | –88,406 |
| Other | –18,457 | –21,717 |
| **Dividend income** | **99,121** | **76,302** |
| **Other current net income** | **27,649** | **29,096** |
| Net income from financial assets accounted for using the equity method | 1,435 | 1,836 |
| Net income from investment property | 26,214 | 27,259 |
| Other | – | 1 |
| **Current net income** | **640,567** | **558,418** |

1 Structure of net financial income/expenses adjusted. Notes can be found in the chapter "Changes in the depiction of the financial statements".

Net income from investment property contains income from leasing in the amount of €59.1 million (previous year: €59.1 million). In addition, it contains directly attributable operating expenses for repairs, maintenance and management, as well as depreciation. These expenses consisted of €31.0 million (previous year: €30.9 million) for rental units that generated rental income and €1.9 million (previous year: €1.3 million) for rental units that did not generate any rental income.

## (13) Net income from risk provision

| in € thousands | 30/6/2018 | 30/6/2017[1] |
|---|---|---|
| | IFRS 9 | IAS 39 |
| **Income from risk provision** | **60,285** | **46,508** |
| Release of risk provision | 52,391 | 33,958 |
| Subordinated securities and receivables | 64 | 4 |
| Senior debenture bonds and registered bonds | 1,178 | 256 |
| Senior fixed-income securities | 5,297 | – |
| Building loans | 42,798 | 32,344 |
| Other receivables | 3,054 | 1,354 |
| Other loans and advances | 2,141 | 680 |
| Miscellaneous receivables | 913 | 674 |
| Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees | 2,149 | 283 |
| Write-ups/receipts on written-down securities and receivables | 5,745 | 5,529 |
| Other income | – | 6,738 |
| **Expenses from risk provision** | **−46,871** | **−44,699** |
| Additions to risk provision | −44,067 | −38,103 |
| Subordinated securities and receivables | −225 | −2 |
| Senior debenture bonds and registered bonds | −1,825 | −166 |
| Senior fixed-income securities | −6,450 | – |
| Building loans | −32,680 | −34,751 |
| Other receivables | −2,887 | −3,184 |
| Other loans and advances | −1,913 | −2,405 |
| Miscellaneous receivables | −974 | −779 |
| Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees | −2,804 | −464 |
| Direct write-downs | – | −5,699 |
| Other expenses | – | −433 |
| **Net income from risk provision** | **13,414** | **1,809** |

1 Structure of net financial income/expenses adjusted. Notes can be found in the chapter “Changes in the depiction of the financial statements”.

### (14) Net measurement gain/loss

| in € thousands | 30/6/2018 | 30/6/2017[2] |
|---|---|---|
| | IFRS 9 | IAS 39 |
| **Net income/expenses from financial assets/liabilities at fair value through profit or loss** | **–53,107** | **59,617** |
| Participations, shares, fund units | –23,386 | –2,182[3] |
| Senior fixed-income securities | –6,597 | –4,175 |
| Derivative financial instruments | 13,730 | –36,404 |
| Capital investments for the account and risk of holders of life insurance policies | –17,079 | 79,192 |
| Fixed-income financial instruments that do not pass the SPPI test | –19,775 | — |
| Structured products | — | 23,186 |
| **Net income from the discounting of provisions for home loan savings business** | **1,181** | **18,600** |
| **Net income from hedges[1]** | **–24,565** | **–25,992** |
| **Impairments/reversals taken on financial assets accounted for using the equity method** | **—** | **—** |
| **Impairments/reversals taken on investment property** | **1,597** | **53** |
| **Net currency income** | **–29,235** | **–19,931** |
| Participations, shares, fund units | 23,328 | 1,646 |
| Subordinated securities and receivables | 480 | –3,850 |
| Fixed-income financial instruments that do not pass the SPPI test | 2,090 | — |
| Structured products | — | –24,540 |
| Senior debenture bonds and registered bonds | — | 145 |
| Senior fixed-income securities | 77,595 | –214,468 |
| Other loans and receivables | 11,854 | –23,801 |
| Derivative financial instruments/positive and negative market values from hedges | –155,298 | 267,931 |
| Capital investments for the account and risk of holders of life insurance policies | 9,191 | –22,993 |
| Other | 1,525 | –1 |
| **Net measurement gain/loss** | **–104,129** | **32,347** |

1 Hedge accounting (hedged items and hedging instruments)
2 Structure of net financial income/expenses adjusted. Notes can be found in the chapter “Changes in the depiction of the financial statements”.
3 Includes impairments taken on equity instruments in the amount of €6,770 thousand that were recognised in the previous year under “Expenses from financial assets available for sale”.

The net income/expenses from financial assets/liabilities at fair value through profit or loss contained measurement gains in the amount of €320.2 million (previous year: €295.0 million) and measurement losses in the amount of €373.3 million (previous year: €235.4 million). Of this, measurement gains in the amount of €119.8 million (previous year: €170.6 million) and measurement losses in the amount of €106.1 million (previous year: €201.2 million) were attributable to derivatives, which mainly hedged interest-rate-dependent measurement gains and losses on capital investments.

Net currency expenses contained gains in the amount of €319.9 million (previous year: €328.8 million) and losses in the amount of €349.1 million (previous year: €348.8 million). Of this, currency gains in the amount of €137.8 million (previous year: €305.2 million) and currency losses in the amount of €293.2 million (previous year: €37.3 million) were attributable to currency derivatives, which hedged currency gains and losses on capital investments.

## (15) Net income from disposals

| in € thousands | 30/6/2018 | 30/6/2017[2] |
|---|---|---|
| | IFRS 9 | IAS 39 |
| **Income from disposals** | **428,399** | **671,270** |
| Participations, shares, fund units | – | 75,341 |
| Subordinated securities and receivables | 2,054 | 1,327 |
| Structured products | – | 883 |
| Senior debenture bonds and registered bonds | 302,811 | 187,785 |
| Senior fixed-income securities | 114,543 | 286,714 |
| Building loans | 1 | – |
| Derivative financial instruments | – | 105,780 |
| Cash flow hedges | – | 1,234 |
| Capital investments for the account and risk of holders of life insurance policies | – | 1,496 |
| Investment property | 8,990 | 10,710 |
| **Expenses from disposals** | **–42,700** | **–151,855** |
| Participations, shares, fund units | – | –6,463 |
| Subordinated securities and receivables | –213 | –1,977 |
| Structured products | – | –790 |
| Senior debenture bonds and registered bonds | – | –940 |
| Senior fixed-income securities | –41,956 | –27,100 |
| Building loans | –516 | – |
| Derivative financial instruments | – | –112,556 |
| Cash flow hedges | – | –1,708 |
| Capital investments for the account and risk of holders of life insurance policies | – | –321 |
| Financial assets accounted for using the equity method | –15 | – |
| **Net income from disposals** | **385,699** | **519,659** |

1 Structure of net financial income/expenses adjusted. Notes can be found in the chapter “Changes in the depiction of the financial statements”.

## (16) Net commission result

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| **Commission income** | **133,803** | **128,296** |
| from the conclusion of building savings contracts | 64,743 | 61,161 |
| from banking/home loan savings business | 19,220 | 19,718 |
| from reinsurance | 11,648 | 11,276 |
| from brokering activities | 16,755 | 15,437 |
| from investment business | 18,936 | 17,380 |
| from other business | 2,501 | 3,324 |
| **Commission expenses** | **–334,994** | **–315,411** |
| from insurance | –218,682 | –209,122 |
| from banking/home loan savings business | –86,579 | –77,501 |
| from reinsurance | –99 | –107 |
| from brokering activities | –5,306 | –4,633 |
| from investment business | –12,686 | –11,359 |
| from other business | –11,642 | –12,689 |
| **Net commission result** | **–201,191** | **–187,115** |

## (17) Earned premiums (net)

### Life and health insurance

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| Gross premiums written | 1,082,735 | 1,056,489 |
| Change in the provision for unearned premiums | 18,845 | 20,519 |
| Premiums from the provision for premium refunds | 26,191 | 24,882 |
| **Earned premiums (gross)** | **1,127,771** | **1,101,890** |
| Premiums ceded to reinsurers | –15,604 | –15,036 |
| **Earned premiums (net)** | **1,112,167** | **1,086,854** |

### Property/casualty insurance and reinsurance

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| Gross premiums written | 1,194,460 | 1,125,708 |
| Direct | 1,188,057 | 1,122,261 |
| Reinsurance | 6,403 | 3,447 |
| Change in the provision for unearned premiums | –280,069 | –260,834 |
| **Earned premiums (gross)** | **914,391** | **864,874** |
| Premiums ceded to reinsurers | –45,690 | –42,956 |
| **Earned premiums (net)** | **868,701** | **821,918** |

### (18) 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 | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| Payments for insurance claims | −1,060,237 | −1,112,269 |
| Gross amount | −1,069,026 | −1,120,590 |
| Thereof to: reinsurers' portion | 8,789 | 8,321 |
| Change in the provision for outstanding insurance claims | −8,424 | 1,942 |
| Gross amount | −8,845 | 2,028 |
| Thereof to: reinsurers' portion | 421 | −86 |
| Change in the provision for future policy benefits | −624,955 | −445,416 |
| Gross amount | −625,100 | −445,119 |
| Thereof to: reinsurers' portion | 145 | −297 |
| Change in the provision for premium refunds | 120,448 | −158,069 |
| Gross amount | 120,448 | −158,069 |
| Thereof to: reinsurers' portion | — | — |
| Change in other technical provisions | — | −20 |
| Gross amount | — | −20 |
| Thereof to: reinsurers' portion | — | — |
| **Insurance benefits (net)** | **−1,573,168** | **−1,713,832** |
| Gross amount, total | −1,582,523 | −1,721,770 |
| Thereof to (total): reinsurers' portion | 9,355 | 7,938 |

## Property/casualty insurance and reinsurance

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| Payments for insurance claims | -452,062 | -416,089 |
| Gross amount | -483,576 | -439,541 |
| Thereof to: reinsurers' portion | 31,514 | 23,452 |
| Change in the provision for outstanding insurance claims | -9,206 | 13,354 |
| Gross amount | -7,452 | 16,774 |
| Thereof to: reinsurers' portion | -1,754 | -3,420 |
| Change in the provision for premium refunds | -139 | -410 |
| Gross amount | -139 | -410 |
| Thereof to: reinsurers' portion | – | – |
| Change in other technical provisions | -1,390 | – |
| Gross amount | – | – |
| Thereof to: reinsurers' portion | -1,390 | – |
| **Insurance benefits (net)** | **-462,797** | **-403,145** |
| Gross amount, total | -491,167 | -423,177 |
| Thereof to (total): reinsurers' portion | 28,370 | 20,032 |

## (19) Income taxes

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| Current income taxes paid for the reporting period | -82,637 | -64,242 |
| Current taxes paid for other periods | 3,551 | 967 |
| Deferred taxes | 29,817 | 4,036 |
| **Income taxes** | **-49,269** | **-59,239** |

### (20) Earnings per share

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

| | | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|---|
| | | IFRS 9 | IAS 39 |
| Result attributable to shareholders of W&W AG | in € | 115,748,050 | 154,202,320 |
| Number of shares at the beginning of the financial year | # | 93,550,955 | 93,476,940 |
| Treasury shares on the reporting date | # | −126,726 | −198,765 |
| Weighted average number of shares | # | 93,585,979 | 93,513,334 |
| **Basic (= diluted) earnings per share** | in € | **1.24** | **1.65** |

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

### (21) Appropriation of profit

On 13 June 2018, the Annual General Meeting of W&W AG resolved to distribute a dividend in the amount of €0.65 (previous year: €0.60) per share from the unappropriated surplus for the 2017 financial year as calculated in accordance with the German Commercial Code (HGB), which amounted to €65.2 million (previous year: €63.4 million).

Dividends totalling €60,854,946.10 were distributed on 18 June 2018.

## Notes concerning financial instruments and fair value

### (22) 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.

**2018 measurement hierarchy (items that were measured at fair value)**

| in € thousands | Level 1 | Level 2 | Level 3 | Fair value/ carrying amount |
|---|---|---|---|---|
| | 30/6/2018 | 30/6/2018 | 30/6/2018 | 30/6/2018 |
| | IFRS 9 | IFRS 9 | IFRS 9 | IFRS 9 |
| **Financial assets at fair value through profit or loss** | **768,687** | **5,006,854** | **1,555,345** | **7,330,886** |
| Participations, shares, fund units | 740,965 | 1,045,275 | 1,518,411 | 3,304,651 |
| Investments, excluding alternative investments | – | – | 237,282 | 237,282 |
| Alternative investments, including private equity | – | – | 1,249,619 | 1,249,619 |
| Equities | 740,965 | – | 29,124 | 770,089 |
| Fund units | – | 1,045,275 | 2,386 | 1,047,661 |
| Fixed-income financial instruments that do not pass the SPPI test | – | 1,177,474 | 35,287 | 1,212,761 |
| Derivative financial instruments | 27,722 | 125,100 | 3 | 152,825 |
| Interest-rate-based derivatives | – | 107,592 | – | 107,592 |
| Currency-based derivatives | – | 5,613 | – | 5,613 |
| Shares and indexbased derivates | 27,722 | 11,890 | – | 39,612 |
| Other derivatives | – | 5 | 3 | 8 |
| Senior fixed-income securities | – | 722,483 | – | 722,483 |
| Capital investments for the account and risk of holders of life insurance policies | – | 1,936,522 | 1,644 | 1,938,166 |
| **Financial assets at fair value through profit or loss (OCI)** | **–** | **33,223,337** | **–** | **33,223,337** |
| Subordinated securities and receivables | – | 699,257 | – | 699,257 |
| Senior debenture bonds and registered bonds | – | 13,832,425 | – | 13,832,425 |
| Credit institutions | – | 9,787,074 | – | 9,787,074 |
| Other financial companies | – | 130,416 | – | 130,416 |
| Public authorities | – | 3,914,935 | – | 3,914,935 |
| Senior fixed-income securities | – | 18,691,655 | – | 18,691,655 |
| Credit institutions | – | 6,135,557 | – | 6,135,557 |
| Other financial companies | – | 1,157,906 | – | 1,157,906 |
| Other companies | – | 1,439,033 | – | 1,439,033 |
| Public authorities | – | 9,957,813 | – | 9,957,813 |
| Central banks | – | 1,346 | – | 1,346 |
| **Positive market values from hedges** | **–** | **60,019** | **–** | **60,019** |
| **Total assets** | **768,687** | **38,290,210** | **1,555,345** | **40,614,242** |

## 2018 measurement hierarchy (items that were measured at fair value) (continued)

| in € thousands | Level 1 30/6/2018 IFRS 9 | Level 2 30/6/2018 IFRS 9 | Level 3 30/6/2018 IFRS 9 | Fair value/ carrying amount 30/6/2018 IFRS 9 |
|---|---|---|---|---|
| **Financial liabilities at fair value through profit or loss** | **1,135** | **542,876** | **—** | **544,011** |
| Derivative financial instruments | 1,135 | 542,876 | – | 544,011 |
| Interest-rate-based derivatives | 618 | 417,959 | – | 418,577 |
| Currency-based derivatives | – | 121,491 | – | 121,491 |
| Equity- and index-based derivatives | 517 | 3,426 | – | 3,943 |
| **Negative market values from hedges** | **—** | **125,519** | **—** | **125,519** |
| **Total liabilities** | **1,135** | **668,395** | **—** | **669,530** |

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

| in € thousands | Level 1 31/12/2017 IAS 39 | Level 2 31/12/2017 IAS 39 | Level 3 31/12/2017 IAS 39 | Fair value/ carrying amount 31/12/2017 IAS 39 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | **37,011** | **2,795,199** | **5,102** | **2,837,312** |
| Designated as financial assets at fair value through profit or loss | – | 2,548,896 | 4,172 | 2,553,068 |
| Equity instruments | – | 547 | – | 547 |
| Fund units | – | 547 | – | 547 |
| Structured products | – | 624,894 | – | 624,894 |
| Interest-rate-based structured products | – | 181,813 | – | 181,813 |
| Equity- and index-based structured products | – | 443,081 | – | 443,081 |
| Capital investments for the account and risk of holders of life insurance policies | – | 1,923,455 | 4,172 | 1,927,627 |
| Financial assets held for trading | 37,011 | 246,303 | 930 | 284,244 |
| Equity instruments | – | 10,104 | 919 | 11,023 |
| Fund units | – | 10,104 | 919 | 11,023 |
| Derivative financial instruments | 37,011 | 236,199 | 11 | 273,221 |
| Interest-rate-based derivatives | 794 | 149,754 | – | 150,548 |
| Currency-based derivatives | – | 82,415 | – | 82,415 |
| Equity- and index-based derivatives | 36,132 | 4,030 | – | 40,162 |
| Other derivatives | 85 | – | 11 | 96 |
| **Financial assets available for sale** | **757,158** | **21,719,124** | **1,432,251** | **23,908,533** |
| Equity instruments | 757,158 | 1,024,058 | 1,397,247 | 3,178,463 |
| Investments, excluding alternative investments | – | – | 233,758 | 233,758 |
| Credit institutions | – | – | 23,757 | 23,757 |
| Other financial companies | – | – | 4,946 | 4,946 |
| Other companies | – | – | 205,055 | 205,055 |

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

| in € thousands | Level 1 | Level 2 | Level 3 | Fair value/ carrying amount |
|---|---|---|---|---|
| | 31/12/2017 | 31/12/2017 | 31/12/2017 | 31/12/2017 |
| | IAS 39 | IAS 39 | IAS 39 | IAS 39 |
| Alternative investments, including private equity | – | – | 1,131,428 | 1,131,428 |
| Other financial companies | – | – | 1,090,566 | 1,090,566 |
| Other companies | – | – | 40,862 | 40,862 |
| Shares | 757,158 | – | 29,418 | 786,576 |
| Credit institutions | 82,821 | – | 26,004 | 108,825 |
| Other financial companies | 72,205 | – | 3,414 | 75,619 |
| Other companies | 602,132 | – | – | 602,132 |
| Fund units | – | 1,024,058 | 2,643 | 1,026,701 |
| Subordinated securities and receivables | – | 1,247,120 | 35,004 | 1,282,124 |
| Credit institutions | – | 499,666 | – | 499,666 |
| Other financial companies | – | 343,688 | 35,004 | 378,692 |
| Other companies | – | 403,766 | – | 403,766 |
| Senior fixed-income securities | – | 19,447,946 | – | 19,447,946 |
| Credit institutions | – | 6,367,701 | – | 6,367,701 |
| Other financial companies | – | 1,319,195 | – | 1,319,195 |
| Other companies | – | 1,823,820 | – | 1,823,820 |
| Public authorities | – | 9,937,230 | – | 9,937,230 |
| **Positive market values from hedges** | **–** | **50,506** | **–** | **50,506** |
| **Total assets** | **794,169** | **24,564,829** | **1,437,353** | **26,796,351** |
| **Financial liabilities at fair value through profit or loss** | **312** | **533,302** | **–** | **533,614** |
| Financial liabilities held for trading | 312 | 533,302 | – | 533,614 |
| Derivative financial instruments | 312 | 533,302 | – | 533,614 |
| Interest-rate-based derivatives | 84 | 518,284 | – | 518,368 |
| Currency-based derivatives | – | 4,290 | – | 4,290 |
| Equity- and index-based derivatives | 228 | 10,728 | – | 10,956 |
| **Negative market values from hedges** | **–** | **70,311** | **–** | **70,311** |
| **Total liabilities** | **312** | **603,613** | **–** | **603,925** |

## Development Level 3 (2018 – IFRS 9)

| | Investments, excluding alternative investments | Alternative investments, including private equity | Shares |
|---|---|---|---|
| in € | | | |
| **As at 1 January 2018** | **233,756** | **1,131,428** | **29,418** |
| Total comprehensive income for the period | −5,583 | 49,014 | −294 |
| Income recognised in the consolidated income statement | 4,368 | 69,789 | 17 |
| Expenses recognised in the consolidated income statement | −9,951 | −20,775 | −311 |
| Unrealised gains/losses (−) from financial assets at fair value (OCI, gross) | — | — | — |
| Purchases | 10,926 | 154,822 | — |
| Sales | −6,397 | −87,435 | — |
| Transfers from Level 3 | — | — | — |
| Transfers to Level 3 | 4,580 | 1,790 | — |
| **As at 30 June 2018** | **237,282** | **1,249,619** | **29,124** |
| Income recognised in the consolidated income statement as at the end of reporting period[1] | 4,368 | 64,208 | 17 |
| Expenses recognised in the consolidated income statement as at the end of reporting period[1] | −9,861 | −20,410 | −311 |

1 Expenses and income for assets remaining in the portfolio at the end of the reporting period.

| Fund units | Fixed-income financial instruments that do not pass the SPPI test | Derivative financial instruments | Capital investments for the account and risk of holders of life insurance policies | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | Total |
| **3,564** | **35,004** | **11** | **4,172** | **1,437,353** |
| –717 | 283 | 2 | –664 | 42,041 |
| 38 | 283 | 2 | — | 74,497 |
| –755 | — | — | –664 | –32,456 |
| — | — | — | — | — |
| — | — | — | 1,145 | 166,893 |
| –461 | — | –10 | –1,095 | –95,398 |
| — | — | — | –1,914 | –1,914 |
| — | — | — | — | 6,370 |
| **2,386** | **35,287** | **3** | **1,644** | **1,555,345** |
| 38 | 283 | — | — | 68,914 |
| –755 | — | — | –564 | –31,901 |

## Development Level 3 (2017 – IAS 39)

| | 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 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 | – | – | – | – | – | – |
| 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 |
| **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 the end of reporting period[1] | – | – | – | – | – | – |
| Expenses recognised in the consolidated income statement as atthe end of reporting period[1] | -254 | -202 | – | – | – | -122 |

1 Expenses and income for assets remaining 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 | | Shares | | Fund units | | |
| | Other financial companies | Other companies | Credit institutions | Other financial companies | | Other financial companies | |
| | **1,025,720** | **29,870** | **27,507** | **6,783** | **3,702** | **21,595** | **1,390,527** |
| | 5,618 | – | – | –605 | –17 | – | 3,933 |
| | – | – | – | – | – | – | – |
| | 10,841 | – | – | –605 | | | 9,751 |
| | 73,654 | – | – | – | – | – | 76,366 |
| | –39,388 | – | – | –746 | –1,020 | – | –42,830 |
| | – | – | – | – | – | – | – |
| | **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. The majority of these securities, amounting to €1,158.0 million (previous year: €1,063.8 million), were measured on the basis of net asset value. Of this amount, €4.8 million (previous year: €8.3 million) was attributable to "Investments, excluding alternative investments", and €1,153.1 million (previous year: €1,055.5 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 (2018: €150,6 million; previous year: €151.7 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 €140.9 million (previous year: €140.9 million), while a change in discount rates by -100 basis points leads to an increase to €163.7 million (previous year: €163.7 million).

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

The most significant measurement parameter for interests measured using the capitalised earnings method (2018: €63.2 million; previous year: €64.5 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.

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

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

## Quantitative information about the measurement of fair value in Level 3

| | Fair value | Measurement method | Non-observable input factors | Range in % |
|---|---|---|---|---|
| in € thousands | 30/6/2018 | | | 30/6/2018 |
| | IFRS 9 | | | |
| **Financial assets at fair value through profit or loss** | **1,555,345** | | | |
| Participations, shares, fund units | 1,518,411 | | | |
| Participations without alternative investments | 237,282 | | | |
| | 33,647 | Net asset value | Discount rate | 6.63–9.54 |
| | 42,572 | Approximation method | n/a | n/a |
| | 161,063 | Net asset value | Discount rate | 4.1–8.91 |
| Participations without alternative investments included private equities | 1,249,619 | | | |
| | 29,551 | Net asset value | Discount rate | 4,42 |
| | 66,923 | Approximation method | n/a | n/a |
| | 1,153,145 | Net asset value | n/a | n/a |
| Shares | 29,124 | | | |
| | 26,004 | Approximation method | n/a | n/a |
| | 3,120 | Net asset value | n/a | n/a |
| Funds units | 2,386 | | | |
| | 1,108 | Approximation method | n/a | n/a |
| | 1,278 | Net asset value | n/a | n/a |
| Fixed income fiancial instruments that do not pass the SPPI test | 35,287 | Approximation method | n/a | n/a |
| Derivative financial instruments | 3 | Black-Scholes model | Index weighting, volatility | n/a |
| Senior debenture bonds and registered bonds | – | | | |
| Capital investments for the account and risk of holders of life insurance policies | 1,644 | Net asset value | n/a | n/a |

## Quantitative information about the measurement of fair value in Level 3

| | Fair value | Non-observable input factors | | |
|---|---|---|---|---|
| in € thousands | 31/12/2017 | | | 31/12/2017 |
| | IFRS 9 | | | |
| **Financial assets at fair value through profit or loss** | **5,102** | | | |
| Designated as financial assets at fair value through profi or loss | 4,172 | | | |
| Capital investments for the account and risk of holders of life insurance policies | 4,172 | Net asset value | n/a | n/a |
| Financial assets held for trading | 930 | | | |
| Equity instruments | 919 | | | |
| Funds units | 919 | Net asset value | n/a | n/a |
| Derivative financial instruments | 11 | | | |
| Other derivatives | 11 | Black-Scholes model | Index weighting, volatility | n/a |
| **Financial assets available for sale** | **1,432,251** | | | |
| Equity instruments | 1,397,247 | | | |
| Participations without alternative investments | 233,758 | | | |
| | 34,992 | Net asset value | Discount rate | 6.63–9.54 |
| | 24,866 | Approximation method | n/a | n/a |
| | 173,900 | Net asset value | Discount rate | 4.17–8.91 |
| Participations without alternative investments included private equities | 1,131,428 | | | |
| | 29,551 | Net asset value | Discount rate | 4.42 |
| | 46,379 | Approximation method | n/a | n/a |
| | 1,055,498 | Net asset value | n/a | n/a |
| Shares | 29,418 | | | |
| | 26,004 | Approximation method | n/a | n/a |
| | 3,414 | Net asset value | n/a | n/a |
| Funds units | 2,643 | | | |
| | 2,222 | Approximation method | n/a | n/a |
| | 421 | Net asset value | n/a | n/a |
| Subordianted securities and receivables | 35,004 | | | |
| | 35,004 | Approximation method | n/a | n/a |

## Other disclosures

### (23) Revenues from contracts with customers

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

**2018**

| in € thousands | Home Loan and Savings Bank<br>1/1/2018 to 30/6/2018<br>IFRS 15 | Life and Health Insurance<br>1/1/2018 to 30/6/2018<br>IFRS 15 | Property/ Casualty Insurance<br>1/1/2018 to 30/6/2018<br>IFRS 15 | All other segments<br>1/1/2018 to 30/6/2018<br>IFRS 15 | Consolidation/ reconciliation<br>1/1/2018 to 30/6/2018<br>IFRS 15 | Total<br>1/1/2018 to 31/12/2018<br>IFRS 15 |
|---|---|---|---|---|---|---|
| **Commission revenue** | **58,357** | **6,864** | **7,770** | **24,544** | **−40,123** | **57,412** |
| from banking/home loan savings business | 15,503 | – | – | 3,720 | −3 | 19,220 |
| from brokering activities | 23,971 | 6,864 | 7,770 | 689 | −22,539 | 16,755 |
| from investment business | 16,726 | – | – | 19,791 | −17,581 | 18,936 |
| from other business | 2,157 | – | – | 344 | – | 2,501 |
| **Other revenue** | **4,048** | **294** | **2,684** | **53,130** | **−1,387** | **58,769** |
| Revenue from inventories (property development business) | – | – | – | 49,232 | – | 49,232 |
| Other | 4,048 | 294 | 2,684 | 3,898 | −1,387 | 9,537 |
| **Sales proceeds from intangible assets[1]** | **–** | **23,075** | **–** | **–** | **–** | **23,075** |
| **Total** | **62,405** | **30,233** | **10,454** | **77,674** | **−41,510** | **139,256** |
| Type of revenue recognition | | | | | | |
| satisfied at a point in time | 37,195 | 30,233 | 10,454 | 53,325 | −30,851 | 100,356 |
| satisfied over time | 25,210 | – | – | 24,349 | −10,659 | 38,900 |
| **Total** | **62,405** | **30,233** | **10,454** | **77,674** | **−41,510** | **139,256** |

1 Included in the income of disposals.

## 2017

| in € thousands | Home Loan and Savings Bank 1/1/2017 to 30/6/2017 | Life and Health Insurance 1/1/2017 to 30/6/2017 | Property/ Casualty Insurance 1/1/2017 to 30/6/2017 | All other segments 1/1/2017 to 30/6/2017 | Consolidation/ reconciliation 1/1/2017 to 30/6/2017 | Total 1/1/2017 to 31/12/2017 |
|---|---|---|---|---|---|---|
| | IAS 18 | IAS 18 | IAS 18 | IAS 18 | IAS 18 | IAS 18 |
| **Commission revenue** | **55,759** | **6,279** | **8,066** | **24,445** | **–38,690** | **55,859** |
| from banking/home loan savings business | 15,931 | – | – | 3,789 | –2 | 19,718 |
| from brokering activities | 22,095 | 6,279 | 8,066 | 755 | –21,758 | 15,437 |
| from investment business | 15,325 | – | – | 18,985 | –16,930 | 17,380 |
| from other business | 2,408 | – | – | 916 | – | 3,324 |
| **Other revenue** | **–** | **–** | **–** | **55,286** | **26** | **55,312** |
| Revenue from inventories (property development business) | – | – | – | 55,286 | 26 | 55,312 |
| Other revenue | 6,094 | 291 | 3,016 | 4,325 | –1,225 | 12,501 |
| **Sales proceeds from intangible assets[1]** | **–** | **25,000** | **–** | **–** | **–** | **25,000** |
| **Total** | **61,853** | **31,570** | **11,082** | **84,056** | **–39,889** | **148,672** |
| Type of revenue recognition | | | | | | |
| satisfied at a point in time | 46,528 | 31,570 | 11,082 | 65,071 | –22,959 | 131,292 |
| satisfied over time | 15,325 | – | – | 18,985 | –16,930 | 17,380 |
| **Total** | **61,853** | **31,570** | **11,082** | **84,056** | **–39,889** | **148,672** |

1 Included in the income of disposals.

### (24) Contingent liabilities and other liabilities

| in € thousands | 30/6/2018 | 31/12/2017 |
|---|---|---|
| **Contingent liabilities** | **1,498,465** | **1,317,802** |
| from deposit protection funds | 370,441 | 370,397 |
| from sureties and warranties | 10,158 | 10,162 |
| from capital contribution calls not yet made | 887,111 | 647,950 |
| sales proceeds from intangible assets | 228,915 | 287,469 |
| Other contingent liabilities | 1,840 | 1,824 |
| **Other obligations** | **1,278,272** | **1,082,000** |
| Irrevocable loan commitments | 1,250,118 | 1,052,265 |
| Financial guarantees | 28,154 | 29,735 |
| **Total** | **2,776,737** | **2,399,802** |

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

The provisions for irrevocable loan commitments amounted to €3.2 million as at 31 December 2017 pursuant to IAS 39 and to €2.6 million as at 1 January 2018 and €3.3 million as at 30 June 2018 pursuant to IFRS 9.

### (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 at 30 June 2018, receivables from related persons amounted to €541 thousand (previous year: €567 thousand), and liabilities to related persons amounted to €1,484 thousand (previous year: €1,174 thousand). In 2018 interest income from loans made to related persons premiums amounted to €17 thousand (previous year: €3 thousand), and interest expenses for savings deposits of related persons amounted to €1 thousand (previous year: €0). In the first half-year of 2018, premiums in the amount of €70 thousand (previous year: €28 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 at 30 June 2018, a financial liability was owed to Wüstenrot Holding AG under this agreement in the amount of €17.0 million (previous year: €18.9 million). W&W AG makes fixed annual amortisation payments (principal and interest) to Wüstenrot Holding AG in the amount of € 2.5 million, plus value-added tax.

Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., which is a charitable foundation, as well as Wüstenrot Holding AG, WS Holding AG and Pensionskasse der Württembergischen VVaG are recognised under “Other related companies” as the post-employment benefit plan for the benefit of employees.
The transactions were at arm’s length.

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

| in € thousands | 30/6/2018 | 31/12/2017 |
|---|---|---|
| **Financial assets with respect to related companies** | **91,204** | **76,261** |
| Unconsolidated subsidiaries | 58,117 | 49,148 |
| Associates | 1,964 | 1 |
| Other related companies | 31,123 | 27,112 |
| **Financial liabilities with respect to related companies** | **163,697** | **173,075** |
| Unconsolidated subsidiaries | 51,379 | 56,473 |
| Associates | 80,050 | 81,475 |
| Other related companies | 32,268 | 35,127 |

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

| in € thousands | 1/1/2018 to 30/6/2018 | 1/1/2017 to 30/6/2017 |
|---|---|---|
| **Income from transactions with related companies** | **19,568** | **19,058** |
| Unconsolidated subsidiaries | 18,560 | 17,833 |
| Associates | 2 | 269 |
| Other related companies | 1,006 | 956 |
| **Expenses from transactions with related companies** | **–26,781** | **–58,473** |
| Unconsolidated subsidiaries | –19,843 | –18,545 |
| Associates | –168 | –119 |
| Other related companies | –6,770 | –39,809 |

### (26) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as at 30 June 2018 was 6,790 (previous year: 6,885). As at the reporting date, the number of employees was 8,062 (previous year: 8,166).

The average headcount in the last 12 months was 8,128 (previous year: 8,253). This average is calculated as the arithmetic mean of the end-of-quarter headcounts as at the reporting date between 30 September 2017 and 30 June 2018 and during the corresponding prior-year period and is distributed over the individual segments as follows:

**Number of employees by segment on annual average**

| | 30/6/2018 | 31/12/2017 |
|---|---|---|
| Home Loan and Savings Bank | 2,234 | 2,280 |
| Life and Health Insurance | 929 | 917 |
| Property/Casualty Insurance | 3,508 | 3,550 |
| All other segments | 1,457 | 1,506 |
| **Total** | **8,128** | **8,253** |

### (27) Events after the reporting date

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

# W&W Group
# Responsibility statement

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

Stuttgart, 8 August 2018

Jürgen A. Junker

Dr. Michael Gutjahr

Jens Wieland

# W&W Group
# Auditor's review report

To Wüstenrot & Württembergische AG, Stuttgart

We have reviewed the condensed consolidated half-year financial statements – consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated cash flow statement, and select notes – and the interim group management report of Wüstenrot & Württembergische AG, Stuttgart, for the period from 1 January to 30 June 2018, which form part of the half-year financial report pursuant to Section 115 of the German Securities Trading Act (WpHG). The preparation of the condensed consolidated half-year financial statements in accordance with IFRS applicable to interim reporting, as adopted by the EU, and of the interim group management report in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a review report on the condensed consolidated half-year financial statements and on the interim group management report based on our review.

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

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

Stuttgart, 9 August 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

# Wüstenrot & Württembergische AG
# Imprint and contact

## Publisher

Wüstenrot & Württembergische AG
70163 Stuttgart
Germany
phone + 49 711 662-0
www.ww-ag.com

**Production**
W&W Service GmbH, Stuttgart

**Investor Relations**

E-mail: ir@ww-ag.com
Investor relations hotline: + 49 711 662-725252

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.

W&W AG is member of

W&W AG is listed in

W&WQ2E2018

wüstenrot
württembergische