# 2023 ANNUAL REPORT

ARAG HOLDING SE | CONSOLIDATED FINANCIAL STATEMENTS

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# INTRODUCTION

**Dr. Dr. h. c. Paul-Otto Faßbender**
CEO of ARAG SE

*"In 2023, we not only expanded our existing business organically but also resolutely seized new opportunities."*

The ARAG Group remains on its successful trajectory and is becoming a beacon of stability in a world that appears increasingly unstable. ARAG embraces change nonetheless and is always seizing new opportunities to evolve as a company.

It is increasingly clear that our range of legal insurance and health insurance caters to consumers' burgeoning need for insurance. The pandemic highlighted the particular added value offered by ARAG products. That unique selling point remains relevant in this time of new global conflicts. The reason is clear: People are looking for ways to protect their hard-earned standard of living in terms of jobs, homes, and health. In Germany alone, we saw a net increase of more than 112,000 in the number of customers.

The ARAG Group fared very well in 2023, once again generating strong growth of almost 8 percent. It grew by 5.3 percent in the legal insurance business and by an excellent 16.8 percent in the health insurance business. This growth trajectory was accompanied by a considerable improvement in profit before tax of 40 percent.

In 2023, we not only expanded our existing business organically but also resolutely seized new opportunities. By acquiring our much bigger competitor in the United Kingdom, DAS UK, we will further consolidate our position as the leading legal insurer worldwide. The new ARAG in the United Kingdom will be even better placed to meet our customers' needs with a compelling range of products.

Our ARAG **5→30** program for the future is having an ever greater impact on the momentum of our business performance. Under this program, we have set five development targets for the Group to achieve by 2030. In uncertain times like these, clear business objectives are more important than ever. We know our potential and have specific targets and a clear roadmap to meet them. These are the foundations on which we will build our future success. ARAG will continue to deliver – in the interests of our more than twelve million customers and of our employees. That is our incentive and our aspiration.

Dr. Dr. h.c. Paul-Otto Faßbender

# 2023 AT A GLANCE

# KEY FIGURES

**ARAG Holding SE key figures – consolidated financial statements**

| (€'000) | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Sales revenue** | | | |
| Gross premiums written | 2,373,772 | 2,199,392 | 2,017,435 |
| Premiums earned net of reinsurance | 2,352,907 | 2,170,399 | 1,986,677 |
| Sales revenue of non-insurance companies | 44,257 | 41,536 | 25,137 |
| **Expenses** | | | |
| Claims incurred net of reinsurance | 1,205,412 | 1,089,929 | 1,027,008 |
| Insurance business operating expenses net of reinsurance | 856,381 | 791,384 | 744,696 |
| **Net income overview** | | | |
| Underwriting result net of reinsurance | 137,632 | 157,760 | 118,210 |
| Gains and losses on investments | 121,490 | 52,011 | 80,311 |
| of which included in underwriting result | 59,140 | 48,012 | 51,328 |
| Other net income/expense | –64,201 | –64,892 | –61,320 |
| Profit/loss from ordinary activities | 136,467 | 97,288 | 86,728 |
| Net income for the year | 86,179 | 43,536 | 37,852 |
| **Key ratios** | | | |
| Claims ratio (basis: premiums earned) | 51.2% | 50.2% | 51.7% |
| Cost ratio (basis: premiums earned) | 36.4% | 36.5% | 37.5% |
| Technical provisions/net premiums earned | 217.3% | 222.4% | 230.8% |

ARAG grew once again across all of its segments in 2023, cementing its position as the leading legal insurer worldwide. Gross premium income rose by 7.9 percent. The Group significantly increased its profit from ordinary activities to €136.5 million. The main drivers behind this new record were the Group's underwriting profit, which remained at a good level (€137.6 million), and considerably improved net gains on investments (€121.5 million).

**Premium income/sales revenue:**
€ 2,418 million
2022: €2,241 million

**Total gross premium income:**
€ 2,374 million
2022: €2,199 million

**Profit from ordinary activities:**
€ 136 million
2022: €97 million

*Successful trend: The performance of the ARAG Group is underscored by strong premium growth, earnings power, and robust capital adequacy.*

**Consolidated equity:**
€ 719 million
2022: €649 million

**Combined ratio:**
87.6%
2022: 86.7%

**Consolidated net income:**
€ 86 million
2022: €44 million

**Underwriting result net of reinsurance:**
€ 138 million
2022: €158 million

**Employees:**
5,070
2022: 4,760

# WHO WE ARE

# Structure of the ARAG Group

The ARAG Group is the largest family enterprise in the German insurance industry and the leading legal insurer worldwide. When it was founded in 1935, the Company focused purely on legal insurance. Today, ARAG positions itself as an innovative and high-quality insurer that is international and independent. In addition to legal insurance, its portfolio in Germany includes effective, needs-based products and services covering health insurance and casualty and property insurance. The Company aims to generate growth across all insurance segments in Germany and to exploit the potential for expansion in the international legal insurance business.

*ARAG is an innovative provider of high-quality insurance and is international, independent and family-owned.*

ARAG SE is responsible for operational Group management and the legal insurance operating business at both domestic and international levels. The ARAG insurance and service companies are responsible for the other lines of business and the related operational management. ARAG Holding SE manages the assets and is the parent company of the Group from a company law perspective.

# Insurance segments in the ARAG Group

## Legal insurance
ARAG SE

- Pivotal in shaping the legal insurance market since the Company was founded
- Innovative product concepts and services provide impetus for the market, worldwide
- Coverage offered in areas of insurance that are normally excluded by the market
- Operations in a total of 19 countries

€ 1,417 million

**Gross premium income**

2022: €1,345 million

Personal legal insurance and legal insurance for motorists, employment, homeowners and tenants, businesses, trades, self-employed professionals, and associations

## Health insurance
ARAG Krankenversicherungs-AG

- Large range of full-coverage and supplementary insurance
- New civil servant insurance business launched in 2023
- Fastest-growing segment in the ARAG Group

€ 638 million

**Gross premium income**

2022: €546 million

Private full-coverage health insurance, supplementary health insurance, long-term nursing care insurance, supplementary nursing care insurance, corporate health insurance, foreign travel health insurance

## Casualty and property insurance
ARAG Allgemeine Versicherungs-AG

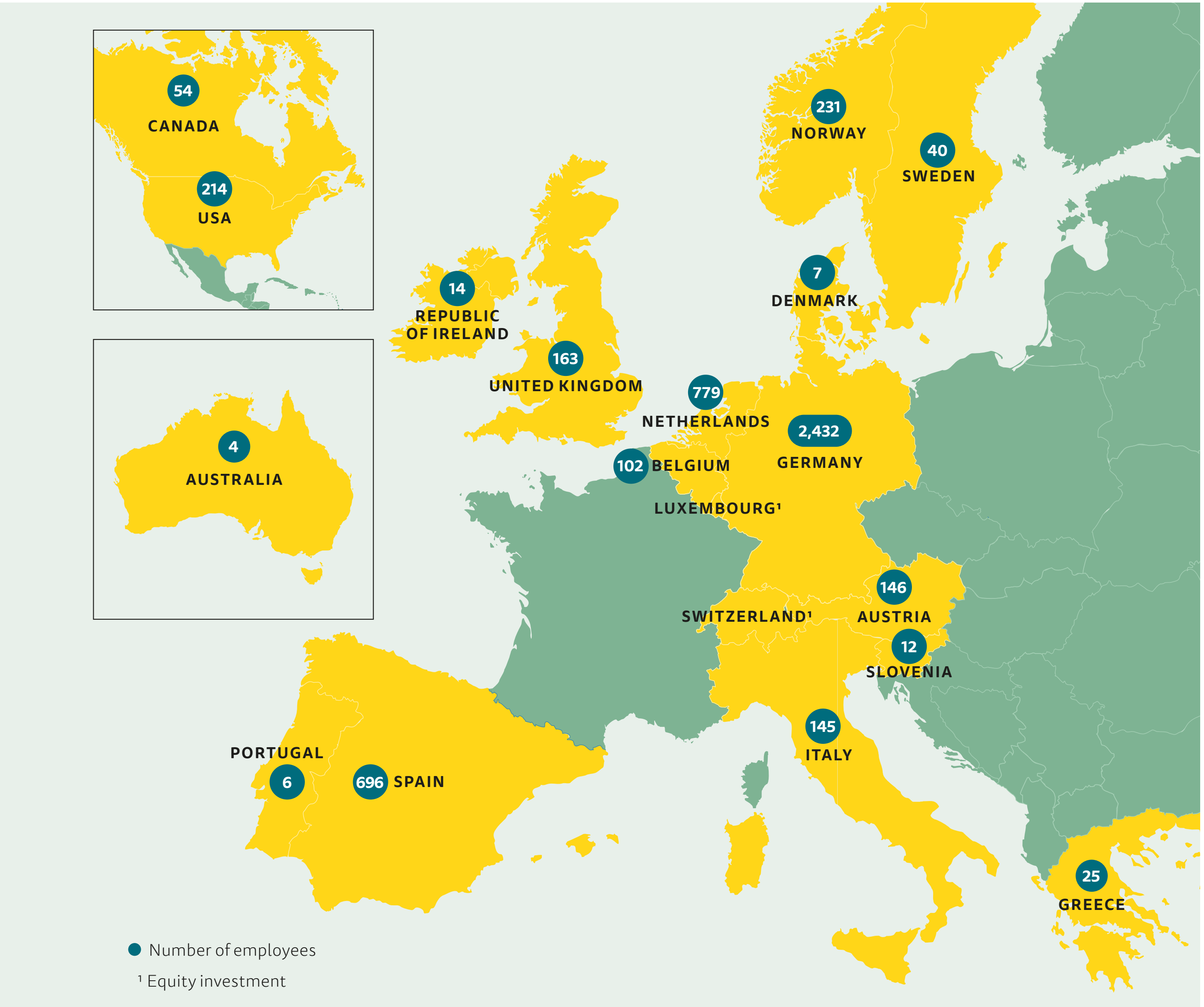
- Attractive provider of property, liability, and accident insurance
- Modern, innovative product range
- Germany's largest sports insurer, providing cover for around 20 million recreational sports participants and top-ranking athletes

€ 319 million

**Gross premium income**

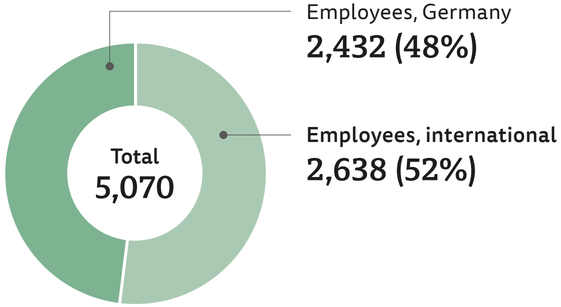
2022: €308 million

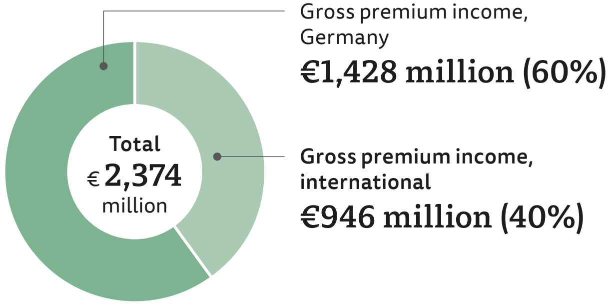
Liability insurance, home contents insurance, accident insurance, accident disability insurance, Top Special Service Package, building insurance, pet health insurance, business insurance, sports insurance




# Strong global presence

The ARAG Group successfully went global with its legal insurance idea in 1962. It is now the leading legal insurer worldwide and operates in a total of 19 countries. International business accounted for 61 percent of gross premium income in the legal insurance segment in 2023.



# WHAT MOTIVATES US

# ARAG Essentials

These four elements provide direction for us:

## OUR **FOUNDING PRINCIPLE**

"Everyone should be able to assert their legal rights – irrespective of their financial situation."

**Heinrich Faßbender,** founder of ARAG

## OUR **AMBITION**

We help our customers to achieve their goals.

## OUR **IDENTITY**

ARAG is the innovative high-quality insurer – international, independent and family-owned.

## OUR **VALUES**

**Pioneering spirit** thrives on **openness** and **foresight** – we employ our **drive** with **discipline** and **fairness**.

# Actively shaping change

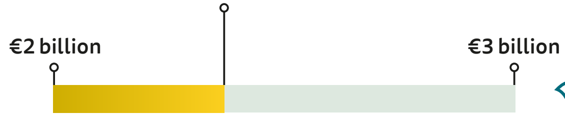
ARAG 5→30 is our long-term strategy for sustainable growth and stability in this time of far-reaching change. It is our roadmap for securing our future success and retaining our independence as a family enterprise.

Five areas of action with specific targets will be at the heart of all that we do between now and 2030:

| | | |
|---|---|---|
| 1 | **ESSENTIAL GROWTH** | ARAG to achieve extraordinary growth and high substantial value |
| 2 | **WINNING SPIRIT** | Increase attractiveness as an employer and further strengthen performance culture |
| 3 | **EMBRACING CLIENTS** | Raise customer satisfaction to a new level through innovative products and inspiring services |
| 4 | **DRIVING PURPOSE** | Combine business model as legal insurer with social sustainability, and reduce carbon footprint |
| 5 | **SMART INSURER** | Digital by default – transform the mindset regarding digitalization and strengthen the use of artificial intelligence (AI) |

## Some of what we have already achieved in 2023:

**Increase in gross premium income**
to €2.37 billion (2022: €2.20 billion)




**First international ARAG DAY:** September 29, 2023 was the date of our first ARAG DAY, during which we offered free legal guidance in twelve countries to people who would otherwise be unable to obtain professional assistance for their legal problems. This aligns with our aim of increasing access to justice.

**Recommended attorneys**: If a customer faces a dispute and has no idea which attorney would best represent their interests, ARAG can help. Our customers can ask for three attorney recommendations. Since 2023, ARAG's suggestions have been based on an AI solution that draws on our data lake. It provides customers with the names of attorneys near them who have previous experience and proven success in the relevant field of law. This is just another of the services we offer.

# Justly sustainable

Being a successful family enterprise, our plans and actions are consciously focused on the long term. The wellbeing of future generations is paramount. In order to make a clear contribution to sustainability that is tangible for internal and external stakeholders alike, we ensure that our activities are aligned with the principles of sustainable development.

The ARAG Group understands the importance of the sustainable transformation of the economy and society. Our position as the leading legal insurer worldwide means that we can play a valuable part in supporting the societal change needed for this sustainable transformation.

We fulfill the obligation incumbent on us as an investor, risk carrier, and operator of our own sites to use all natural resources sustainably. We expressly adhere to the provisions of the Paris Agreement on climate change to limit global warming to 1.5°C.

## E Environment

- Integration of sustainable benefits, services, and pricing features throughout the product portfolio
- Greenhouse gas-neutral investment portfolio by 2050 through active portfolio management: reduction in carbon intensity by 25 percent by 2025 and by 50 percent by 2030
- More green investments
- Net zero carbon emissions at all ARAG administrative sites worldwide by 2025

## S Social

By upholding our founding principle to ensure and protect the equality of all people before the law, we have been contributing to sustainable development – and especially to goal 16 of the United Nations' sustainable development goals (peace, justice, and strong institutions) – throughout our history.

- Access to justice
  - ARAG DAY with free legal guidance for consumers
  - Give customers access to justice at least two million times per year by 2030
  - Progressively expand out-of-court conflict mediation services
- Adhere to standards of human rights and equal opportunities
- Equality and diversity: Progressively increase the number of women in managerial positions until a balanced gender ratio is achieved

## G Corporate governance

- The ARAG Essentials set out the aims and principles for good and successful corporate governance
- The ARAG Leadership Essentials translate the ARAG Essentials into leadership behavior
- ARAG is aware of its role model function when it comes to complying with legal and regulatory provisions

# WHAT WE OFFER

# Innovative products – internationally recognized

Our aim is to offer our customers quick, simple, and pragmatic assistance in obtaining protection. We see ourselves as a market innovator and regularly add innovative benefits and one-of-a-kind, needs-based services to our product portfolio.

2023 was another busy year for us and we are particularly proud of these developments:

**ARAG Recht & Gewerbe – no claims discount for all-round protection**
This all-round cover product offers legal insurance, property insurance, and commercial general liability insurance for small business customers in a single policy. Unique in the SME insurance market: the insured business receives a 5 percent discount on its premium after just six months of no claims. This no claims discount can increase to up to 50 percent over the policy term. We also reward sustainable business practices with an additional reduction of the premium.

## Our awards and seals of approval

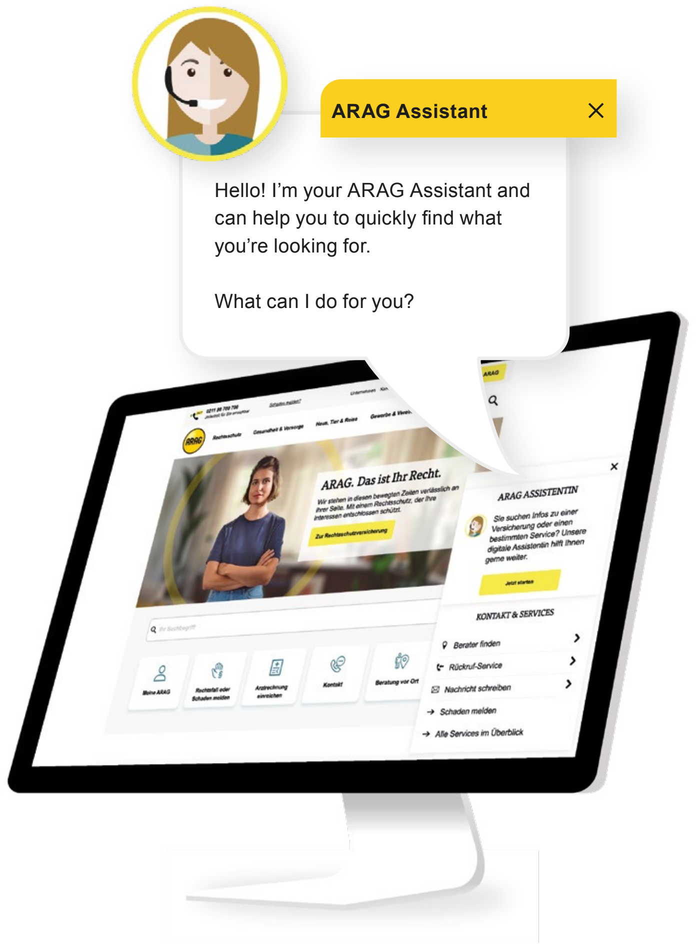
As an international insurer offering high-quality insurance, we welcome independent tests to verify the high standards of our products and services. They spur us on to continually improve for our customers and we are of course delighted with the good results, which include the following:


**ARAG Pflege-AsseCura – corporate supplementary nursing care insurance with a savings element**
This innovative insurance combines a rate scale for nursing care insurance with a savings component. The product was designed specifically for the professional association Arbeitgeber- und BerufsVerband Privater Pflege e. V. (ABVP). The insured member of nursing staff is protected for the duration of their employment. If the employment relationship ends, the policy can be continued on an individual basis. The premium is reduced by the savings accrued by that point in time, meaning that the insurance remains affordable in later life.

**ARAG Tutela Legale Impresa – legal insurance for businesses with integrated ESG score for more favorable terms and conditions**
ARAG Italy's legal insurance product rewards SMEs for doing business sustainably by offering higher sums insured and higher limits. The customer's sustainability performance – calculated using an external ESG score – has a bearing on the risk selection and the underwriting process. We are leading the way in the Italian market by linking legal insurance for small business customers with sustainability efforts.

# Mindset: digital

Going digital offers unique opportunities for ARAG to achieve further growth. To fully harness those opportunities, we are shifting our mindset where digitalization is concerned.




**Digitalization as an opportunity**
As a fairly medium-sized insurer, we can leverage our advantages over large corporate groups in the digitalization process. We can fully play to our strengths in terms of innovation, speed, and smart capabilities. And we have the independence, flexibility, and means to utilize our scope for action.

**Digital by default**
We want to progressively streamline and accelerate our processes and services, making them more agile. To make smart use of technological progress, we will plan and design all processes to be digital and technology-based as standard. Analog processes will be used only where this offers clear advantages for us, our customers, or our partners.

**Progress in innovation thanks to artificial intelligence**
Whether in contact with customers, in new product development, or in day-to-day tasks, we are pushing artificial intelligence (AI) in order to develop innovations. Here are just a few examples:

- The use of voicebots in customer service has become standard practice.
- We use AI to recognize data in insurance applications and to recommend attorneys.
- We are participating in the Microsoft 365 Copilot Early Access Program and were one of the first German companies to test this groundbreaking AI-based tool in our operations.

# Customer focus

In this time of rapid and unpredictable change, people's needs, wishes, and expectations are evolving. And so too are we.

**We combine peace of mind and individual freedom.** All companies say they are customer centric but we are setting new standards, particularly when it comes to customer advice. We inquire about the customer's situation and their wishes, and use that information to draw up a tailored solution with the customer to provide them with protection. The ways in which we connect with customers also cater to different needs. In Germany, we use the following four channels:

**ARAG CORE SALES**
(sales partners who work exclusively for ARAG)

**ARAG PARTNER SALES**
for brokers and non-exclusive agents

**DIRECT BUSINESS**
online or by telephone

**SALES PARTNERSHIPS**
in collaboration with insurance companies, other businesses, associations

**We are turning what has become a matter of course in many sectors into normality in the financial sector: the digital provision of advice and conclusion of new business.**

We realize that few customers would consider taking out an insurance policy to be a shopping experience. Core Sales is working to change that.

Our services are designed to make taking out an insurance policy feel just as easy as buying consumer goods. For this reason, the advisory and conclusion stages are both paperless – a rarity in the financial sector. Using our advisory app, our advisors explain products, modules, and deductible options to customers on a tablet. Signatures and a record of the meeting are also provided electronically. In this way, our products and the process combine to make taking out insurance a shopping experience.

**We resolve problems conveniently** for our customers as they decide how they want to communicate with us – personally or digitally, face-to-face, via instant messaging, by video call, or online.

## The outcome?

**More than 112,000 new customers in 2023. And our online business grew by just over 40,000 customers last year.**

# A great team

The ARAG Group is an attractive and dependable partner – for its employees too. We are aiming to grow in line with the increase in customer numbers and to offer even more as an employer.

## We value diversity

**42**

In Germany alone, people from 42 nations work at ARAG. And by the way, we signed up to the Diversity Charter back in 2017.

## We are hiring – even during times of crisis

**292**

new colleagues joined us in Germany in 2023.

## We are growing

**4,760 → 5,070**

employees at the end of 2022 → employees at the end of 2023

## Everything revolves around our employees

This has been publicly acknowledged, e.g. on the review platform kununu[1]:

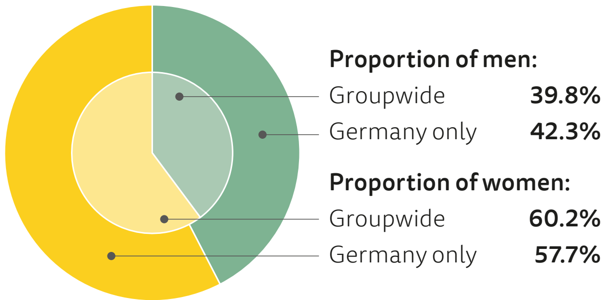
Top Company 2024

**4.0** ★★★★☆
**kununu score**
From 1,100 reviews

**80%**
**Recommendation**
In the past two years

[1] March 26, 2024

## We are working for equal opportunities




Proportion of women at top management level (Germany): 28%

## Our people like to stay with us for a long time

**13.3 years[2]**

Many people like working with ARAG so much that they work for us long term.

[2] Average years of service for the Group in 2023, permanent employees in Germany.

# GROUP MANAGEMENT REPORT

# I. Group Fundamentals

## Business model of the Group

The ARAG Group is the largest family enterprise in the German insurance industry and the leading legal insurer worldwide. Its Group companies operate in the health, property, liability, and accident insurance segments in Germany. Service companies and brokerage firms round off the ARAG Group's service offering and support the operating insurance companies. Including Germany, the Group currently operates in a total of 19 countries through branches, subsidiaries, and equity investments.

## Territory

In addition to the Group headquarters in Düsseldorf and the offices in Munich, the ARAG Group maintains, through ARAG SE, branches in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, Spain, and the United Kingdom. A branch of ARAG Allgemeine Versicherungs-AG also operates legal insurance business in the Republic of Ireland. Another branch is maintained in Spain through Interlloyd Versicherungs-AG and operates in the casualty and property insurance business. The branches run their operating businesses in their local markets independently, taking into account the specific local circumstances in each case.

Legal insurance is also provided in the United States, Norway, Sweden, and Denmark. In each case, the business is operated through legally independent subsidiaries, under the unified management of ARAG SE in its role as parent company. At the start of 2024, another four subsidiaries were added to the Group to operate the insurance business in the United Kingdom. In addition, the ARAG Group operates in Switzerland through an equity investment in a legal insurance associate. In the United Kingdom, Canada, and Australia, ARAG acts as a broker for legal insurance business and legal-insurance-related special service package business, passing this business to local and international primary insurers. Some of this insurance is then ceded to ARAG SE under quota-share reinsurance treaties.

An equity investment is also held in a legal insurance company in Luxembourg.

ARAG SE operates a professional Corporate Development unit, which supports the Group's organic growth and growth by acquisitions while also focusing on options for new business opportunities.

# II. Economic and Sector Conditions

## Macroeconomic backdrop

In 2023, business for German insurers was affected by a variety of factors with differing intensities.

The Russian Federation's war of aggression against Ukraine that began at the start of 2022 continued to take a heavy social and economic toll. The war in the Middle East toward the end of the year further exacerbated global tensions. Energy and commodity prices remained stubbornly high, which impacted on consumer spending and on investment by private households and businesses, especially in the eurozone. The political uncertainty led to a loss of purchasing power and to rising prices for consumers. In light of high consumer prices, central banks around the world continued to increase key interest rates in order to keep inflation in check. The European Central Bank (ECB) raised key interest rates to 4.5 percent in progressively smaller steps over the course of 2023. This cycle of rate hikes was ended in the last quarter, however, as it started to take effect and the rate of inflation fell. The German Council of Economic Experts estimates that the German rate of consumer price inflation was slightly lower year on year at around 6.1 percent in 2023 (2022: 6.9 percent).

The situation surrounding the COVID-19 pandemic continued to ease considerably in 2023. Nevertheless, general developments will be continuously monitored to ensure that individual companies can respond quickly and appropriately if need be.

## Insurance industry

Based on provisional information from the German Insurance Association (GDV), the volume of business in the insurance industry in Germany is expected to have remained stable in 2023, despite the effects of persistently high inflation, the conflicts in Ukraine and the Middle East, and the lingering effects of the receding pandemic. Across all insurance segments, a premium increase of 1.3 percent overall is anticipated (2022: decrease of 0.5 percent), with casualty and property insurance and private health insurance – business lines in which the ARAG Group operates – particularly contributing to this industry growth. In direct casualty and property insurance business, the overall market is expected to have grown by 6.7 percent (2022: 4.4 percent). A key growth driver is composite residential buildings insurance with anticipated growth of 16.5 percent (2022: 8.9 percent), primarily forged through premium and index adjustments. But legal insurance is also expected to have grown, by 2.5 percent (2022: 3.4 percent), on the back of higher premiums in new business and sustained growth in existing business in 2023. In the private health insurance business, the GDV is forecasting a premium increase of 3.5 percent (2022: 3.7 percent), primarily thanks to adjustments to rate scales in nursing care insurance and full-coverage health insurance.

# III. Business Performance

The business performance of the ARAG Group, broken down by net assets, financial position, and results of operations, is presented using the following KPIs, which have not been weighted. Premiums written and profit before tax are the most important KPIs.

The presentation has changed compared with the prior year. The change in presentation is intended to improve the clarity of reporting. It also brings the reporting by all insurance companies in the ARAG Group into line, which helps to make the preparation of the management report more efficient and improve comparability.

Due to currency amounts being presented in thousands, the precise mathematical amounts may differ from those presented as a result of rounding differences. Those differences may affect totals and percentages.

## Results of operations

**Premiums**

Gross premium income from insurance business rose by 7.9 percent in 2023, from €2,199,392 thousand to €2,373,772 thousand. Including the service providers' activities, the total premiums and sales revenue in the Group amounted to €2,418,029 thousand (2022: €2,240,928 thousand). Demand for full-coverage health insurance and legal insurance remained high in the German insurance market, and inward reinsurance business with non-Group primary insurers in other countries was stepped up. As a result, premium income in Germany rose by 10.5 percent, once again outstripping the average market growth rate by far. ARAG's gross premiums written amounted to €1,427,851 thousand (2022: €1,292,167 thousand). Inward reinsurance business with non-Group primary insurers in the United Kingdom, Canada, the Republic of Ireland, and Australia is included in German business as it is handled by the Group's headquarters. A consistently high level of new full-coverage health insurance business and ongoing growth in German legal insurance business, coupled with a low lapse rate and restructuring in the UK market – which saw some international business reallocated to Germany – contributed the most to the strong domestic growth.

Gross premium income from direct legal insurance business in the German legal insurance market rose by 5.9 percent year on year. Gross premiums written went up by €27,892 thousand to €498,959 thousand. This increase was derived from the addition of 93,176 policies to the customer base. Inward reinsurance business in Germany principally grew as a result of business performance in Canada and the restructuring of the UK business, which led to some business being transferred and reinsurance subsequently being provided. Premiums in the inward reinsurance business increased by 11.7 percent to €55,100 thousand. In total, the German legal insurance business generated growth of 6.5 percent.

Growth in gross premiums in international legal insurance business declined from 7.5 percent in 2022 to 4.6 percent in 2023. This slowdown in premium growth was due to the appreciation of the euro against the US dollar and the Norwegian krone. In addition, there was consolidation in the Italian market as a result of insurance company mergers. Gross premiums written rose from €824,804 thousand in 2022 to €862,681 thousand in 2023. Business in Austria grew by 8.2 percent due to premium indexation and strong new business. In Italy, premiums declined by 2.9 percent due to the loss of a primary insurance partner and discounts. Premiums in the United States rose by 7.3 percent, compared with a 25.1 percent rise in the prior year. After numerous major contracts were signed with trade associations in Scandinavia, sales revenue went up by 19.3 percent, whereas it had fallen by 1.9 percent in 2022. The international markets with the highest sales revenue are the Netherlands, the United States, Italy, Spain, Austria, and Scandinavia. Thanks to its consistently very good performance, ARAG is cementing its position as the leading legal insurer worldwide.

The Group's health insurance business surpassed its strong prior-year growth of 12.7 percent, notching up 16.8 percent in 2023. This growth was mainly attributable to new full-coverage health insurance business. Since 2022, health insurance has been the ARAG Group segment with the highest sales revenue in Germany. The number of customers in this business went up by 22,362, with additional monthly premiums written of €8,903 thousand.

In the casualty and property insurance segment, the German market was not very buoyant in 2023, which impacted on business performance. Increases in premiums were ultimately only achieved through index and premium adjustments. The restructuring of the business in the United Kingdom reduced the portfolio by €10,800.0 thousand. Outside Germany, the international special service package business staged a strong recovery. Gross premiums written in this segment advanced by a total of 3.5 percent year on year to €319,042 thousand.

The Group's portfolios comprised 12.3 million policies as of the reporting date (December 31, 2022: 11.9 million). These can be broken down into 8.2 million policies (December 31, 2022: 8.0 million) related to the international business and 4.0 million policies (December 31, 2022: 3.9 million) arising from domestic business. Added to this were a further 20.7 million (December 31, 2022: 20.2 million) insured risks in the domestic sports insurance business (property and casualty insurance segment), which ARAG covered via 18 group policies – primarily with state sports associations.

**Sales revenue**

The sales revenue generated by non-insurance companies in the Group went up by 6.6 percent, from €41,536 thousand to €44,257 thousand, owing to increased brokerage of insurance contracts in Germany and abroad.

**Amounts paid out for claims**

In the legal insurance business as a whole, claims incurred rose from €630,317 thousand in 2022 to €703,945 thousand in the year under review. Besides the expansion of the volume of business, this was due to the strengthening of reserves in the Dutch business. Inflation outside Germany also pushed up legal costs. The casualty and property insurance business saw growth of €8,694 thousand to €167,265 thousand in claims incurred following the strong recovery of the travel insurance and accident insurance businesses. There were no major storm events in Germany in 2023. Nevertheless, claims incurred in the casualty and property insurance business rose overall as a result of inflation. The general accident insurance and general liability insurance segments saw a further rise in the number of claims year on year, which were back at their pre-pandemic level. However, the expense for major claims continued to decline. In the health insurance business, expenses for claims incurred went up by 11.0 percent to €334,202 thousand because of the significant increase in the number of full-coverage insurance policies. The claims ratio in this business fell, however, from 55.3 percent in 2022 to 52.5 percent in the reporting year. In absolute terms, claims incurred by the Group in the year under review were higher than in the prior year as a result of growth. The Group claims ratio increased overall from 50.2 percent to 51.2 percent.

**Insurance business operating expenses**

Insurance business operating expenses in the Group rose by 8.2 percent to €856,381 thousand in 2023 (2022: €791,384 thousand). This increase was essentially attributable to the Group's continual growth, the related rise in commission – particularly in health insurance – and the effect of inflation on staff costs and operating costs. The Group also continued to invest in its workforce and processes in order to support the strong growth. The cost ratio decreased from 36.5 percent in 2022 to 36.4 percent in the reporting year. Due to the factors affecting the amounts paid out for claims, the Group's combined ratio went back up again in 2023 but, at 87.6 percent, was still at a satisfactory level (2022: 86.7 percent).

**Underwriting result**

The ARAG Group's underwriting result declined somewhat from a profit of €157,760.4 thousand in the prior year to a profit of €137,632 thousand in 2023, but this was still the second highest result in the history of the ARAG Group. A sum of €12,699 thousand was added to the equalization provision (2022: €19,596.1 thousand). The underwriting result of the overall non-life insurance business (legal insurance and casualty and property insurance) was at a high level once again in 2023, amounting to a profit of €113,191 thousand (2022: €131,332 thousand). In the health insurance business, the underwriting result fell – despite growth – from a profit of €26,428 thousand in 2022 to a profit of €24,441 thousand due to tax effects in connection with fund restructuring and a higher addition to the provision for bonuses and rebates. As in previous years, the core legal insurance business was the most profitable Group segment, generating an underwriting profit of €107,521 thousand (2022: €124,675 thousand).

**Gains and losses on investments**

The Group's net gains on investments recovered tangibly year on year. One of the main reasons for this was the change in interest rates from September 2022 onward, which had led to sharp falls in fixed-income security prices and necessitated write-downs on such investments in the prior year. In 2023, institutional funds were restructured, which generated high gains on disposals. These were offset to a large extent by subsequent sales and purchases aimed at making direct investments more resilient in a crisis. Ordinary income was also reinvested in institutional funds so that capital market volatility can be better absorbed in the future. Overall gains and losses on investments – including the share of gains and losses contained in the underwriting account – amounted to net gains of €121,490 thousand (2022: €52,011 thousand). Of this total, €59,140 thousand was assigned to the underwriting result (2022: €48,012 thousand).

**Other net income/expense**

The net expense reported under other net income/expense improved from €64,892 thousand in 2022 to €64,201 thousand in 2023. This decrease was due partly to the inflation-induced rise in pension and other post-employment benefit expenses for pensioners in the prior year and partly to movements in the euro/pound sterling and euro/Norwegian krone exchange rates.

**Profit/loss from ordinary activities**

Overall, the good business performance significantly boosted profit from ordinary activities, which jumped from €97,288 thousand to €136,467 thousand.

**Net extraordinary income/expense**

There was no extraordinary income or expense in either 2023 or 2022.

**Tax expense**

Income taxes amounted to an expense of €46,358 thousand (2022: €49,919 thousand). Together with miscellaneous taxes, the total tax expense came to €50,288 thousand (2022: €53,752 thousand).

**Net income for the year**

Considering the economic conditions and financial key performance indicators, the Company's overall business performance was very positive in 2023.

After deduction of taxes, consolidated net income came to €86,179 thousand (2022: €43,536 thousand). Of this sum, €965 thousand was attributable to non-controlling interests (2022: €737 thousand).

**Comparison of business performance with the forecast**

The comparison of business performance in 2023 with the forecasts made in the 2022 outlook and opportunity report shows that the forecast growth in gross premiums written was beaten once again. At 7.9 percent, the rate of increase in premiums was much higher than the rate anticipated in the forecast in the 2022 annual report of 5.0 percent.

In line with the prior-year forecast, the claims ratio increased from 50.2 percent to 51.2 percent as a result of inflationary effects in the casualty and property insurance business and in international legal insurance business. A marginal increase in the claims ratio was forecast in 2022.

Contrary to the forecast in the prior year, the cost ratio (acquisition costs and administrative expenses) decreased from 36.5 percent in 2022 to 36.4 percent in the reporting year. This decrease was partly due to higher growth and partly because the impact of inflation on costs had been overestimated.

Gains and losses on investments fared largely as expected. The bulk of the write-downs due to the rise in interest rates had been recognized in the prior year, meaning that only a low level of write-downs was required in 2023. Even though a considerable improvement had been forecast, net gains on investments were much better than expected at €121,490 thousand.

Contrary to the forecast, profit before tax was not on a par with 2022 but was actually much higher thanks to the significant improvement in net gains on investments.

The results of operations of the operating segments are described below.

**Legal insurance**

The legal insurance segment represents the ARAG Group's core business and is the most profitable insurance segment. Sustained increases in direct insurance business in Germany, together with the continuation of the growth trajectory in international markets, resulted in the segment's premium income rising by 5.3 percent compared with 2022 to €1,416,740 thousand. Due to the continual growth of the German direct legal insurance business and the restructuring of the headquarters' inward reinsurance business from the United Kingdom, the proportion of total legal insurance premiums accounted for by the international legal insurance business fell slightly year on year to 60.9 percent (2022: 61.3 percent). The German business includes inward reinsurance business of ARAG SE's headquarters from non-German primary insurers outside the Group. This business is brokered by the Group's inhouse intermediaries. This business increased by 11.7 percent year on year, from €49,310 thousand in 2022 to €55,100 thousand in 2023. In the international business, the markets in Scandinavia, Austria, Belgium, and the United States provided particularly strong growth impetus.

Claims incurred in the whole of the legal insurance segment rose from €630,317 thousand to €703,945 thousand. This increase was attributable to both the expansion of business and the impact of inflation. The claims ratio for the segment thus went up from 47.3 percent to 49.9 percent. This stemmed from inflation in the international business and the related strengthening of the claims reserve in the Netherlands. The cost ratio improved from 42.1 percent to 41.7 percent on the back of the business growth, in spite of investment in the workforce and processes and higher commissions in the inward reinsurance business. The underwriting profit for the whole of the legal insurance segment declined from €124,675 thousand to €107,521 thousand as a result of expenses for claims incurred.

Net gains on investments in the legal insurance segment surged from €32,250 thousand to €69,972 thousand due to high levels of interest-rate-induced realized and unrealized falls in value in the prior year and to the restructuring of investments via institutional funds in the reporting year. As in previous years, ordinary income from institutional funds was reinvested in these funds, resulting in a planned low level of income. The dividend from one subsidiary was deliberately waived in order to provide for the future. Other net income/expense amounted to a net expense of €49,548 thousand. The decline compared with the prior-year expense of €50,572 thousand was mainly due to the inflation-induced rise in expenses for pension and other post-employment benefits for non-active pension beneficiaries in the prior year and to the more favorable euro/US dollar and euro/Norwegian krone exchange rates as of the reporting date.

The segment generated profit from ordinary activities of €127,946 thousand (2022: €106,353 thousand).

The Group's international legal insurance business recorded growth of 4.6 percent in the year under review. Gross premiums written amounted to €862,681 thousand, compared with €824,804 thousand in 2022. These figures also included the majority of the sales revenue generated by the branch of ARAG Allgemeine Versicherungs-AG in the Republic of Ireland. Business grew by 8.2 percent in Austria, 10.8 percent in Belgium, and 3.8 percent in the Netherlands. Only Italy saw a decline of 2.9 percent due to the loss of a primary insurance partner. In the United States, increases in premiums of 10.4 percent (measured in US dollars) were achieved, while in Scandinavia premiums swelled by 35.0 percent (measured in Norwegian kroner) due to the conclusion or expansion of major policies.

In the reporting year, the expenses for claims incurred in the international legal insurance business went up from €315,312 thousand to €369,990 thousand. Claims incurred were impacted by inflation-induced increases in attorney fees and by the required strengthening of reserves. As a result, the claims ratio rose considerably, from 38.6 percent in 2022 to 43.1 percent in the reporting year.

The combined ratio in the international legal insurance business increased from 82.9 percent to 86.5 percent due to the claims trend.

Against a backdrop of crisis, the legal insurance business in Germany is benefiting from a sustained high level of consumer demand for products offering protection. New business is strong and there was only a very low level of lapses/cancellations in the portfolio. Premium income rose by 6.5 percent year on year. Based on an increased policy portfolio comprising an additional 93,176 policies in the German direct business, premium growth stood at 5.9 percent. The inward reinsurance business of ARAG SE's headquarters in Germany recorded a rise of 11.7 percent due, in particular, to the aforementioned restructuring of casualty and property insurance in the United Kingdom. The total income from gross premiums written in German legal insurance amounted to €554,059 thousand (2022: €520,378 thousand).

The claims ratio in the German legal insurance business went down from 61.2 percent in 2022 to 60.5 percent in 2023. Once again, the decline was mainly attributable to a positive trend in claims incurred but not reported. The fact that there were no new major accumulation losses also had a positive impact. In spite of the favorable trend, claims incurred rose from €315,005 thousand in 2022 to €333,955 thousand in the reporting year due to the growth in business.

The net cost ratio rose only slightly to 39.0 percent in 2023 (2022: 38.5 percent), even though additional employees were hired.

An amount of €3,553 thousand was added to the equalization provision for the inward reinsurance business (2022: €3,159 thousand).

Overall, the German legal insurance business ended the year with an underwriting profit of €533 thousand, contrasting with a marginal loss of €794 thousand in the prior year.

**Casualty and property insurance**

Premiums from the legal-insurance-related special service package business are allocated to the international casualty and property insurance segment. The premiums written for this business line increased to €83,240 thousand (2022: €82,421 thousand). Thanks to the lifting of travel restrictions in 2022, travel picked up further in 2023, which allowed the travel insurance business in Spain and Portugal to recover. The aforementioned restructuring of casualty and property insurance in the United Kingdom dampened that recovery somewhat, however, leaving growth at 1.0 percent. On the back of higher premiums from residential buildings and home contents insurance due to indexing and as a result of an increase in the number of new policies underwritten in pet health insurance, the German casualty and property insurance business recorded a rise in premium income of 4.5 percent (2022: 3.5 percent). Overall, gross premiums written in this segment went up by 3.5 percent year on year to €319,042 thousand (2022: €308,138 thousand).

Although the segment benefited from a lower incidence of storms in 2023, the number of accident and liability insurance claims reported rose sharply year on year. In travel insurance business, which is managed by ARAG SE's international branches in other countries, the number of claims remained high due to an increase in travel. Taking account of the reinsurers' share, claims incurred in the casualty and property segment as a whole amounted to €167,265 thousand and were thus above the prior-year level of €158,571 thousand. The claims ratio went up from 53.9 percent to 54.8 percent.

The expansion of business outside Germany and index increases in Germany led to a further rise in commission expenses. Due to the premium growth, however, the cost ratio only went up from 42.7 percent to 43.0 percent year on year. Underwriting profit before the equalization provision declined from €8,713 thousand in 2022 to €5,121 thousand in the reporting year. After a reversal of the equalization provision amounting to €548 thousand (2022: addition of €2,056 thousand), the underwriting profit amounted to €5,670 thousand, which was lower than the equivalent prior-year figure (2022: €6,657 thousand). Net gains on investments increased substantially from €1,811 thousand in 2022 to €7,305 thousand in 2023. The increase arose because of write-downs in the prior year and gains on disposal following the restructuring of the institutional funds in the reporting year, combined with an unchanged level of reinvestment of ordinary income in institutional funds. After deducting the net expense under other net income/expense of €4,257 thousand (2022: €4,510 thousand), the casualty and property insurance segment delivered a profit from ordinary activities of €8,718 thousand (2022: €3,958 thousand).

**Health insurance**

Gross premium income once again rose significantly in 2023, advancing by 16.8 percent to a total of €637,990 thousand. The growth was primarily driven by full-coverage health insurance business, where the volume of new business – measured in terms of premiums – rose by 20.7 percent compared with the prior year. The number of policyholders went up from 720,846 as of December 31, 2022 to 743,208 as of December 31, 2023. Premium growth through price adjustments was moderate, at just over 1 percent of monthly premiums written. All in all, health insurance reinforced its position as the ARAG Group segment with the highest sales revenue in Germany in 2023.

Amounts paid out for claims rose by 11 percent to €334,202 thousand as a result of the growth in business and the associated rise in the number of claims. The addition to the actuarial reserve (including the change in the lapse provision) amounted to €182,539 thousand, a substantial increase compared with the equivalent figure of €145,703 thousand in 2022. Due to the strong growth, insurance business operating expenses rose by 30 percent year on year to €137,255 thousand. The lion's share of the rise was attributable to acquisition costs, which increased by 32 percent to €123,364 thousand. The cost ratio therefore rose from 19.4 percent in 2022 to 21.6 percent in 2023. The underwriting result in 2023, a profit of €24,441 thousand, was lower than the profit of €26,428 thousand in the prior year. Due to the high level of write-downs in the prior year and the gains on disposal realized in connection with the changes to the institutional fund structure in the reporting year, gains and losses on investments improved from a net gain of €48,012 thousand to a net gain of €59,140 thousand. Gains and losses on investments are assigned in full to the underwriting account. Policyholders' share of profits came to 82.2 percent (2022: 81.0 percent).

After taking into account the sundry income and expense items and the addition to the provision for bonuses and rebates, profit before tax decreased to €18,557 thousand (2022: €21,770 thousand). The health insurance segment thus once again made a substantial contribution to the consolidated profit before tax.

**Services and asset management**

This segment brings together Group companies that provide core services other than straightforward insurance business for the benefit of both Group companies and third parties. Their activities include IT services and the central emergency telephone service for ARAG customers. The segment also consists of the holding companies, including

ARAG Holding SE. The insurance brokerage firm in the Group, Cura Versicherungsvermittlung GmbH, and the insurance agents for the UK, Australian, and Canadian reinsurance business are also assigned to this segment. The sales revenue generated by the non-insurance companies with third parties and the other segments in the Group rose from €88,150 thousand in 2022 to €92,199 thousand in 2023. The insurance brokerage business in the United Kingdom was the main reason for the increase, with sales revenue of €19,044 thousand (2022: €17,222 thousand). The restructuring of the UK business generated additional sales revenue due to the transfer of cover for in-force business. After adjustment for the sales revenue generated in the service companies from business with Group companies in other Group segments, the remaining sales revenue generated from third parties came to €44,257 thousand (2022: €41,536 thousand). Profit before tax amounted to €60,719 thousand (2022: €56,194 thousand). The improvement was chiefly due to higher commission income from insurance brokerage.

## Financial position

The objective of the financial management system is to ensure that the Company holds adequate financial resources and manages its liquidity such that it is able to satisfy its obligations arising from the insurance business at all times and to exceed, rather than simply satisfy, the regulatory requirements concerning the capital adequacy of insurance entities.

In addition to current bank balances and cash on hand of €322,650 thousand (December 31, 2022: €190,191 thousand), the Company has investments at its disposal that can be sold on the capital and financial markets at short notice, thus ensuring that the Company is able to satisfy its payment obligations at all times. A high level of excess cash is also routinely generated through current business, which provides additional liquidity or increases the investment portfolio further (see the cash flow statement).

The subordinated liabilities comprise a registered bond with a value of €30,000 thousand that matures on July 29, 2024.

## Net assets

The breakdown of investments by asset class was as follows:

### Investments breakdown

| (€'000/%) | Dec. 31, 2023 | | Dec. 31, 2022 | |
|---|---|---|---|---|
| Land and buildings | 174,716 | 3.0% | 183,450 | 3.3% |
| Affiliated companies and equity investments | 21,213 | 0.4% | 21,665 | 0.4% |
| Lending to affiliated companies | 3,750 | 0.1% | 3,750 | 0.1% |
| Equities and investment fund shares/units | 1,967,028 | 33.8% | 1,839,896 | 32.9% |
| Bearer bonds | 2,466,349 | 42.4% | 2,371,675 | 42.4% |
| Loans secured by mortgages or land charges and fixed-income receivables | 0 | 0.0% | 0 | 0.0% |
| Registered bonds | 618,519 | 10.6% | 568,030 | 10.2% |
| Promissory notes, loans | 392,644 | 6.7% | 454,922 | 8.1% |
| Sundry lending | 86 | 0.0% | 118 | 0.0% |
| Bank deposits | 111,348 | 1.9% | 84,255 | 1.5% |
| Deposits with ceding insurers | 65,433 | 1.1% | 65,201 | 1.2% |
| **Total** | **5,821,086** | **100.0%** | **5,592,962** | **100.0%** |

Further information on the changes in investments and the fair values as of the balance sheet date can be found in the breakdown of investments shown in the notes to the consolidated financial statements.

### Equity

Overall, the equity of the ARAG Group came to €719,388 thousand as of the reporting date (December 31, 2022: €649,366 thousand).

The Group has subscribed capital of €200,000 thousand, statutory reserves of €17,876 thousand, and other revenue reserves of €437,298 thousand. Equity also comprises currency translation differences of €4,682 thousand and the negative difference pursuant to section 309 (1) of the German Commercial Code (HGB) (unrevised) of €36,000 thousand from the offsetting of goodwill from initial consolidation directly in equity.

The Group's net assets, financial position, and results of operations are strong and stable. The insurance companies in the Group always generate a high level of earnings and have comfortable liquidity reserves to act as a cushion in any unexpected situations. Consolidated equity has been rising for many years.

## Corporate governance declaration

**Targets for the proportion of women in management functions**
The ARAG Group firmly believes in the importance of equality and diversity. The development of female managerial staff at all levels is therefore a key priority. The Group endeavors to continually and permanently increase the proportion of women at the first two management levels below the Management Board as well as on the Management Board itself and on the Supervisory Board.

**Non-financial reporting**
Alongside the group management report, ARAG Holding SE prepares a separate combined non-financial report (ARAG Sustainability Report) in accordance with German accounting standard (GAS) 20 paragraph 111, which is published outside the group management report pursuant to section 341j (4) in conjunction with section 315b (3) HGB and section 315c in conjunction with sections 289c to 289e HGB. This sustainability report is publicly accessible at www.arag.com/sustainability-report.

**Thanks to ARAG employees, sales partners, customers, and the Works Council**
The members of the senior management of all Group companies thank all employees and sales partners for their hard work and dedication, and customers for the trust they have placed in the Group companies. They also extend their thanks to the employee representatives on the Works Councils and their committees for the close and constructive cooperation.

# IV. Outlook, Opportunity and Risk Reports

## Outlook and opportunity report

According to the forecast produced by the insurance markets commission of the German Insurance Association (GDV), the German insurance industry remains optimistic despite persistent global economic uncertainty. The anticipated rise in nominal wages and the easing up of inflationary pressure will likely lead to higher premium income. The GDV believes that premium income in Germany could rise by around 3.9 percent across all insurance segments in 2024. As the economic outlook entails a high level of uncertainty, legal insurance can give customers and consumers peace of mind. The GDV anticipates growth of 4.0 percent in premium income in this segment in 2024. For casualty and property insurance, the association is forecasting premium growth of 7.7 percent. And within that segment, composite residential buildings insurance is predicted to increase by 10.0 percent. In private health insurance, experts expect annual salaries and income thresholds for social security contributions to rise, which could lead to premium increases of 4.5 percent.

Digitalization continues to offer substantial opportunities. The integration of technologies such as, in particular, artificial intelligence and machine learning mean that it is possible to set up much more efficient administrative channels and, above all, facilitate and develop customer contact, regardless of the time of day or where the parties are located. The huge volumes of data available to insurance companies allow them to perform even more precise risk assessments and offer personalized policies. Data analysis can also be used to identify emerging trends and improve preventive measures.

The sustainable transformation of the economy and society is one of the defining challenges for the insurance industry, along with digitalization. In terms of regulation, the insurance industry and the banking industry will play a pivotal role.

With its focus on legal insurance and health insurance, the ARAG Group is well positioned for the future in these times of major upheaval and far-reaching global turmoil. The ARAG 5>30 development program, which the Group launched at the end of 2022, specifies five key areas of action that set out the Group's strategic direction in the period up to 2030.

ARAG faces challenges stemming from considerable political and economic upheaval around the world. Demographic change in Europe, the development of a more sustainable society, and the integration of artificial intelligence in daily life also contribute to the challenges. The uncertainty caused by these developments is fueling consumer demand for protection, and legal insurance is very well suited to meet that demand. The ARAG Group offers a comprehensive portfolio of legal protection solutions, which it continually develops in order to continue meeting the particular needs of private customers and small and medium-sized businesses. According to a publication by Versicherungsforen Leipzig, German insurance customers currently spend an average of over €2,500 per year on insurance. This means that there is potential for growth in premiums – including in legal insurance – given that 11.6 percent of gross domestic product (GDP) is spent on insurance in the United States, 8.5 percent in the Netherlands, 8.0 percent in Italy, and 5.9 percent in Germany. There is therefore room for the market to expand in the years ahead.

Increasing competitive pressure in Germany will see small insurers that are not part of a group forced to relinquish market share. German legal insurance portfolios are growing only marginally. ARAG is pivotal in shaping the legal insurance market and is growing robustly. A downsizing of the market offers the opportunity for it to acquire in-force business by transferring cover or acquiring other companies.

Climate change opens up new opportunities for non-life insurers that offer building insurance, even though claim figures will become more volatile. There will be an increase in natural disaster loss events, which will include hail, heat waves, and rain in addition to storms and hurricanes. This will push up demand for insurance, despite the likelihood of policy price rises.

In the health insurance segment, there is market potential for supplementary insurance for civil servants. New corporate nursing care insurance also offers additional opportunities for the Group.

The ARAG Group includes an outstanding health insurer and two casualty and property insurers in Germany. It has two legal insurers in the United States and Europe, plus various insurance operating companies in Europe. Sharing knowledge across borders provides important impetus for the Group when it comes to designing products with customers in mind.

To counter the investment challenges posed by volatile capital markets, ARAG SE established a centrally administrated fund structure in 2023 that harnesses the opportunities arising from trends in different types of investments and markets while mitigating any risks that occur by diversifying and spreading investments. This can turn problematic developments, such as sudden sharp changes in interest rates, into investment opportunities.

Under the ARAG 5>30 development program, the ARAG Group's gross premium income is projected to increase to €3 billion by 2030. The ARAG Group is highly internationalized thanks to its network of branches and equity investments. The Group will continue to diversify its business across markets on the back of steady expansion in existing markets and the acquisition of business in new countries. This approach opens up a wide range of opportunities that would otherwise not be available in a single isolated market.

ARAG's excellent international diversification makes it more independent of the trends in individual national markets. Germany is ARAG's home market and continues to be extremely important to the Group. This applies in particular to the legal insurance business, which remains the ARAG Group's core business despite the significant expansion of health insurance business. Strong growth in the legal insurance business market is a high priority and serves as a significant point of reference for the international business. The strategy of the ARAG Group for the whole of the legal insurance business is to continue the international diversification of this segment.

The international structure of the ARAG Group is the logical business consequence of its former dependence on a single local market. It makes a virtue of the highly varied economic trends within Europe and around the globe for the benefit of its business. The legal insurance markets across Europe offer major growth potential. ARAG is focusing considerable effort on exploiting this potential with a view to achieving further growth in the Group while taking the particular features of the market in each country into account.

Being a family enterprise, ARAG's plans and actions are focused on the long term. In its ARAG 5>30 development program, the Group has defined five key areas of action. They stipulate the targets and aims that are due to be achieved by 2030. The areas of action are presented in the section 'The ARAG Group at a Glance'.

In view of the current opportunities and risks, the ARAG Group believes it has a stable basis on which to continue to operate successfully and profitably in the international insurance business.

The Company has budgeted premium growth for 2024 that will be much higher than in 2023. At the start of 2024, the ARAG Group acquired DAS UK in the United Kingdom. DAS UK is a primary insurer and underwrites direct legal insurance business and inward reinsurance business (conventional insurance business and after-the-event [ATE] business). The company generated gross premiums written of £179.3 million (determined in accordance with UK Generally Accepted Accounting Practice [UK GAAP]) between January 1 and December 31, 2023.

Gross premiums written are expected to surge by more than €250 million or more than 10 percent in 2024. Besides the continual growth delivered by the Group's insurance companies in all local markets in Europe and the United States, this growth will stem from the initial consolidation of DAS UK Holdings Ltd. and its three subsidiaries.

The expenses for claims incurred will rise sharply in absolute terms in 2024 due to two factors: the rise in business volume and cost increases resulting from the high level of inflation experienced over the past two years, including the associated adjustments to collective pay agreements and attorney fees. The claims ratio will only see a slight increase of around 1 percentage point compared with 2023.

The cost ratio (administrative expenses) will also rise marginally due to the effect of growth and inflation.

The underwriting result before the equalization provision will likely deteriorate significantly in 2024 as a result of strong growth. Due to the anticipated reversals of the equalization provision, however, the overall underwriting result will probably be slightly better than in the reporting year.

At present, it is difficult to predict how economic conditions will affect investments. Too many different global events are creating uncertainty and volatility. There are currently armed conflicts in Ukraine, in Israel, and in areas inhabited by Palestinians, and it cannot be predicted how they will escalate or how long they will last. The forthcoming US presidential election set for November and the elections for a new European parliament in June could also give rise to unexpected capital market reactions. Gains and losses on investments have therefore only been forecast on the basis of ordinary income that is certain to be received.

As gains on disposal provided additional support for gains and losses on investments in 2023, the latter is expected to deteriorate sharply in 2024.

Taking into account the discernible opportunities and risks, the ARAG Group forecasts that business performance will be good once again in 2024. This will be partly due to the acquisition of DAS UK Holdings Ltd. in the United Kingdom, which will lead to a tangible increase in business volume.

Overall, the forecast is for slightly higher profit before tax for 2024.

## Risk report

### Risk management system

**Risk strategy** The objective of pursuing a conservative risk and solvency policy, as specified in the business strategy, provides the framework for the structure of the risk strategy. The risk strategy sets out the Company's risk profile and the structure of the individual risk exposures associated with the strategic business objectives. It also describes the tools for ensuring compliance with the prescribed risk-bearing capacity based on the risk appetite specified by the Management Board. Risks are therefore managed in the round, ensuring at all times that the overall risk profile is consistent with the risk strategy. Risks are quantified and risk-bearing capacity is measured in line with the statutory requirements of Solvency II.

**Limit system** The maximum permitted solvency capital requirement for the Company is determined on the basis of the risk appetite and the eligible own funds. Using this maximum requirement, the Management Board sets an overall limit that is then apportioned to the most important risks and sub-risks. The limit system is reviewed annually. The utilization of the limits is calculated during the year so that an assessment can then be made as to whether further risks can be assumed or if risks need to be reduced. A traffic light system is used, for both risk-bearing capacity and the limits at risk category level. The system enables ARAG to monitor changes in the utilization of limits and initiate corrective measures if necessary.

**ORSA** The own risk and solvency assessment (ORSA) process verifies that the changes in the most significant individual risks over the next four financial years will remain manageable, thereby ensuring that the ARAG Group continues to meet the objective of the conservative risk and solvency policy over the long term. To this end, the ORSA process determines ARAG's overall solvency requirement and own funds for each planning year, providing an indication of the future coverage requirement. The Management Board is responsible for the annual ORSA process and takes a lead role in ensuring it is carried out.

**Independent risk control function** The independent risk control function is responsible for implementing the risk management system. This function is carried out by the Group Risk Management Central Department. Group Risk Management is separate from the operational departments with profit-and-loss responsibility up to Management Board level. The Chief Risk Officer is a member of the Management Board of ARAG SE and bears responsibility for the implementation of the risk management system in all Group companies. The system is largely implemented in the form of a risk governance model, through which rules for implementing the risk-relevant processes in the Company are defined in groupwide policies and guidelines. By reporting regularly to the Company's Management Board, the independent risk control function also ensures comprehensive transparency with regard to the risk position and any changes to the risk position.

Operating decisions about whether or not to pursue opportunities and/or take on risk are made in the units with relevant responsibility.

**Risk management process** The risk management process comprises risk identification, risk analysis, risk assessment, risk management, risk monitoring, and risk reporting.

The aim of risk identification is to identify the emergence of new risks or changes in existing risks at an early stage and to assess them using a standard procedure. For example, risks arising in connection with the development of new markets or the launch of new products are identified, analyzed, measured, and submitted to the Management Board for decision using appropriate cross-functional review processes, such as the new-product process.

To ensure risks are assessed appropriately, the influencing factors determining the relevant exposure on the Solvency II balance sheet are analyzed. These influencing factors are validated to check that they are appropriate for the measurement of risk.

All identified risks are regularly measured. The key element in this process is the solvency capital requirement that is calculated for all downside risk. The purpose is to ensure that unexpected losses are covered. This requirement quantifies the loss from the risk exposures occurring within a specific holding period (one year) and with a specified level of probability (99.5 percent). In addition, a qualitative assessment is carried out in the ORSA process.

Operational management of risk is carried out by the managers and process owners in those departments where the risks occur. Risk management consists of implementing measures to reduce, mitigate, transfer, and diversify risks.

A key element of risk monitoring is examining changes in the risk profile over time, focusing on risk-bearing capacity and utilization of the limits. Risk monitoring takes into account the regulatory and internal requirements regarding minimum cover. The results from the risk monitoring process and the associated recommendations for action are reported to the Management Board promptly and on a continual basis. Unexpected or extreme events can also affect a company's risk profile. Ad hoc reports are submitted if this is the case.

**Internal control system** The internal control system (ICS) refers to all control and monitoring mechanisms as well as other measures that help to support the effectiveness and profitability of business activities and to identify and minimize risk at an early stage. It also ensures compliance with the applicable laws and regulations, all regulatory requirements, and internal rules.

The ARAG Group structures its ICS in accordance with the 'three lines of defense' model, which the Company also uses:

First line of defense: The first line of defense is formed by all employees and managers in operational roles who are responsible for identifying and evaluating the risks in their area as part of the risk control process.

Second line of defense: The monitoring of the business and central units is carried out by various interdisciplinary functions (Group Controlling, Legal/Compliance, Group Risk Management, and the Actuarial function) that specify standards for the design and monitoring of controls and the handling of risk.

Third line of defense: Under its remit as the internal auditor for the Group companies, the Group Audit Central Department conducts internal audits of the functions in the first and second lines of defense within the ARAG Group. The Group Audit Central Department is also the internal auditor for the Group companies that have contractually appointed it to this role. Following the orders issued by the Management Board, Group Audit examines the operational and organizational structure as well as the ICS for all operating and business processes from a risk perspective.

**Risk categories**
Underwriting risk and market risk are of considerable significance for the Company, whereas counterparty default risk, liquidity risk, and operational risk are of lesser importance.

Underwriting risk in indemnity, liability, and accident insurance and in legal insurance
Underwriting risk is the risk of a loss arising from inadequate pricing or inadequate assumptions when determining underwriting liabilities. These losses result from various risk types, including:

- Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the duration of claims settlement and the amount involved in relation to the premiums generated in an insurance period.
- Catastrophe risk and accumulation risk: significant uncertainties regarding pricing and assumptions in respect of the recognition of technical provisions for extreme or exceptional events.
- Lapse risk: adverse changes in the level or volatility of the rates of insurance policy lapses and terminations.

These risks are measured using an internal model. A simulation is used to forecast a level of loss that would only be expected every 200 years. A 1 in 200 year event indicates the one-year loss anticipated with a probability of 99.5 percent. Future claims and/or required additions to reserves are calculated for premium and reserve risk on the basis of historical claims. Losses are simulated in the same way for catastrophe risk and accumulation risk; such losses may arise from natural disasters, large claims caused by people, or accumulation losses in the legal insurance business. Lapse risk is calculated on the basis of past lapse rates.

The actual underwriting risk arises from the aggregation of the individual risks, taking diversification effects into account. The methodology used for the internally modelled risks is regularly reviewed using backtesting and validation tests.

The ORSA process identified events that can have a material impact on non-life underwriting risk. Examples include accumulation risk resulting from attorneys driving up the number of legal cases, climate-related natural disasters, and the negative economic impact of the war in Ukraine.

Measures implemented to restrict the risks include risk limits and various reinsurance programs in the individual Group companies.

Underwriting risk in health insurance Underwriting risk is the risk of a loss or adverse change in the value of insurance liabilities arising from inadequate pricing and inadequate assumptions when determining underwriting liabilities. These losses result from the following three risk components and their associated sub-risks:

1. Risk from health insurance policies that are operated on an actuarial basis comparable to that of indemnity insurance:
   - Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the occurrence of claims settlement and the amount involved in relation to the premiums generated in an insurance period.
   - Lapse risk (operation on a basis similar to non-life insurance): changes in the level or volatility of the rates of insurance policy lapses, terminations, renewals, and surrenders.

2. Risk from health insurance policies that are operated on an actuarial basis comparable to that of life insurance:
   - Mortality risk: changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.
   - Longevity risk: changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.
   - Disability-morbidity risk: changes in the level, trend, or volatility of disability, sickness, and morbidity rates.
   - Expense risk: changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts.
   - Lapse risk (operation on a basis similar to life insurance): changes in the level or volatility of the rates of insurance policy lapses, terminations, renewals, and surrenders.

3. Risk from health insurance policies under which claims are made as a result of catastrophes:
   - Mass accident risk: the risk of having many people in one location at the same time, causing mass accidental deaths, disabilities, and injuries with a high impact on the cost of medical treatment sought.
   - Accident concentration risk: the risk of having concentrated exposures due to densely populated locations, causing concentrations of accidental deaths, disabilities, and injuries in the event of the mass accident scenario described above.
   - Pandemic risk: the risk of having a large number of non-lethal disability and income protection claims and where victims are unlikely to recover as a result of a pandemic.

These risks are measured with the standard formula. Depending on the risk involved, prescribed factors or stress scenarios are used in order to determine their impact on changes in the fair value of the liabilities. One of the methods used by the Company to measure health underwriting liabilities is the inflation-neutral measurement method. The sub-risks determined in this way are aggregated into the three risk components for health insurance. The actual underwriting risk arises from the further aggregation of these three components, taking diversification effects into account.

The ORSA process identified events that can have a material impact on health underwriting risk. These include, for example, the consequences of climate change and the negative economic impact of the war in Ukraine.

The measures implemented to limit the risk include reinsurance and the use of the available opportunities to structure policyholder profit participation and adjust premiums to the extent permitted by law.

The consistency of the insurance business and the adequacy of the claims provisions at all times can be seen in the following disclosures on the changes in the claims ratio for the entire direct insurance business over the last ten financial years.

### Changes in claims ratio

| Financial year | | Claims ratio, gross, total | Profit/loss on settlements |
|---|---|---|---|
| | FY ratio | Financial statements | % of initial reserve |
| **2023** | 54.9 | 50.8 | 4.1 |
| 2022 | 54.2 | 48.9 | 5.2 |
| 2021 | 56.1 | 51.8 | 4.0 |
| 2020 | 56.4 | 51.4 | 4.6 |
| 2019 | 56.2 | 52.4 | 3.5 |
| 2018 | 55.1 | 52.1 | 2.7 |
| 2017 | 56.0 | 52.4 | 3.1 |
| 2016 | 55.9 | 50.3 | 4.7 |
| 2015 | 58.0 | 51.6 | 6.0 |
| 2014 | 60.2 | 55.4 | 3.6 |

**Market risk** Market risk is the risk of loss due to adverse changes to market prices of assets, liabilities, and financial instruments. The risk arises directly or indirectly from the following sub-risks:

- Interest-rate risk: changes in the term structure or volatility of interest rates. For example, an assumed increase or decrease of 1 percentage point in the general level of interest rates would decrease the fair value of the fixed-income securities by approximately €242,200 thousand.
- Equity risk: changes in the level or volatility of the market prices of equities. For example, an assumed fall in equities markets of 20 percent would cause a loss in fair value of €108,793 thousand.
- Property risk: changes in the level or volatility of the market prices of real estate.
- Currency risk: changes in the level or volatility of exchange rates.
- Spread risk: changes in the level or volatility of credit spreads over the risk-free interest-rate term structure.
- Migration/default risk: rating changes or changes in the extent of projected defaults. The breakdown of interest-bearing investments by rating is as follows:

### Rating class (direct investment and funds)

| (Proportion [%] by fair value) | Dec. 31, 2023 |
|---|---|
| AAA | 24.8% |
| AA | 21.1% |
| A | 28.4% |
| BBB | 20.4% |
| BB | 2.9% |
| B | 1.4% |
| CCC | 0.1% |
| CC | 0.0% |
| C | 0.0% |
| D | 0.1% |
| Not rated | 0.9% |

The breakdown of fixed-income securities is as follows (fair values): Of the fixed-income securities – including securities held indirectly through institutional funds – approximately 31.4 percent are accounted for by financial services entities, 34.7 percent by public-sector bonds, and 33.9 percent by corporate bonds.

These risks are measured with the standard formula. New fair values of investments and liabilities are determined in the stress scenarios for interest rates, share prices, real estate prices, credit spreads, credit ratings/defaults, and exchange rates. The actual market risk arises from the aggregation of the sub-risks and concentration risk, taking diversification effects into account.

The ORSA process identified events that can have a material impact on market risk. They include corrections in the financial markets, the impact of climate change on investments, and negative changes in investments due to the escalation of international conflicts.

At strategic level, risk is limited by virtue of the fact that market risk limits are taken into account when determining the strategic asset allocation each year. An annual review of the asset/liability management (ALM) situation also ensures that these risk mitigation measures remain effective over the long term. Operational measures to mitigate risk are set out in the investment guidelines.

**Counterparty default risk** Counterparty default risk in the insurance business largely arises in connection with receivables from reinsurers, credit institutions, policyholders, and insurance brokers. It is the downside risk arising from the unexpected default or deterioration in the credit standing of counterparties and debtors during the next twelve months.

Counterparty default risk is measured with the standard formula. The risk of default on receivables from reinsurers and credit institutions is measured on the basis of the information available and proportionality considerations. The counterparties' individual credit ratings are explicitly used. To measure the risk of default on receivables from policyholders and insurance brokers, a constant factor is applied to the fair value of the relevant exposures on the Solvency II balance sheet.

The measures implemented to limit risk include requirements in respect of the selected reinsurers (such as a minimum rating) and an automated procedure for issuing reminders to recover receivables due from policyholders.

The amount of the receivables due from reinsurers, broken down by external ratings, can be found in the notes to the financial statements. As of the balance sheet date, receivables from policyholders more than 90 days past due amounted to €25,083 thousand (December 31, 2022: €20,301 thousand). The average default rate for these receivables more than 90 days past due over the last three years as of December 31, 2023 was 20.6 percent (December 31, 2022: 19.1 percent).

**Liquidity risk** Liquidity risk is the risk that insurance companies are unable to realize investments and other assets in order to settle their financial obligations when they fall due. Liquidity risk is therefore a derived risk: It is a type of investment risk (assets are not liquid) and a type of underwriting risk (insurance benefits due for payment may exceed available liquidity).

Liquidity risk is measured by calculating the monthly excess liquidity cover or liquidity shortfall on a rolling basis. Liquidity planning is updated constantly so that ARAG has early warning of whether it will require liquidity in the coming months. ALM is used to determine the liquidity requirement over the medium to long term.

Risk limitation measures include ALM and rolling liquidity planning.

**Operational risk** Operational risk is the risk arising from inadequate or failed internal processes or systems, employee misconduct, or unexpected external events that disrupt or even prevent business operations. Operational risk also encompasses legal risk and reputational risk but does not include risks arising from strategic decisions.

The Company uses the standard formula to determine the appropriate solvency capital requirement. Measurement for operational purposes is carried out using an expert assessment on the basis of two dimensions: probability of occurrence and impact. The probability of occurrence describes the likelihood that an operational risk will materialize within a defined period. The second dimension describes the potential impact of the occurrence of an operational risk and is measured in quantitative or qualitative terms. The gross and net values are recorded for each dimension.

The gross values are the values before implementation of possible measures to mitigate the risk; the net values are the values after implementation of the chosen measures. Risk limitation measures are specified by the managers concerned on a case-by-case basis. When identifying and evaluating operational risks, the risk managers consider known loss events that are recorded in a loss database. This contains data on all loss events that have occurred and their actual impact. Consequently, the plausibility of subjective estimates can be tested.

The ORSA process identified events that can have a material impact on operational risk. They include cyberattacks, power failures, or risks of a legal nature. PEN tests are carried out to prevent cyberattacks. In the event of power failures, technical and organizational measures are taken in order to maintain IT operations and avoid the loss of data. To reduce risks of a legal nature, extensive legislative monitoring has been established in order to identify changes at the earliest opportunity. In addition, internal training is held on an ongoing basis to avoid violations of the law.

### Overall risk position

The regulatory minimum capital requirement in accordance with the provisions of the German Insurance Supervision Act (VAG) is met in full. Moreover, the eligible own funds are higher than the solvency capital requirements calculated in accordance with VAG.

Over a planning period of three or four years, the risks were assessed for the individual companies using various scenarios (rising costs and claims, slump in new business, stagflation, impact of climate change on investments and on the underwriting business). The results indicate that the solvency capital requirement is expected to be sufficiently covered for the next few years at Group level.

The overall risk position does not currently point to any trends that could jeopardize the continued existence of the Group as a going concern or cause a significant negative impact on net assets, financial position, or results of operations.

# CONSOLIDATED FINANCIAL STATEMENTS

# I. Consolidated Balance Sheet

**Consolidated balance sheet as of December 31 – assets**

| (€) | Dec. 31, 2023 | Dec. 31, 2022 |
|---|---|---|
| **A. Intangible assets** | | |
| I. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets | 11,327,675.78 | 10,616,909.73 |
| II. Goodwill | 4,796,746.47 | 6,099,140.36 |
| | **16,124,422.25** | **16,716,050.09** |
| **B. Investments** | | |
| I. Land, land rights and buildings, including buildings on third-party land | 174,715,539.36 | 183,450,124.78 |
| II. Investments in affiliated companies and equity investments | | |
| 1. Shares in affiliated companies | 1,492,284.38 | 1,492,284.38 |
| 2. Investments in associates | 16,900,798.01 | 15,701,951.16 |
| 3. Miscellaneous equity investments | 2,820,253.37 | 4,471,193.88 |
| 4. Lending to long-term investees and investors | 3,750,000.00 | 3,750,000.00 |
| | 24,963,335.76 | 25,415,429.42 |
| III. Miscellaneous investments | | |
| 1. Equities, investment fund shares/units, and other variable-yield securities | 1,967,027,962.44 | 1,839,896,466.07 |
| 2. Bearer bonds and other fixed-income securities | 2,466,349,297.76 | 2,371,675,115.21 |
| 3. Loans secured by mortgages or land charges and fixed-income receivables | 1.00 | 1.00 |
| 4. Miscellaneous lending | | |
| a) Registered bonds | 618,518,584.42 | 568,029,876.30 |
| b) Promissory notes and loans | 392,644,054.83 | 454,921,966.56 |
| c) Sundry lending | 86,489.14 | 118,144.15 |
| | 1,011,249,128.39 | 1,023,069,987.01 |
| 5. Bank deposits | 111,348,327.08 | 84,254,735.88 |
| | 5,555,974,716.67 | 5,318,896,305.17 |
| IV. Deposits with ceding insurers | 65,432,813.00 | 65,201,045.19 |
| | **5,821,086,404.79** | **5,592,962,904.56** |

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## → Consolidated balance sheet as of December 31 – assets

| (€) | Dec. 31, 2023 | Dec. 31, 2022 |
|---|---|---|
| **C. Receivables** | | |
| I. Receivables from direct insurance business | | |
| 1. from policyholders | 76,613,073.86 | 64,630,345.29 |
| 2. from insurance brokers | 48,763,181.71 | 45,136,502.88 |
| of which from affiliated companies: €69.15 (Dec. 31, 2022: €0.00) | | |
| | 125,376,255.57 | 109,766,848.17 |
| II. Receivables from reinsurance business | 48,823,037.30 | 63,880,491.32 |
| of which from other long-term investees and investors: €41,747.92 (Dec. 31, 2022: €51,790.97) | | |
| III. Miscellaneous receivables | 46,737,104.48 | 22,485,141.70 |
| of which from affiliated companies: €896,312.87 (Dec. 31, 2022: €1,232,534.99) | | |
| of which from other long-term investees and investors: €202,647.68 (Dec. 31, 2022: €156,257.83) | | |
| | **220,936,397.35** | **196,132,481.19** |
| **D. Miscellaneous assets** | | |
| I. Property and equipment and inventories | 18,953,659.46 | 20,213,583.73 |
| II. Current bank balances, checks and cash on hand | 322,650,221.80 | 190,190,958.00 |
| III. Other assets | 19,838,753.51 | 17,620,547.97 |
| | **361,442,634.77** | **228,025,089.70** |
| **E. Prepaid expenses and accrued income** | | |
| I. Accrued interest and rent | 34,043,639.53 | 30,462,415.49 |
| II. Miscellaneous prepaid expenses and accrued income | 16,085,096.90 | 14,520,442.76 |
| | **50,128,736.43** | **44,982,858.25** |
| **F. Deferred tax assets** | **577,649.21** | **797,740.21** |
| **G. Excess of plan assets over pension liabilities** | **478,806.53** | **345,314.46** |
| **Total assets** | **6,470,775,051.33** | **6,079,962,438.46** |

## Consolidated balance sheet as of December 31 – equity and liabilities

| (€) | Dec. 31, 2023 | Dec. 31, 2022 |
|---|---|---|
| **A. Equity** | | |
| I. Subscribed capital | 200,000,000.00 | 200,000,000.00 |
| II. Revenue reserves | | |
| 1. Statutory reserves | 17,876,437.00 | 16,923,310.00 |
| 2. Other revenue reserves | 437,297,560.68 | 405,452,303.94 |
| 3. Currency translation differences | 4,682,405.79 | 10,216,153.10 |
| 4. Difference pursuant to section 309 (1) HGB | – 35,999,890.82 | – 35,999,890.82 |
| | 423,856,512.65 | 396,591,876.22 |
| III. Net income attributable to the Group | | |
| 1. Consolidated net income of the controlling interests | 85,214,613.77 | 42,798,383.74 |
| IV. Non-controlling interests | | |
| 1. in the capital | 9,352,284.37 | 9,238,634.66 |
| 2. in the net income | 964,751.83 | 737,217.89 |
| | 10,317,036.20 | 9,975,852.55 |
| | **719,388,162.62** | **649,366,112.51** |
| **B. Subordinated liabilities** | **30,000,000.00** | **30,000,000.00** |
| **C. Technical provisions** | | |
| I. Unearned premiums | | |
| 1. Gross amount | 296,615,718.79 | 292,628,988.87 |
| 2. less: portion for outward reinsurance business | – 96,123.40 | – 99,444.92 |
| | 296,519,595.39 | 292,529,543.95 |
| II. Actuarial reserve | | |
| 1. Gross amount | 2,532,880,765.49 | 2,350,397,881.57 |
| 2. less: portion for outward reinsurance business | 0.00 | 0.00 |
| | 2,532,880,765.49 | 2,350,397,881.57 |
| III. Provision for outstanding claims | | |
| 1. Gross amount | 1,871,137,792.46 | 1,793,836,552.00 |
| 2. less: portion for outward reinsurance business | – 33,641,206.19 | – 36,631,187.19 |
| | 1,837,496,586.27 | 1,757,205,364.81 |
| IV. Provision for performance-based and non-performance-based bonuses and rebates | 279,708,667.18 | 272,221,421.84 |

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## → Consolidated balance sheet as of December 31 – equity and liabilities

| (€) | Dec. 31, 2023 | Dec. 31, 2022 |
|---|---|---|
| V. Equalization provision and similar provisions | 161,497,991.00 | 148,798,657.01 |
| VI. Miscellaneous technical provisions | | |
| 1. Gross amount | 4,828,337.03 | 5,776,255.10 |
| 2. less: portion for outward reinsurance business | 0.00 | 0.00 |
| | 4,828,337.03 | 5,776,255.10 |
| | **5,112,931,942.36** | **4,826,929,124.28** |
| **D. Other provisions** | | |
| I. Provisions for pensions and other post-employment benefits | 299,412,919.23 | 294,247,968.01 |
| II. Provisions for taxes | 23,512,572.93 | 20,376,189.10 |
| III. Miscellaneous provisions | 120,460,027.10 | 111,312,628.50 |
| | **443,385,519.26** | **425,936,785.61** |
| **E. Deposits received from reinsurers** | **430.22** | **3,941.11** |
| **F. Other liabilities** | | |
| I. Liabilities from direct insurance business to | | |
| 1. policyholders | 37,857,297.33 | 28,766,434.58 |
| 2. insurance brokers | 49,951,930.58 | 47,699,368.59 |
| of which to affiliated companies: €13.84 (Dec. 31, 2022: €14.56) | | |
| | 87,809,227.91 | 76,465,803.17 |
| II. Liabilities from reinsurance business | 2,903,541.29 | 1,818,360.97 |
| III. Miscellaneous liabilities | 73,929,316.35 | 69,067,747.83 |
| of which tax liabilities: €25,120,193.79 (Dec. 31, 2022: €28,138,653.85) | | |
| of which social security liabilities: €2,903,696.34 (Dec. 31, 2022: €2,695,235.49) | | |
| of which to affiliated companies: €304,898.30 (Dec. 31, 2022: €316,282.25) | | |
| | **164,642,085.55** | **147,351,911.97** |
| **G. Deferred income and accrued expenses** | **426,911.32** | **374,562.98** |
| **Total equity and liabilities** | **6,470,775,051.33** | **6,079,962,438.46** |

# II. Consolidated Income Statement

**Consolidated income statement for the period from January 1 to December 31**

| (€) | 2023 | 2022 |
|---|---|---|
| **I. Underwriting account for casualty and property insurance** | | |
| 1. Premiums earned net of reinsurance | | |
| a) Gross premiums written | 1,735,782,277.24 | 1,653,319,987.96 |
| b) Reinsurance premiums ceded | – 14,921,692.41 | – 12,786,138.24 |
| | 1,720,860,584.83 | 1,640,533,849.72 |
| c) Change in gross unearned premiums | – 4,604,158.59 | – 14,828,405.62 |
| d) Change in reinsurers' share of gross unearned premiums | – 3,321.52 | 24,481.59 |
| | – 4,607,480.11 | – 14,803,924.03 |
| | **1,716,253,104.72** | **1,625,729,925.69** |
| 2. Technical interest income net of reinsurance | **127,655.00** | **133,731.00** |
| 3. Miscellaneous underwriting income net of reinsurance | **2,088,696.69** | **1,913,253.78** |
| 4. Claims incurred net of reinsurance | | |
| a) Payments for claims | | |
| aa) Gross amount | 805,218,752.80 | 750,585,105.04 |
| bb) Reinsurers' share | – 6,139,285.60 | – 13,669,338.79 |
| | 799,079,467.20 | 736,915,766.25 |
| b) Change in provision for outstanding claims | | |
| aa) Gross amount | 69,140,482.32 | 48,493,212.51 |
| bb) Reinsurers' share | 2,989,981.00 | 3,479,434.11 |
| | 72,130,463.32 | 51,972,646.62 |
| | **871,209,930.52** | **788,888,412.87** |
| 5. Change in sundry net technical provisions | | |
| a) Net actuarial reserve | 0.00 | 0.00 |
| b) Miscellaneous net technical provisions | – 150,191.17 | – 154,668.76 |
| | **– 150,191.17** | **– 154,668.76** |

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## → Consolidated income statement for the period from January 1 to December 31

| (€) | 2023 | 2022 |
|---|---|---|
| 6. Insurance business operating expenses net of reinsurance | | |
| a) Gross insurance business operating expenses | 720,217,026.01 | 687,278,540.47 |
| b) less: commissions received and profit sharing received from outward reinsurance business | – 1,090,997.00 | – 1,455,168.93 |
| | **719,126,029.01** | **685,823,371.54** |
| 7. Miscellaneous underwriting expenses net of reinsurance | 2,093,050.07 | 1,982,118.94 |
| **8. Subtotal** | **125,890,255.64** | **150,928,338.36** |
| 9. Change in the equalization provision and similar provisions | – 12,699,333.99 | – 19,596,062.23 |
| **10. Casualty and property insurance underwriting result net of reinsurance** | **113,190,921.65** | **131,332,276.13** |
| | | |
| **II. Underwriting account for health insurance** | | |
| 1. Premiums earned net of reinsurance | | |
| a) Gross premiums written | 637,989,536.80 | 546,071,616.61 |
| b) Reinsurance premiums ceded | – 317,405.41 | – 348,512.35 |
| | 637,672,131.39 | 545,723,104.26 |
| c) Change in gross unearned premiums | – 1,018,584.59 | – 1,053,928.95 |
| d) Change in reinsurers' share of gross unearned premiums | 0.00 | 0.00 |
| | – 1,018,584.59 | – 1,053,928.95 |
| | **636,653,546.80** | **544,669,175.31** |
| 2. Premiums from the gross provision for bonuses and rebates | **20,013,662.27** | **4,510,948.80** |
| 3. Income from investments | | |
| a) Income from equity investments | 0.00 | 0.00 |
| b) Income from other investments | | |
| of which from affiliated companies: €0.00 (2022: €6,628.44) | | |
| aa) Income from land, land rights and buildings, including buildings on third-party land | 5,099,805.88 | 5,410,328.10 |
| bb) Income from other investments | 55,507,078.61 | 51,333,851.56 |
| | 60,606,884.49 | 56,744,179.66 |
| c) Income from reversals of write-downs | 6,511,662.64 | 2,035,322.00 |
| d) Gains on the disposal of investments | 25,863,820.49 | 23,315,856.93 |
| | **92,982,367.62** | **82,095,358.59** |

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## → Consolidated income statement for the period from January 1 to December 31

| (€) | 2023 | 2022 |
|---|---|---|
| 4. Miscellaneous underwriting income net of reinsurance | **23,224,509.46** | **17,816,612.57** |
| 5. Claims incurred net of reinsurance | | |
| a) Payments for claims | | |
| aa) Gross amount | 322,828,038.50 | 293,982,339.67 |
| bb) Reinsurers' share | 0.00 | 0.00 |
| | 322,828,038.50 | 293,982,339.67 |
| b) Change in provision for outstanding claims | | |
| aa) Gross amount | 11,374,047.26 | 7,057,774.82 |
| bb) Reinsurers' share | 0.00 | 0.00 |
| | 11,374,047.26 | 7,057,774.82 |
| | **334,202,085.76** | **301,040,114.49** |
| 6. Change in sundry net technical provisions | | |
| a) Net actuarial reserve | | |
| aa) Gross amount | – 182,484,358.92 | – 145,332,946.12 |
| bb) Reinsurers' share | 0.00 | 0.00 |
| | – 182,484,358.92 | – 145,332,946.12 |
| b) Miscellaneous net technical provisions | – 54,234.00 | – 369,693.00 |
| | – 182,538,592.92 | – 145,702,639.12 |
| 7. Expenses for performance-based and non-performance-based bonuses and rebates net of reinsurance | 54,596,077.33 | 34,721,630.20 |
| 8. Insurance business operating expenses net of reinsurance | | |
| a) Front-end fees | 123,364,130.75 | 93,445,488.52 |
| b) Administrative expenses | 13,955,043.40 | 12,164,074.64 |
| | 137,319,174.15 | 105,609,563.16 |
| c) less: commissions received and profit sharing received from outward reinsurance business | – 64,332.97 | – 48,932.22 |
| | **137,254,841.18** | **105,560,630.94** |

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## → Consolidated income statement for the period from January 1 to December 31

| (€) | 2023 | 2022 |
|---|---|---|
| 9. Expenses for investments | | |
| a) Expenses for the management of investments, interest expense and similar charges and other expenses for investments | 5,546,496.78 | 4,409,124.15 |
| b) Depreciation, amortization and write-downs of investments | 12,622,066.45 | 16,900,231.57 |
| of which write-downs: €11,378,428.45 (2022: €15,685,866.57) | | |
| c) Losses on the disposal of investments | 15,673,795.53 | 12,774,307.23 |
| | **33,842,358.76** | **34,083,662.95** |
| 10. Miscellaneous underwriting expenses net of reinsurance | **5,998,922.40** | **1,555,340.69** |
| **11. Health insurance underwriting result net of reinsurance** | **24,441,207.80** | **26,428,076.88** |
| | | |
| **III. Non-underwriting account** | | |
| 1. Underwriting result net of reinsurance | | |
| a) in casualty and property insurance | 113,190,921.65 | 131,332,276.13 |
| b) in health insurance | 24,441,207.80 | 26,428,076.88 |
| | **137,632,129.45** | **157,760,353.01** |
| 2. Income from investments, unless listed under II. 3. | | |
| a) Income from equity investments | 1,121,720.23 | 1,344,550.71 |
| of which from affiliated companies: €510,867.00 (2022: €429,000.00) | | |
| b) Income from associates | 7,666,852.78 | 7,724,340.81 |
| c) Income from other investments | | |
| of which from affiliated companies: €79,365.60 (2022: €72,312.48) | | |
| aa) Income from land, land rights and buildings, including buildings on third-party land | 13,902,521.59 | 17,174,019.82 |
| bb) Income from other investments | 40,836,552.13 | 34,982,181.13 |
| | 54,739,073.72 | 52,156,200.95 |
| d) Income from reversals of write-downs | 8,671,603.17 | 421,143.46 |
| e) Gains on the disposal of investments | 48,071,124.78 | 6,948,333.99 |
| | **120,270,374.68** | **68,594,569.92** |

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## → Consolidated income statement for the period from January 1 to December 31

| (€) | 2023 | 2022 |
|---|---|---|
| 3. Expenses for investments, unless listed under II. 9. | | |
| a) Expenses for the management of investments, interest expense and similar charges and other expenses for investments | 11,860,208.53 | 13,385,206.30 |
| b) Depreciation, amortization and write-downs of investments | 12,515,518.78 | 44,452,120.14 |
| of which write-downs: €8,075,862.70 (2022: €39,970,778.28) | | |
| c) Losses on the disposal of investments | 33,417,132.72 | 6,624,620.06 |
| | 57,792,860.03 | 64,461,946.50 |
| | **62,477,514.65** | **4,132,623.42** |
| 4. Technical interest income | **– 127,655.00** | **– 133,731.00** |
| 5. Market fees for goods and services provided by non-insurance companies | **44,256,865.34** | **41,536,063.11** |
| 6. Cost of goods and services provided by non-insurance companies to generate market fees | **43,571,061.38** | **41,115,627.88** |
| 7. Other income | 29,492,448.53 | 32,432,353.40 |
| 8. Other expenses | 93,693,226.18 | 97,324,502.11 |
| of which write-downs on goodwill arising on consolidation: €1,132,798.20 (2022: €1,132,798.20) | | |
| | | |
| **9. Non-underwriting result** | **– 1,165,114.04** | **– 60,472,821.06** |
| **10. Profit/loss from ordinary activities** | **136,467,015.41** | **97,287,531.95** |
| 11. Extraordinary income | 0.00 | 0.00 |
| 12. Extraordinary expenses | 0.00 | 0.00 |
| | **0.00** | **0.00** |
| **13. Profit before tax** | **136,467,015.41** | **97,287,531.95** |
| 14. Income taxes | 46,357,561.60 | 49,918,644.21 |
| of which resulting from the change in recognized deferred taxes: tax expense of €222,757.32 (2022: tax income of €1,359,317.04) | | |
| 15. Miscellaneous taxes | 3,930,088.21 | 3,833,286.11 |
| | **50,287,649.81** | **53,751,930.32** |
| **16. Net income for the year** | **86,179,365.60** | **43,535,601.63** |
| 17. of which non-controlling interests | – 964,751.83 | – 737,217.89 |

# III. Consolidated Cash Flow Statement

## Cash flow statement

| (€) | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | 86,179,366 | 43,535,602 |
| Increase(+)/decrease(–) in technical provisions, net | 286,002,818 | 241,958,923 |
| Increase(–)/decrease(+) in deposits with ceding insurers and in receivables from reinsurance business | 14,825,686 | 8,753,095 |
| Increase(+)/decrease(–) in deposits from reinsurers and liabilities from reinsurance business | 1,081,669 | 650,713 |
| Increase(–)/decrease(+) in receivables from direct insurance business | – 15,609,407 | – 11,429,150 |
| Increase(+)/decrease(–) in liabilities from direct insurance business | 11,343,425 | 2,913,453 |
| Increase(–)/decrease(+) in miscellaneous receivables | – 10,420,038 | – 1,963,132 |
| Increase(+)/decrease(–) in miscellaneous liabilities | 4,616,080 | 10,698,701 |
| Change in miscellaneous balance sheet items not related to investing or financing activities | – 218,887,927 | – 325,193,316 |
| Other non-cash income and expenses, and adjustment of the profit/loss for the period | 29,395,366 | 68,497,083 |
| Gain(–)/loss (+) on the disposal of investments, property and equipment, and intangible assets | – 24,816,680 | – 10,772,724 |
| Expenses for/income from extraordinary items | 0 | 0 |
| Current income tax expense/income | 46,134,804 | 51,277,961 |
| Cash receipts from extraordinary items | 0 | 0 |
| Cash payments for extraordinary items | 0 | 0 |
| Income taxes paid | – 58,398,333 | – 52,723,069 |
| **Cash flows from operating activities** | **151,446,829** | **26,204,140** |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of consolidated entities | 0 | 0 |
| Proceeds from disposal of property and equipment | 245,118 | 152,711 |
| Proceeds from disposal of intangible assets | 2,550 | 5,640 |
| Payments to acquire property and equipment | – 4,798,709 | – 9,227,859 |
| Payments to acquire intangible assets | – 4,436,525 | – 5,749,229 |
| Proceeds from disposal of investments related to fund-linked life insurance | 0 | 0 |
| Payments to acquire investments related to fund-linked life insurance | 0 | 0 |
| Cash receipts from extraordinary items | 0 | 0 |
| Cash payments for extraordinary items | 0 | 0 |
| **Cash flows from investing activities** | **– 8,987,565** | **– 14,818,737** |
| **Cash flows from financing activities** | | |
| Proceeds from capital contributions by shareholders | 0 | 0 |
| Cash payments to shareholders from the redemption of shares | 0 | 0 |
| Cash receipts from extraordinary items | 0 | 0 |
| Cash payments for extraordinary items | 0 | 0 |
| Dividends paid | – 10,000,000 | – 10,000,000 |
| Proceeds(+)/cash payments(–) related to miscellaneous financing activities | 0 | 0 |
| **Cash flows from financing activities** | **– 10,000,000** | **– 10,000,000** |
| Net change in cash and cash equivalents | 132,459,264 | 1,385,403 |
| Effect on cash and cash equivalents of exchange rate movements and remeasurements | 0 | 0 |
| Effect on cash and cash equivalents of changes in the basis of consolidation | 0 | 0 |
| Cash and cash equivalents at beginning of period | 190,190,958 | 188,805,555 |
| **Cash and cash equivalents at end of period** | **322,650,222** | **190,190,958** |

# IV. Statement of Changes in Group Equity

### Statement of changes in group equity

| | Equity attributable to parent entity | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Subscribed capital | | | | Reserves | | | | | | | |
| | Subscribed capital | Treasury shares | Uncalled unpaid contributions | Total | Capital reserves | | | Revenue reserves | | | | Total |
| (€) | Ordinary shares | | | | Pursuant to sec. 272 (2) nos. 1–3 HGB | Pursuant to sec. 272 (2) no. 4 HGB | Total | Statutory reserves | Reserves provided for by the articles of incorporation | Other revenue reserves | Total | |
| **Balance as of Jan. 1, 2023** | **200,000,000** | **0** | **0** | **200,000,000** | **0** | **0** | **0** | **16,923,310** | **0** | **369,452,413** | **386,375,723** | **386,375,723** |
| Transfers to/withdrawals from reserves | | | | 0 | | | 0 | 953,127 | | 31,845,257 | 32,798,384 | 32,798,384 |
| Distribution | | | | 0 | | | 0 | | | | 0 | 0 |
| Currency translation | | | | 0 | | | 0 | | | | 0 | 0 |
| Miscellaneous changes | | | | 0 | | | 0 | | | 0 | 0 | 0 |
| Changes in the basis of consolidation | | | | 0 | | | 0 | | | 0 | 0 | 0 |
| Consolidated net income | | | | 0 | | | 0 | | | | 0 | 0 |
| **Balance as of Dec. 31, 2023** | **200,000,000** | **0** | **0** | **200,000,000** | **0** | **0** | **0** | **17,876,437** | **0** | **401,297,670** | **419,174,107** | **419,174,107** |

| Equity attributable to parent entity | | | | Non-controlling interests | | | | Consolidated equity |
|---|---|---|---|---|---|---|---|---|
| **Currency translation differences** | **Retained profits brought forward** | **Consolidated net income attributable to the parent entity** | **Total** | **Non-controlling interests before currency translation differences** | **Currency translation differences attributable to non-controlling interests** | **Profit or loss attributable to non-controlling interests** | **Total** | **Total** |
| **10,216,153** | **0** | **42,798,384** | **639,390,260** | **9,210,740** | **27,895** | **737,218** | **9,975,853** | **649,366,113** |
| | | – 32,798,384 | 0 | 255,477 | 0 | – 255,477 | 0 | 0 |
| | | – 10,000,000 | – 10,000,000 | | | – 481,741 | – 481,741 | – 10,481,741 |
| – 5,533,747 | | | – 5,533,747 | | 0 | | 0 | – 5,533,747 |
| | | | 0 | – 141,827 | | | – 141,827 | – 141,827 |
| | | | 0 | 0 | | | 0 | 0 |
| | | 85,214,614 | 85,214,614 | | | 964,752 | 964,752 | 86,179,366 |
| **4,682,406** | **0** | **85,214,614** | **709,071,127** | **9,324,390** | **27,895** | **964,752** | **10,317,037** | **719,388,163** |

# V. Group Segment Report

## Segment reporting – balance sheet

| | Legal insurance | | Casualty and property insurance | | Health insurance | | Services and asset management | | Total | | Consolidation | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (€'000) | Dec. 31, 2023 | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2022 |
| **A. Intangible assets** | **11,502** | **10,700** | **0** | **0** | **5** | **13** | **478** | **730** | **11,984** | **11,443** | **4,140** | **5,273** | **16,124** | **16,716** |
| **B. Investments** | **2,680,867** | **2,682,777** | **499,994** | **485,169** | **3,146,116** | **2,922,211** | **608,804** | **544,540** | **6,935,782** | **6,634,697** | **– 1,114,696** | **– 1,041,734** | **5,821,086** | **5,592,963** |
| I. Land and buildings, including buildings on third-party land | 55,056 | 58,136 | 21,971 | 23,549 | 73,390 | 76,355 | 27,251 | 28,371 | 177,668 | 186,411 | – 2,953 | – 2,961 | 174,716 | 183,450 |
| II. Investments in affiliated companies and equity investments | 506,740 | 480,880 | 50,594 | 46,916 | 151,282 | 107,202 | 428,091 | 429,191 | 1,136,706 | 1,064,189 | – 1,111,743 | – 1,038,773 | 24,963 | 25,415 |
| III. Miscellaneous investments | 2,056,133 | 2,081,726 | 424,935 | 411,539 | 2,921,444 | 2,738,655 | 153,463 | 86,978 | 5,555,975 | 5,318,896 | 0 | 0 | 5,555,975 | 5,318,896 |
| IV. Deposits with ceding insurers | 62,938 | 62,035 | 2,495 | 3,166 | 0 | 0 | 0 | 0 | 65,433 | 65,201 | 0 | 0 | 65,433 | 65,201 |
| **C. Miscellaneous segment assets** | **449,383** | **305,666** | **20,152** | **22,437** | **94,137** | **56,031** | **69,315** | **85,352** | **632,987** | **469,486** | **578** | **798** | **633,564** | **470,283** |
| **Total segment assets** | **3,141,752** | **2,999,143** | **520,146** | **507,605** | **3,240,258** | **2,978,255** | **678,596** | **630,623** | **7,580,753** | **7,115,626** | **– 1,109,978** | **– 1,035,664** | **6,470,775** | **6,079,962** |
| | | | | | | | | | | | | | | |
| **A. Technical provisions** | **1,824,366** | **1,738,609** | **357,666** | **358,685** | **2,930,900** | **2,729,635** | **0** | **0** | **5,112,932** | **4,826,929** | **0** | **0** | **5,112,932** | **4,826,929** |
| I. Unearned premiums | 231,443 | 228,088 | 46,425 | 46,811 | 18,749 | 17,730 | 0 | 0 | 296,616 | 292,629 | 0 | 0 | 296,616 | 292,629 |
| II. Actuarial reserve | 0 | 0 | 13 | 15 | 2,532,868 | 2,350,383 | 0 | 0 | 2,532,881 | 2,350,398 | 0 | 0 | 2,532,881 | 2,350,398 |
| III. Provision for outstanding claims | 1,500,005 | 1,430,884 | 273,223 | 276,417 | 97,909 | 86,535 | 0 | 0 | 1,871,138 | 1,793,837 | 0 | 0 | 1,871,138 | 1,793,837 |
| IV. Provision for bonuses and rebates | 0 | 0 | 0 | 0 | 279,709 | 272,221 | 0 | 0 | 279,709 | 272,221 | 0 | 0 | 279,709 | 272,221 |
| V. Equalization provision | 93,000 | 79,753 | 68,498 | 69,046 | 0 | 0 | 0 | 0 | 161,498 | 148,799 | 0 | 0 | 161,498 | 148,799 |
| VI. Miscellaneous technical provisions | 1,065 | 1,080 | 2,098 | 1,931 | 1,665 | 2,765 | 0 | 0 | 4,828 | 5,776 | 0 | 0 | 4,828 | 5,776 |
| VII. Reinsurers' share of technical provisions | – 1,147 | – 1,195 | – 32,590 | – 35,535 | 0 | 0 | 0 | 0 | – 33,737 | – 36,731 | 0 | 0 | – 33,737 | – 36,731 |
| **B. Miscellaneous segment liabilities** | **469,514** | **453,131** | **63,614** | **55,917** | **59,092** | **52,872** | **49,241** | **45,054** | **641,461** | **606,973** | **– 3,006** | **– 3,306** | **638,455** | **603,667** |
| **Total segment liabilities** | **2,293,880** | **2,191,740** | **421,280** | **414,602** | **2,989,992** | **2,782,507** | **49,241** | **45,054** | **5,754,393** | **5,433,902** | **– 3,006** | **– 3,306** | **5,751,387** | **5,430,596** |
| | | | | | | | | | | | | | | |
| **Equity** | | | | | | | | | | | | | **719,388** | **649,366** |
| **Total equity and liabilities** | | | | | | | | | | | | | **6,470,775** | **6,079,962** |

## Segment reporting – income statement by class of insurance

| | Legal insurance | | Casualty and property insurance | | Health insurance | | Services and asset management | | Total | | Consolidation | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (€'000) | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Underwriting income** | | | | | | | | | | | | | | |
| **Gross premiums written** | **1,416,740** | **1,345,181** | **319,042** | **308,138** | **637,990** | **546,072** | **0** | **0** | **2,373,772** | **2,199,391** | **0** | **0** | **2,373,772** | **2,199,391** |
| Direct insurance business | 1,115,026 | 1,048,430 | 306,343 | 292,957 | 637,990 | 546,072 | 0 | 0 | 2,059,359 | 1,887,459 | 0 | 0 | 2,059,359 | 1,887,459 |
| Inward reinsurance business | 301,714 | 296,751 | 12,699 | 15,181 | 0 | 0 | 0 | 0 | 314,413 | 311,932 | 0 | 0 | 314,413 | 311,932 |
| Reinsurance premiums ceded | – 878 | – 821 | – 14,044 | – 11,965 | – 317 | – 349 | 0 | 0 | – 15,239 | – 13,135 | 0 | 0 | – 15,239 | – 13,135 |
| Change in net unearned premiums | – 4,988 | – 12,989 | 381 | – 1,815 | – 1,019 | – 1,054 | 0 | 0 | – 5,626 | – 15,858 | 0 | 0 | – 5,626 | – 15,858 |
| **Premiums earned net of reinsurance** | **1,410,874** | **1,331,371** | **305,379** | **294,358** | **636,654** | **544,669** | **0** | **0** | **2,352,907** | **2,170,398** | **0** | **0** | **2,352,907** | **2,170,398** |
| Premiums from the gross provision for bonuses and rebates | 0 | 0 | 0 | 0 | 20,014 | 4,511 | 0 | 0 | 20,014 | 4,511 | 0 | 0 | 20,014 | 4,511 |
| Investment income allocated to the underwriting account | 0 | 0 | 128 | 134 | 92,982 | 82,095 | 0 | 0 | 93,110 | 82,229 | 0 | 0 | 93,110 | 82,229 |
| Miscellaneous underwriting income net of reinsurance | 1,623 | 1,450 | 465 | 463 | 23,225 | 17,817 | 0 | 0 | 25,313 | 19,730 | 0 | 0 | 25,313 | 19,730 |
| **Total underwriting income** | **1,412,497** | **1,332,821** | **305,972** | **294,955** | **772,875** | **649,092** | **0** | **0** | **2,491,344** | **2,276,868** | **0** | **0** | **2,491,344** | **2,276,868** |
| **Underwriting expenses** | | | | | | | | | | | | | | |
| Claims incurred net of reinsurance | – 703,945 | – 630,317 | – 167,265 | – 158,571 | – 334,202 | – 301,040 | 0 | 0 | – 1,205,412 | – 1,089,928 | 0 | 0 | – 1,205,412 | – 1,089,928 |
| Change in sundry net technical provisions | 15 | – 131 | – 165 | – 24 | – 182,539 | – 145,703 | 0 | 0 | – 182,689 | – 145,858 | 0 | 0 | – 182,689 | – 145,858 |
| Expenses for bonuses and rebates | 0 | 0 | 0 | 0 | – 54,596 | – 34,722 | 0 | 0 | – 54,596 | – 34,722 | 0 | 0 | – 54,596 | – 34,722 |
| of which performance-based | 0 | 0 | 0 | 0 | – 54,489 | – 34,707 | 0 | 0 | – 54,489 | – 34,707 | 0 | 0 | – 54,489 | – 34,707 |
| of which non-performance-based | 0 | 0 | 0 | 0 | – 107 | – 15 | 0 | 0 | – 107 | – 15 | 0 | 0 | – 107 | – 15 |
| Insurance business operating expenses | – 587,798 | – 560,158 | – 131,328 | – 125,666 | – 137,255 | – 105,560 | 0 | 0 | – 856,381 | – 791,384 | 0 | 0 | – 856,381 | – 791,384 |
| of which front-end fees | – 151,089 | – 130,841 | – 51,148 | – 49,696 | – 123,364 | – 93,445 | 0 | 0 | – 325,601 | – 273,982 | 0 | 0 | – 325,601 | – 273,982 |
| of which administrative expenses | – 436,709 | – 429,317 | – 81,271 | – 77,425 | – 13,955 | – 12,164 | 0 | 0 | – 531,935 | – 518,906 | 0 | 0 | – 531,935 | – 518,906 |
| of which reinsurers' share | 0 | 0 | 1,091 | 1,455 | 64 | 49 | 0 | 0 | 1,155 | 1,504 | 0 | 0 | 1,155 | 1,504 |

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## → Segment reporting – income statement by class of insurance

| | Legal insurance | | Casualty and property insurance | | Health insurance | | Services and asset management | | Total | | Consolidation | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (€'000) | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Investment expenses allocated to the underwriting account | 0 | 0 | 0 | 0 | – 33,842 | – 34,084 | 0 | 0 | – 33,842 | – 34,084 | 0 | 0 | – 33,842 | – 34,084 |
| Miscellaneous underwriting expenses net of reinsurance | 0 | 0 | – 2,093 | – 1,982 | – 5,999 | – 1,555 | 0 | 0 | – 8,092 | – 3,537 | 0 | 0 | – 8,092 | – 3,537 |
| **Total underwriting expenses** | **– 1,291,728** | **– 1,190,606** | **– 300,851** | **– 286,243** | **– 748,433** | **– 622,664** | **0** | **0** | **– 2,341,012** | **– 2,099,513** | **0** | **0** | **– 2,341,012** | **– 2,099,513** |
| | | | | | | | | | | | | | | |
| **Subtotal** | **120,769** | **142,215** | **5,121** | **8,712** | **24,442** | **26,428** | **0** | **0** | **150,332** | **177,355** | **0** | **0** | **150,332** | **177,355** |
| Change in the equalization provision and similar provisions | – 13,248 | – 17,540 | 548 | – 2,056 | 0 | 0 | 0 | 0 | – 12,700 | – 19,596 | 0 | 0 | – 12,700 | – 19,596 |
| **Underwriting result net of reinsurance** | **107,521** | **124,675** | **5,669** | **6,656** | **24,442** | **26,428** | **0** | **0** | **137,632** | **157,759** | **0** | **0** | **137,632** | **157,759** |
| Income from investments | 124,322 | 94,103 | 14,034 | 9,781 | 92,982 | 82,095 | 64,313 | 61,982 | 295,651 | 247,961 | – 82,398 | – 97,271 | 213,253 | 150,690 |
| Expenses for investments | – 54,350 | – 61,853 | – 6,728 | – 7,970 | – 33,842 | – 34,084 | – 1,552 | – 2,207 | – 96,472 | – 106,114 | 4,709 | 7,435 | – 91,763 | – 98,679 |
| **Gains and losses on investments** | **69,972** | **32,250** | **7,306** | **1,811** | **59,140** | **48,011** | **62,761** | **59,775** | **199,179** | **141,847** | **– 77,689** | **– 89,836** | **121,490** | **52,011** |
| Gains and losses on investments assigned to the underwriting account | 0 | 0 | 0 | 0 | – 59,140 | – 48,012 | 0 | 0 | – 59,140 | – 48,012 | 0 | 0 | – 59,140 | – 48,012 |
| Market fees for goods and services provided by non-insurance companies | 0 | 0 | 0 | 0 | 0 | 0 | 92,199 | 88,150 | 92,199 | 88,150 | – 47,942 | – 46,614 | 44,257 | 41,536 |
| Cost of goods and services provided by non-insurance companies to generate market fees | 0 | 0 | 0 | 0 | 0 | 0 | – 91,513 | – 87,729 | – 91,513 | – 87,729 | 47,942 | 46,614 | – 43,571 | – 41,115 |
| **Gross profit/loss** | **0** | **0** | **0** | **0** | **0** | **0** | **686** | **421** | **686** | **421** | **0** | **0** | **686** | **421** |
| Other income | 23,107 | 28,019 | 1,919 | 2,502 | 2,136 | 1,854 | 3,093 | 1,098 | 30,255 | 33,473 | – 762 | – 1,041 | 29,493 | 32,432 |
| Other expenses | – 72,655 | – 78,591 | – 6,176 | – 7,012 | – 8,020 | – 6,512 | – 5,820 | – 5,099 | – 92,671 | – 97,214 | – 1,022 | – 110 | – 93,693 | – 97,324 |
| **Other net income/expense** | **– 49,548** | **– 50,572** | **– 4,257** | **– 4,510** | **– 5,884** | **– 4,658** | **– 2,727** | **– 4,001** | **– 62,416** | **– 63,741** | **– 1,784** | **– 1,151** | **– 64,200** | **– 64,892** |
| **Profit/loss from ordinary activities** | **127,945** | **106,353** | **8,718** | **3,957** | **18,558** | **21,769** | **60,720** | **56,195** | **215,941** | **188,274** | **– 79,473** | **– 90,987** | **136,468** | **97,287** |
| **Net extraordinary income/expense** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Profit/loss before tax** | **127,945** | **106,353** | **8,718** | **3,957** | **18,558** | **21,769** | **60,720** | **56,195** | **215,941** | **188,274** | **– 79,473** | **– 90,987** | **136,468** | **97,287** |
| Tax expense | | | | | | | | | | | | | – 50,288 | – 53,752 |
| **Net income for the year** | | | | | | | | | | | | | **86,180** | **43,535** |
| of which non-controlling interests | | | | | | | | | | | | | – 965 | – 737 |

## Segment reporting – income statement by source

| | Germany | | International | | Total | | Consolidation | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|
| (€'000) | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Underwriting income** | | | | | | | | | | |
| **Gross premiums written** | **1,427,851** | **1,292,167** | **945,921** | **907,225** | **2,373,772** | **2,199,392** | **0** | **0** | **2,373,772** | **2,199,392** |
| Direct insurance business | 1,372,706 | 1,242,813 | 686,652 | 644,646 | 2,059,358 | 1,887,459 | 0 | 0 | 2,059,358 | 1,887,459 |
| Inward reinsurance business | 55,144 | 49,354 | 259,270 | 262,579 | 314,414 | 311,933 | 0 | 0 | 314,414 | 311,933 |
| Reinsurance premiums ceded | – 14,493 | – 12,521 | – 746 | – 613 | – 15,239 | – 13,135 | 0 | 0 | – 15,239 | – 13,135 |
| Change in net unearned premiums | – 3,784 | – 7,119 | – 1,842 | – 8,739 | – 5,626 | – 15,858 | 0 | 0 | – 5,626 | – 15,858 |
| **Premiums earned net of reinsurance** | **1,409,574** | **1,272,527** | **943,333** | **897,872** | **2,352,907** | **2,170,399** | **0** | **0** | **2,352,907** | **2,170,399** |
| Premiums from the gross provision for bonuses and rebates | 20,014 | 4,511 | 0 | 0 | 20,014 | 4,511 | 0 | 0 | 20,014 | 4,511 |
| Investment income allocated to the underwriting account | 93,110 | 82,229 | 0 | 0 | 93,110 | 82,229 | 0 | 0 | 93,110 | 82,229 |
| Miscellaneous underwriting income net of reinsurance | 24,840 | 19,318 | 473 | 412 | 25,313 | 19,730 | 0 | 0 | 25,313 | 19,730 |
| **Total underwriting income** | **1,547,537** | **1,378,585** | **943,806** | **898,284** | **2,491,344** | **2,276,869** | **0** | **0** | **2,491,344** | **2,276,869** |
| | | | | | | | | | | |
| **Underwriting expenses** | | | | | | | | | | |
| Claims incurred net of reinsurance | – 787,069 | – 723,832 | – 418,343 | – 366,096 | – 1,205,412 | – 1,089,929 | 0 | 0 | – 1,205,412 | – 1,089,929 |
| Change in sundry net technical provisions | – 182,725 | – 145,744 | 36 | – 113 | – 182,689 | – 145,857 | 0 | 0 | – 182,689 | – 145,857 |
| Expenses for bonuses and rebates | – 54,596 | – 34,722 | 0 | 0 | – 54,596 | – 34,722 | 0 | 0 | – 54,596 | – 34,722 |
| of which performance-based | – 54,489 | – 34,707 | 0 | 0 | – 54,489 | – 34,707 | 0 | 0 | – 54,489 | – 34,707 |
| of which non-performance-based | – 107 | – 15 | 0 | 0 | – 107 | – 15 | 0 | 0 | – 107 | – 15 |
| Insurance business operating expenses | – 448,831 | – 394,783 | – 407,550 | – 396,601 | – 856,381 | – 791,384 | 0 | 0 | – 856,381 | – 791,384 |
| of which front-end fees | – 238,322 | – 191,091 | – 87,279 | – 82,892 | – 325,601 | – 273,983 | 0 | 0 | – 325,601 | – 273,983 |
| of which administrative expenses | – 211,664 | – 205,196 | – 320,271 | – 313,709 | – 531,935 | – 518,905 | 0 | 0 | – 531,935 | – 518,905 |
| of which reinsurers' share | 1,155 | 1,504 | 0 | 0 | 1,155 | 1,504 | 0 | 0 | 1,155 | 1,504 |
| Investment expenses allocated to the underwriting account | – 33,842 | – 34,084 | 0 | 0 | – 33,842 | – 34,084 | 0 | 0 | – 33,842 | – 34,084 |
| Miscellaneous underwriting expenses net of reinsurance | – 8,092 | – 3,537 | 0 | 0 | – 8,092 | – 3,537 | 0 | 0 | – 8,092 | – 3,537 |
| **Total underwriting expenses** | **– 1,515,155** | **– 1,336,703** | **– 825,857** | **– 762,810** | **– 2,341,012** | **– 2,099,513** | **0** | **0** | **– 2,341,012** | **– 2,099,513** |
| | | | | | | | | | | |
| **Subtotal** | **32,382** | **41,882** | **117,949** | **135,474** | **150,331** | **177,356** | **0** | **0** | **150,331** | **177,356** |

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## → Segment reporting – income statement by source

| | Germany | | International | | Total | | Consolidation | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|
| (€'000) | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Change in the equalization provision and similar provisions | 1,987 | – 6,762 | – 14,686 | – 12,834 | – 12,699 | – 19,596 | 0 | 0 | – 12,699 | – 19,596 |
| **Underwriting result net of reinsurance** | **34,369** | **35,120** | **103,263** | **122,640** | **137,632** | **157,760** | **0** | **0** | **137,632** | **157,760** |
| Income from investments | 240,868 | 221,165 | 54,783 | 26,795 | 295,650 | 247,961 | – 82,398 | – 97,271 | 213,253 | 150,690 |
| Expenses for investments | – 91,051 | – 84,288 | – 5,421 | – 21,826 | – 96,472 | – 106,114 | 4,709 | 7,435 | – 91,763 | – 98,679 |
| **Gains and losses on investments** | **149,817** | **136,878** | **49,362** | **4,969** | **199,179** | **141,847** | **– 77,689** | **– 89,836** | **121,490** | **52,011** |
| Gains and losses on investments assigned to the underwriting account | – 59,140 | – 48,012 | 0 | 0 | – 59,140 | – 48,012 | 0 | 0 | – 59,140 | – 48,012 |
| Market fees for goods and services provided by non-insurance companies | 56,054 | 52,665 | 36,145 | 35,485 | 92,199 | 88,150 | – 47,942 | – 46,614 | 44,257 | 41,536 |
| Cost of goods and services provided by non-insurance companies to generate market fees | – 55,019 | – 51,569 | – 36,494 | – 36,161 | – 91,513 | – 87,730 | 47,942 | 46,614 | – 43,571 | – 41,116 |
| **Gross profit/loss** | **1,035** | **1,096** | **– 349** | **– 676** | **686** | **420** | **0** | **0** | **686** | **420** |
| Other income | 24,702 | 28,925 | 5,553 | 4,549 | 30,255 | 33,474 | – 762 | – 1,041 | 29,492 | 32,433 |
| Other expenses | – 75,184 | – 80,487 | – 17,487 | – 16,727 | – 92,671 | – 97,214 | – 1,022 | – 110 | – 93,693 | – 97,325 |
| **Other net income/expense** | **– 50,482** | **– 51,562** | **– 11,934** | **– 12,179** | **– 62,417** | **– 63,740** | **– 1,784** | **– 1,151** | **– 64,201** | **– 64,892** |
| **Profit/loss from ordinary activities** | **75,598** | **73,520** | **140,341** | **114,755** | **215,940** | **188,275** | **– 79,473** | **– 90,987** | **136,467** | **97,288** |
| **Net extraordinary income/expense** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Profit/loss before tax** | **75,598** | **73,520** | **140,341** | **114,755** | **215,940** | **188,275** | **– 79,473** | **– 90,987** | **136,467** | **97,288** |
| Tax expense | | | | | | | | | – 50,288 | – 53,752 |
| **Net income for the year** | | | | | | | | | **86,179** | **43,536** |
| of which non-controlling interests | | | | | | | | | – 965 | – 737 |

# Notes to the Consolidated Financial Statements

## VI. General Disclosures

ARAG Holding SE is entered in the commercial register of the Düsseldorf local court under the number HRB 66673. Its registered office is ARAG Platz 1, 40472 Düsseldorf, Germany.

The Company prepared these consolidated financial statements for 2023 in accordance with the requirements of the German Commercial Code (HGB) for large corporations. When preparing the financial statements, it also took into account the supplementary provisions applicable to corporations and the additional provisions applicable to insurance companies, the German Insurance Supervision Act (VAG), and the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

The presentation of the notes to the financial statements has changed compared with the prior year. The change in presentation is intended to improve the clarity of reporting. It also brings the reporting by all insurance companies in the ARAG Group into line, which helps to make the preparation of the notes to the financial statements more efficient and improve comparability.

Due to currency amounts being presented in thousands, the precise mathematical amounts may differ from those presented as a result of rounding differences. Those differences may affect totals and percentages.

The consolidated financial statements are presented on the basis of financial statement forms 1 and 4 pursuant to section 58 (1) RechVersV. The forms are supplemented to reflect Group-specific characteristics and items relating to non-insurance business.

On December 27, 2023, the German Act to Ensure Global Minimum Taxation for Corporate Groups (Minimum Tax Act [MinStG]) was published in the German Federal Tax Gazette. The aim of MinStG is to ensure a minimum effective tax rate of 15 percent for multinationals, irrespective of the country in which the profits were generated. If this level of effective tax is not achieved under applicable national tax law (e.g. the Corporate Income Tax Act [KStG] and the Trade Tax Act [GewStG] in Germany), a top-up tax is levied. MinStG applies for the first time to financial years beginning in 2024.

In accordance with section 291 (1) HGB, these consolidated financial statements exempt those Group companies that are obliged to prepare consolidated financial statements under section 290 HGB from that obligation.

# VII. Disclosures on Accounting Policies

The single-entity financial statements of the entities included in the consolidated financial statements are nearly all prepared in accordance with the same accounting policies used by the ARAG Group. The following accounting principles and valuation requirements arising from the pertinent legislation were applied.

With the exception of associates, the financial statements of Group companies that are not prepared in accordance with the requirements of HGB and RechVersV are reconciled with regard to recognition, presentation, and valuation and brought into line with German accounting standards.

The accounting policies of the associate based in Switzerland differ in detail from German accounting principles. The Swiss associate prepares its financial statements in accordance with the Swiss Code of Obligations (OR). The financial statements are not reconciled because of the largely similar accounting policies, which apply the same principles as those of HGB.

## Accounting policies

**Intangible assets**
Purchased intangible assets are recognized at cost on the balance sheet and reduced by straight-line amortization according to their estimated useful life.

No internally generated intangible assets were recognized on the balance sheet.

**Goodwill**
Goodwill results partly from accounting for subsidiaries in consolidated financial statements and partly from the single-entity financial statements of an entity included in the consolidated financial statements. Initial consolidation of HELP Forsikring AS in 2013 gave rise to goodwill. The useful life was originally set at 15 years because the goodwill was defined as in-force business. Based on experience, useful lives decrease by around 6 to 7 percent per year.

For the goodwill arising from initial consolidation of a service company in Canada in 2021, an estimated useful life of five years was set.

**Land and buildings**
Land, land rights and buildings, including buildings on third-party land, are valued at cost less straight-line depreciation and amortization. The useful life of buildings is estimated to be in the range of 40 to 50 years.

**Investments in affiliated companies and equity investments**

Investments in affiliated companies and equity investments are valued at cost, written down accordingly where permanent impairment has occurred.

Lending to affiliated companies and equity investments is recognized at cost, which is generally the same as the nominal amount. The cost is reduced by scheduled principal repayments over the term of the loan.

**Associates**

Investments in associates are valued at their carrying amount at the time the shares were acquired or at the time of initial consolidation, plus or minus the pro rata amount of changes in equity in subsequent years. Goodwill arising on the consolidation of associates using the equity method no longer exists as this goodwill has already been fully amortized. Accordingly, no amortization or write-downs were recognized on the goodwill of associates in 2023.

**Equities, investment fund shares/units, and other variable-yield securities**

Securities that have been classified as current assets are valued following the strict principle of lower of cost or market value. If the reasons for a write-down cease to apply, the write-down is reversed to the lower of cost or fair value.

If investments are classified for permanent use in business operations, short-term fluctuations in the market price do not result in changes to the carrying amount due to application of the discretionary principle of lower of cost or market value. Only long-term changes in fair value are recognized.

The long-term fund value is calculated by looking through to the individual components of the fund. Criteria for reviewing long-term changes in the value of fixed-income securities are their credit rating and nominal amount. Comparisons with historical valuation parameters are used for equities. For shares in affiliated companies, in infrastructure investments, and in real estate investments, expert appraisals are obtained from the investment management companies based on the net asset value (NAV) for the quarter prior to the reporting date.

**Bearer bonds and other fixed-income securities**

Contrary to the principle set forth in section 341b (2) HGB and unless stated otherwise, bearer bonds and other fixed-income securities are treated as fixed assets and therefore the discretionary principle of lower of cost or market value is used. The strict principle of lower of cost or market value is applied to securities without a rating. A write-down to less than the nominal value is considered permanent if there has been a material deterioration in the issuer's credit rating. An indicator of this is if the credit rating has been downgraded by two or more notches since acquisition. If contractually defined payments are in default, permanent impairment can be assumed. The write-down to fair value is determined using the maturity-dependent probability of default in conjunction with the loss given default. The fair value is used for subsequent measurement until such time as the reason for the write-down no longer applies. If securities are acquired above or below par and held to maturity, the difference between this amount and the nominal value forms a component of cost. It is posted together with the security but treated separately. The difference (a premium or a discount) is amortized over the term of the bearer bond using the effective interest method.

**Loans secured by mortgages or land charges and fixed-income receivables, and other investments**

Loans secured by mortgages or land charges and fixed-income receivables, and other investments are accounted for at fair value.

**Registered bonds**
Registered bonds are accounted for at their nominal or redemption amount. Any premiums to be accrued and discounts to be deferred are reclassified to income using the straight-line method over the term to maturity. Any zero-coupon registered bonds are recognized at the lower of amortized cost or fair value.

**Promissory notes and loans, and sundry lending**
Promissory notes, loans, and sundry lending items are recognized at cost unless permanently impaired. Premiums and discounts are taken into account using the effective interest method.

The structured products held in the portfolio of direct investments in registered bonds and promissory notes are simply structured products pursuant to the pronouncement IDW AcP HFA 22 issued by the Main Technical Committee of the Institute of Public Auditors in Germany (IDW).

**Bank deposits**
Bank deposits are recognized at their nominal amount.

**Deposits with ceding insurers**
Deposits with ceding insurers are recognized at the nominal value of the collateral furnished to cedants.

**Receivables from direct insurance business**
Receivables from direct insurance business are generally recognized at their nominal amount. Where necessary, receivables from policyholders are written down, are reduced by specific allowances on the basis of exceeding a predefined due date, or are reduced by a general allowance.

**Receivables from insurance brokers**
Receivables from insurance brokers are reduced by specific allowances and, where applicable, a general allowance in the amount of the likely default.

**Receivables from reinsurance business**
Receivables from reinsurance business are recognized at the amount of the outstanding balances.

**Miscellaneous receivables**
Miscellaneous receivables are generally recognized at their nominal amount.

**Property and equipment and inventories**
Property and equipment is recognized at cost and depreciated on a straight-line basis over the standard operating useful life.

Inventories are determined by carrying out physical inventory checks. They are valued at cost and reduced by appropriate write-downs to account for storage risk and impaired marketability.

**Current bank balances, checks and cash on hand**
Current bank balances, checks, and cash on hand are recognized at cost. This equates to the nominal amount. Balances are documented in the form of bank statements and cash records. Payment orders that have been issued but not executed as of the reporting date are deducted from the balances for the purposes of the carrying amounts reported on the balance sheet. Bank balances dominated in foreign currency are translated using the middle spot rate as of the reporting date, disregarding both historical cost convention and the realization principle, provided the balances have maturities of no more than one year. Items denominated in foreign currency with longer maturities are valued using the transaction exchange rate or the middle spot rate as of the reporting date where the resulting value is lower than the cost.

### Other assets

Other assets are recognized at their nominal amount, which equates to their cost.

### Prepaid expenses and accrued income

Prepaid expenses and accrued income are recognized at nominal value and mainly consist of accrued rights to interest that are not yet due in respect of the income period before the balance sheet date and of cash payments expensed after the balance sheet date.

### Deferred tax assets and liabilities

If differences arise between the carrying amounts in the HGB financial statements and those in the tax base and these differences are expected to reverse in subsequent years, deferred taxes are recognized in respect of these differences using the entity-specific tax rate. Deferred taxes are calculated by netting the deferred tax assets with the deferred tax liabilities.

Deferred tax assets include the likely tax benefit in subsequent financial years based on the income tax rates expected to apply when differences reverse. If differences arise between the carrying amounts in the HGB consolidated financial statements and those in the tax base as a result of consolidation adjustments and these differences are expected to reverse in subsequent years, deferred taxes are recognized in respect of these differences using separate entity-specific tax rates. This also includes differences for which the timing of the reversal is not yet precisely known or depends on action by the entity concerned, and differences that would only reverse in the event of any liquidation. Deferred tax assets are not recognized in respect of tax loss carryforwards.

The recognized deferred taxes arise from the differences between the HGB financial statements and the tax base. They relate to the following items:

### Balance sheet items

| | Deferred taxes | |
|---|---|---|
| (€'000) | Dec. 31, 2023 | Dec. 31, 2022 |
| Intangible assets | 0 | 0 |
| Investments | 4,587 | 5,212 |
| Receivables | – 320 | – 436 |
| Miscellaneous assets | 29 | 64 |
| Prepaid expenses and accrued income | 0 | 0 |
| Technical provisions | – 4,400 | – 4,652 |
| Other provisions | 681 | 610 |
| Other liabilities | 0 | 0 |
| Deferred income and accrued expenses | 0 | 0 |
| Loss carryforwards | 0 | 0 |
| **Total** | **578** | **798** |

### Excess of plan assets over pension liabilities

The excess of plan assets over pension liabilities is the asset balance of pension obligations at present value and the fair value of the securities held to cover these liabilities.

### Equity

The Company's share capital is reported as subscribed capital. The revenue reserves comprise the statutory reserves and the other revenue reserves. Equity is presented separately for the Group's controlling interests (majority shareholders) and its non-controlling interests (minority shareholders). The net income attributable to the Group reported in equity only comprises the majority shareholders' share of net income. The minority shareholders' share is reported separately under non-controlling interests.

**Subordinated liabilities**
Subordinated liabilities have been issued by way of a private placement to strengthen the own funds used to determine the solvency ratio. The subordinated liabilities are recognized at their repayment amount (= settlement amount). The registered bonds are not tradable in Germany on a regulated market within the meaning of section 2 (5) of the German Securities Trading Act (WpHG). The subordinated liability will be repaid on July 29, 2024.

**Unearned premiums**
Gross unearned premiums for direct insurance business are calculated pro rata on the basis of the premiums and lapses/cancellations posted, less the installment surcharges. The non-transferable income components are deducted from the unearned premiums.

The reinsurers' share of the unearned premiums is determined in accordance with the contractual agreements.

**Actuarial reserve**
The actuarial reserve for health insurance is calculated individually for each insurance policy in accordance with actuarial principles defined in the technical basis of calculation, applying the underlying data from the insurance policy in question. Moreover, the actuarial reserve also contains transfer amounts received as a result of additions and the transfer amounts still to be surrendered owing to lapses as of the balance sheet date. The average discount rate is 2.04 percent.

The components of premiums from anticipated premium-free children's accident insurance policies are added to the children's accident actuarial reserves. The calculation is carried out using mathematical principles in accordance with the underwriting business plan.

**Provision for outstanding claims**
The provision for outstanding claims in relation to direct insurance business is recognized separately by event year for claims reported in the financial year concerned and for claims that have occurred up to the balance sheet date but have not yet been reported.

The provision for outstanding claims is generally determined individually and measured according to specific requirements.

If there is a high number of open claims with similar risks, group-based valuation approaches are used if individual valuation would be difficult or involve a disproportionate amount of effort.

General provisions are recognized for claims incurred but not reported and reopened claims on the basis of empirical values.

The benefit reserve for annuities contained in the provision for outstanding claims is calculated individually using actuarial principles and in accordance with the Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV), taking the expenses required for settlement into account.

A provision for claim settlement expenses is recognized. This provision is valued in accordance with prudent business practice, taking into account the ongoing need to satisfy the obligations under insurance contracts. Valuation is based on values as of the balance sheet date.

The claims provisions for inward reinsurance business are recognized in accordance with the information provided by the primary insurer. If the information from the primary insurer is clearly insufficient, additional reserves are recognized. They are estimated using actuarial forecasting methods.

The portions relating to outward reinsurance business are calculated in accordance with the stipulations in the reinsurance treaties.

**Provisions for performance-based and non-performance-based bonuses and rebates**
Provisions for performance-based and non-performance-based bonuses and rebates are recognized pursuant to section 341e (2) no. 2 HGB.

**Miscellaneous technical provisions**

Miscellaneous technical provisions are recognized in the required settlement amount determined in accordance with prudent business practice. Miscellaneous technical provisions with a maturity of more than one year are discounted using the discount rate published by Deutsche Bundesbank for their term to maturity.

The lapse provision (reported under miscellaneous technical provisions) for discontinuation and reduction of risk in direct insurance business was calculated using a lapse rate based on empirical values in the year under review.

Following a review, a provision for anticipated losses as required by section 341e (2) no. 3 HGB had to be recognized for composite residential buildings insurance in 2023. The provision required for 2023 came to €171 thousand.

The provision recognized for premium waivers relates to rate scales under which the obligation to pay the premiums is waived for up to five years, e.g. in the event of unemployment. The provision offsets the expenses that are likely to be incurred (claims, costs, commissions) during the period of unemployment. The expected duration of the waiver of premiums is estimated on the basis of internal statistical analysis. The provision for assistance for victims of traffic accidents is, where available, recognized on the basis of the share specified by the German Road Casualty Support Organization, otherwise on the basis of empirical values.

**Equalization provision**

The equalization provision for the direct insurance and inward reinsurance business is recognized and valued in accordance with section 341h HGB in conjunction with section 29 RechVersV.

The calculation is carried out separately for the direct insurance business and for the inward reinsurance business, in each case broken down by class of insurance and Group entity.

**Provisions for pensions and other post-employment benefits**

Provisions for pensions and other post-employment benefits are calculated using actuarial principles in accordance with the projected unit credit (PUC) method on the basis of the Heubeck 2018 G mortality tables.

For organizational units in other countries, local mortality tables are used that accurately reflect life expectancy outside Germany. Unlike in the prior year, obligations to convert severance payments into pension entitlements in Italy were treated as provisions for pensions and other post-employment benefits (volume: €636 thousand). In 2022, these obligations had been included under miscellaneous provisions.

In addition to current circumstances, future trends in salaries, pensions, and staff turnover are taken into account. The discount rate used is the average interest rate for the past ten years published by Deutsche Bundesbank in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) for an assumed residual maturity of 15 years. In 2022 and 2023, a discount rate was applied for the valuation as of December 31 based on the average for the past ten years; this rate as of the reporting date was 1.83 percent (December 31, 2022: 1.79 percent). The interest rate used was forecast at the end of the year using market data as of October 1, 2023 and was determined in accordance with RückAbzinsV.

As of December 31, 2023, the difference between the application of the ten-year average and the seven-year average (1.76 percent; December 31, 2022: 1.45 percent) caused a reduction in the provision for pensions and other post-employment benefits of €3,005 thousand (December 31, 2022: €15,192 thousand).

The following actuarial parameters were used to calculate the obligations: pension age: earliest possible age under the German Pension Age Reform Act (RVAGAnpG); annual increase in salaries: 2.50 percent; annual increase in pension benefits: 2.40 percent. The level of staff turnover taken into account reflects the generally observable age-dependent average for the industry and has only a minor impact on the settlement value.

The option pursuant to section 28 (1) of the Introductory Act to the German Commercial Code (EGHGB), which permits provisions for pensions and other post-employment benefits not to be recognized for legacy entitlements, has not been exercised.

Securities intended to cover defined benefit obligations are offset, at fair value, against the present value of the obligation.

**Provisions for taxes**
Provisions for taxes are recognized in the anticipated settlement amount determined in accordance with prudent business practice.

**Miscellaneous provisions**
The miscellaneous provisions are generally recognized in the amount that is necessary to settle the obligation according to prudent business practice. Their residual maturity is generally less than one year.

Miscellaneous provisions with a maturity of more than one year are discounted using the discount rate published by Deutsche Bundesbank for their term to maturity.

Specific accounting policies are applied to the following key miscellaneous provisions:

**Provisions for early retirement obligations**
Provisions for early retirement obligations are recognized for those persons with whom individual contractual agreements have been reached. The provisions were calculated in accordance with actuarial principles on the basis of the Heubeck 2018 G mortality tables, applying a discount rate of 1.76 percent (seven-year average; 2022: 1.45 percent) and future salary increases of 2.5 percent per year.

**Provision in accordance with the pre-retirement part-time employment agreement**
In 2023, a provision in accordance with the pre-retirement part-time employment agreement for the private insurance industry was recognized – in line with the relevant IDW accounting principle – using a maturity-matched discount rate of 1.76 percent (2022: 1.45 percent). Credit balances on employee working hours account models are protected against insolvency in accordance with the German Pre-Retirement Part-Time Employment Act (AltTZG) by means of a fixed liability guarantee from a German commercial bank.

**Long-service provision**
A long-service provision was recognized in the year under review for long-service awards to be paid to employees. The provision was calculated using the projected unit credit method taking into account death rates pursuant to the Heubeck 2018 G mortality tables and applying a discount rate of 1.76 percent (seven-year average; 2022: 1.45 percent) in accordance with section 253 (2) HGB. The calculation also included staff turnover at an average rate of 1.50 percent and salary increases at a rate of 2.50 percent. The earliest possible pension age under RVAGAnpG was selected as the final age.

In Italy, there are obligations to pay medical expenses for employees leaving the Company upon reaching retirement age and obligations for additional pension benefits for long-serving employees. The obligations were measured on the basis of actuarial principles using the life expectancy taken from gender-specific table A62, staff turnover until the age of 65 of 3.0 percent, and a discount rate of 1.83 percent (2022: 1.45 percent).

**Deposits from reinsurers**
Deposits received from reinsurers are accounted for at the nominal value of the collateral received. Their residual maturity is less than one year.

**Other liabilities**
The liabilities from direct insurance business and the liabilities from reinsurance business are valued at their nominal amount in euros. All non-interest-bearing liabilities are valued

at the higher of their nominal amount or settlement value. Miscellaneous liabilities are recognized at their settlement value.

Liabilities denominated in foreign currency are translated using the middle spot rate as of the reporting date, disregarding both the historical cost convention and the realization principle.

**Deferred income and accrued expenses**
Deferred income and accrued expenses are recognized at their settlement value.

## Fair value disclosures pursuant to section 54 RechVersV

**Fair values of land, land rights and buildings, including buildings on third-party land**
All land and buildings are valued on the basis of the income capitalization approach using the market values calculated as of the reporting date. Valuation reports are prepared internally and by third parties to determine the fair values. These reports satisfy the requirements of section 55 (3) RechVersV. Each year, new valuation reports are prepared or the existing reports are revised internally based on updated underlying data. In line with the recommendation of the German Insurance Association (GDV), the internal adjustment is carried out on the basis of the simplified income capitalization approach using the market values calculated as of the reporting date.

**Fair values for investments in affiliated companies and equity investments**
The shares and equity investments are generally valued using the income capitalization approach.

In the case of companies that predominantly perform services for the ARAG Group, the pro rata net asset value is used as the fair value.

If equity investments and shares are acquired close to the reporting date, the carrying amount is used as the fair value.

**Fair values for equities, investment fund shares/units, bearer bonds, and other fixed-income securities**
The fair value of publicly traded investment fund shares/units is based on the quoted market price as of the reporting date.

For institutional investment fund shares/units, the fair value is determined in a fund look-through. Equities within the funds are recognized at their quoted market price, whereas fixed-income securities within the funds are recognized at their market value. The fair value of publicly traded investment fund shares/units is based on the quoted market price as of the reporting date.

Shares/units in infrastructure funds, real estate funds, and private equity funds are recognized at their reported NAVs.

The fair values of fixed-income securities are determined using their quoted market prices and the valuation method for this balance sheet line item described above.

**Fair values of miscellaneous investments**
The market values of securities that are not exchange-traded (registered bonds, promissory notes) are calculated on the basis of the swap curve. This involves determining the discount rate on the swap curve corresponding to the maturity of the security being valued. Any spreads resulting from the structure of the individual security (maturity, collateral, credit rating, etc.) are taken into account as appropriate. The remaining investments are recognized at quoted market price or market value.

**Fair values broken down by asset class**
The fair values broken down by asset class are shown under ‘Balance Sheet Disclosures – Assets’ in the notes to the financial statements.

# VIII. Basis of Consolidation and Consolidation Methods

## Basis of consolidation

As of December 31, 2023, 34 entities were included in the consolidated financial statements pursuant to section 301 (1) HGB (December 31, 2022: 34). A total of eleven entities (December 31, 2022: twelve) were not included in the consolidated financial statements pursuant to section 296 (1) no. 2 HGB because they were deemed to be of minor significance to the presentation of the Group's net assets, financial position, and results of operations. One Group company was consolidated as an associate pursuant to section 311 HGB. As of December 31, 2023, the basis of consolidation excluding associates comprised six insurance companies (December 31, 2022: six), two service companies in the field of information technology and business organization (December 31, 2022: two), two real-estate management companies (December 31, 2022: two), three investment vehicles (December 31, 2022: three), 16 other service companies (December 31, 2022: 16), and five holding and asset management companies (including the parent company, ARAG Holding SE; December 31, 2022: five).

**The following companies are included in the consolidated financial statements:**

| Name of company | Shareholding (%) |
|---|---|
| AFI Verwaltungs-Gesellschaft mbH, Düsseldorf | 100.00 |
| ALIN 1 Verwaltungs-GmbH, Düsseldorf | 100.00 |
| ALIN 2 Verwaltungs-GmbH, Düsseldorf | 100.00 |
| ALIN 4 Verwaltungs-GmbH, Düsseldorf | 94.01 |
| ALIN 1 GmbH & Co. KG, Düsseldorf | 100.00 |
| ALIN 2 GmbH & Co. KG, Düsseldorf | 100.00 |
| ALIN 4 GmbH & Co. KG, Düsseldorf | 94.01 |
| ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Düsseldorf | 100.00 |
| ARAG 2000 Grundstücksgesellschaft eGbR, Düsseldorf | 94.90 |
| ARAG Allgemeine Versicherungs-AG, Düsseldorf | 100.00 |
| ARAG Digital Services AS, Oslo/Norway | 100.00 |
| ARAG Gesundheits-Services GmbH, Düsseldorf | 94.01 |
| ARAG Holding SE, Düsseldorf, Group parent company | 100.00 |
| ARAG Insurance Company Inc., Des Moines, Iowa/USA | 100.00 |
| ARAG International Holding GmbH, Düsseldorf | 100.00 |
| ARAG IT GmbH, Düsseldorf | 100.00 |
| ARAG Krankenversicherungs-AG, Munich | 94.01 |
| ARAG Legal Services B.V., Leusden/Netherlands | 100.00 |
| ARAG Legal Solutions Inc., Toronto/Canada | 100.00 |
| ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Düsseldorf | 100.00 |
| ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf | 100.00 |
| ARAG LLC, Des Moines, Iowa/USA | 100.00 |
| ARAG North America Inc., Des Moines, Iowa/USA | 100.00 |
| ARAG plc, Bristol/United Kingdom | 100.00 |
| ARAG Scandinavia AS, Oslo/Norway | 100.00 |
| ARAG SE, Düsseldorf | 100.00 |
| ARAG Service Center GmbH, Düsseldorf | 100.00 |
| ARAG Services Australia Pty Ltd., Sydney/Australia | 100.00 |
| ARAG Services LLC, Des Moines, Iowa/USA | 100.00 |
| CUR Versicherungsmakler GmbH, Düsseldorf | 100.00 |
| Cura Versicherungsvermittlung GmbH, Düsseldorf | 100.00 |
| HELP Forsikring AS, Oslo/Norway | 100.00 |
| Interlloyd Versicherungs-AG, Düsseldorf | 100.00 |
| SolFin GmbH, Düsseldorf | 84.79 |

**The following company is included as an associate:**

| Name of company | Shareholding (%) |
|---|---|
| AXA-ARAG Rechtsschutzversicherungsgesellschaft, Zurich/Switzerland | 29.17 |

**The following entities are not included in the consolidated financial statements in accordance with section 296 (2) and section 311 (2) HGB:**

| Name of company | Shareholding (%) | Equity (€) | Net income/loss for the year (€) |
|---|---|---|---|
| Agencia de Seguros ARAG S. A., Barcelona/Spain | 100.00 | 218,395.14 | 46,929.18 |
| ARAG Services Spain & Portugal S. L., Barcelona/Spain | 100.00 | 680,226.36 | 69,013.73 |
| ARAG – France S. A. R. L. Assistance et Règlement de Sinistres Automobiles et Généraux, Versailles/France | 100.00 | 18,988.00 | 0.00 |
| ARAG Legal Protection Ltd, Dublin/Republic of Ireland | 100.00 | 696,304.22 | 193,654.35 |
| COLUMBUS Immobilien Fonds XVI GmbH & Co. KG, Munich | 54.48 | 780,755.41 | – 179,970.77 |
| Easy2claim Limited, Bristol/United Kingdom (inactive) | 100.00 | 1.15 | 0.00 |
| HelloLaw GmbH, Düsseldorf | 100.00 | 153,048.96 | – 4,474.70 |
| Justix GmbH, Düsseldorf | 100.00 | 862,439.00 | 2,860.00 |
| Prinzregent Vermögensverwaltungs-GmbH, Düsseldorf | 100.00 | 33,943.05 | 261.78 |
| VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf | 100.00 | 205,364.79 | 174,011.21 |

## Procedures of consolidation

The consolidated financial statements are prepared on the basis of the single-entity financial statements of the Group companies. The financial year covered the period January 1 to December 31, 2023 and was identical to the financial years of the consolidated companies.

Up to and including 2010, the accounting for subsidiaries in consolidated financial statements was based on the carrying amount method; the revaluation method used in subsequent years involved subtracting the fair value of the Group's share in the equity at the time of initial consolidation from the cost of the equity investments in the consolidated subsidiaries. If no interim financial statements were available at the time of integration into the Group, this calculation was carried out on the basis of the first set of annual financial statements following the integration. To subtract the equity attributable to the Group at the time of initial consolidation from the cost, the recognized and unrecognized assets and liabilities of the relevant subsidiaries were initially carried over to the acquisition balance sheet at fair value if there was any scope for revaluation. Where there was no further scope for revaluation, the excess of the purchase price over the net assets acquired was recognized as goodwill and amortized over its estimated useful life. This useful life is estimated on an individual basis but is not permitted to exceed 15 years. If a future benefit from goodwill is no longer expected, the remaining amount is written off. No write-offs were recognized in the reporting year.

In the case of subsidiaries that were already included in the consolidated financial statements in 1989 in accordance with section 27 EGHGB or in cases where negative goodwill had arisen on acquisition that had affected the financial statements of the parent company in previous years, there was an offsetting against revenue reserves in earlier years (goodwill arising on consolidation). Goodwill amounts on initial consolidation have not been offset against revenue reserves since 2010 because this is no longer permitted under section 301 (3) HGB and German accounting standard (GAS) 23 nos. 84 and 91. This offsetting no longer had any impact as of December 31, 2023. On deconsolidation of a subsidiary, the proceeds from the disposal are offset against the consolidated (residual) carrying amounts of the assets and liabilities attributable to that subsidiary, including any goodwill that has not already been offset. The share of non-controlling interests in the deconsolidated entity is derecognized in consolidated equity. A subsidiary is deconsolidated when the majority shareholders of the Group cease to have control pursuant to section 290 (2) HGB over the subsidiary.

The investment in the associate is recognized at the proportion of equity attributable to the Group pursuant to section 312 HGB. On initial application, the equity method is based on the values at the time of acquisition or at the time of preparation of the first annual financial statements after the acquisition because interim financial statements are not available. The different valuation of the assets and liabilities in the associate's financial statements compared with the valuation under commercial law is not adjusted for the purpose of applying the equity method because the impact is not material.

Intercompany profit that is required to be eliminated is deducted from the carrying amounts of the affected assets and recognized in the income statement, provided that, overall, the amounts concerned are material to presenting a true and fair view of the net assets, financial position, and results of operations. Group companies' receivables from, and liabilities to, other Group companies are offset against each other. Intragroup reinsurance arrangements are eliminated. Consolidated entities' sales revenue from the provision of goods and services to other consolidated entities is offset against the associated expenses incurred by the providing entity because the reallocation of secondary costs among the consolidated insurance companies means that the offset expenses for the provision of goods and services are already assigned to the correct functional area. Mark-ups included in the offset amounts are deducted under other net income/expense.

Consolidated insurance companies' brokerage services provided to other consolidated insurance companies are performed on the basis of arm's-length terms and conditions that are typical in the market. Commission resulting from brokerage and income from goods and services provided by other Group companies to Group insurance companies are consolidated at the level of the providing entity by offsetting the income against the related expenses.

## Currency translation

Balance sheets prepared in foreign currencies are translated into euros using the modified closing-rate method. In this method, assets and liabilities (but not equity items) are translated at the middle spot rate on the balance sheet date. Amounts on the income statement that are recognized for the period are translated at an average of the month-end exchange rates in the reporting year. An amount of €5,534 thousand, representing the proportion attributable to the Group of the difference between the equity items translated at the historical exchange rate and the equity items translated at the closing rate, was transferred to revenue reserves directly in equity (currency translation differences). Currency translation differences that arise as part of the consolidation of intragroup balances are derecognized through the income statement. Intercompany profits are not affected by exchange rates.

Transactions denominated in foreign currency in single-entity financial statements are translated at the spot rate on the date of the transaction. In this case, income and expenses are translated at the same exchange rate used for the balance sheet items concerned. The quoted market price or market value for shares in affiliated companies and equity investments denominated in foreign currency is determined by using the middle spot rate on the reporting date; all other assets are valued using the lower of the exchange rate on the date of payment or the exchange rate on the balance sheet date. The sundry assets and liabilities with a residual maturity of up to one year are translated using the middle spot rate on the balance sheet date, disregarding the historical cost convention and the realization principle.

# IX. Balance Sheet Disclosures – Assets

### Changes in asset items A., B., I. to III. in the financial year

| (€'000) | | Carrying amount Dec. 31, 2022 | Currency translation differences | Additions | Disposals | Reclassifications | Reversals of write-downs | Write-downs | Carrying amount Dec. 31, 2023 | Fair value pursuant to sec. 54 RechVersV | Hidden reserve/ undisclosed liability Dec. 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **A.** | **Intangible assets** | | | | | | | | | | |
| | 1. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets | 10,617 | – 215 | 4,437 | 1 | 0 | 0 | 3,509 | 11,328 | 0 | 0 |
| | 2. Goodwill | 6,099 | – 23 | 0 | 0 | 0 | 0 | 1,279 | 4,797 | 0 | 0 |
| | **Total for A.** | **16,716** | **– 238** | **4,437** | **1** | **0** | **0** | **4,789** | **16,124** | **0** | **0** |
| **B. I.** | **Land, land rights and buildings, including buildings on third-party land** | **183,450** | **27** | **1,216** | **2,852** | **0** | **297** | **7,422** | **174,716** | **358,935** | **184,219** |
| **II.** | **Investments in affiliated companies and equity investments** | | | | | | | | | | |
| | 1. Shares in affiliated companies | 1,492 | 0 | 0 | 31 | 0 | 31 | 0 | 1,492 | 2,558 | 1,066 |
| | 2. Lending to affiliated companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3. Equity investments | 20,173 | 997 | 8,263 | 8,425 | 0 | 0 | 1,287 | 19,721 | 54,209 | 34,488 |
| | 4. Lending to long-term investees and investors | 3,750 | 0 | 0 | 0 | 0 | 0 | 0 | 3,750 | 3,750 | 0 |
| | **Total for B. II.** | **25,415** | **997** | **8,263** | **8,456** | **0** | **31** | **1,287** | **24,963** | **60,517** | **35,554** |
| **III.** | **Miscellaneous investments** | | | | | | | | | | |
| | 1. Equities, investment fund shares/units, and other variable-yield securities | 1,839,896 | – 1,300 | 1,014,721 | 882,594 | 0 | 6,008 | 9,702 | 1,967,028 | 2,115,592 | 148,564 |
| | 2. Bearer bonds and other fixed-income securities | 2,371,675 | – 7,947 | 622,092 | 521,511 | 0 | 8,767 | 6,726 | 2,466,349 | 2,344,964 | – 121,385 |
| | 3. Loans secured by mortgages or land charges and fixed-income receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 4. Miscellaneous lending | | | | | | | | | | |
| | a) Registered bonds | 568,030 | 0 | 106,000 | 55,511 | 0 | 0 | 0 | 618,519 | 602,339 | – 16,179 |
| | b) Promissory notes and loans | 454,922 | 0 | 10,037 | 72,396 | 0 | 81 | 0 | 392,644 | 378,321 | – 14,323 |
| | Loans and prepayments for certificates of insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | c) Sundry lending | 118 | 0 | 19 | 51 | 0 | 0 | 0 | 86 | 86 | 0 |
| | 5. Bank deposits | 84,255 | – 483 | 27,577 | 0 | 0 | 0 | 0 | 111,348 | 111,348 | 0 |
| | 6. Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Total for B. III.** | **5,318,896** | **– 9,731** | **1,780,446** | **1,532,064** | **0** | **14,855** | **16,428** | **5,555,975** | **5,552,651** | **– 3,324** |
| | **Total for B.** | **5,527,762** | **– 8,707** | **1,789,925** | **1,543,732** | **0** | **15,183** | **25,138** | **5,755,654** | **5,972,102** | **216,449** |
| **Total** | | **5,544,478** | **– 8,945** | **1,794,362** | **1,543,373** | **0** | **15,183** | **29,926** | **5,771,778** | **5,972,102** | **216,449** |

## Land and buildings

Write-downs of €1,739 thousand (2022: €0 thousand) were recognized on land in the year under review owing to anticipated permanent asset impairment.

Reversals of write-downs of €297 thousand were recognized in the reporting year (2022: €2,168 thousand) due to the reason for the lower carrying amount no longer applying.

Land and buildings with a carrying amount of €121,104 thousand were used for the Company's own business operations.

## Investments in affiliated companies and equity investments

Write-downs of €1,287 thousand were recognized in the reporting year (2022: €0 thousand). Reversals of write-downs of €31 thousand were recognized in the reporting year (2022: €0 thousand) due to the reason for the original write-downs no longer applying.

## Equities, investment fund shares/units, and other variable-yield securities

The portfolio of investments contains the following investment funds of which more than 10.0 percent is held by the Company:

**Disclosures pursuant to section 285 no. 26 HGB**

| Fund | Type of fund | Investment objective | Carrying amount Dec. 31, 2023 | Market value Dec. 31, 2023 | Difference | Dividend in 2023 |
|---|---|---|---|---|---|---|
| | | | (€'000) | (€'000) | (€'000) | (€'000) |
| ARRE | Fixed-income fund | Increased income | 649,120 | 659,573 | 10,453 | 1,403 |
| ALLTRI | Mixed fund | Increased income | 186,443 | 219,110 | 32,667 | 485 |
| AKR | Mixed fund | Increased income | 654,083 | 674,069 | 19,986 | 0 |
| **Total** | | | **1,489,646** | **1,552,752** | **63,106** | **1,888** |

## Receivables from reinsurance business

The balance of €48,823 thousand (December 31, 2022: €63,880 thousand) generally arose from current business. The amounts recognized are the outstanding balances.

This item contains receivables of €427 thousand due from reinsurers in connection with outward reinsurance business (December 31, 2022: €3,090 thousand). The breakdown of the receivables is as follows:

**Rating class**

| (€'000) | Dec. 31, 2023 |
|---|---|
| AA+ | 13 |
| A+ | 216 |
| A– | 183 |
| Not rated | 16 |

## Miscellaneous receivables

All items under miscellaneous receivables are due within one year.

## Prepaid expenses and accrued income

Prepaid expenses and accrued income mainly consist of accrued rights to interest in the income period before the balance sheet date.

This item also contains premiums pursuant to section 341c (2) sentence 2 HGB of €1,208 thousand (December 31, 2022: €1,379 thousand).

# X. Balance Sheet Disclosures – Equity and Liabilities

## Equity

Group equity is presented in detail in the statement of changes in group equity. The parent company plans to appropriate an amount of €10,000 thousand from the profits generated in 2023, to be paid as a dividend to the shareholders. In principle, amounts equivalent to net deferred tax assets and assets intended to cover defined benefit obligations, where such assets are valued at a fair value that exceeds cost, are prohibited from being distributed as a dividend under section 268 (8) HGB. Furthermore, section 253 (6) HGB specifies that the difference arising from the measurement of obligations for pensions and other post-employment benefits using the ten-year market discount rate average compared with that based on the seven-year market discount rate average can only be distributed as a dividend from freely available reserves. As these matters are not relevant, or are only partially relevant, to the single-entity financial statements of the parent company ARAG Holding SE and, furthermore, these consolidated financial statements do not serve as the basis for the measurement of any dividend distribution, there is no need to disclose any amounts subject to a restriction on distribution, even though there are circumstances that give rise to a prohibition, in principle, on the distribution of certain amounts as a dividend. In any case, there are sufficient freely available reserves at Group level to satisfy the requirements in full. The articles of incorporation do not include any restrictions on the use of profits.

## Technical provisions

### Provision for outstanding claims

The provision for outstanding claims, including the portion of the provision for settlement expenses, amounted to €1,837,497 thousand as of December 31, 2023 (December 31, 2022: €1,757,205 thousand). The increase in the provision for outstanding claims gave rise to an expense of €83,505 thousand (2022: €59,030 thousand).

#### Equalization provision

In accordance with the calculation requirements specified in RechVersV, there was an addition to the equalization provision in a total amount of €12,699 thousand on the basis of the trends in claims and premiums (2022: €19,596 thousand). As a result, the equalization provision amounted to €161,498 thousand as of the balance sheet date (December 31, 2022: €148,799 thousand).

### Other provisions

#### Provisions for pensions and other post-employment benefits

Since 2010, this item has also included the offsetting of pension benefit entitlements under reinsurance in accordance with section 246 (2) sentence 2 HGB. The breakdown of this item as of December 31, 2023 was therefore as follows:

#### Defined benefit obligations

| (€'000) | Dec. 31, 2023 | Dec. 31, 2022 |
|---|---|---|
| Amount required to settle the vested entitlements | 320,729 | 311,591 |
| of which offsetable against pension insurance assets | 1,645 | 1,738 |
| of which offsetable against securities | 19,671 | 15,605 |
| **Remaining amount** | **299,413** | **294,248** |

The settlement value includes a shortfall in pension funds used to cover pension commitments to employees. The shortfall was caused by the long period of low interest rates and amounted to €96 thousand as of December 31, 2023 (December 31, 2022: €120 thousand). This shortfall has been determined in accordance with actuarial principles and reported as a pension obligation.

#### Provisions for taxes

In 2023, provisions for taxes of €23,513 thousand (December 31, 2022: €20,376 thousand) had to be recognized for tax demands, the reason for or amount of which was not yet known.

### Deferred income and accrued expenses

Deferred income and accrued expenses contained discounts on registered bonds pursuant to section 341c (2) sentence 1 HGB of €131 thousand (December 31, 2022: €157 thousand).

## XI. Income Statement Disclosures

Because the Group has multiple lines of business, the line items 'Market fees for goods and services provided by non-insurance companies' and 'Cost of goods and services provided by non-insurance companies to generate market fees' have been added to the income statement.

#### Source of insurance business by premiums written

Of the gross premiums written, a sum of €2,059,358 thousand was attributable to direct insurance business (2022: €1,887,459 thousand) and €314,414 thousand to inward reinsurance business (2022: €311,933 thousand). Premiums from direct insurance business consisted of €1,372,706 thousand from Germany (2022: €1,242,812 thousand), €496,255 thousand from other member states of the European Community and other countries that have signed up to the Agreement on the European Economic Area (EEA) (2022: €455,468 thousand), and €190,397 thousand from non-EEA countries (2022: €189,178 thousand).

The ARAG Group does not operate any insurance business outside Europe, North America, or Australia.

#### Interest from discounting

Interest income of €92 thousand (2022: €17 thousand) and interest expenses of €188 thousand (2022: €143 thousand) arose from the discounting of provisions with a maturity of more than one year.

### Additions to the provision for bonuses and rebates

#### Expenses for bonuses and rebates net of reinsurance

| (€'000) | 2023 | 2022 |
|---|---|---|
| Expenses for performance-based bonuses and rebates | 54,489 | 34,707 |
| Expenses for non-performance-based bonuses and rebates | 107 | 15 |
| **Total expenses** | **54,596** | **34,722** |

### Net extraordinary income/expense

No extraordinary income or expenses arose in the year under review.

### Income taxes

The income taxes reported in the income statement included the following: expense of €39,957 thousand (2022: expense of €48,160 thousand) related to the year under review and expense of €6,178 thousand (2022: expense of €3,118 thousand) related to prior years.

The amount of income taxes in the income statement is calculated as follows:

#### Income taxes

| (€'000/%) | 2023 | | 2022 | |
|---|---|---|---|---|
| Profit before tax (HGB financial statements) | | 136,467 | | 97,288 |
| **Expected income tax expense based on tax rate** | **37.0%** | **50,425** | **38.7%** | **37,611** |
| Current taxes | | 46,135 | | 51,278 |
| Deferred taxes | | 223 | | –1,359 |
| **Reported income tax expense** | | **46,358** | | **49,919** |
| Effective tax rate | 34.0% | 0 | 51.3% | 0 |
| Miscellaneous taxes | | 3,930 | | 3,833 |
| **Tax expense reported in the income statement** | | **50,288** | | **53,752** |

The difference between the expected and effective tax expense was attributable to a range of factors. Firstly, the Group operates in a number of countries. Each entity is taxable in its home country based on the taxable income determined according to local regulations. Depending on the loss carryback rules in each country, entities that incur losses may only receive a reduced tax credit or no tax credit at all. However, the income components of all the entities and permanent establishments included in the consolidation are aggregated within the Group's profit before tax, regardless of the actual applicable jurisdiction. This tends to lead to a higher tax rate. Furthermore, tax law in virtually all the countries in which the ARAG Group operates provides for add-ons and deductions that are separate from the financial statements, but that are applied to the profit reported in the tax base in order to determine the actual basis for the assessment of tax. In this process, the tax assessment may disregard (expense and/or income) elements of the consolidated profit before tax. The consolidated tax expense is also affected by the change in the balance of deferred taxes caused by differences between the valuation of assets and liabilities in the HGB financial statements and that in the tax base. Lastly, the consolidated tax expense also includes tax refunds and retrospective tax payments for previous years that are unrelated to profit before tax for the reporting period. These items amounted to €6,178 thousand (expense balance) in 2023 and €3,118 thousand (expense balance) in 2022. In the reporting year, the calculation of the Group tax rate for the anticipated tax expense was switched to a weighted method that takes better account of the individual Group entities' contributions to profit before tax. The prior-year figures in the table were restated for this reason.

In the reporting year, an expense amounting to €519 thousand (2022: expense of €234 thousand) arose from consolidation effects, mainly from the revaluation of land at Group level.

The aggregate net deferred tax liability from the different sets of single-entity financial statements arises as a result of variations in the valuations for tax purposes of land, equities and investment fund shares/units, receivables from policyholders, the provision for outstanding claims, the technical provisions, the provision for pensions and other post-employment benefits, and miscellaneous provisions.

The main deferred tax liabilities arise from variations in the recognition for tax purposes of the equalization provisions in Austria and the Netherlands that are recognized only for tax purposes. Deferred taxes are recognized in the single-entity financial statements only if there is not a net asset balance. The income statement therefore does not include the full change in deferred taxes.

# XII. Other Disclosures

## Miscellaneous financial commitments and contingent liabilities pursuant to sections 251 and 285 no. 3a HGB

As of the reporting date, the Group had financial commitments that had to be reported in accordance with section 285 no. 3a HGB. Their breakdown was as follows as of December 31, 2023:

**Other disclosures – unpaid contributions**

| (€'000) | Dec. 31, 2023 |
|---|---|
| Foyer-ARAG S.A., Leudelange, Luxembourg | 25 |
| Private-equity and infrastructure funds (investment funds) | 220,205 |
| ACF V Growth GmbH & Co. KG | 136 |
| AXA LBO FUND V Core FCPR | 27 |
| AXA LBO FUND V Supplement | 54 |
| BEOS CREF IV | 941 |
| Catella European Residential Fund III | 25,000 |
| ECE Better Living Fund | 15,000 |
| LCN European Fund III | 1,445 |
| MEAG Infrastructure Debt Fund S.C.S. SICAV-FIS II | 7,422 |
| PGIM Real Estate European Core Diversified Property Fund | 25,000 |
| Round Hill ERIF II | 6,770 |
| RREEF Pan European Infrastructure Feeder GmbH & Co. KG | 388 |
| **Total obligation to pay in capital** | **302,413** |

The unpaid contributions have not been called up. They are not expected to be called up in the short term. It would be reasonable to expect obligations to pay in capital to be called up by the investment funds (infrastructure and private-equity funds) over a period ranging from a few weeks to three years.

Collateral was pledged to secure the obligations arising from two quota share reinsurance treaties with two Canadian primary insurers. Securities with a fair value of €69,440 thousand (C$ 101.5 million; December 31, 2022: C$ 89.2 million) and two bank accounts with a total credit balance equivalent to €2,845 thousand (December 31, 2022: €8,711 thousand) were pledged to the two primary insurers and are not available to cover any underwriting risk other than the underwriting risk for which they are designated as collateral.

Rental and leasing agreements with varying terms for premises, vehicles, and office equipment as well as for the hardware and software used in a data center that have been entered into outside the insurance business give rise to total annual obligations that are of a standard magnitude for the industry.

The Group is a member of the protection fund for providers of substitutive private health insurance. This protection fund can collect special contributions up to a maximum of 0.2 percent of the total net technical provisions for health insurance, which amounted to €5,862 thousand as of the reporting date (December 31, 2022: €5,459 thousand).

## Commissions and other remuneration for insurance agents, staff costs

**Staff costs**

| (€'000) | 2023 | 2022 |
|---|---|---|
| Wages and salaries | 330,133 | 312,069 |
| Social security and other employee benefit expenses | 57,514 | 52,351 |
| Pension and other post-employment benefit expenses | 35,466 | 45,901 |
| **Total expenses** | **423,113** | **410,321** |

## Employees

The average number of employees in 2023 was 4,896 (2022: 4,645). This figure is for all of the Group's fully consolidated entities together. Within that total, the insurance companies employed 4,262 people (2022: 4,044). The average number of people employed by all of the administrative entities and service companies was 707 (2022: 687).

At the end of 2023, the ARAG Group had 2,432 employees in Germany (December 31, 2022: 2,242). A further 2,638 (December 31, 2022: 2,518) people were employed outside Germany.

## Supervisory Board and Management Board remuneration

In the year under review, the parent company's Supervisory Board received remuneration of €385 thousand (2022: €275 thousand) from all Group companies. The remuneration for members of the Management Board came to €1,385 thousand in 2023 (2022: €1,266 thousand). This figure comprises all remuneration paid to members of the Management Board in return for the responsibilities undertaken in the parent company and in the Group companies. No expenses were incurred for remuneration for former members of the Management Board or their surviving dependants. There are no current pensions or vested pension entitlements for former members of the Management Board or their surviving dependants.

## Auditor's fees

The consolidated entities incurred expenses for auditor's fees of €1,278 thousand (2022: €1,287 thousand) for the audit of annual financial statements and Solvency II balance sheets. This figure includes the auditor's fees for the parent company and the Group companies. Other fees of €65 thousand (2022: €8 thousand) were also incurred for business advisory services. As the Company is not entitled to offset input VAT, the VAT is recognized as an expense.

## Governing bodies of the Company

The members of the Company's governing bodies are as follows:

| | |
|---|---|
| **Supervisory Board** | |
| Gerd Peskes | Chairman;<br>Wirtschaftsprüfer (German Public Auditor), Essen |
| Professor Dr. Tobias Bürgers | Deputy Chairman;<br>Attorney, Munich |
| Professor Emeritus<br>Dr. Brigitte Grass | University professor, Cologne |
| **Management Board** | |
| Dr. Dr. h. c. Paul-Otto Faßbender | Chairman, Düsseldorf |
| Klaus Heiermann | Cologne |
| Dr. Sven Wolf | Krefeld |

# XIII. Report on Post-Balance Sheet Events

With the exception of the share purchase reported below, there were no events of particular significance after December 31, 2023. So far in 2024, business performance has been in line with expectations.

Under the share purchase and transfer agreement dated July 14, 2023, ARAG SE, Düsseldorf, acquired all the shares in DAS UK Holdings Limited (DAS Holding), United Kingdom. The purpose of the company is to hold and manage equity investments. It holds all the shares in the following companies:

- DAS Legal Expenses Insurance Company Limited (DAS LEI), whose company purpose is non-life insurance business
- DAS Law Limited (DAS Law), whose company purpose is to provide legal services in connection with claims arising at DAS LEI
- DAS Services Limited (DAS Services), whose company purpose is to provide administrative services for the group

The transaction was completed after the balance sheet date on January 2, 2024.

As a result, it did not have a material impact on the Company's net assets, financial position, and results of operations in 2023. A strong increase in revenue is anticipated from 2024.

The results of operations will be adversely affected by the amortization of goodwill in the single-digit millions of euros. This effect will not initially be offset by the earnings of the new subsidiaries.

Düsseldorf, April 25, 2024

ARAG Holding SE

The Management Board

Dr. Dr. h. c. Paul-Otto Faßbender (Chairman)

Klaus Heiermann

Dr. Sven Wolf

# FURTHER INFORMATION

# I. Independent Auditor's Report[1]

To ARAG Holding SE, Düsseldorf

## Opinions

We have audited the consolidated financial statements of ARAG Holding SE, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2023, the consolidated income statement, the statement of changes in group equity, the consolidated cash flow statement, and the Group's segment reporting for the financial year from January 1 to December 31, 2023, and the notes to the consolidated financial statements, including a summary of the accounting policies. In addition, we have audited the group management report of ARAG Holding SE for the financial year from January 1 to December 31, 2023.

In accordance with German legal requirements, we have not audited the content of those parts of the group management report specified in the 'Other information' section of our auditor's report.

In our opinion, based on the findings of our audit:

- The accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and, in compliance with German accepted accounting principles, give a true and fair view of the net assets and financial position of the Group as of December 31, 2023 and of its results of operations for the financial year from January 1 to December 31, 2023, and
- The accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report specified in the 'Other information' section.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the propriety of the consolidated financial statements and group management report.

## Basis for the opinions

We conducted our audit of the consolidated financial statements and group management report in accordance with section 317 HGB and in compliance with the German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility under these requirements and principles is described in more detail in the 'Responsibility of the auditor for the audit of the consolidated financial statements and group management report' section of our auditor's report. We are independent of the Group entities pursuant to the requirements of German commercial law and the rules governing our profession and we have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and group management report.

[1] Note: This is a translation of the German original. Solely the original text in German is authoritative.

## Other information

The executive directors and Supervisory Board are responsible for the other information. The other information comprises the following components of the group management report whose content has not been audited:

- The separate non-financial group report, which is referenced in the group management report and is due to be made available to us after the date of this auditor's report, and
- The corporate governance declaration, included in section III 'Business Performance' of the group management report

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the disclosures in the group management report whose content has been audited, or our related auditor's report.

Our opinions on the consolidated financial statements and group management report do not cover the other information. We do not therefore express an opinion or any other form of assurance conclusion on this information.

In connection with our audit, our responsibility is to read the aforementioned other information and to consider whether the other information:

- Is materially inconsistent with the consolidated financial statements, the disclosures in the group management report whose content has been audited, or the knowledge that we obtained during the audit, or
- Otherwise appears to be materially misstated.

If, based on the work we have performed in relation to the other information obtained prior to the date of this auditor's report, we reach the conclusion that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## Responsibility of the Management Board and Supervisory Board for the consolidated financial statements and group management report

The executive directors are responsible for preparing consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that, in compliance with German accepted accounting principles, give a true and fair view of the net assets, financial position, and results of operations of the Group. In addition, the executive directors are responsible for the internal controls that they, in compliance with German accepted accounting principles, consider necessary for the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

When preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters relating to the Group's continuation as a going concern, where pertinent. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there are actual or legal circumstances that preclude this.

Furthermore, the executive directors are responsible for preparing a group management report that, as a whole, provides an appropriate view of the Group's position, is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) that they consider necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the financial reporting process used by the Group to prepare the consolidated financial statements and group management report.

## Responsibility of the auditor for the audit of the consolidated financial statements and group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the audit findings, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development, and to issue an auditor's report containing our opinions on the consolidated financial statements and group management report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with section 317 HGB and in compliance with the German generally accepted standards for the auditing of financial statements promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements, whether due to fraud or error, in the consolidated financial statements and group management report, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of the internal control system that is relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of the accounting policies used by the executive directors and the reasonableness of the estimates made by the executive directors and related disclosures.
- Draw conclusions about the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and group management report or, if such disclosures are not appropriate, to modify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to a situation in which the Group is no longer able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that, in compliance with German accepted accounting principles, gives a true and fair view of the net assets, financial position, and results of operations of the Group.

- Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and group management report. We are responsible for directing, supervising, and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- Assess the consistency of the group management report with the consolidated financial statements, its conformity with the law, and the view that it provides of the Group's position.
- Conduct audit procedures in respect of forward-looking statements made by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence, we examine, in particular, the significant assumptions underlying the executive directors' forward-looking statements and assess whether these statements have been correctly derived from these assumptions. We do not express a specific opinion on the forward-looking statements or on the underlying assumptions. There is a substantial unavoidable risk of material discrepancies between future events and the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

Cologne, April 25, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Klitsch | Bramkamp |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# II. Report of the Supervisory Board

In the year under review, the Supervisory Board carried out the tasks required of it by law, the articles of incorporation, and rules of procedure and continually monitored and advised the Management Board with regard to its running of the Company. The Management Board provided the Supervisory Board with regular, timely, and comprehensive written and oral reports on the economic situation and the performance of the Company and its subsidiaries, business policy going forward, corporate planning, the risk situation, risk management, and significant individual transactions. The Management Board explained variances between the actual course of business and plans and targets individually, and these were noted by the Supervisory Board. Where management action required the approval of the Supervisory Board by law or other regulations, the Supervisory Board received detailed written information on the matter from the Management Board. The Supervisory Board discussed these reports extensively at its meetings, deliberated on them with the Management Board, and made the necessary decisions. The Supervisory Board was involved in decisions of fundamental importance to the Company.

The Supervisory Board held five ordinary meetings last year, at which it was able to satisfy itself that the Management Board was running the Company properly and appropriately.

The Supervisory Board also received detailed information between meetings on plans and developments of particular importance or urgency to the Company. At the meetings, the Management Board agreed the Company's strategic direction with the Supervisory Board. Progress on implementing the strategy was regularly discussed in the meetings.

The main topics deliberated on during the Supervisory Board meetings included up-to-date reports on the impact of the war in Ukraine (particularly on investments and including compliance with sanctions), the performance of the international branches and Group companies, monitoring to ensure adequate IT security, the sustainability of the business operations of the first-tier and second-tier subsidiaries, and the general capital market environment. A profit transfer agreement to be concluded with the Group subsidiary AFI GmbH was presented to the Supervisory Board for approval. Another item on the agenda was the discussion of the coming into force and relevance of the German Supply Chain Due Diligence Act (LkSG).

The Supervisory Board also regularly received explanations regarding risk reporting from the Management Board and discussed the risk strategy and the corporate strategy.

The Supervisory Board discussed the reappointment of two members of the Management Board and held its regular discussion on the appropriateness of the Management Board's remuneration. The planning for the professional development of the Management Board and the Supervisory Board was also covered at the meetings. Finally, the Supervisory Board discussed the reappointment of a Management Board member and adopted the necessary resolutions.

No special monitoring measures were required last year. The Supervisory Board believes that the Management Board manages the business lawfully, properly, and appropriately. In particular, the Management Board fulfills its duty of care regarding the Company's continued existence and long-term profitability.

The Supervisory Board reviewed the Company's single-entity financial statements, the consolidated financial statements, and the group management report. To do so, it exercised its powers pursuant to section 111 (2) of the German Stock Corporation Act (AktG) including, but not limited to, inspecting the books and papers of the Company. The review was conducted on the basis of the regular written and oral reports from the Management Board about the business situation and all major transactions and on the basis of the commercial-law accounting regulations.

The scope of the review of all financial statements also covered the accounting options exercised by the Management Board. The findings of the review were as follows:

The Management Board's financial reporting complies with the legal requirements and the provisions in the articles of incorporation. The management report is consistent with the financial statements.

The accounting policy decisions that were made on a discretionary basis were exercised for the benefit of the Company and the Group and took shareholders' interests into account to an appropriate degree.

On behalf of the Supervisory Board, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, audited the Company's single-entity financial statements and the consolidated financial statements for the year ended December 31, 2023, including the bookkeeping system and the group management report, and issued an unqualified opinion. The auditor's report was presented to the Supervisory Board on time. Having studied the report and on the basis of its own final review, the Supervisory Board agrees with the auditor's opinion. It has no comments to make about the auditor's report.

There are no objections to be raised on the basis of the concluding findings of the review of the financial statements, group management report, and auditor's report.

The Supervisory Board also discussed the non-financial statement prepared by the Management Board for ARAG Holding SE and the Group for the period ended December 31, 2023. An auditing firm reviewed this statement to provide the Supervisory Board with limited assurance and expressed an unmodified conclusion. At the meetings, the Management Board explained the documents in detail; the representatives of the auditing firm reported on the main findings of their review and answered additional questions from the members of the Supervisory Board. The Supervisory Board did not express any reservations on completion of its own review.

Düsseldorf, April 26, 2024

ARAG Holding SE

The Supervisory Board

| | | |
|---|---|---|
| Gerd Peskes<br>(Chairman) | Professor Dr. Tobias Bürgers<br>(Deputy Chairman) | Professor Emeritus<br>Dr. Brigitte Grass |

# III. Credits

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**Note**
Figures in this report are rounded, which may give rise to differences of ± one unit (currency, percent) in some computations.

You can find the latest information about the Group and our products on our website www.ARAG.com.

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