Gothaer

Gothaer Group
Annual Report 2022

Five-year comparison

					€ thousand
	2022	2021	2020	2019	2018
Gross premiums written	4,569,823	4,694,281	4,557,025	4,524,645	4,382,848
Earned premiums net of reinsurance	4,063,580	4,236,142	4,196,470	4,164,489	3,976,593
Retention ratio (in %)	89.2	90.5	92.2	92.1	91.1
Claims expenses net of reinsurance	3,289,646	3,217,263	3,082,030	3,183,244	3,251,512
Change in other net underwriting reserves	-86,750	1,216,891	880,901	1,184,315	222,607
Underwriting expenses net of reinsurance	793,960	774,555	740,695	737,655	736,872
Net income for the year	83,169	82,128	72,431	114,990	118,749
Return on equity (in %)	5.7	6.0	5.6	9.5	10.8
Investments	32,074,202	31,265,744	30,666,518	29,473,399	28,745,775
Investment result	802,238	1,028,072	1,025,244	993,960	885,196
Net return (in %)	2.5	3.3	3.4	3.4	3.1
Underwriting reserves net of reinsurance	30,002,510	29,488,627	28,847,969	27,863,537	27,301,799
Equity	1,502,657	1,421,959	1,326,456	1,263,692	1,159,166
Subordinate liabilities	319,300	319,300	299,677	299,677	299,677
Employees (average number)	5,007	4,985	4,795	4,744	5,412

The Gothaer Group

With around four million members and premium income of € 4.6 billion, the Gothaer Group is one of Germany's major insurance groups and ranks among the country's largest mutual insurance associations. All lines of insurance are offered. In delivering them, Gothaer does more than just supply insurance products; it attaches great importance to providing high-quality personal and digital advice and customer support. As a leading partner for small and medium-sized enterprises, the Group aims to make its strong commitment to customers tangible. In addition to a wide range of cover concepts, Gothaer supports businesses' efforts to address issues of strategic importance for the future, such as employee retention or energy transition. For private customers, too, the Gothaer Group offers digital services and sophisticated health services in addition to traditional insurance cover. With a history stretching back more than 200 years, Gothaer is also one of the oldest mutual insurance companies in Germany.

As a mutual insurance company, Gothaer has obligations only to customers – not to shareholders. This independence enables the Group to act continually and sustainably in the interests of those it insures.

Ensuring and insuring a better future

Gothaer's ambition is to be credibly sustainable. Its sustainability strategy transparently defines the goals of core business, both for the Group and for its responsibility to society. Sustainability criteria are applied to investments, sustainable insurance products are developed, the carbon footprint of business operations is measured and reduced, solutions are sought for climate neutrality and, through the Gothaer Foundation in particular, commitment to society is promoted. To ensure the continuous development of sustainability management, Gothaer is signed up, amongst other things, to the following sustainability-related initiatives: It is a supporter of the UN Principles for Sustainable Insurance (UNEP FI PSI), signatory to the UN Principles for Responsible Investment (UN PRI) and a member of the Net Zero Asset Owner Alliance (NZAOA).

More information is available in German at www.gothaer.de/ueber-uns/nachhaltigkeit/, where the sustainability strategy, sustainability reports and declarations of compliance with the German Sustainability Code (DNK) can also be found.

The Business Units

The Group parent is **Gothaer Versicherungsbank VVaG**, a mutual insurance association. The Group's financial activities are managed by Gothaer Finanzholding AG. Operational activities are handled mainly by the companies listed below:

Gothaer Allgemeine Versicherung AG is the largest risk carrier for property and casualty insurance in the Gothaer Group. Since it was established in 1820, it has ranked among the largest property insurers in the German insurance market. In addition to flexibly selectable, high-performance single-line products, the product portfolio of Gothaer Allgemeine Versicherung AG encompasses combined insurance concepts and multi-risk products for seamless all-round protection at high performance level. With solutions tailored to specific needs, Gothaer is a reliable partner for both private clients and commercial customers in the SME and industrial sectors. Responding regularly to emerging trends and developments, Gothaer devises modern needs-based solutions and introduces them into the market in the form of innovative products.

At the same time, Gothaer Allgemeine Versicherung AG works constantly on the delivery of simple, digital and automated processes for its customers and sales partners. The company's special focus is on positioning itself as a leading partner for SMEs and thus strengthening what is already a robust market position in that target group's awareness. It meets the diverse requirements of the various sectors with individual risk concepts, high expertise in sector-specific risks and a customized marketing approach. Great importance is also attached to sustainability – a megatrend that is integral to the company's strategy for growth. This is evidenced not least by Gothaer's role as market innovator and market leader in wind turbine insurance. Sustainable solutions are also continuously added to all product ranges, for both private and corporate clients. The focus here is particularly on loss prevention – because nothing is as sustainable as preventing damage from occurring in the first place. However, Gothaer Allgemeine Versicherung AG goes a step further – a step beyond the role of a classic insurer. With targeted measures and its strong partner network, it will help 500 corporate clients in the SME sector to meet the challenges of energy transition over the next few years. In doing so, it will make a positive contribution to the achievement of German climate targets.

Gothaer Lebensversicherung AG has been a partner for insurance protection, financial planning strategies and investment advice for nearly 200 years. It focuses systematically on biometrics and capital-efficient products, which are strategic business fields, as well as on company pension schemes. In recent years, the percentage of new business generated within these fields has steadily increased. Business with corporate clients has been a special focus here – both in company pension schemes and collective occupational disability insurance. This has also significantly strengthened regular-premium business, which is important for life insurers. In the field of biometric products – a field important for the stability of the risk result – Gothaer Lebensversicherung AG has established itself as a manpower insurer with a range of product options for different target groups – from infants to working men and women.

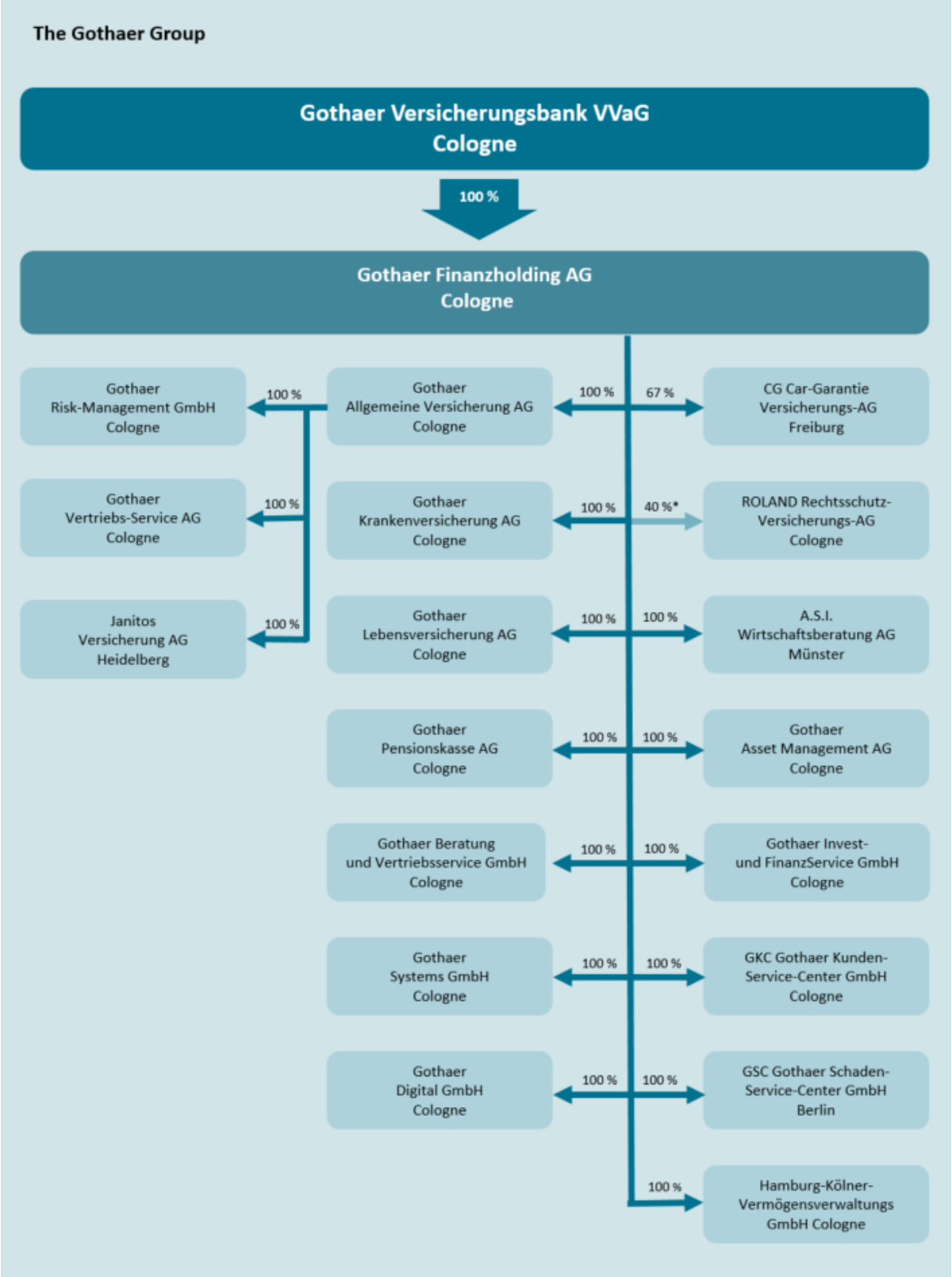
In addition to the development of a competitive product range, the company offers a continuous stream of process optimizations. Another focus is making products more transparent for customers. This applies first and foremost to unit-linked product lines and encompasses both new and portfolio business. Company pension scheme business has grown in importance, especially in recent years. On the product side, Gothaer Lebensversicherung AG offers attractive pension solutions that are easy to implement for employers of any size. In this sector in particular, processes and services need to meet significantly higher requirements in terms of digitalization and automation. Gothaer Lebensversicherung AG has responded to this trend by setting up company pension scheme portals and easy-to-use self-service points for frequently recurring administrative tasks. Gothaer Lebensversicherung AG was the first insurer in Germany to submit to independent sustainability rating in 2021 and was awarded an A+ (good) rating by Assekurata. Being credibly sustainable will continue to have a decisive influence on the strategic decisions of Gothaer Lebensversicherung AG in the future.

Gothaer Krankenversicherung AG is *the* first partner for modern health insurance cover. The company caters for the trend towards greater health awareness as well as public demand for healthcare services and continuously develops services that permit access to high-quality, effective care. The top priority in this context is to provide the best possible support to the people the company insures in terms of health protection and convalescence. Under the motto gothaer.nachhaltig.gesund (gothaer sustainable health), Gothaer Krankenversicherung AG focuses primarily on "health maintenance". One focal area is mental health. By cooperating with leading providers in this field, the company is progressively strengthening its role as a sustainable health service provider.

Comprehensive health insurance thus remains a major pillar of business for Gothaer Krankenversicherung AG because, with an eye on the future, it is the only insurance that guarantees a stable level of health protection benefits. At the same time, the public financing challenges faced in the German health system are heightening the significance of policies that supplement statutory health insurance. Gothaer has been on a growth path here for years. Not only private clients see the value of private insurance; employers also increasingly see company health insurance schemes as a health service that motivates employees and inspires staff loyalty. Here too, Gothaer Krankenversicherung AG is extending its lead in the market and upgrading its corporate product range with additional health services.

Janitos Versicherung AG is a highly digitalized composite insurer based in Heidelberg selling its products through independent intermediaries such as brokers, broker pools, financial product distributors and comparison platforms. All of the company's processes and services are geared to this target group. The focus is on a high degree of automation, swift and customized product development as well as technical interfaces to sales partners in line with the company's digitalization and sales strategy. A modern IT infrastructure, a custom-fit support model and ceaseless attention to first-class product positioning are the key building blocks of the Janitos strategy. The product portfolio ranges from motor, bicycle, pet owner and private liability insurance through householders and homeowners insurance to supplemental health, accident insurance and the Multi-Rente disability insurance. The company is regularly successful in product ratings and broker surveys and is very well and sustainably positioned as an established broker brand in Germany and Austria.

With more than 50 years of experience and premium revenues running to around € 240 million a year as well as a market presence in 19 countries, **CG Car-Garantie Versicherungs-AG** ranks among the most experienced specialist insurers for guarantee and customer loyalty programmes in Europe. More than 40 manufacturers/importers and over 23,000 dealers have confidence in the guarantee specialist's high service quality and custom guarantee programmes for new and used vehicles. As a reliable partner, the company focuses on stability and permanency. According to an independent study by market researcher Finaccord, CG Car-Garantie Versicherungs-AG is one of the foremost manufacturer-independent suppliers of guarantee and repair cost insurance. The specialist insurer's services appeal to a growing number of dealers and vehicle buyers – so the company is perfectly poised to strengthen its market position even more.



* Total Group interest

For purposes of clarity, shareholding structure simplified.

January 2022

Gothaer Versicherungsbank VVaG
Annual Report

Report for the Financial Year as of 1 January to 31 December 2022

Registered Office of the Company
Arnoldiplatz 1
50969 Cologne/Germany

Cologne Local Court, HRB 660

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NB: For better legibility, we have occasionally refrained from using gender-neutral language. All personal references are non-gender-specific.

Dependability in a challenging year

Prof. Dr. Werner Görg

Chair of the Supervisory Board of the Gothaer Group

2022 was a very challenging year for the Gothaer Group. The war in Ukraine brought immense suffering and destruction to the country, and dealt a major blow to economic development in Europe and Germany. In some cases the situation was exacerbated by the significant impacts of the COVID-19 pandemic. The collapse of entire supply chains and the bitter realization that Germany is dependent to a considerable extent on third party suppliers have dampened the future economic outlook. In this negative framework, we were all the more pleased when it became apparent towards the end of 2022 that the deep recession predicted by many would not take place. On the contrary, the German economy has once again proven to be remarkably resilient. The same applies to the Gothaer Group. From an underwriting perspective, 2022 was a very good year.

This is evidenced by our strong earnings position and very solid capital base. Despite inflation and recession concerns, Gothaer Group again strengthened its equity base in 2022 and growth in consolidated net income was also achieved. All Group entities and the Group as a whole have an excellent level of equity capitalization.

Our non-life insurer, Gothaer Allgemeine Versicherung AG, demonstrated high resilience last year with above-market growth, and it accounted for a significant portion of the consolidated net profit. Growth was also achieved in both corporate and private customer business. Also Gothaer Krankenversicherung AG reported solid growth in premium revenues. The strong upswing in new company health insurance business is impressive proof of Gothaer Krankenversicherung AG's market leadership in this segment. Life insurer Gothaer Lebensversicherung AG benefits from the effects of higher interest rates, on the one hand, but has been negatively impacted by an inflation-related slump in consumer spending. This is particularly evident in the single premium business results. Corporate client business has remained relatively stable. In a multi-year comparison, the level of new business is also good.

The supervisory boards of the Gothaer Group's risk-bearing entities and associated entities monitored the developments of each entity from a risk exposure perspective in 2022. At least three and in some cases four Supervisory Board meetings for each entity were held. In addition to that the Supervisory Boards of each entity attended meetings of the audit committee, the investment committee, the HR committee and the digitalization committee to discuss the continued development of the individual entities with the Management Board. As in previous years, a mediation committee required by law to settle disputes between the employee and the capital sides did not need to meet. Lastly, to continue building our insurance competence, we held two training events: one on the subject of accounting and the other on the subject of investments.

In addition to the activities of the Supervisory Board that are tailored to classic insurance business, the issue of sustainability has taken on wider significance. The Supervisory Board welcomes the Management Board's review of the Gothaer organization, its investments and its insurance products in terms of their sustainability. The Supervisory Board unreservedly supports the Management Board's efforts to establish Gothaer as a sustainability leader in the insurance industry.

The first order of business for each entity's Supervisory Board every year is short and medium-term corporate planning. At each of the Supervisory Board meetings a mid-year comparison of results to date is discussed. Measures that seem appropriate to help the company achieve its annual targets are also discussed during the year.

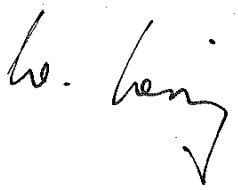
These corporate planning-oriented Supervisory Board activities provided the Supervisory Board with detailed information about the possible impacts of various risk scenarios, including inflation risks, yield curve trends, potential environmental factors, currency fluctuation and scenarios requiring significant ad-hoc liquid funds.

The Supervisory Board explicitly welcomes the fact that all discussions with the Management Board are well prepared and the standard of dialogue is high. Both the Supervisory Board and the Management Board appreciate the respective considerations put forward. At the same time, the Supervisory Board's control function is not compromised.

I would like to thank my fellow Supervisory Board members for their contributions to the positive further development of the Gothaer Group.

I would also like to thank all employees, especially the agents in the sales organization, for another impressive performance in 2022.

Sincerely,



A future that goes beyond insurance

Oliver Schoeller

Chief Executive Officer of the Gothaer Group

After two years of pandemic and the catastrophic flooding in Ahrtal in 2021, we were hopeful at the beginning of last year that a return to 'business as usual' was imminent. However, Russia put an abrupt end to those hopes when it invaded Ukraine on 24 February 2022. The war marked the beginning of a new era of geopolitical, economic and social challenges. Above all, it brought immeasurable suffering to the people of Ukraine. The main economic impacts of the war have been higher energy costs, elevated inflation and the European Central Bank's first significant interest rate hikes since 2011. Despite this extremely difficult framework, Gothaer closed out 2022 with premium income of around € 4.57 billion, which is a very good result. Our property and casualty insurer, Gothaer Allgemeine Versicherung AG, and Gothaer Krankenversicherung AG have both reported significant growth. The difficult market environment took its toll on Gothaer Lebensversicherung AG after a particularly strong year in 2021. A decline in premium income reflected general market developments, whereby a downturn in single premium business was a significant driver. The fact that we are still a reliable partner to our customers has been confirmed by S&P Global Ratings. Another A rating with a stable outlook was awarded to us in recognition of our diversified product portfolio, our extensive network of sales channels and our strong competitive position, particularly in the SME segment.

The Group has continued to build on its position as leading partner to SMEs with gross premiums of around € 1.47 billion, representing growth of 9.1 percent. Growth has been driven by property and casualty business, biometric product business and company health insurance plans. This development shows that our products meet the expectations of our corporate customers, which will be all the more important in the new financial year as the economy and society at large face further major transformations.

The cost explosion in the energy markets has multiplied production costs. Different access to resources in Europe, the USA and China will widen the energy cost divide. Supply chain disruptions have reduced production capacity while global demand continues to rise. The situation has improved somewhat since China ended its zero COVID policy, but not enough to remedy the economic consequences A skilled labour shortage materialized at breath-taking speed during the pandemic. More than 50 percent of companies now say this is a major growth inhibitor.

In this conflict situation it is our job, as insurer, to offer our SME customers products and solutions that go beyond pure insurance cover. Many of those companies are currently reviewing their value chains and need the support of a partner with risk management capabilities to re-evaluate processes and moderate the effects of inflation on premiums. The situation is similar with regard to the largest future risk cluster, which is protection against cybercrime. Here, too, the objectives are to mitigate risks and help customers recover from the aftermath of a cyber-attack. Company pension plans are a factor that can make a company attractive in the competitive talent recruitment market. Company health insurance business has been a two-digit growth rate business since the pandemic. Both solve key important social challenges.

Last, but not least, our industry has an opportunity to make a difference in the battle to prevent climate change. With our 500-50-5 initiative we are supporting small and medium-sized businesses to reduce their carbon footprint by 50 percent over the next five years. In the context of the initiative we are offering various packages, such as packages for vehicle fleet electrification, energy-efficient building refurbishment or sustainable energy procurement.

As a Group we are also assuming a leadership role on the way to a carbon-free economy. This is underlined by the fact that we already insure one quarter of all onshore wind farms in Europe and have made significant investments in renewable energies. The independent consultancy firm Zielke Research confirmed our commitment with third position in its sector-wide ESG ranking. What's more, we have no intention of slowing our efforts. Among other plans for the future, we intend to make € 200 million available every year for sustainable impact investments, as well as to reduce the carbon footprint of our equities and corporate bonds by 25 percent and the carbon footprint of our real estate investments by 20 percent. Our target is to achieve Group-wide carbon neutrality by 2024. By 2045, our insurance portfolio will be carbon neutral in accordance with Net Zero Asset Owner Alliance targets, followed by our investment portfolio in 2050.

So it's time to look 'beyond insurance'.

Sincerely,

Representatives of Members

Wilm-Hendric Cronenberg Chair		Managing Partner of Julius Cronenberg o. H.
Knut Kreuch Vice Chair		Mayor of the City of Gotha
Jürgen Scheel Vice Chair		Chair of the Management (retd.) of Kieler Rückversicherungsverein a. G.
Quentin Carl Adrian		Tax accountant and partner of dhpg Dr. Harzem & Partner mbB
Heiner Alck		Physical therapist
Peter Arndt	up to 9 June 2022	Diplom-Ingenieur
Christina Begale		Consultant
Helmut Berg		Pensioner
Werner Dacol		Real Estate Valuer
Dr. Karin Ebel		Managing Partner of Peter May Family Business Consulting GmbH & Co. KG
Dr. Matthias Eickhoff		Management of Amevida SE
Sabine Engler		Diplom-Kaufmann
Andreas Formen		Diplom-Betriebswirt
Dr. Jörg Friedmann		Lawyer, Law firm Dr. Friedmann & Partner mbB
Dr. Vera Nicola Geisel		Head of Human Resources & Legal of VDI GmbH
Dr. Benno Gelshorn	up to 12 January 2022 †	Specialist in General Medicine
Beate Gothe		Head of Finance and HR of Heinz Gothe GmbH & Co. KG
Birgit Heinzel		Master craftswoman in ophthalmic optics and auditory acoustics, Managing Director of HEINZEL Sehen + Hören
Willi Hullmann		Managing Partner of R(h)ein-Gewinn Beratungsgesellschaft mbH
Norbert D. Hüsson		Betriebswirt, Master painter, Managing Partner of Hüsson FGB GmbH
Wolfgang Klemm		Chamber musician (retd.)
Dr. Götz Kröner	as of 9 June 2022	Managing Director of Kröner-Stärke GmbH
Barbara Lambers		Head of Talent Aquisition EMEA at DHL Express Germany GmbH
Dr. Hans-Werner Lange		Chair of the Administrative Board of TUPAG-Holding-AG
Louwrens Langevoort	as of 9 June 2022	Artistic Director of Cologne Philharmonic and CEO of KölnMusik GmbH
Prof. Dr. Claus Luttermann		University professor of the Economics Faculty of the Catholic University of Eichstätt-Ingolstadt

Dr. Anja Marzuillo		Lawyer
Regina Menger-Krug		Former Managing Director and owner of Sektgut Menger-Krug
Stephan Otte	as of 9 June 2022	Managing Director of Stein HGS GmbH
Uwe von Padberg		Diplom-Kaufmann, Managing Director of Creditreform Köln v. Padberg GmbH & Co. KG
Ilse Peiffer	up to 9 June 2022	Secretary (retd.)
Annegret Reinhardt-Lehmann		Managing Director of Wirtschaftsinitiative FrankfurtRheinMain e. V.
Dr. Roland Reisten-bach		Dentist
Peter Riegelein		Diplom-Kaufmann, Managing Partner of Hans Riegelein + Sohn GmbH & Co. KG
Prof. Dr. Torsten Rohlfs		TH Köln/University of Applied Sciences, Institute of Insurance Studies (ivw Cologne)
Martin Schäfer		Managing Partner of Wirth Fulda GmbH
Astrid Schulte		Member of the Management Board of Heraeus Bildungsstiftung
Dr. Klaus Tiedeken	as of 9 June 2022	Chairman of the Board of Stiftung der Cellitinnen zur hl. Maria
Dr. Katrin Vernau		Interim Director-General of Rundfunk Berlin-Brandenburg
Sabine Walser		Publishing Director of P. Keppler Verlag GmbH & Co. KG
Stefan Zant	as of 9 June 2022	Managing Director of Seven.One Sports GmbH

Honorary Chair

Dr. Karlheinz Gierden	up to 24 January 2022 †	Oberkreisdirektor (district chief executive officer) and bank director (retd.)

Supervisory Board

Prof. Dr. Werner Görg Chair	Lawyer, Tax Accountant
Carl Graf von Hardenberg Vice Chair	Chair of the Supervisory Board of Hardenberg-Wilthen AG
Urs Berger	Chair of the Administrative Board of Schweizerische Mobiliar Holding AG and Schweizerische Mobiliar Genossenschaft
Gabriele Eick	Owner of business consultancy Executive Communications
Prof. Dr. Johanna Hey	Director of Institut für Steuerrecht (Tax Law) of Cologne University
Jürgen Wolfgang Kirchhoff	Diplom-Ingenieur, Managing Partner and COO of KIRCHHOFF Holding GmbH & Co. KG

Honorary Chair

Hansgeorg Klanten	Director (retd.)
Dr. Roland Schulz	Former Managing Partner of Henkel AG & Co. KGaA

Management

Oliver Schoeller Chair	Chair of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG and member of the management boards of Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Thomas Bischof	Chair of the Board of Management of Gothaer Allgemeine Versicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG
Oliver Brüß	Chief Sales Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Dr. Mathias Bühring-Uhle	Chief Operating Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Dr. Sylvia Eichelberg	Chair of the Board of Management of Gothaer Krankenversicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG
Harald Epple	Chief Finance Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Michael Kurtenbach	Chief Human Resources Officer - Chair of the Board of Management of Gothaer Lebensversicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG

The list of names of members of the Supervisory Board and Management consists of information to be provided in the notes to the financial statements pursuant to section 314(1) No. 6 of the German Commercial Code (HGB).

Advisory Board Gothaer Versicherungsbank VVaG

Andreas Barth		Diplom-Ingenieur, Managing Director of OMEGA Blechbearbeitung Holding AG
Klaus Michael Baur		Publisher and Editor in Chief of Badische Neueste Nachrichten Badendruck GmbH
Martin Böhm		Owner of the company BÖHM Elektrobau
Klaus Brenner		Chair of the Management Board of VPV Lebensversicherungs-AG
Dr. Christoph Buse		Managing Partner of Bautra GmbH
Daniel Friedrich		Managing Director of Friedrich & Sohn Transport / Spedition GmbH
Lorenz Hanelt		Executive Officer of Delvag Versicherungs-AG
Carl Graf von Hardenberg jun.	as of 1 January 2022	Managing Partner of Hardenberg-Wilthen AG
Hans Jürgen Hesse		Managing Partner of Hesse GmbH & Co. KG
Dr. Michael Jaxy	as of 1 January 2022	CFO of UEE Holding SE & Co. KG
Thomas Kemp		Diplom-Kaufmann, Managing Director of Reinert Gruppe Ingredients GmbH
Rainer Lehmann		Executive Officer of Sartorius AG
Timo Freiherr von Lepel		Managing Director of Net Cologne Gesellschaft für Telekommunikation mbH
Andreas Mosler		Diplom-Betriebswirt, Diplom-Wirtschaftsinformatiker, Chair of the Supervisory Board of AEP AG
Goetz Neumann	up to 30 June 2022	Chair of the Management Board of Pensionskasse der Wacker Chemie VvaG
Rüdiger Otto		Managing Director and Owner of A. Otto & Sohn GmbH & Co. KG
Wolfgang Öxler		Archabbot of the Benedictine Abbey St. Ottilien
Dr. Melanie Peterhoff		Managing Partner of F. J. Peterhoff Beteiligungs-GmbH
Dr. Peter Ramsauer		Diplom-Kaufmann, member of Deutscher Bundestag
Hermann Reichenecker		Managing Partner of Storopack Hans Reichenecker GmbH
Frank Reinhardt	as of 1 July 2022	Chair of Pensionskasse Wacker Chemie VVaG
Dr. Martin Rothfuchs		Managing Director of Arenbergische Gesellschaften
Alien Wolter		Managing Partner of ARNO GmbH

Group Management Report

The remarks on actuarial practice contained in the sections of the Group Management Report on the development of business, outlook and opportunities and risks of future development refer predominantly to the major risk carriers of the Group. Those carriers are Gothaer Allgemeine Versicherung AG for property and casualty insurance, Gothaer Lebensversicherung AG for life insurance and Gothaer Krankenversicherung AG for health insurance.

Developments in the insurance industry

Trends in 2022

Insurance industry as a whole

The global economy in 2022 was shaped by the effects of the war in Ukraine and supply chain difficulties, which resulted in persistent inflationary pressures. For the euro area, the energy crisis and the surge in energy prices had a dramatic impact on the economy. Nevertheless, according to figures from the Federal Statistical Office, Germany's real gross domestic product (GDP) is expected to grow by 1.9 % – an upturn largely attributable to the increase in private consumer spending. The economic situation of private households is increasingly affected by inflation as well as by growing uncertainty over the performance of the economy as a whole. Despite government support programmes, the impacts on private households and their economic prospects are apparent. However, an overall increase in private households' disposable income is anticipated in 2022. Private consumption is expected to grow; the savings rate fell again towards the end of the year. Against this backdrop, the German Insurance Association (GDV) – on whose findings these comments are based – anticipates a decline in premium growth for the insurance industry. In property and casualty insurance, premium growth is expected to reach 4.0 %. The moderate rise in premium volume in motor insurance is surpassed by a vigorous increase in property insurance. The latter is due mainly to inflation-related sum and premium adjustments in property insurance. In private health insurance, premium revenues are expected to grow by 3.7 %. This development is shaped by two factors: firstly, by an increase in comprehensive health insurance premiums fuelled by higher nominal wages and the fact that the ceiling for compulsory health insurance was not raised at the turn of the year; and secondly, by another positive performance by supplementary insurance. Life insurance premiums fell by 5.9 % – the net outcome of moderate increases in regular premiums and weak single-premium business. The slowdown in single-premium business resulted from rapidly rising interest rates, declining real wages and a greater need for liquidity on the part of private households. The development of company pension schemes was heterogeneous. While the premium revenues of pension funds show a marked upturn, the income of pension trusts is recessive. Across the insurance industry as a whole, premiums are expected to fall by a moderate 0.6 %.

Property and casualty insurance

For **property and casualty insurance** as a whole, the German Insurance Association (GDV) anticipates premium growth of 4.0 % to € 80.4 billion in 2022 in the wake of inflation-driven insurance sum adjustments in the property insurance sector. Claims expenditure during the financial year decreased by 6.6 % against the prior year. While claims expenses in motor insurance rose, expenditure in property insurance was sharply recessive. Overall – owing to rising premium revenues and falling claims expenditure – a significantly improved underwriting profit of € 4.2 billion is anticipated. The combined ratio is expected to move down from the prior-year level to around 95 %.

In **property insurance**, premium income is expected to grow by 7.6 % to € 25.9 billion, fuelled by upturns in non-private and private property insurance of 9.0 % and 6.5 % respectively. In non-private property insurance, the growth is attributable in particular to the industrial lines; in private property insurance, it was primarily due to homeowners comprehensive business. The reasons for the dynamic premium growth lie in the continuing rise of inflation indices, which resulted in insurance sum adjustments. In addition, the "Bernd" flood disaster contributed to an increase in demand for natural hazard cover. Claims expenditures declined in 2022. At the same time, the impact of natural hazard events was moderately above average for property insurers, partly due to the series of windstorms in February. The burden of major fire losses, however, was significantly below average. Across the property insurance sector as a whole, claims expenditure during the financial year is expected to show a sharp reduction of 28.3 % in 2022. This, combined with strong premium growth, will ultimately result in an underwriting profit for property insurers. The combined ratio should be well below the prior-year figure at around 96 %.

Motor insurance is the largest property and casualty insurance class, generating around 37 % (€ 29.4 billion) of premium income. In 2022, portfolio growth in this class is expected to prove slower but sustained, raising premium revenues by 1.0 %. In partial own damage insurance, average premiums are expected to fall by 1.5 % against the prior year, while in collision & comprehensive insurance a moderate upturn of 0.5 % is forecast. In motor liability insurance, the average premium is expected to stagnate. The sustained reduction in mobility continues to impact on the loss situation, especially on the lower incidence of losses incurred. With regard to the average claim, a vigorous upturn is anticipated, due in part to high inflation and very dynamic increases in vehicle spare parts prices. In 2022, claims expenditure during the financial year is expected to show a significant rise of 8.1 %. With cost and run-off ratios virtually unchanged, this will result in an overall underwriting loss of around € 300 million. Accordingly, the combined ratio will be higher than in the prior year, potentially around 101 %.

Life insurance

2022 was a different year from the one anticipated at the end of 2021. Russia's war of aggression against Ukraine in February 2022 triggered a series of events that had a significant impact on the life insurance industry. Prompted by the conflict, fuel and energy prices rose significantly. Supply problems that still existed in the wake of the coronavirus pandemic were further exacerbated, especially for foodstuffs such as wheat and rapeseed. As a result of the decline in supply, inflation rates rose worldwide. In Germany, monthly inflation topped 10 % at times in the period from September to November.

As a result of the rise in inflation rates, the US Federal Reserve raised the interest rate on deposits in March 2022. This was the first such rise since 2018 and was followed by six further increases, taking the rate up to 4.50 % in December 2022. The European Central Bank increased the main refinancing operations rate in 2022 in four steps to 2.50 %. Share prices on the international capital markets reacted to these moves with losses of various magnitudes. The DAX index fell by more than 12 % in 2022.

Business for the life insurance industry was significantly influenced by these developments. Growth across the industry was negatively impacted for two reasons in particular. Firstly, the increase in the cost of living due to inflation resulted in reduced savings capacity and many people were less able to invest in provision for old age. Secondly, the normalization of interest rates gave customers more investment options, which explains the sharp decline in single-premium business in particular. As a result of the increase in key interest rates, the banks were and still are in a position

to pass on the improved conditions to their customers and drop the custody fees charged in recent years. As a consequence, competition for customers' money between banks and insurers has increased again significantly.

On the other hand, the higher level of interest rates has also brought relief for life insurers on the earnings side, especially with regard to the formation of additional interest reserves (ZZR). High allocations to ZZR in previous years considerably depressed company earnings. Due to the rise in interest rates, a number of life insurers no longer need to make allocations in 2022 or have already made the first reversals.

In light of the above, life insurance business in 2022 developed as follows:

Gross premiums written in life insurance in the narrower sense (excluding pension trusts and pension funds) decreased against the prior year by 6.9 % to € 92.81 billion. Of this total, € 64.34 billion was attributable to regular premiums (+0.9 %) and € 28.46 billion to single premiums (-20.8 %). The latter accounted for around 31 % of total premiums in 2022. Single-premium business was significantly recessive last year and new business fell by 20.5 % to € 2.83 billion. Despite the downturn in new business, the cancellation rate showed no upward trend in contract terminations or premium exemptions.

Health insurance

Pandemic control, the effects of the war of aggression against Ukraine, financing of the health system and digitalization of the health system were the major challenges of 2022.

Combatting the coronavirus pandemic to avoid overloading the health system and to protect as many people as possible remained the top priority. During the coronavirus crisis, the private health insurance industry impressively demonstrated that it keeps its benefit promise even in a crisis, providing policyholders with first-class medical care and excellent service.

With the emergence of the more recent coronavirus variants, which, although more infectious, generally proved much milder overall, the bottlenecks in hospitals shifted from intensive care units to normal and paediatric wards. The heavy workload for nursing staff, coupled with an increase in sickness levels due to coronavirus, is increasingly pushing carers to the limit and thus exacerbating the loss of urgently needed nursing personnel.

Dependence on China and its strict zero-COVID strategy led to shortages in major pharmaceutical supplies in Germany in 2022.

Overcrowded children's hospitals, the nursing emergency and shortages of medical supplies were thus the major challenges in the first half of 2022.

This development was overshadowed by the Russian attack on Ukraine and the inconceivable human suffering and economic consequences that ensued. As a result, the business climate weakened for private health insurers in both comprehensive and supplemental insurance. Capital market interest rates and inflation rose.

The second half of the year brought additional major challenges due to the demographic-based financing problems of the statutory health insurance institutes and the digitalization of the health system. Ultimately, however, the question is how the health system can be financed in a way that is fair to all generations and thus sustainable without long-term reductions in the level of benefits, without further tax in-

creases and without excessively burdening future generations. Here, with the formation of ageing provisions as a demographic reserve, the private health insurance sector offers a sustainable and inter-generationally fair solution.

People increasingly understand that a pay-as-you-go healthcare system presents ever-new challenges for statutory health insurance in the current demographic scenario and that private health insurance offers good alternatives. Anyone wishing to avoid benefit cuts in the future switches to comprehensive private health insurance or takes out supplemental insurance.

This is also clearly reflected in the private health insurance figures for 2022. The total number of policies in force increased by 0.6 % to 37.8 million. In supplemental insurance, the number of policies grew by 2.1 % to a total of 29.1 million. The demand from people with statutory health insurance seeking to upgrade benefits by taking out private supplemental insurance continues undiminished.

For the fifth year in succession, more people switched from statutory to private comprehensive health insurance than vice versa. Private health insurers registered a positive balance of 29,600 policyholders (balance in 2021: +23,300). The number of comprehensively insured persons in the private health insurance sector (especially after deduction of deaths and contracts terminated under compulsory insurance rules) stood at 8.7 million in 2022, a minimal downturn of 0.16 %.

In addition, a growing number of employers realize that company health insurance schemes are an important instrument for retaining employees and at the same time promoting their health and performance. A typical win-win situation for employers and employees. The number of employees benefiting from company health insurance rose by 11.5 % to just under 1.8 million in 2022.

Outlook for 2023

Insurance industry as a whole

Against the backdrop of the dynamic macroeconomic environment and continuing major uncertainties over the consequences of the war in Ukraine, the German Council of Economic Experts forecasts a minor downturn in real GDP of around 0.2 % in 2023. The energy crisis combined with rising energy costs may have a severe impact on the economy. The overall inflation rate is expected to increase by 7.4 %. The unemployment rate is forecast to rise as a result of the recession. New hirings by employers will be outpaced by redundancies and retirements. Greater use of bridging instruments such as short-time working allowances is also anticipated. The situation of private households will be crucially shaped by economic developments. Increases in nominal wages and government fiscal support programmes will not fully compensate for the pressure of inflation. Real private spending is expected to contract by 1.0 %. The savings rate is forecast to fall to 9.5 %.

Property and casualty insurance business is expected to generate premium growth of 6.1 % in 2023. The main reasons for this are again inflation-related sum and premium adjustments in property insurance. In life insurance, premium income from regular premiums in particular will contribute to moderate growth of 0.1 %. Zero growth is expected for single premium revenues due to the uncertainties that exist in the market. For private health insurers, premium income is expected to grow by 3.5 %. Increased treatment costs in the health system will give rise to higher statutory health insurance contributions. For supplemental insurance business, growth is anticipated because the trend of private supplemental insurance taken out to top up statutory health insurance benefits will continue. For the insurance industry as a whole, premium growth is expected to be 3.0 % in 2023.

Property and casualty insurance

Property and casualty insurance business is expected to generate strong premium growth of 6.1 % in 2023. The main reasons for this are insurance sum and premium adjustments due to inflation. On the other hand, the dynamism of premium growth in some lines may be dampened by high competition and economic slowdown.

In private property insurance, there will be marked adjustments of insurance sums as a result of rising construction prices. Higher costs for skilled labour and materials as well as catch-up effects due to construction projects that could not be realized in the previous year will result in noticeable increases in premium revenues. In non-private property insurance, a sharper increase in premium income is anticipated in 2023 because of inflation. Controversial discussions are taking place with the industry about how much companies might share the burden of premium increases or bear more risk themselves. In addition, the intended reduction of dependence on energy sources from Russia will inject dynamism into the development of renewable energy sources. High investment in renewable energy is likely to have an impact on demand for engineering insurance.

In motor insurance, premiums will rise significantly due to price inflation, which leads to higher claims expenses. New vehicle registrations are expected to return to a normal level in 2023. The automotive industry could benefit from an easing of the international supply chain situation as well as from catch-up effects due to a lack of input and spare parts for vehicles in the prior year. On the other hand, changes in mobility behaviour could have a contractive effect, as the € 49 ticket and possible high petrol prices make rail travel more attractive. With regard to new business, high competition in the motor insurance sector may result in a reluctance to increase premiums.

Life insurance

In 2023, business for the private sector in general and for the insurance industry in particular will be shaped by the ongoing geopolitical uncertainties in Europe. General uncertainty and concerns for the future, persistently high inflation and limited savings capacity are likely – depending on severity – to have a dampening effect on growth for life insurers in 2023.

The life insurance industry is also significantly impacted by developments on political and regulatory fronts. It can particularly be affected by developments in the context of consumer protection standards for insurance policies with investment features, the handling of unit-linked policy costs and the general approach to questions of sustainability in product design. Decisions on any of the three pillars of retirement provision can also have a significant influence on the development of business for the industry.

Growth opportunities will arise primarily in company pension schemes in 2023. The acute shortage of skilled workers is increasing the pressure on employers to provide more occupational pensions for employees. Opportunities are still seen in more digitalization and the resulting possibilities to satisfy the needs of end customers and sales partners in a much more customer-friendly manner. The trend to help make companies systematically sustainable (e.g. less use of paper, significant reduction of travel) is supported by familiarization with and acceptance of digital advisory tools. On the product side, sustainable insurance-based investment options such as unit-linked life insurance policies are increasingly relevant.

Despite the high uncertainties surrounding life insurance business, the development of business in 2023 is expected to remain unchanged in comparison to the previous year. According to current estimates, single-premium business will stay at the prior-year level and life insurance business based on regular premium payments will grow

by 0.1 %. As in recent years, the share of unit-linked insurance products is expected to increase at the expense of traditional life insurance products with guarantees.

Health insurance

With the transition from pandemic to endemic, the measures taken to combat the coronavirus will be further relaxed and the burden on the health system eased. What cannot be predicted are the risks that may result from the war in Ukraine and the relaxation of China's coronavirus policy. Provided that no new, more dangerous coronavirus mutations emerge, Germany can expect continued positive progress in the fight against COVID.

After that, health policy in 2023 can focus more on the urgent problems of financing the statutory health insurance institutes, digitalizing the health system and facing the challenges of long-term nursing care insurance.

In the short term, the planned/agreed subsidization of statutory health insurance from tax revenue will not produce a sustainable solution to the problem. For private health insurers, that one-sided subsidization means a distortion of competition in favour of the statutory health insurance sector. This keeps statutory insurance contributions artificially low and makes it difficult for people to switch from statutory to private health insurance.

In Baden-Württemberg and Schleswig-Holstein, there is a political debate ongoing on the introduction of a flat-rate statutory health insurance allowance for public servants (pauschale Beihilfe). This will further reduce the sales opportunities for private health insurers in the public servant health market segment within these two federal states in 2023.

In comprehensive insurance, the rise in the income ceiling for statutory health insurance – an upturn to € 66,600 in 2023 (2022: € 64,350) – will make it more difficult for employees to switch to private health insurance.

In the long term, however, there are still good market opportunities for private health insurers in comprehensive insurance, because the statutory health insurance system will come under even greater financial pressure due to demographic-based declines in income. The inflation-driven rise in benefit expenditure will have the same effect on premiums in private and statutory health insurance. In the long run, the rise in interest rates will give all fully funded systems an advantage and thus provide a clear competitive edge to private comprehensive insurers in particular.

According to the current McKinsey study (E-Health Monitor 2022), digitalization has the potential to generate savings of € 42.2 billion in the healthcare system. The biggest single benefit – worth € 7.0 billion – is seen in "electronic patient file/exchange". So far, € 1.4 billion of the projected total benefit of € 42.2 billion has been realized.

Given the urgent challenges for health policy in the area of long-term care and health insurance, the private health insurance sector would like to play an active part in the future to find sustainable and inter-generationally fair solutions.

In the supplemental insurance segment, private health insurance business will remain on a positive growth path. Against the backdrop of the ongoing acute shortage of skilled workers, occupational health insurance will continue to be a success story.

Development of business in 2022

Despite challenging times and a difficult environment, the Gothaer Group achieved good results in the financial year 2022. Premium income totalled € 4.57 billion, investments showed a net return of 2.5 % and the net profit generated reached € 83.2 million.

						€ million
	Gross premiums written		Underwriting result net of reinsurance		Investment result	
	2022	2021	2022	2021	2022	2021
Property and casualty	2,472.2	2,339.1	61.6	70.4	61.1	69.0
Life	1,180.4	1,446.1	62.0	80.1	430.5	639.8
Health	917.2	909.1	61.7	55.5	254.2	217.1
Other Activities	0.0	0.0	0.0	0.0	56.4	102.2
Total	**4,569.8**	**4,694.3**	**185.3**	**206.1**	**802.2**	**1,028.1**

At Group level, gross written premiums totalled € 4.57 billion (PY: € 4.69 billion). Gross premium income from property and casualty insurance registered a gratifying above-market increase of 5.7 % to € 2.47 billion. In life insurance, gross written premiums fell by 18.4 % to € 1.18 billion as a result of the fall in single-premium business. Gross premiums written in health insurance grew by 0.9 % to € 917.2 million. Premium volume increased in both comprehensive insurance (incl. compulsory long-term nursing care insurance) and supplemental insurance.

Primary insurance, which is our core business, accounted for € 4.47 billion (PY: € 4.58 billion) of gross written premiums. Premiums written in reinsurance assumed from extra-group insurers totalled € 103.4 million (PY: € 111.8 million). This business relates entirely to property and casualty insurance and is of only minor significance as a contributor to the total premium volume of the Gothaer Group.

The underwriting result net of reinsurance at Group level decreased to € 185.3 million (PY: € 206.1 million). Developments in the individual segments varied. In the property and casualty insurance segment and in life insurance, underwriting results net of reinsurance were recessive at € 61.6 million (PY: € 70.4 million) and € 62.0 million (PY: € 80.1 million) respectively. In health insurance, the result improved from € 55.5 million to € 61.7 million.

At € 0.80 billion, the investment result overall was below the prior-year level. While investment income in the health segment increased, the results in life, property and casualty and other activities segments fell back.

Together with a recessive tax expense, these developments resulted in an increased net profit for the year of € 83.2 million euros, up from € 82.1 million in the prior year.

Underwriting result

Property and casualty insurance

With gross written premiums totalling € 2.47 billion, above-market growth of 5.7 % was achieved in property and casualty insurance. While premiums from direct written insurance business registered an upturn of 6.4 % to € 2.37 billion, reinsurance business declined by € 8.3 million to € 103.4 million. Premiums ceded to reinsurance rose to € 473.3 million (PY: € 410.6 million). Here, the cost of cessions for protection against natural hazards increased significantly due to the "Bernd" flooding event. As a result, earned property and casualty premiums net of reinsurance rose by a total of 3.6 % to € 1.98 billion.

At the Group's largest property insurer, Gothaer Allgemeine Versicherung AG, growth is particularly driven by business with corporate clients. This year, the number of modular Gothaer GewerbeProtect (GGP) policies in our portfolio exceeded 100,000 for the first time. GGP offers customizable cover with high process efficiency on the basis of a modern IT platform. In summer 2022, GGP was expanded to include cover for sustainable mobility, i.e. cover for charging stations/wall boxes for electric vehicles. In addition, the issue of cyber risks is increasingly important for small and medium-sized enterprises (SMEs). Here, we offer solutions that not only provide support in the event of a loss but are also designed as a preventive tool to increase risk awareness within enterprises and reduce security gaps. Furthermore, we are continuously improving our products and services for private customers. Examples include the addition of drone hull insurance to our hunting liability insurance as well as moped and e-scooter insurance for conclusion online and payment through PayPal.

The 500-50-5 initiative was launched as part of the Gothaer Group strategy Ambition25. With it, we aim to help 500 corporate clients reduce their carbon emissions by 50 % over the next five years in order to speed up the drive for climate neutrality and make a sustainable contribution to climate change mitigation. We consistently worked towards this ambitious goal in 2022 by building a broad network of cooperative linkages. Examples include cooperation with Cozero and Wegatech. Cozero software enables companies to record and report their carbon emissions in line with the Greenhouse Gas Protocol. Using the Wegatech online configurator, Gothaer customers can swiftly obtain an initial free appraisal of investments in sustainable energy technologies. In addition to this initiative, we support the rapid spread of affordable electric vehicles in Germany as an insurance partner for electric car provider ELARIS.

Gross claims expenditure in property and casualty insurance, at € 1.66 billion, was significantly lower than in the prior year (PY: € 2.01 billion). It should be noted here that the prior-year figure was inflated by the windstorm "Bernd", the largest gross loss in our history. Due to the series of storms Ylena, Zeynep and Antonia (also known as Dudley, Eunice and Franklin), 2022 presented another above-average burden of losses from natural disasters. This was exacerbated by the run-off of outstanding claims related to the "Bernd" flood disaster and the continuing tense situation with regard to major fire losses. The economic environment also had an impact – particularly the high inflation resulting from the ongoing supply shortages caused by the coronavirus pandemic and the impacts of the war in Ukraine. With gross premium income increasing, the gross loss ratio thus moved down to 67.8 % in the financial year (PY: 86.8 %). After deductions for reinsurance, claims expenses net of reinsurance totalled € 1.32 billion – moderately higher than the prior-year figure of € 1.30 billion. The net loss ratio fell to 66.5 % (PY: 68.1 %). The reserve for outstanding claims (net), at € 2.63 billion, was higher than in the prior year (PY: € 2.53 billion).

The loss reserve ratio – the ratio of net loss reserves to net earned premiums – was also above the prior-year level at 132.6 % (PY: 132.4 %).

Underwriting expenses net of reinsurance increased by 3.2 % to € 594.6 million. Within this total, administrative expenses accounted for € 303.3 million (PY: € 292.1 million) and acquisition costs € 419.1 million (PY: € 389.5 million). The increase in acquisition costs is due to good production results. Reinsurance commissions, at € 127.8 million, are € 22.5 million higher than in the prior year. The gross cost ratio edged higher to 29.5 % (PY: 29.4 %) and the net cost ratio edged lower to 30.0 % (PY: 30.1 %).

This resulted in an improved net combined ratio of 96.5 % (PY: 98.2 %) for the property and casualty insurance segment as a whole.

The underwriting result before adjustment of equalization reserves was significantly higher than in the prior year, with a profit of € 49.3 million (PY: € 7.9 million). An amount of € 12.3 million was withdrawn from equalization reserves in the financial year (PY: € 62.5 million). After allowance for this lower withdrawal, the underwriting result net of reinsurance was € 61.6 million in the year under review, which is lower than the € 70.4 million reported in the prior year. This figure includes an underwriting result in reinsurance business assumed totalling € 22.5 million (PY: € -8.9 million).

Life insurance

In life insurance, the development of business was shaped by a difficult environment on the growth side in 2022. Gross written premiums decreased by 18.4 % to € 1.18 billion. The reason for this was the fall in new single-premium business.

New business – measured in terms of the new premium sum – decreased by 9.4 % to € 1.68 billion. The new premium sum is the sum total of premiums due over the life of newly concluded policies. It is pleasing to note that biometric products and capital-efficient pension plans – which are important segments for the future – accounted for 83.2 % (PY: 85.8 %) of total new business in 2022.

Under profit-sharing arrangements, a sum of € 34.5 million was again withdrawn from reserves for premium refunds as "premiums from reserves for premium refunds" and used for additional insurance benefits.

Claims expenses net of reinsurance increased by 3.4 % to € 1.26 billion in life insurance. The claim payments contained within this total decreased against the prior year. In addition, expenses were registered from adjustment of the reserve for outstanding claims.

Policy reserves net of reinsurance increased by € 141.3 million to € 17.18 billion in the financial year, further boosting the policyholder balance. These reserves include additional interest reserves (Zinszusatzreserve – ZZR), from which a sum of € 62.2 million was drawn down in the financial year (PY: € 149.8 million allocation). The rise in interest rates on the income side thus resulted in significant relief with regard to allocations to ZZR.

Underwriting reserves for life insurance where investment risk is borne by policyholders decreased by € 482.1 million to € 2.48 billion.

The reserves for premium refunds include the surpluses generated in the financial years before they are paid to the individual policyholders at the contractually agreed times during the term or upon expiry of policies. A sum of € 118.1 million (PY: € 122.5 million) was withdrawn from reserves for premium refunds for the surplus bonuses

due to policyholders. After an allocation of € 108.5 million (PY: € 151.8 million), reserves for premium refunds totalled € 623.3 million (PY: € 632.9 million).

The allocated investment return from the non-technical account – i.e. the share of the investment result attributable to life insurance from a Group perspective – was shown in the underwriting account as € 416.1 million (PY: € 646.5 million). While high financing requirements needed to be met for the formation of additional interest reserves (ZZR) in the prior year, ZZR were partially reversed in the financial year. The full investment result for the Group is shown in the non-technical account.

Underwriting expenses net of reinsurance showed a moderate downturn to € 124.5 million in the financial year (PY: € 125.9 million). Acquisition costs fell by 1.0 % to € 100.2 million against the prior year. The acquisition cost ratio – the ratio of acquisition costs to the new premium sum – thus rose to 6.0 % (PY: 5.5 %). Administrative costs, taking into account strategic orientation investment, increased to € 28.0 million in the financial year (PY: € 26.9 million). The administrative cost ratio – the ratio of administrative expenses to gross written premiums – was higher than in the prior year at 2.4 % (PY: 1.9 %) as a result of the lower reference value.

Overall, the underwriting result net of reinsurance was € 62.0 million for life insurance (PY: € 80.1 million).

Health insurance

In another year made challenging by the coronavirus pandemic, gross written premiums from health insurance increased by 0.9 % to € 917.2 million in 2022. Health insurance thus remains on a pleasing growth path. The Group's health insurer Gothaer Krankenversicherung AG, with a financial base that makes it extremely crisis-proof, once again showed it was a reliable partner for customers and sales partners in the pandemic. New agile working methods increasingly shape the hybrid working world of home office and presence. Employees have recognized the opportunities offered by modern forms of work and implemented them positively for the benefit of customers. 2022 saw a further improvement in the net promoter score – a measure of service quality – in the Gothaer Group. Despite this challenging environment, Gothaer Krankenversicherung AG and its sales partners navigated the pandemic with caution and thus managed to provide reliable, highly professional support for customers at all times.

Under the Ambition 25 strategy for growth, Gothaer Krankenversicherung AG is systematically developing into a modern and sustainable health service provider. The aim is to provide the people it insures with the best possible health management support and be a strong partner with a high level of health expertise. We see digitalization as an important key to a holistic customer experience. With the Gothaer Health App, Gothaer Krankenversicherung AG customers have been able to submit their bills digitally since 2015. With this key digital touchpoint to our customers, the health ecosystem was steadily upgraded in 2022 alongside insurance-related services. The number of people using the Health App increased by +24 % against the prior year and the store rating improved to 4.7 stars.

To limit the premium adjustments made and to reduce premiums for policyholders in later years, a sum of 55.1 million was withdrawn from reserves for premium refunds (PY: € 63.7 million) and recognized under the relevant premium item.

The allocated investment return from the non-technical account for health insurance business in the financial year was shown in the underwriting account as € 264.4 million (PY: € 256.0 million). This is the portion of the investment result attributable to

health insurance from a Group perspective. The full investment result for the Group is shown in the non-technical account.

Claims expenses net of reinsurance increased to € 710.0 million (PY: € 693.6 million). After totalling € 687.7 million in the prior year, claim payments net of reinsurance including claims adjustment expenses amounted to € 710.9 million. Reserves for outstanding claims decreased by € 1.0 million to € 186.0 million.

The gross loss ratio – a yardstick for assessing expenses for the insured – stood at 75.4 %, which was below the prior-year level.

Policy reserves totalled € 7.92 billion at the end of the year (PY: € 7.68 billion).

A total of € 115.1 million (PY: € 124.3 million) was withdrawn from reserves for profit-related and non-profit-related premium refunds for policyholders in the financial year. Substantial funds were thus placed once again at policyholders' disposal. After a transfer of € 136.3 million in the financial year (PY: € 132.4 million), reserves for performance-related and non-performance-related premium refunds totalled € 338.8 million (PY: € 317.7 million). Reserves for performance-related premium refunds, including pool-relevant reserves for premium refunds from compulsory long-term nursing care insurance, are considered in relation to gross earned premiums, producing the premium refund reserve ratio defined in the private health insurance key figure catalogue. Gothaer Krankenversicherung AG achieved a ratio of 30.4 % in the financial year, following a prior-year figure of 28.2 %.

Underwriting expenses net of reinsurance in the financial year totalled € 74.8 million against € 72.4 million in the prior year. At the same time, acquisition costs amounted to € 51.0 million (PY: € 49.0 million). The acquisition cost ratio – the ratio of acquisition expenses to earned premiums – stood at 5.6 % (PY: 5.4 %). Policy management expenses increased in the financial year, from € 23.4 million to € 23.9 million. The administrative cost ratio – the ratio of administrative expenses to premiums – remained unchanged at 2.6 % against the prior year.

The underwriting result net of reinsurance in the health insurance segment increased to € 61.7 million (PY: € 55.5 million).

Investments

The investment strategy of the Gothaer Group is implicitly derived from the investment strategies of the relevant risk carriers in the Group. The latter, in turn, form part of the individual risk carriers' business strategies. At Group level, the primary goal of investment policy is to generate stable and sustainable income for the consolidated financial statements. At the same time, the relevant regulatory requirements relating to investment earnings, liquidity, security and quality need to be observed at risk carrier level and – depending on risk carrier – the solvency requirements of Solvency II need to be met. This is ensured by the systematic use of performance management that is adjusted for risk, tailored to risk-bearing capacity and aimed at optimizing the return/risk ratio of the investment portfolios. Current investment strategy and the resulting strategic asset allocation are therefore to be seen as the outcome of a continuous and comprehensive asset liability management process that particularly takes account of the relevant underwriting requirements. In 2022, the Gothaer Group remained systematically committed to a long-standing investment policy that is largely geared to stable current income. The two priorities of this strategy are to generate attractive returns, particularly in the current market environment of sharply rising interest rates, and to ensure that risks are reduced overall by being spread as

broadly as possible over the different types of investment. Investment decisions take account of environmental, social and governance criteria – so-called sustainability criteria. Moreover, with regard to the scaling-up of sustainable investment, a new "natural capital" asset class was introduced in 2022 with a special focus on impact investing.

Global economic developments in the period under review were marked by persistently accelerating inflation rates and the resulting response of the central banks in North America and Europe. From February onwards, a third influencing factor came into play: Putin's war of aggression against Ukraine, which led to a global food crisis and a European energy crisis. In 2022 as a whole, global economic output increased by only 3.4 % against the prior year (PY: 6.2 %). In Germany, growth was 1.9 %, which was around half the EU average and fell far short of the figure forecast by the German Council of Economic Experts (+4.6 %). In the euro area, inflation in the first quarter of 2022 was driven by rising prices for crude oil, natural gas and agricultural commodities. In Germany, it peaked at 8.8 % in October and reached an annual average of 6.9 %, which is the highest inflation recorded since the 1973/74 oil crisis. The European Central Bank (ECB) and the US Federal Reserve (Fed) therefore raced to tighten monetary policy in 2022. The Fed raised its target interest rate seven times in 2022, boosting it by a total of 4.25 percentage points to 4.50 %. The ECB raised its deposit interest rate by 2.50 percentage points in four steps to 2.00 %.

Capital market developments in the period under review were also marked by the unpredicted surge in inflation and the aggressive monetary policy response to it. In the case of German government bonds (Bunds), yields in the ten-year maturity segment traced a volatile upward curve. Starting from a low of -0.2 % at the beginning of the year, ten-year Bund yields climbed in two surges to around 2.6 %. Over the year as a whole, German government bonds posted a corresponding negative performance -17.9 %. The loss of value in the US market, at 12.9 %, was significantly lower than in the German bond market.

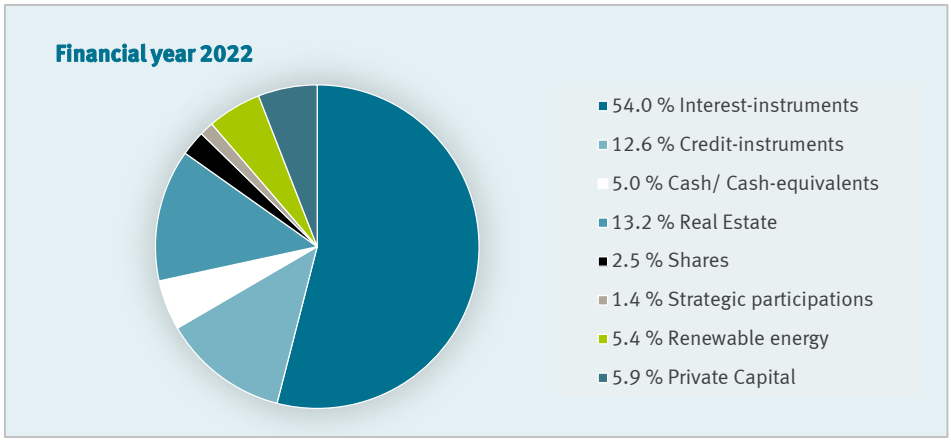
For equity investors, 2022 was an extremely poor year because of the reversal of the upward trend experienced in the prior year. In the European markets, however, the downswing turned around in Q4, so performance over the year was less negative than that of the US indices. While the annual performance of the S&P500 Total Return Index in USD stood at -18.1 %, the total return of European dividend stocks (EuroStoxx50 Total Return Index) was down by only -9.5 % and the German Dax Performance Index by -12.3 %.

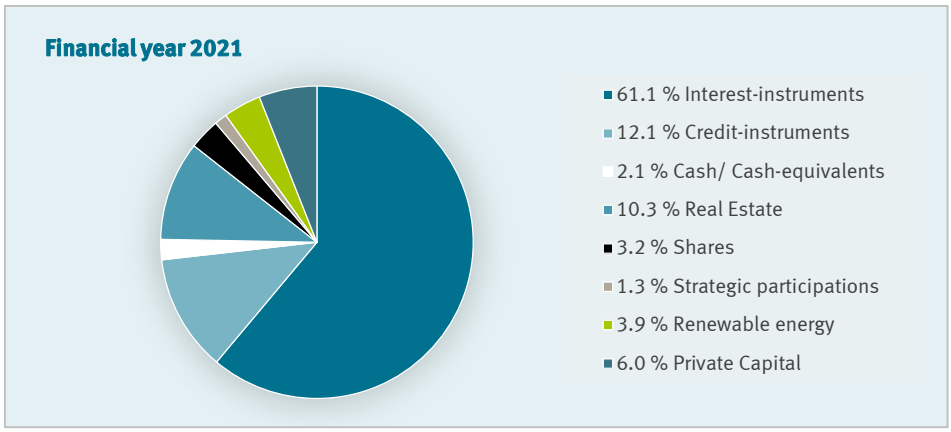
The book value of the Gothaer Group investment portfolio increased by € 0.81 billion to € 32.07 billion in the year under review.

The carrying value of investments for the account and risk of life insurance policyholders was € 2.48 billion in the year under review (PY: € 2.96 billion).

Composition of the investment portfolio

At balance sheet date, the composition of the investment portfolio of the Gothaer Group on the basis of market values was as follows:





Selective optimization of returns and risk continued to be a major focus of investment activity last year. Owing to falls in the market value of interest-rate-sensitive investments and transactions such as the planned downscaling of equity investment, there was an appreciable change in asset allocation. Equity investments essentially included Solvency II-optimized equity mandates with option hedges. In the real estate und private capital asset classes, a greater emphasis was placed on debt investments. Duration decreased over the course of the year from 10.6 to 9.1.

The overall investment result, at € 0.80 billion, was below the prior-year level of € 1.03 billion. In the life, property/casualty and other activities segments, results were recessive. They were partly compensated, however, by the health segment, where the investment result was higher than in the prior year.

The investment result is largely shaped by developments in life insurance. In the prior year, high financing requirements were faced in the life segment for the formation of additional interest reserves. In the year under review, however, it was possible to reverse some of those reserves. Current income totalled € 861.0 million in 2022 (PY: € 824.0 million), which made for an improved current investment result of € 812.0 million (PY: € 774.8 million). The extraordinary result was sharply recessive at € -9.7 million (PY: € 253.3 million). This was a result of realized losses on interest rate instruments and write-offs in the infrastructure sector. Overall, the net return on investment for the financial year, calculated as the ratio of investment income to the average value of the investment portfolio excluding unit-linked life insurance, was 2.5 % (PY: 3.3 %).

Net profit for the year

With the result from other activities negative at the same level as in the prior year, net profit for the year before taxes totalled € 154.0 million, against € 178.8 million in 2021. After deduction of the tax expense of € 70.8 million, net profit for the year exceeded the prior-year figure at € 83.2 million (PY: € 82.1 million).

The net profit for the year attributable to non-controlling interests amounted to € 3.7 million (PY: € 4.0 million). This resulted in an improved consolidated net profit of € 79.5 million (PY: € 78.1 million).

Shareholders' equity

Including the net profit for the year and taking into account other changes, shareholders' equity totalled € 1.50 billion (PY: € 1.42 billion). With average equity thus increased, the return on equity was down on the prior year at 5.7 % (PY: 6.0 %). Group equity included non-controlling interests of € 30.3 million (PY: € 34.6 million).

Comparison of business developments in 2022 with the forecast made in 2021

The premium income of the Gothaer Group was moderately lower than projected in 2022. The sharp fall in premiums from single-premium business in life insurance was partially offset by a significant increase in premium income from property and casualty insurance business.

After adjustment of equalization reserves, the underwriting result net of reinsurance was significantly higher than projected.

The details are explained below.

Underwriting result

Property and casualty insurance

Premium income was significantly higher than anticipated in 2022. Direct written business with corporate clients registered particularly dynamic growth beyond projections.

On the claims side, the projected economic impacts of major losses – especially natural losses – were greater than anticipated in 2022. "Bernd", the disastrous weather event that occurred in 2021, also had a substantial unplanned impact on the gross underwriting result in 2022 because of the need for additional reserves.

Administrative costs increased beyond the projected figure as a result of investment in strategic gearing. Because of business growth, however, they remained at the projected level in relation to premium income.

Reinsurance relief was significantly higher than projected in 2022, largely because of the higher level of claims arising from natural loss events. Reinsurers were also substantially involved in shouldering the burden of additional reserves required for losses related to the disastrous weather event "Bernd".

Given the impact of the higher claims arising from the series of windstorm events in early 2022 as well as a major loss in comprehensive homeowners insurance, the projected allocation to equalization reserves was not made.

Life insurance

Premium income from life insurance in 2022 was forecast to be moderately lower than in the prior year due to single-premium business. Because of the very gloomy economic outlook for private households, the decline in single-premium business was significantly sharper than anticipated.

However, new business based on regular premium payments increased in 2022, as expected.

As a result of investment in strategic gearing, administrative costs in relation to premium income increased slightly in line with projections. Acquisition costs in relation to gross premiums, however, failed to fall, contrary to projections.

As anticipated, no allocation to additional interest reserves was required due to the rise in interest rates. Indeed, the first significant partial reversal of the reserves was posted. Overall, gross surpluses were well below the expected level.

Health insurance

In health insurance, the financial year 2022 was particularly marked by the Russian-Ukrainian conflict and the economic environment. The impacts on health insurance business were perceptible but not substantial. Because of difficult circumstances, the target for premium income was not quite achieved. Claims expenses were appreciably lower than projected. This made for an underwriting results ratio that was significantly higher than forecast and thus still at a high market level.

Investments

The investment result was significantly lower than the projected figure. The downturn was essentially due to life insurance. Because of the rise in interest rates, additional interest reserves were partially reversed in 2022, contrary to projections. The net return was moderately lower than forecast.

Net profit for the year

Overall, net profit for the year was significantly above projection.

Insurance lines and coverages

- Life insurance[1]
- Health insurance
- Accident insurance
- Liability insurance
- Motor insurance
- Aviation insurance[2]
- Legal expenses insurance[2]
- Fire insurance
- Comprehensive householders insurance
- Comprehensive homeowners insurance
- Marine insurance
- Credit and surety insurance[1]
- Motorist assistance insurance[1]
- Aviation and spacecraft liability insurance[2]
- Other property insurance
- Other non-life insurance

1) only direct written insurance business
2) only reinsurance business assumed

Employees

Qualified, motivated employees are crucially important for the Company. Their skills, their dedication and their outstanding commitment are the basis for our success. In view of digitalization and the challenges of the market, capacity for change is increasingly important, both for the organization as a whole and for each individual employee.

The Gothaer Group strategy Ambition25 clearly defines cornerstones and core objectives, establishing a basic frame of reference for HR action. The goals set out in the Team Capacity for Change strategy module are a particular focus. They comprise the following lines of action:

- new work
- agile organization
- mindset and diversity
- skill portfolio and personal development
- attractive employer

Mobile and flexible working, the promotion of innovativeness and transformational leadership are hugely important for the organization's capacity for change. We meet the challenges of mobile and flexible working through home office solutions, modern office concepts and innovative processes and techniques. At the same time, after the coronavirus pandemic ended, Gothaer succeeded in establishing a viable model for combining office and home office work. The outcomes of the 2022 Group Dialogue show the extremely positive feedback from staff and management.

With regard to the capacity for innovation and change required from employees, we invest special efforts in upgrading leadership and change management skills. Cross-

departmental networking, embedding agile methods in project management and piloting agile organizational models are also key topics.

Absolute priority is assigned in our HR operations to personnel recruitment, development and retention in line with corporate strategy. This has become even more important in the light of the current labour market situation. Both internal and external employer attractiveness is crucial for the retention and recruitment of employees. The establishment of a consistent employer brand and competitive employment benefits are thus an important focus of HR management. The success of these efforts can be clearly measured: internally via the Group Dialogue, which shows a very high – and rising – willingness to recommend Gothaer as an employer, externally by its successful certification as a "Top Employer 2023".

Our efforts are also geared at present to making Gothaer demographic-proof, maintaining staff performance and heightening job satisfaction. In addition to commercially viable financial incentives, we here rely on targeted development and training programmes such as the project leader career programme and other specialist career models. Qualitative and quantitative demographic management, multiple award-winning company health management and affirmative action for the advancement of women are naturally elements of our human resource management.

The effectiveness of the various instruments and initiatives was confirmed by the 2022 Group Dialogue, in particular by the significantly improved "Sustainable Commitment" index, which summarizes survey results on motivation, empowerment, health and productivity.

Gender diversity

Five Gothaer Group companies regulated by the German Codetermination Act or the One-Third Participation Act are subject to the Act to Supplement and Amend the Regulations for Equal Participation of Women in Management Positions in the Private and Public Sector. These companies are periodically required to set gender quotas for their supervisory boards and management boards as well as for the first two tiers of management below the management board.

The following chart shows the targets set by the Company in 2020 for the different groups.

Target 30.06.2023					in %
	Gothaer Finanz-holding AG	Gothaer Allgemeine Versiche-rung AG	Gothaer Kranken-versiche-rung AG	Gothaer Lebens-versiche-rung AG	Gothaer Systems GmbH
Supervisory board	33.3	33.3	33.3	33.3	33.3
- Shareholders' side	16.7	16.7	16.7	16.7	16.7
- Employees' side	16.7	16.7	16.7	16.7	16.7
Management board	14.0	20.0	20.0	20.0	0.0
Executives					
- Management level 1	30.0*	20.0*	30.0*	30.0*	23.0
- Management level 2	40.0*	20.0*	30.0*	40.0*	23.0

*) Target for 31 December 2023

The gender diversity target for the Management Board of Gothaer Finanzholding AG was achieved in 2021 with the Management Board appointment of Dr. Eichelberg. Her simultaneous appointment as Chair of the Management Board of Gothaer Krankenversicherung AG is a significant step towards achieving the quota targeted for that company.

The zero target for the management of Gothaer Systems GmbH remains in place. A departure from the zero target would mean that either the management has to be increased by one or more persons – with no economic reason for doing so – or the present managing director has to be replaced. The shareholder would also like to retain the option of having only one managing director on the management board in the future without having to restrict the group of possible candidates to a certain gender.

New measures were implemented as part of the Group's Ambition25 strategy to achieve the gender diversity targets set. Those measures can be broken down into the following areas for action: Attitude, Recruitment, Promotion & Development and Working Conditions.

In the area focused on attitude, measures currently include enabling managers in all management tiers and employees to participate in workshops on unconscious bias. In recruitment, a (female) active sourcing system continues to be employed so that more female talent figures in future job selections. As regards the promotion and development of high-potential female employees, female potential is systematically considered in development and succession planning and an even distribution of all

genders is ensured in development programmes. Two measures are currently being implemented with the aim of adapting working conditions. First, all vacant positions are advertised on a full- and part-time basis. Secondly, job sharing and reduced working hours are being made possible. Both measures are intended, among other things, to improve the compatibility of career and family life.

Brand

A strong brand is a critical success factor, especially for an insurance company. The decision to buy an intangible asset such as insurance cover is based on the trust associated with the brand. Gothaer is among the ten best-known insurance brands in Germany and remains a relevant and attractive brand even 200 years after its foundation. Our brand image is supported by contemporary advertising communication. The modern target-group-oriented approach, coupled with an efficient integrated mix of digital and classical media as well as other brand communication tools, give Gothaer a contemporary brand presence.

Code of conduct for sales and distribution

Business success for Gothaer depends crucially on the trust that is placed in us by our customers. Those customers, with their needs and expectations, are therefore at the heart of our sales and marketing activities. Insurance agents play an important and responsible role here as a link between customers and insurance companies.

Since becoming part of the two insurance industry initiatives "GDV-Verhaltenskodex für den Vertrieb von Versicherungsprodukten" and "gut beraten" in 2013, Gothaer has consistently implemented the relevant requirements within the framework of a Compliance Management Sys-tem. All employees and agents have been informed of the fact. At the same time, Gothaer has implemented the requirements of the Insurance Distribution Directive (IDD), which became mandatory in Germany in February 2018. The GDV Code of Conduct has also been updated for alignment with the new legal framework.

As far as sales and distribution are concerned, the requirements of the GDV Code of Conduct are designed to ensure objective customer in-formation and needs-based counselling in the customer's best interest so that the customer is in a position to make a well-informed decision. Special importance is thus attached to the advisory expertise and further training of agents, in whom Gothaer has traditionally invested heavily.

Tariff change guideline

Freedom of choice and customized insurance cover are distinguishing features of private comprehensive health insurance. To help every customer choose the tariff that meets his or her needs more accurately, the association of private health insurers PKV has developed a tariff change guideline setting out clear and binding rules. The guideline supplements the statutory regulations that are already contained in section 204 of the German Insurance Contracts Act (VVG).

Gothaer Krankenversicherung AG has systematically implemented the guideline since its introduction. Our policyholders can avail themselves of personal, needs-based, objective customer service together with analysis of the best tariff options.

The implemented compliance management system ensures observance of the guidelines for a transparent, customer-oriented tariff change and is certified by an independent auditor every three years. At 31 December 2022, the auditor again confirmed that Gothaer Krankenversicherung AG ensures a high degree of tariff transparency and objective advice on changing tariffs.

Non-Financial Statement

To meet the requirements that need to be fulfilled by the non-financial declaration, Gothaer Versicherungsbank VVaG prepares a Declaration of Compliance with the German Sustainability Code (DNK) for the Gothaer Group. This is published in accordance with section 315 (3) of the German Commercial Code (HGB) at https://www.gothaer.de/ueber-uns/nachhaltigkeit/ and together with the consolidated financial statements in the Federal Gazette.

Outlook for 2023

Proviso

The forecasts and estimates contained in this annual report are based on the information available to us in December 2022.

The following statements on future business are subject to a high degree of uncertainty, largely because of the opacity of future economic developments. Given the serious geopolitical tensions that exist and their impacts, especially on inflation and corporate investment activity, economic forecasting is a highly challenging exercise. The past year showed this with the outbreak of the war in Ukraine and the ensuing energy crisis.

Aside from the uncertain economic environment, there are concerns, as in previous years, about the future course of the coronavirus endemic, with virus mutations and their possible impacts on private and economic life. In addition, the accuracy of projections may be affected by developments in the capital markets, unanticipated major and accumulation losses, changes in legal, tax and demographic environments and changes in the competitive situation of the Group.

General forecasts

The development of business for the Gothaer Group largely depends on how the insurance market develops in a starkly changing market environment characterized by interest rate movements, a constant stream of new regulatory requirements, demographic change and a race to digitalize. To ensure continued success in this environment, the Gothaer Group pursues the new Group strategy Ambition25 – a systematic extension of the projects launched in pursuit of current objectives.

The aims of the Group strategy are to harness Gothaer's strengths as a medium-sized insurer with a strong brand, swiftly and flexibly respond to new market opportunities and significantly expand profitable areas of business. To achieve the growth targets set, we will build on Gothaer's existing competitive strengths in the coming years.

Owing to its independence as a mutual insurance association, Gothaer always acts as a fair, dependable and trustworthy partner for everyone it insures. The long-term focus is on systematic, stable and continuous value enhancement to strengthen the foundations of the Group.

We expect premium income for the Gothaer Group in 2023 to be significantly higher than in the prior year. In life insurance, a sharp rise in gross written premiums is anticipated, especially from single-premium business. Marked growth is also projected for property and casualty insurance and health insurance.

After adjustment of equalization reserves, the underwriting result net of reinsurance will fall sharply in 2023. On the one hand, we expect reinsurance relief to be significantly lower than in the prior year. One the other, we anticipate allocations to, not withdrawals from equalization reserves.

The investment result will increase sharply in 2023. Given these assumptions and a moderately higher tax expense in 2023, we anticipate that the net profit for the year will be moderately higher than in the prior year.

The details are explained below.

Marketing

To enable the Gothaer Group to respond to changes in customer behaviour as a result of digitalization, a multi-channel management system has been established at the marketing interface with agents and cus-tomers. This is facilitated by closely integrating direct marketing with the independent Gothaer Group field force.

The Digital Marketing division will drive forward the sustainable expansion of digital operations, underpinning its central role in the acquisition of new customers. Networking this digital channel with all available sales channels in the multi-channel system guarantees the best possible (hybrid) customer experience.

In line with its perception of itself as a solution-oriented service insurer, Gothaer will further develop its brand positioning to meet the new requirements of its customers.

Underwriting result

Property and casualty insurance

Our Group strategy will continue to focus on stable and substantial sales performance in the coming year. Property and casualty insurance is expected to generate positive premium growth in the coming year. Strong growth is particularly projected for direct written business in 2023.

In the private client segment of the Gothaer Group's largest property and casualty insurer, Gothaer Allgemeine Versicherung AG, significant growth impulses continue to be expected from comprehensive homeowners business. In private motor insurance, however, only a moderate increase in premium income is anticipated. To meet the demands of the market, a new product and pricing strategy has been developed for private client business in property, liability and casualty lines. In future, differentiated products can be offered, depending on the market situation for the individual lines.

Our specialist insurer CG Car-Garantie Versicherungs-Aktiengesellschaft essentially sees opportunities in 2023 in the development of existing cooperations. Tenders won in the recent past from manufacturers' organizations and banks offer particular growth potential, especially in other European countries.

Our subsidiary Janitos Versicherung AG has set itself the goal of achieving further business growth in 2023 while simultaneously continuing to focus on improving service quality, strengthening profitability and raising the degree of digitalization.

In the corporate client segment at Gothaer Allgemeine Versicherung AG, our focus is again on broad-based growth in 2023. Due to a significant hardening of the market – in industrial property and other lines – we anticipate vigorous increases in premium income. Growth impulses are also projected for commercial property insurance.

For reinsurance business assumed, the coming year is expected to bring a moderate upturn in premium income.

On the claims side, projections are based on the assumption that the burden of major and natural hazard claims will return to a normal level. The generally growing risk presented by natural disasters is hedged by appropriate reinsurance programmes. Given our portfolio structure, we anticipate a significantly lower gross loss ratio in 2023 than in 2022.

Investment in strategic planning will again contribute to a moderate increase in administrative costs in the coming year. However, ongoing vigorous premium growth will offer an opportunity to lower prorated cost upturns for customers.

Due to the level of claims forecast, the gross underwriting result will be substantially higher than in the prior year. The gross combined ratio will fall back below the 95 % mark.

Life insurance

The market environment for life insurers and pension trusts will remain challenging in the coming year. High inflation and the severely restricted savings capacity of many private households are curbing people's willingness to take out insurance and thus having a negative impact on new life insurance business.

At the same time, rising interest rates are basically an advantage for life insurers and for the attractiveness of their product portfolio. Rising interest rates mean that additional interest reserves, which required allocations for years to provide an additional security buffer, can now be reversed. Our customers benefit from this in the form of higher surplus participation.

However, alternative investment options are also becoming more attractive, so lump-sum investment business in the life insurance sector in particular is losing its appeal.

We anticipate an overarching shift in growth potential from private to corporate client business and see ourselves very well positioned in both company pension scheme and collective occupational disability insurance business.

Current interest returns in pension and life insurance have been declining for years. In 2023, many insurers will keep their interest rates stable while some will increase customer returns. Gothaer Lebensversicherung AG has announced a 0.2 % increase in surplus participation in 2023 (classic pension).

From a customer perspective, biometric insurance continues to be a high-demand segment. At the same time, it is a highly competitive segment with strong market dynamics for the life insurance industry because of the resulting risk rewards. Gothaer is able to position itself here thanks to its many years of experience and competence, while its product portfolio is continuously updated in line with market standards. Summer 2023, for example, will see the launch of a radically updated occupational disability policy for the self-employed.

In the capital-efficient product sector, attractive marketable products are a key requirement for targeted new business growth. The situation differs considerably from one growth segment to another: In regular premium business, Gothaer has a superbly positioned pension product in the form of the "Garantie Rente Index (GRI)", which is used in both private and company pension schemes.

However, there is a perceived need for action in single-premium business. To revitalize single-premium business, Gothaer will make a number of adjustments to the "Gothaer Index Protect (GIP)" product as of 1 January 2023. In addition to the reintroduction of the 100 % premium guarantee, the current index will be replaced by an index construct designed for sustainability and customer return (surplus participation) will be increased.

Following the sharp fall in premium income in 2022, which is mainly attributable to the single-premium segment, we are again aiming for ambitious growth targets for Gothaer Lebensversicherung AG in 2023 and project a significant increase in written

premiums. For Gothaer Pensionskasse AG, through which we offer major client and collective agreement solutions, we anticipate an appreciable erosion of portfolio growth in 2023.

The greatest challenge on the growth side will be to generate the targeted growth in single-premium business within a fundamentally changed market environment.

In regular-premium business, the aim is to maintain the positive growth achieved in 2022 and generate more growth in the high-focus areas of biometrics and company pension schemes.

Despite investment in strategic gearing, the ratio of administrative costs to premiums will be moderately lower next year. The ratio of acquisition costs to gross premium volume is also expected to be slightly below the prior-year level.

The "risk result" will continue to play a key role in maintaining the level of earnings achieved. We again expect the risk result to make a high profit contribution to the gross surplus in 2023 on a par with the prior year.

Additional interest reserves were fully funded in 2022 as a result of rising interest rates. In 2023, a significant withdrawal will be made on a par with the prior year.

Overall, we anticipate significantly increased gross surpluses.

Health insurance

In the health insurance segment, we anticipate an appreciable upturn in new business and a significant increase in premium volume in 2023. The targeted growth will be achieved in all three business segments (comprehensive insurance, supplemental insurance and company health insurance).

One major challenge is to revitalize comprehensive insurance. Sights continue to be set on steadily growing new business to compensate for portfolio erosion. Positive effects are expected from the new comprehensive insurance tariffs introduced in 2022. In supplemental insurance, a new supplemental dental tariff for digital cooperative marketing was launched at the beginning of 2023 with the aim of achieving top positioning on online comparator sites. In addition, growth will be achieved through strategic cooperation with high-reach companies in other sectors.

In the company health insurance segment, the focus continues to be on broadening the broker base in exclusive sales. In addition, major client relationships will be developed through partner sales. Another goal is to raise the cross-selling rate among corporate clients. This will be achieved through end-to-end sales approaches and exploitation of synergies of existing and new customers in the life and property/casualty divisions. To this end, concepts geared to high-focus sectors are being developed across all lines of business.

We anticipate an appreciable increase in benefit expenses compared to 2022. It can be assumed that health care providers will pass on their increased expenses to patients, and thus to health insurers, wherever possible. With the level of premiums also significantly higher, the claims ratio is expected to be significantly below 80 % in 2023.

Owing to investment in strategic gearing, underwriting expenses will continue to rise at a moderate rate in 2023. A marginal upturn in the acquisition cost ratio is expected as a result of the anticipated development of new business, while the administrative cost ratio is expected to edge down.

The above developments will result in an underwriting profit ratio of at least 15 % in 2023.

Transfers to reserves for premium refunds are expected to be moderately above the prior-year level in 2023.

Investments

The weak phase for the global economy is expected to continue through 2023 because it will take time for the full effects of tighter monetary policy in North America and Europe to unfold. In addition, inflation will shift from goods to services due to continuing high energy prices and – in some sectors – sharply rising wage costs. Any fall in inflation rates will therefore be marginal. The rate of global economic growth forecast for 2023 is likely to be 1.3 percentage points lower than in 2022 at +2.1 %. For Germany, the German Council of Economic Experts forecasts a moderate 0.2 % contraction of GDP and annual inflation of 7.4 % in 2023.

The simultaneous occurrence of a number of global economic risks ("polycrisis") will continue through 2023. With the escalation of the Ukraine war, the smouldering China-Taiwan conflict, the global climate crisis, the European energy crisis, high inflation and restrictive global monetary policy, there are many economic pitfalls ahead. In light of this, 2023 is likely to be another year of high uncertainty for the bond markets.

The focus of investment activities in the coming year will continue to be on selective risk-return optimization of the investment portfolio, so no major changes in asset allocation are planned. Overall, a moderately higher net return is anticipated in 2023.

Net profit for the year

Based on the anticipated development of underwriting and investment income as well as a moderately increased tax expense in 2023, we expect the net profit for the year to be slightly higher than in the prior year.

Opportunities and risks of future developments

Risk-oriented management concept

The purpose of the risk management system is to identify and limit potential risks at an early stage to create scope for action that can help provide a long-term guarantee of existing and future success potential. To this end, corporate governance across the Group is geared to the "safety first" principle and value-based management. The operational framework in which the companies in the Group accept risks and do business is defined by risk principles approved by the Management. Furthermore, internal and external standards need to be observed relating to risk-bearing capacity. Risk tolerance, i.e. the limit of permissible risk exposure, is defined with the following in mind:

- From a regulatory perspective, minimum standards are in place to ensure that risk capital requirements are met at all times. This applies to both Pillar I (standard model) and Pillar II (company-specific total solvency capital requirement identified in the ORSA process) risk capital requirements.

- From a rating perspective (financial strength rating), we seek to maintain a capital adequacy ratio that, in conjunction with the other rating factors, is sufficient for at least an A-category rating.

Risk management organization

The risk management unit at Gothaer Finanzholding AG has central responsibility for Gothaer risk management. Central guidelines ensure that uniform standards are applied throughout the Group. Group Risk Management also consults regularly with subsidiaries that have their own decentralized risk management systems in order to perform support and monitoring tasks.

Risk management is regarded as a process consisting of five phases:

- risk identification
- risk analysis
- risk assessment
- risk control and management
- risk monitoring

The risk management process focuses on the risks quantified in the standard formula, which include market risk, underwriting risk, counterparty default risk and operational risk. However, it also examines other, non-standard formula risks such as strategic risk, reputational risk and legal risks, which are identified, reviewed and assessed in the course of risk inventories.

To facilitate the Group-wide identification of risks in risk inventories, risk officers have been designated at the operative units to define duties, responsibilities, deputation arrangements and authority for dealing with risks while ensuring separation of functions. They also assess risks in terms of foreseeable damage and probability of occurrence. Operational risks that are not identified in risk inventories are deemed insignificant. The risk management function (second line of defence) is performed by the central risk controlling unit at Gothaer Finanzholding AG, which is supported in its work by the actuarial departments of the Group companies and the Middle/Back Office of Gothaer Asset Management AG.

Risk management principles, methods, processes and responsibilities are documented in accordance with the Risk Management Guideline.

The risk management process implemented includes an annual systematic inventory of risks, a qualitative and quantitative risk assessment, various risk management measures and risk monitoring by the operative units and risk controlling. An internal monitoring system (IMS) is in place for this purpose. Its aim is to prevent or reveal damage to assets and to ensure proper, reliable business activity and financial reporting. The IMS comprises both organizational security measures such as access authorizations, use of the four-eye principle or proxy arrangements, for example, and process-integrated and cross-company controls. A central compliance function and the actuarial function have also been set up as key functions in compliance with the Solvency II Directive. Regular risk reporting and ad hoc reports on specific developments make for a transparent risk situation and provide pointers for targeted risk management.

Representatives of Gothaer Asset Management AG, the actuarial functions and representatives of other specialist departments sit on the risk committee established at Group level. Its responsibilities include monitoring risks from a Group perspective by means of an indicator-based early warning system and further developing uniform risk assessment and management methods and processes across the Group.

The efficacy of the risk management system, checks and balances and management and monitoring processes is constantly improved. Gothaer organization and procedures meet the requirements of the three Solvency II pillars in full. Compliance with those requirements is regularly monitored and assessed by the Group internal auditing unit. A review of the risk early-warning system is also part of the audit of the annual financial statements performed by our auditors.

Opportunities and risks for the Group

Assumption of risk lies at the core of our insurance companies' business activities. At the same time, those business activities are a cradle for op-opportunities, which are analyzed by segment below.

The implications for the Group are as follows:

Property and casualty insurance

The Gothaer Group writes insurance for both private and corporate clients, especially motor, liability, accident, property, engineering, marine, D&O and cyber insurance, mostly as direct business but also as indirect business. It thus has a diversified risk portfolio. Major risks are analyzed and rated on the basis of the frequency with which they are expected to occur and the anticipated maximum scale of loss. Major risks are defined as risks that could have an existential or sustained negative impact on the Company's net assets, financial position and earnings. They are analyzed in detail, continuously monitored and actively managed by proactive portfolio management. Risks are controlled and minimized by limit systems, underwriting guidelines, underwriting authorities and the exclusion of specific risks. Regular risk reports are prepared by Risk Management, providing executives with assessments of the current risk situation and changes in its makeup as well as supplemental information about any new or newly detected major risks.

One of the biggest issues in the financial year 2022 was inflation, especially in Germany. Starting in 2021, raw material and intermediate product prices have been pushed up by a sharp rise in inflation. We keep a close eye on these developments and have put together a comprehensive package of measures that works along the entire value chain. This means we are strongly positioned even in the face of this development.

We see opportunities for continued premium growth for our company in increasingly dynamic fields such as cyber insurance, in the assumption of surety insurance and in existing sectors. Increasingly frequent extreme weather events – especially the low-pressure system "Bernd" in July 2021 – are also expected to continue to push up demand from both corporate and private clients for protection against property risks.

Higher customer satisfaction levels will continue to be achieved in future by effective use of Lean Six Sigma tools and efficiency gains will be seen as a result of improvements to processes. In addition, the increasing use of robotics solutions will facilitate the rapid processing of standardized, repetitive transactions. Various projects

for digitizing communication with customers and sales partners have been set up throughout the Group and are being stringently developed further.

Underwriting risks

We assume that underwriting risk in property and casualty insurance will be substantially and enduringly influenced by major natural losses in the future as a result of climate change. We will therefore continue to place greater emphasis on reinsurance for natural events. Furthermore, the risk of natural hazards is countered by systematic use of ZÜRS, the zoning classification system developed by the GDV to identify exposure to natural hazards, as well as by arranging for each individual underwriting risk to be separately assessed by our risk engineers. This strategy ensures that the company is well prepared even for extreme natural events, as demonstrated by the way the effects of the "Bernd" flood event were handled in 2021.

To limit premium and loss risk, we regularly monitor operations in the individual lines of insurance, check the individual and overall contribution margins of relationships and verify the adequacy of underwriting provisions. As a result, we are able to adapt our tariffs and underwriting policy swiftly to changes in circumstances. General premium risk is reduced by a standardized product development process, binding acceptance and underwriting guidelines as well as authorization and competency rules. In new business, this means we can adjust prices promptly to a new claims situation. In portfolio business, we can ensure premiums commensurate with risk by working, on the one hand, with contractually agreed premium adjustment and index clauses and, on the other, with individual policy adjustments.

Our tariffs are calculated on the basis of actuarial models. Provisions are established on the basis of HGB standards. Both loss reserves and reserve run-off are reviewed annually. We are thus able to guarantee the long-term fulfilment of our obligations. We create equalization provisions in line with insurance law to offset fluctuations.

To counter the significant overestimation of premium and reserve risk in the standard formula, Gothaer Allgemeine Versicherung AG applies undertaking-specific parameters (USP). This significantly reduces premium and reserve risk and thus has a positive effect on the solvency ratio.

In new business, underwriting practice is based on the underwriting guidelines in which our clearly structured, profit-oriented underwriting policy is documented. Furthermore, where claims experience is very poor, existing policies are terminated or restructured on renewal. Compliance with underwriting guidelines is monitored by the use of special controlling instruments. Thanks to a comprehensive controlling system that identifies negative developments as well as deviations from projected figures, we are in a position to counteract undesirable developments promptly. In addition, active claims management and reinsurance are used as instruments of insurance risk management. To guard against major and accumulation losses as well as fluctuations in earnings, we pursue an active reinsurance policy. The effects of natural catastrophes, accumulation losses and major losses are substantially mitigated by the structure of Gothaer Allgemeine Versicherung AG reinsurance. A good credit and company rating are a prime requirement for any reinsurer selected. In order to identify hazards and risks to earning capacity, we also model the impacts of different loss scenarios on our portfolio within the framework of our internal risk model. Apart from this, measures are taken to keep the impacts on the gross side as low as possible. Rates are thus set as far as possible on the basis of actuarial methods. In addition, underwriting policy provides for targeted use of instruments such as self-insurance, sublimits and coverage limitation agreements.

In the private client segment, competition is still intense for high-margin products. The situation is characterized by growing transparency of prices and conditions due to online comparison platforms as well as the un-diminished major significance of the internet direct insurance model and the consequent high level of attrition. Overall, underwriting margins are under increasing pressure. We respond to these market requirements with a profit-oriented policy on prices and conditions. End-to-end portfolio management enables us to monitor the portfolio continuously and to respond with individual measures to improve earnings where policies perform particularly poorly. Furthermore, a new product and pricing strategy was implemented for the private client segment in property, liability and casualty insurance. It permits flexible marketing of up to five product lines depending on the state of the market for the various types of insurance, allowing new target group segments to be developed.

Our corporate client portfolio is well spread across types and classes of insurance but is naturally more exposed to individual risks. It is thus appreciably more volatile than the private client portfolio. As a result, we attach great importance to premiums commensurate with risks and to responsible underwriting. Accordingly, we pay particular attention to ensuring that our underwriters remain highly qualified. To ensure long-term high standards here and steadily improve our performance, we have implemented a professional training and young talent concept for underwriters. Here, too, potential risks are limited by binding underwriting guidelines and authorities for each line of insurance. Because of the competitive dynamics of this segment, professional supervision is provided annually by relevant product managers to ensure the relevance and strict observance of underwriting guidelines. In the case of special and particularly large risks, we reduce exposure by involving other insurers as risk partners or concluding risk-specific facultative reinsurance treaties. One of the principal factors of our success in the corporate client segment is profit-oriented portfolio management, which also means that we consciously terminate unprofitable risks or insurance portfolios.

Reinsurance

The renewal of reinsurance treaties at 1 January 2023 was very much shaped by a tense capacity situation in the coverage of property risks, especially for lines exposed to natural hazards. Contracts with low trigger points and contracts covering high-frequency risks were affected by massive underwriting restraint on the part of reinsurers. This not only resulted in a noticeable increase in prices; it also meant that retentions in the property sector needed to be raised higher and more sharply than ever before. At the same time, reinsurers raised demands with regard to the wording of contracts, which in some cases needed to be accepted in order to ensure placement.

Gothaer was not spared the effects of these developments, with the result that reinsurance cover is now triggered later. Although Gothaer was ultimately able to secure sufficient reinsurance capacity for all the lines that it operates, it needed to accept substantial price increases, especially in the property sector. Furthermore, to protect the increased retentions in property insurance, a contract with limited risk transfer was acquired for the first time, structured to spread an adverse frequency of fire losses and NatCat events over a number of years.

Particularly in light of the hardening of the market seen in the property sector, Gothaer continues to monitor the opportunities and options offered by alternative risk transfer to the capital market. Although the structures and prices of non-traditional reinsurance solutions have moved closer to those of conventional reinsurance, conventional reinsurance is still the more appropriate solution for Gothaer. Should that

change, Gothaer would be prepared to restructure accordingly. This would be possible thanks largely to the exchange of expertise with partners that already successfully practise alternative risk transfer in the international insurance network Eurapco.

Owing to the renewal process typically applied across the industry, there is a possible but very unlikely risk of a temporal mismatch between primary insurance and reinsurance protection. This is due to the fact that negotiation of a reinsurance treaty does not normally begin until the primary insurer has already confirmed cover to policyholders for the coming year and/or can no longer cancel it. In the historically unprecedented event of a total collapse of reinsurance capacities, e.g. in the case of a global financial crisis coinciding with the occurrence of an extreme incidence of natural catastrophes, our risk exposure would significantly increase.

As regards the concentration of insurance risks, Gothaer makes a distinction between various scenarios, such as loss events that produce infrequent but large individual claims and events that result in a large number of individual claims (accumulation losses). Accumulation losses can affect several lines of insurance and/or geographical areas. Sufficient reinsurance protection is in place for all scenarios. In addition, potential scenarios are constantly monitored.

Claims

The following chart shows a ten-year summary of the changes in Gothaer Allgemeine Versicherung AG loss ratios and run-off results across all areas of direct domestic business net of reinsurance:

Claims		in %
	Loss ratio after run-off	Run-off results of initial reserves
2013	70.0	11.3
2014	67.0	10.8
2015	69.1	10.4
2016	67.4	9.7
2017	62.9	12.3
2018	69.5	11.6
2019	64.7	11.2
2020	64.3	8.3
2021	71.3	9.6
2022	68.7	10.7

Risks arising from reinsurance assumed

Within the Gothaer Group, Gothaer Allgemeine Versicherung AG acts as a reinsurance provider for small property and casualty insurers. This activity predominantly involves small business and private client lines. Terms are negotiated annually and are in line with current market conditions.

Risks arising from fronting agreements

Gothaer acts as a fronting partner in Germany for selected foreign companies or captives, i.e. it writes risks and reinsures them to the fronting partner in their entirety. If a partner were unable or unwilling to meet its contractual obligations under the reinsurance contract, Gothaer would in some cases face high liabilities because such business is not ceded under obligatory reinsurance contracts. To avoid exposure to incalculable risks, a set of rules has been created, identifying the kind of companies that may be accepted as cooperation partners, the kind of security checks that need be conducted and the maximum liability that Gothaer is allowed to assume for each line of insurance.

We cede reinsurance only to high-class reinsurers. 93 % of business (ceded reinsurance premiums) is ceded to reinsurers with a rating of A- or better. Accounts receivable in connection with assumed and ceded reinsurance business totalled € 91.5 million at balance sheet date. The volume of receivables for ceded reinsurance operations showed the following breakdown by rating category:

Breakdown by rating class	€ million
AA	38.7
A	51.0
BBB	0.0
Not rated	1.3
Total	**91.0**

As a result of our security policy, loss of receivables in past years has been insignificant.

Life insurance

Fulfilment of interest rate guarantees, which may be high and run for several decades, continues to be a key factor defining the general risk situation for life insurers, even though the interest rate environment has improved significantly.

The effects of the Ukraine conflict and the economic uncertainties associated with high inflation and rising interest rates could continue to have a negative impact on the development of new business. This particularly applies to sales of single-premium products.

An opportunity to generate sustainable earnings is presented by the successful expansion of our portfolio of capital-efficient pension products with reduced guarantees – an upgrade enhanced most recently by the launch of an index-linked guaranteed pension. These products are specifically designed to meet Solvency II requirements. Further opportunities are created against this background by orienting towards unit-linked products, which offer higher potential returns for the customer and have a positive influence on our risk profile.

At present, the focus is on developing and strengthening our biometric product range, which will be expanded in the future by the addition of attractive new occupational disability tariffs. Our product portfolio has already been upgraded by the introduction of basic skills insurance for children.

Legal risks may arise in the future as a result of changes in case law and tighter regulation.

Underwriting risks

Underwriting risks in life insurance include premium/insurance benefit risk, which is the risk that exists where guaranteed benefits that are dependent on future developments need to be provided in return for a predefined, unchanging premium.

As a general rule, underwriting risks are met by calculating rates using actuarial methods and by applying underwriting guidelines commensurate with risk. Compliance is systematically monitored through the use of controlling instruments and early-warning systems that identify trends and negative developments in good time. The adequacy of underwriting reserves is also subject to regular actuarial verification. In addition, appropriate reinsurance treaties are in place to limit the risks arising from major and accumulation losses. The risks described below are particularly significant for life insurance.

Biometric risks – Adequacy of biometric actuarial assumptions

In the estimation of the Responsible Actuary, the policy reserves in place provide sufficient safety margins.

With regard to the (supplemental) occupational disability policy portfolio, reviews focus particularly on verifying that policy reserves are at least equal to the reference reserve mandated by the Federal Financial Supervisory Authority (BaFin). As in previous years, a reversal was recognized and policy reserves were reduced by the relevant amount. At present, we see no significant rise in pandemic-related disability claims, so policy reserves are also considered adequate in that respect.

In the case of policy reserves for unisex policies, regular checks are con-ducted to establish whether actual gender breakdown is in line with the breakdown anticipated. In the estimation of the Responsible Actuary, the individual rates calculated provide sufficient safety margins for the Company. If that perception were to change in the future, additional reserves would need to be formed.

Cancellation risk – Adequacy of cancellation probability assumptions

As a matter of principle, cancellation probability is not taken into ac-count in the calculation of premiums. The cancellation rate was slightly up on the prior year but below the level registered in the years 2016 to 2019. Cancellation figures continue to be closely monitored. Because of sharply increased interest rates and tougher competition for new single premium business, there is also a risk of increased liquidity being required for the cancellation of major contracts. We counter this risk with selective key account management for major clients.

Interest guarantee risk

For the German life insurance industry and thus also for the Gothaer Group, risks arise in connection with the high interest rate guarantees in life insurance products, which generally extend over several decades. Even the positive development of interest rates makes basically no difference here because the current good returns on new investment affect only a small minority of total investments.

At the main life insurer of the Group, Gothaer Lebensversicherung AG, the current average yield of investments at the end of 2022 was 2.42 % and thus below the average actuarial interest rate of 2.77 %. It should be noted here, however, that because of the additional interest reserves (ZZR) formed in the past, the actual expected return on capital, at 1.39 %, is lower. At Gothaer Pensionskasse AG, the current average yield of investments at the end of 2022 was 2.47 % and thus below the average actuarial interest rate of 2.77 %. Because of the additional interest reserves (ZZR) formed in the past, the actual expected return on capital, at 1.80 %, is lower. We gear our investments to the maturity dates of our liabilities and take account of

risk-bearing capacity of the company. At the same time, the primary focus is on long-term generation of stable earnings.

Additional interest reserves for Gothaer Lebensversicherung AG were reduced in the year under review for the first time ever – by a sum of € 74.4 million. As a result, ZZR at year-end totalled € 1,438.9 million. Additional interest reserves are calculated, in part, on the basis of cancellation and capital settlement probabilities with appropriate safety loading. There are uncertainties over the reversals anticipated in the next few years because they are primarily dependent on the development of average euro interest swap rates over the past ten years. If the level of interest rates is sustained and the average guaranteed interest rate falls, further reversals can be anticipated in the coming years. This successive reduction of additional interest reserves is already taken into account in projections.

Gothaer Pensionskasse AG was obliged to strengthen reserves with ZZR at 31 December 2022. The allocation to ZZR in 2022 totalled € 12.2 million. For the existing portfolio, the procedure approved by BaFin on 10 January 2023 was taken into account. This increased the aggregate ZZR for Gothaer Pensionskasse AG at year-end to € 201.1 million. Even though the level of interest rates has risen significantly in recent months, expenditures on additional interest reserves are still necessary. The need for this extra security is regularly ascertained in consultation with the supervisory authority. Against this backdrop, various measures have been implemented in the past to strengthen the company. The measures have included, for example, adjusting investment allocation to strengthen investment results, optimizing costs, reducing surplus bonuses or discontinuing certain product lines.

Growth risk

Economic uncertainty among consumers over the impacts of the Ukraine conflict, high inflation and rising interest rates could continue to have a negative effect on the development of new business.

Growth opportunities are presented by the further development of Gothaer Lebensversicherung AG's innovative new insurance products, which are highly regarded in the market and receive excellent marks in comparative product tests. Further opportunities are offered by the expansion of our biometric product range.

Health insurance

The market and prospects of development for private health insurance are defined to a large extent by the political and legal regulatory environment. The growth prospects for supplemental insurance remain good. For companies, the challenge is to adjust appropriately in terms of sales channels, cooperative ventures and administrative processes. In company health insurance scheme business, Gothaer registered upturns in both premium income and the number of persons insured despite the tougher conditions imposed by inflation. This success was due, amongst other things, to customized contracts and intensive customer care. A moderate upturn was also noted in non-SLT supplemental insurance business.

In private health insurance, lawsuits are pending against the validity of premium adjustments. Gothaer is also affected. Relevant legal issues concerning the formal requirements for premium adjustment notices have now been decided by the Federal Supreme Court (BGH). At Gothaer, recent generations of premium adjustment notices meet these formal requirements. Due to the three-year statute of limitations and curative action for the future, there is likely to be a significant decrease in the number of lawsuits based on the argument of formal invalidity. These circumstances have been taken into account in the financial statements. Based on a ruling delivered by

the Berlin Court of Appeal against a competitor on 8 February 2022, lawsuits have been launched, particularly since the middle of the year, disputing the substantive validity of premium adjustments. Gothaer is monitoring this issue very closely for its legal and actuarial implications.

An opportunity is offered by demographic change and the skilled worker shortage connected with it. Companies are trying to retain employees and attract new ones by offering attractive working conditions. To this end, companies are increasingly turning to company health insurance. Gothaer profited considerably from this trend in 2022. We registered a significant increase in this business.

Underwriting risks

The most significant underwriting risks include covering the actuarial interest rate and cancellation risk. These risks have a major bearing on the ability to allocate adequate reserves for premium refunds and thus have the funds available to lessen the impact of the development of premiums for those we insure. A particularly important role here is played by the recurrent financing of annually granted premium limits.

We continue to counter these risks with rates based on actuarial principles, selective underwriting and professional benefit and health management as well as by the use of controlling tools and early-warning systems. Particularly noticeable here is the appreciable growth of the non-SLT tariff portfolio. The adequacy of loss reserves remains subject to regular actuarial verification.

High premium adjustments or political change cause an increased loss of good and mostly young risks as well as downturn in new business, with the result that the average age of insureds in portfolios rises. This can itself lead to high premium adjustments. Premium refund reserve policy is the key control measure here. With adequate financial resources, high premium adjustments can be prevented and an increase in cancellations thus avoided. For this reason, special attention is paid to the development of reserves for premium refunds. To ease the pressure on the reserves for premium refunds, the customary long-term premium capping arrangements in place are supplemented by the deployment of funds for payment of the tariff bonus, a premium limit that is reset each year. Because a protracted low level of new business negatively affects portfolio composition, developments are constantly monitored and measures are taken to strengthen new business. Neither the coronavirus pandemic nor even inflation had a significant impact on comprehensive insurance business in 2022: As in previous years, new business was at a low level while no significant change was seen in customer cancellations.

The actuarial interest rate, one of the most important bases for calculation in private health insurance, is dependent upon developments in the capital markets. This fact is taken into account through the use of professional tools for analyzing investments and harnessing the findings for a more focused investment strategy as well as by the regular performance of extrapolations. Despite the positive development of interest rates, however, the probability that the net target yield will not be achieved still exists. Investment strategy is therefore focused on a reasonable risk-return ratio coupled with a high probability of guaranteed actuarial interest being achieved. The impacts of inflation on the capital market as well as the possible implications for investment were subjected to particularly close scrutiny this year. To ease the pressure on investment and guarantee security, the actuarial interest rate was lowered for more tariffs for 2023. If the positive development of interest rates continues, there is a possibility that no further lowering of the actuarial interest rate will be needed in the future. In a number of tariffs, the actuarial interest rate was already raised again for 2023. It should be noted here that actuarial interest rate adjustments can only be

made in tariffs that are affected by premium adjustments. At the same time, an insufficient actuarial interest rate does not trigger a review of actuarial assumptions. The actuarial interest rate is reviewed annually by a method used to calculate the actuarial corporate interest rate (AUZ).

Financial risks in health insurance can result from the occurrence of major and accumulation losses. We counter those risks with a comprehensive reinsurance policy. Regular analysis of high-cost cases shows a negative development. We have observed both an increase in the number of high-cost cases and an increase in the volume of costs, especially the cost of individual drugs.

Inflation can also push up benefit expenses. However, due to the legal environment for claims settlement, inflation can only impact on the majority of benefits if there is a change in the fee schedule for doctors and dentists. No such change has yet been implemented. Overall, we note an increase in benefits and thus a post-pandemic return to normal. Inflation does not therefore present a significant risk. Nevertheless, its development will continue to be monitored.

Loss of receivables risk

Loss of receivables risk in health insurance results largely from the statutory requirement that prevents an insurer from terminating a comprehensive health contract with a defaulting policyholder. Policyholders defaulting on premiums must be switched to the so-called emergency tariff (Notlagentarif). The monthly premium payable for the benefits covered by the emergency tariff is significantly lower than the regular tariff.

Accounts receivable from policyholders and insurance agents in connection with direct written insurance business at Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG totalled € 143.8 million at balance sheet date. € 52.3 million of the receivables handled by our central collection systems is outstanding for more than 90 days. The average collection loss (unsuccessful court orders) in the last three years was € 5.4 million, which is an average of 0.1 % of the gross premiums written.

Investment risks

Risk strategy

The risk strategy for investments derives directly from the business strategy implemented by the risk carriers of the Gothaer Group. At its heart is the guarantee of the relevant risk carrier's risk-bearing capacity for its selected risk tolerance, which needs to be viewed in direct relation to capitalization, equity requirements under Solvency II and the target rating sought. Investment risk strategy is embedded in a risk-adjusted management policy that takes account of potential earnings opportunities against the backdrop of any risks. This presupposes an effective risk management system employing modern controlling systems to meet the requirements introduced under regulatory legislation and ensure that the additional – and in some cases more restrictive – risk limits set by the risk carrier itself are also observed. To ensure a healthy mix and spread and avoid excessive concentrations of risks, the risk carriers of the Gothaer Group continue to attach great importance to broad diversification within and across the various asset classes.

Risk situation and management

• Market change risk

Investments are exposed to the risk of possible changes in value due to fluctuations in interest rates, share prices or exchange rates in the inter-national financial markets. For each of these classes of risk, market price risk management is performed at the relevant risk carrier level and is supported by regular stochastic and deterministic model calculations. At regular intervals, the relevant risk carrier's investment portfolio is subjected to stress scenarios in order to measure risk potential.

Simulating interest rate change risk in line with German Accounting Standard DRS 20 A2.14 produces the following result: A 1 percentage point parallel increase in the interest curve with a modified duration of 9.1 (PY: 10.6) reduced the market value of interest-bearing securities by € 1,807.9 million (PY: € 2,760.4 million) in comparison to the year-end value of the portfolio.

The market value of the equity portfolio is also expected to remain stable in the coming year. Equity exposure at balance sheet date essentially consisted of equity mandates with option hedge. Risk capital stress testing (20 % downturn in prices) at balance sheet date resulted in a fall in market value of around € 843.2 million (PY: € 998.2 million).

In 2022, the real estate market presented a differentiated picture, although developments were dominated by the rising level of market interest rates. The rental market was robust but the capital market for real estate broadly came to a standstill. Accordingly – because of the lack of comparative values (too few transactions) – property valuations are subject to a high degree of uncertainty. Due to that uncertainty, investment in low-risk (short-term) real estate loans continues to appear attractive. The generally shorter and limited term of such loans in comparison to equity investments as well as the entitlement to repayment mitigate the risks of long-term change. Because they occupy a more conservative position in the capital structure, real estate loan investments also offer greater protection against value losses. The portfolio is valued at market prices and highly diversified. The short-term development of property values is fraught with uncertainty due to macroeconomic and political developments. In the long term, real estate continues to be a tangible asset with a stable value. A price fall of 10 % results in a loss in market value of € 364.6 million (PY: € 356.1 million).

Exchange rate risk continues to be almost fully hedged by forward ex-change contracts.

• **Credit risk**

Credit risk is the risk of insolvency or late payment but it also includes the risk of a negative change in the creditworthiness of a debtor or issuer. In the interest of risk management, investment vehicles are acquired only when a qualified and cross-checked assessment of credit-worthiness by external agencies such as Standard & Poor's, Moody's or Fitch Ratings or a qualified internal rating is available. Credit risks are also broadly diversified to avoid concentration risks. As well as supervisory requirements, supplementary, more restrictive internal limits are in place to keep credit and concentration risk within reasonable bounds at individual loan, issuer and portfolio level. All critical names are constantly monitored in both the Front and Middle Office of Gothaer Asset Management AG. Regular credit analyses are also performed by Front Office to verify the value of investments that come under pressure during the course of the year in the wake of downgrades or market evaluations. Where these analyses show impairment, depreciation is applied on the fair or market value of the individual bonds. Such value adjustments in the financial year were negligible.

Owing to rating changes and additions and disposals during the course of the year, the spread of ratings in the fixed-interest portfolio changed as follows:

Breakdown by rating class		in %
	2022	2021
AAA	19.1	17.9
AA+	13.2	14.8
AA	12.8	14.2
AA-	12.5	7.8
A+	4.2	6.6
A	6.0	6.5
A-	8.3	9.3
BBB+	5.0	3.5
BBB	8.6	9.5
BBB-	3.9	3.9
Speculative Grade (BB+ to D)	3.3	3.4
Not rated	3.1	2.6

• **Liquidity risk**

A viable liquidity planning and management system is a prime requirement for effective investment management. Encompassing both investment and underwriting, liquidity planning ensures precise day-by-day projection of cash balances. When liquidity requirements peak, the necessary liquidity can thus be made available by the disposal of market-able securities. Apart from the liquid securities in the direct portfolio, special funds are also available to meet liquidity peaks by payment of dividends or disposal of certificates. Moreover, capital available for investment can be promptly identified. With the help of our liquidity risk management concept, regular analyses of liquidity sources and cover ratios can be performed and, in particular, liquidity stress tests carried out.

There were no liquidity bottlenecks for the Group's risk carriers at any time during the year under review. In the course of ALM analysis, underwriting commitment flows

and the maturities of fixed-interest securities held are compared in a medium- and long-range projection. Thanks to maturity matching of assets and liabilities, no liquidity bottlenecks are foreseen in any of the years considered.

Operational and other risks

IT risks

The pandemic situation, in particular, has made it necessary to rapidly digitize business processes and upgrade existing IT infrastructures in order to maintain business operations. Among other things, the short-term pro-vision of central IT services by and for employees at decentralized locations presents a new challenge. The resulting IT risks are therefore a key aspect of Group-wide risk management.

The growing professionalization of cybercrime – a phenomenon that has been observed for a number of years – has thus recently become increasingly focused on these new circumstances in an attempt to identify and exploit any organizational or technological vulnerabilities that may have arisen.

The outbreak of the war in Ukraine also led to a renewed intensification of the cyber threat situation worldwide. Both the warring parties and their political supporters have faced the threat of cyber attacks. In response, Gothaer has reviewed the effectiveness of existing information and IT security measures and strengthened its overall cyber resilience.

Under the certified information security management system (ISMS), the Gothaer Group continuously assesses its threat situation and the effectiveness of existing protections. The focus here is on maintaining business processes by risk-oriented protection of the confidentiality, integrity, availability and authenticity of the information assets involved. New protective measures are aligned with recognized standards, the state of the art and regulatory requirements in order to continuously improve the level of security. In addition, business processes critical to the Company, including the resources required for them, are safeguarded by further business continuity management measures.

In this way, Gothaer broadly ensures compliance with the "Insurance Supervisory Requirements for IT" of the German Federal Financial Supervisory Authority and other statutory requirements. We also fundamentally guarantee compliance with the provisions of the German Federal Data Protection Act (Bundesdatenschutzgesetz) and the code of conduct ("Verhaltensregeln für den Umgang mit personenbezogenen Daten durch die deutsche Versicherungswirtschaft") agreed by representatives of data protection agencies, consumer watchdog Verbraucherzentrale Bundesverband e. V. and the insurance industry to raise data protection standards.

The effectiveness of the ISMS is ensured by regular and ad hoc internal and external reviews. Similar reporting on risk management, security levels and significant events makes it possible for risk-minimizing measures to be managed in accordance with regulatory requirements. In addition, external monitoring and certification to ISO/IEC 27001 is carried out annually by TÜV Rheinland.

HR risks

The management of HR risks (scarcity, departure, motivation, adaptation and loyalty risks) and the identification and utilization of opportunities are major constituents of Gothaer HR management. Key points of reference are the Ambition25 Group strategy including the strategy module "Team Capacity for Change", change processes within the Group, the economic situation of the Group companies and external factors such as market developments, digitalization and changes in population demographics. The HR topics of primary importance at present are as follows:

- acquisition and retention of employees
- ensuring the health and safety of employees
- securing the skills critical for Gothaer's future
- strengthening capacity for change across the Gothaer Group.

Gothaer HR management has a comprehensive set of analytical instruments at its disposal for measuring, assessing and managing risks. The data and analyses thus generated are important HR tools. At the same time, the managements of the specialist departments are important players in HR risk management. The HR department therefore supports them in this role by providing data (e.g. in the form of cockpits) and by conducting joint analyses and activities (e.g. quantitative and qualitative analyses for demographic risk management).

A very close eye is kept on the adjustment risks connected with the implementation of the Group strategy and changes in the Group companies. Monitoring tools here include the Group Dialogue – last conducted in 2022 – and, where applicable, follow-up surveys on the Group Dialogue. This permits a differentiated analysis of the views of employees and management on matters such as strategy, customer orientation, leadership, cooperation and sustainable commitment.

Scarcity risks in the acquisition of external know-how carriers are primarily addressed by appropriate HR marketing tools. At the same time, an at-tempt is made to counter the risks by means of internal development programmes. Analysis of candidate management data and verification of Gothaer's attractiveness as an employer are also important instruments for managing scarcity risks. In 2021, Gothaer also commissioned external market research into Gothaer's attractiveness as an employer in the external applicant market. This formed an important basis for the launch of Gothaer's enhanced employer brand, which has already received endorsement in the form of significantly improved key indicators, such as use of the careers website.

Demographic change management is particularly relevant. This is because demographic change not only pushes up the number of employees leaving Gothaer because of their age but also reduces the number of qualified applicants available in the external labour market. It thus fundamentally increases scarcity and departure risks – even more so in the Cologne local market (location of Group headquarters), with its dense cluster of insurance companies competing for human resources. Gothaer long ago identified these risks both internally (e.g. by calculating scenarios) and externally (e.g. by taking part in employer rankings) and thus possesses an extensive risk management database. Gothaer's enhanced employer marketing activities as well as projects such as "Frauen in Führung" (Women in Leadership) help successfully counter the risks described above.

Regulatory compliance of financial statements

Accounting controls have been set up and other organizational arrangements made to guarantee the regulatory compliance of annual and consolidated financial statements. Among the organizational arrangements, special mention should be made of our accounting principles, clear assignment of responsibilities for accounting systems and data interfaces, detailed time scheduling and monitoring as well as regular backing-up of data bases. General observance of the four-eye principle, clear regulation and verification of authority as well as clear assignment of responsibility for bookkeeping systems are key elements of the internal monitoring system. The units involved in the reporting process continue to be integrated in the Gothaer Group risk management system. Verification of these elements is performed by the Internal Auditing unit. We also respond to challenges arising from changes in accounting rules by running constant staff development and training programmes.

Legal risks

Due to mounting legislative requirements and judiciary developments at European and national level, the insurance industry faces major challenges even from a purely administrative perspective. Recent examples include the Supply Chain Sourcing Obligations Act adopted by the German Bundestag in June 2021 and, at European level, the Schrems II ruling of the ECJ.

The German Supply Chain Sourcing Obligations Act does not imply that insurance companies are under additional obligations to ensure that their (primary) policyholders respect human rights, because policyholders are not part of the insurance company's supply chain. However, the law needs to be observed for the general procurement of goods and services. It can also be assumed that commercial policyholders need to regard insurance relationships that are of major importance for the services they offer as part of their supply chain. It is already apparent that, in the course of a Know Your Customer process, commercial policyholders will only conclude an insurance contract in future on condition that respect for human rights is demonstrated in compliance with the law.

The Schrems II ruling and its fundamental implications are well known from the public debate. More than two and a half years on, there is still considerable legal uncertainty over international data transfers. Particularly in the case of direct – or even indirect – cooperation with US-based hyperscalers, that uncertainty regularly fuels the need to minimize risks through additional technical and organizational measures (so-called TOMs). Since there is often no alternative to using US software solutions, significant legal challenges inevitably arise.

Apart from the individual case studies described above, a growing challenge is presented by the almost overwhelming number of legislative initiatives – by both the EU and the national legislature – focused mainly on sustainability, data protection and IT security in the broader sense. These initiatives are not confined to clearly defined individual issues; they create regulatory regimes in the areas they address that are not only complex and far-reaching but are often insufficiently coordinated. This makes systematic legal monitoring considerably more difficult.

Nonetheless, targeted legal monitoring coordinated by the Chief Compliance Officer is implemented to keep abreast of these extensive changes, identify the need for action and ensure that appropriate and sufficiently prompt measures are taken.

Money laundering

Internal guidelines and safeguards are in place to prevent life insurance, refund-of-premium accident insurance or loans with insurance companies being used to launder money or finance terrorism. For mortgage loans granted by the Gothaer companies in the past, run-off is handled centrally. No new mortgage loans are granted. The internal guidelines and safeguards are also used – alongside a wide range of work instructions – to minimize risks.

Business Continuity Management

Gothaer has a functioning business continuity management (BCM) system that proved its worth in the coronavirus pandemic. A permanent crisis team was activated at the start of the pandemic and crisis infrastructure was created at an early stage to ensure Gothaer's operational capacity and protect the health of employees. Precautionary measures (e.g. disinfectants, masks, tests, conversion of ventilation systems, etc.) to prevent a possible spread of the virus were implemented. In particular, a vaccination service was made available for all employees. On the IT side, systems were converted for home office use.

Summary of the risk situation

In the area of property and casualty insurance, the Gothaer Group is both well capitalized and highly diversified in terms of products and business segments. In conjunction with good market positioning, disciplined business practices and a sufficiently conservative risk policy, this ensures adequate risk-bearing capacity.

The main risk identified in this segment comes from natural catastrophes. We hedge that risk by targeted reinsurance cover.

In the area of life insurance, the focus of the Gothaer Group encompasses not only modern capital-efficient products but also biometric and unit-linked life products as well as company pension schemes. In an ageing society, the Gothaer Group can thus profit from increased demand for these products.

In the current environment, the principal risk identified for the life segment is growth risk. Because of the difficult business environment at present, it is vital that existing customer links should be strengthened and new long-term ones created.

Private health insurance is very dependent on the political environment. Accordingly, Gothaer will mainly focus here on growing its supplemental health insurance business.

As in the life insurance segment, interest change risk is also a major risk in health insurance. A fall in investment income would lead to premium adjustments, which could in turn have negative impacts on new business.

Risk management is performed on the basis of quantitative and qualitative analysis. The control mechanisms, instruments and analytical processes described above ensure effective risk management. We thus create a stable risk profile with an appropriate time horizon. This assessment is supported, amongst other things, by the following factors:

The Gothaer Group fulfils the regulatory solvency requirements set out in the German Insurance Supervision Act (VAG). The capital available exceeds the solvency requirements. A detailed description of those requirements and the way they are met by the Gothaer Group is found in the Solvency and Financial Condition Report (SFCR), which is also published on the Gothaer website (www.gothaer.de).

In 2022, Standard & Poor's reaffirmed the financial strength rating of A with stable outlook for Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG. In addition to the high resilience of the Group and good capitalization, the rating agency highlighted the strong competitive positioning, especially in the small and medium-sized enterprise segment, the diversified product portfolio and the broad distribution channel network.

At the time the financial statements were prepared, nothing was seen in the risk situation of the Gothaer Group that might jeopardize the fulfilment of commitments assumed under insurance contracts.

Consolidated Statement of Financial Position as of 31 December 2022

Assets

			€ thousand
		2022	2021
A. Intangible assets			
I. Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets	176,623		193,024
II. Payments in advance	100,036		61,745
		276,658	254,769
B. Investments			
I. Real estate, real estate rights and buildings, including buildings on third-party land	22,375		23,042
II. Investments in affiliated companies and participations			
1. Shares in affiliated companies	115,956		76,742
2. Loans to affiliated companies	200		223,127
3. Shares in joint ventures and associated companies	265,106		276,723
4. Participations	565,413		813,251
5. Loans to participations	4,019		8,585
	950,694		1,398,428
III. Other investments			
1. Shares, investments in unit trusts and funds and other non-fixed-interest securities	24,279,533		22,106,435
2. Bearer bonds and other fixed-interest securities	3,273,567		3,885,405
3. Mortgages, liens on real property and annuities	44,322		55,994
4. Other loans	3,062,671		3,352,427
5. Bank deposits	439,201		440,513
6. Miscellaneous investments	113		692
	31,099,407		29,841,466
IV. Deposits made in connection with reinsurance business assumed	1,725		2,809
		32,074,202	31,265,744
C. Investments held for unit-linked life insurance policies		2,477,791	2,959,856

				€ thousand
			2022	2021
D. Accounts receivable				
I. Accounts receivable in connection with direct insurance business from:				
1. Policyholders	133,359			120,619
2. Insurance agents	89,640			76,696
		222,999		197,314
II. Accounts receivable in connection with reinsurance business		91,479		76,129
of which from associated companies: € 0 thousand (PY: € 2,776 thousand)				
III. Other accounts receivable		141,570		348,434
of which from affiliated companies: € 7,122 thousand (PY: € 28,588 thousand)				
of which from associated companies: € 394 thousand (PY: € 929 thousand)				
of which from participations: € 1,371 thousand (PY: € 560 thousand)				
			456,048	621,878
E. Other assets				
I. Tangible assets and inventories		44,239		36,350
II. Current credit balances with banks, checks and cash on hand		131,818		144,877
III. Miscellaneous assets		78,758		62,660
			254,815	243,887
F. Prepaid expenses				
I. Prepaid interest and rent		88,296		104,029
II. Other prepaid expenses		24,100		23,576
			112,397	127,605
G. Deferred tax assets			368,359	360,008
Total assets			**36,020,270**	**35,833,746**

Equity and liabilities

				€ thousand
			2022	2021
A.	**Equity**			
	I. Revenue reserve			
	1. Loss reserve in accordance with section 193 VAG	66,442		66,442
	2. Other revenue reserves	1,326,387		1,242,818
			1,392,829	1,309,261
	II. Consolidated net income for the year		79,506	78,116
	III. Minority interests		30,322	34,582
			1,502,657	1,421,959
B.	**Subordinate liabilities**		319,300	319,300
C.	**Underwriting reserves**			
	I. Unearned premiums			
	1. Gross amount	584,117		565,060
	2. less: amounts ceded	75,593		70,937
			508,524	494,123
	II. Aggregate policy reserves			
	1. Gross amount	25,199,881		24,823,115
	2. less: amounts ceded	66,149		73,129
			25,133,733	24,749,985
	III. Reserve for outstanding claims			
	1. Gross amount	3,708,296		3,666,851
	2. less: amounts ceded	744,540		814,926
			2,963,756	2,851,926
	IV. Reserve for performance-related and non-performance-related premium refunds			
	1. Gross amount	966,180		954,952
	2. less: amounts ceded	115		147
			966,065	954,805
	V. Equalization reserves and similar reserves		383,967	396,260
	VI. Other underwriting reserves			
	1. Gross amount	37,369		33,985
	2. less: amounts ceded	-9,096		-7,542
			46,465	41,527
			30,002,510	29,488,627

				€ thousand
			2022	2021
D.	**Underwriting reserves for unit-linked life insurance policies**			
	I. Aggregate policy reserves			
	1. Gross amount	2,425,620		2,896,268
	2. less: amounts ceded	32		41
			2,425,588	2,896,226
	II. Miscellaneous underwriting reserves			
	Gross amount		52,171	63,588
			2,477,759	2,959,815
E.	**Other accruals**			
	I. Accruals for pensions and similar obligations		470,176	443,855
	II. Accruals for taxes		201,374	226,656
	III. Miscellaneous accruals		120,866	141,427
			792,416	811,938
F.	**Deposits held in connection with reinsurance business ceded**		155,079	158,758
G.	**Other liabilities**			
	I. Accounts payable in connection with direct insurance business to			
	1. Policyholders	339,292		367,925
	2. Insurance agents	56,348		44,741
			395,640	412,665
	II. Accounts payable in connection with reinsurance business		56,344	46,572
	of which from affiliated companies: € 1,177 thousand (PY: € 0 thousand)			
	III. Liabilities to banks		40,129	40,120
	IV. Miscellaneous liabilities		278,367	173,892
	of which for taxes: € 32,327 thousand (PY: € 36,346 thousand)			
	of which for social security: € 193 thousand (PY: € 11 thousand)			
	of which from affiliated companies: € 6,486 thousand (PY: € 1,611 thousand)			
	of which from associated companies: € 3,277 thousand (PY: € 1,703 thousand)			
	of which from participations: € 76,060 thousand (PY: € 9,183 thousand)			
			770,482	673,250
H.	**Deferred income**		68	100
Total equity and liabilities			**36,020,270**	**35,833,746**

Consolidated Income Statement for the period from 1 January to 31 December 2022

				€ thousand
			2022	2021
I. Underwriting account for property and casualty insurance business				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,472,207			2,339,088
b) Reinsurance premiums ceded	473,257			410,585
		1,998,950		1,928,503
c) Change in gross unearned premiums	-22,364			-21,445
d) Change in gross unearned premiums ceded	-4,324			-5,350
		-18,039		-16,095
			1,980,911	1,912,408
2. Technical interest net of reinsurance			2,299	2,475
3. Other underwriting income net of reinsurance			1,420	5,761
4. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,646,524			1,514,013
bb) Amount ceded	418,535			342,128
		1,227,989		1,171,884
b) Change in reserve for outstanding claims				
aa) Gross amount	14,773			497,882
bb) Amount ceded	-74,162			367,227
		88,935		130,656
			1,316,924	1,302,540
5. Change in other net underwriting reserves				
a) Net policy reserve		-3,468		-2,950
b) Other net underwriting reserves		7,685		11,663
			4,217	8,713
6. Expenses for performance-related and non-performance-related premium refunds net of reinsurance			2,355	3,899
7. Underwriting expenses net of reinsurance				
a) Gross underwriting expenses		722,379		681,564
b) less: commissions and profit sharing received on reinsurance business ceded		127,766		105,300
			594,613	576,265

				€ thousand
			2022	2021
8. Other underwriting expenses net of reinsurance			17,246	21,337
9. Subtotal			49,275	7,890
10. Change in equalization reserves and similar reserves			12,293	62,498
11. Underwriting result net of reinsurance in property and casualty insurance business			61,568	70,388
II. Underwriting account for life and health insurance business				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,097,616			2,355,193
b) Reinsurance premiums ceded	18,385			34,503
		2,079,231		2,320,690
c) Change in net unearned premiums		3,437		3,044
			2,082,669	2,323,734
2. Premiums from the gross provision for premium refunds			89,644	94,943
3. Allocated interest transferred from the non-underwriting account			680,556	902,545
4. Unrealized gains on investments			135,119	453,244
5. Other underwriting income net of reinsurance			25,302	18,578
6. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,967,711			1,947,167
bb) Amount ceded	12,515			11,135
		1,955,196		1,936,032
b) Change in reserve for outstanding claims				
aa) Gross amount	17,526			-21,309
bb) Amount ceded	0			0
		17,526		-21,309
			1,972,722	1,914,723
7. Change in other net underwriting reserves				
a) Policy reserves				
aa) Gross amount	-92,715			1,228,987
bb) Amount ceded	-1,644			18,495
		-91,071		1,210,492
b) Other net underwriting reserves		104		-2,314
			-90,968	1,208,177

				€ thousand
			2022	2021
8. Expenses for performance-related and non-performance-related premium refunds net of reinsurance			244,735	284,168
9. Underwriting expenses net of reinsurance				
a) Acquisition expenses	151,151			150,142
b) Administrative expenses	51,885			50,315
		203,036		200,457
c) less: commissions and profit sharing received on reinsurance business ceded		3,689		2,167
			199,347	198,290
10. Unrealized losses on investments			546,928	26,310
11. Other underwriting expenses net of reinsurance			16,759	25,695
12. Underwriting result net of reinsurance in life and health insurance business			123,766	135,681
III. Non-underwriting account				
1. Underwriting result net of reinsurance				
a) in property and casualty insurance business		61,568		70,388
b) in life and health insurance business		123,766		135,681
			185,334	206,068
2. Investment income				
a) Income from joint ventures and associated companies	27,632			13,761
b) Income from participations	86,679			150,096
of which from affiliated companies: € 8,017 thousand (PY.: € 6,314 thousand)				
c) Income from other investments				
of which from affiliated companies: € 5,749 thousand (PY.: € 109 thousand)				
aa) Income from real estate, real estate rights, and buildings, including buildings on third-party land	1,493			1,467
bb) Income from other investments	745,087			658,592
	746,579			660,059
d) Income from write-ups	4,242			43,374
e) Proceeds from the disposal of investments	179,208			291,053
f) Income from profit transfer agreements	117			61
		1,044,457		1,158,404

				€ thousand
			2022	2021
3.	Investment expenses			
	a) Cost of portfolio management, interest expense and other expenses in connection with investments	49,032		49,197
	b) Amortization of investments	103,989		56,084
	c) Losses from the disposal of investments	89,198		25,051
			242,219	130,332
			802,238	1,028,072
4.	Allocated interest transferred to the underwriting account for property and casualty insurance business		2,670	2,813
4a.	Allocated interest transferred to the underwriting account for life and health insurance business		680,556	902,545
			683,226	905,358
			119,012	122,714
5.	Other income		120,134	119,770
6.	Other expenses		266,356	267,171
			-146,222	-147,401
7.	Operating income		158,123	181,381
8.	Extraordinary expenses =Extraordinary result		-4,143	-2,623
9.	Income before taxes		153,980	178,758
10.	Taxes on income of which from deferred taxes € -8,351 thousand (PY: € -22,504 thousand)		70,547	95,915
11.	Other taxes		264	716
			70,811	96,631
12.	Net income for the year		83,169	82,128
13.	Net income attributable to minority interests		3,664	4,014
14.	Net loss attributable to minority interests		0	2
15.	Consolidated net income for the year		79,506	78,116

Statement of Changes in Equity

	Loss reserve in accordance with section 193 VAG	Other revenue reserves	Sum Revenue reserve
Balance as of 1 January 2021	**66,442**	**1,157,682**	**1,224,124**
Transfers to/withdrawals from reserves	0	70,859	70,859
Dividend	0	0	0
Currency translation	0	0	0
Other changes	0	14,277	14,277
Disposal of consolidated companies	0	0	0
Net income for the year	0	0	0
Balance as of 31 December 2021	**66,442**	**1,242,818**	**1,309,261**
Transfers to/withdrawals from reserves	0	78,116	78,116
Dividend	0	0	0
Other changes	0	5,453	5,453
Disposal of consolidated companies	0	0	0
Net income for the year	0	0	0
Balance as of 31 December 2022	**66,442**	**1,326,387**	**1,392,829**

As a mutual insurance company, the Group parent Gothaer Versicherungsbank VVaG has no subscribed capital. Equity is generated exclusively by retention of earnings.

				€ thousand
Equity difference from currency translation	Consolidated net income for the year	Sum parent company equity	Minority interests	Equity
-814	**70,859**	**1,294,169**	**32,286**	**1,326,456**
0	-70,859	0	0	0
0	0	0	-1,716	-1,716
-97	0	-97	0	-97
0	0	14,277	0	14,277
911	0	911	0	911
0	78,116	78,116	4,012	82,128
0	**78,116**	**1,387,377**	**34,582**	**1,421,959**
0	-78,116	0	0	0
0	0	0	-6,930	-6,930
0	0	5,453	0	5,453
0	0	0	-994	-994
0	79,506	79,506	3,664	83,169
0	**79,506**	**1,472,335**	**30,322**	**1,502,657**

Statement of Cash Flows

	€ thousand	
	2022	2021
Profit for the period *	83,169	82,128
Increase/decrease in underwriting reserves net of reinsurance	31,828	1,159,373
Increase/decrease in deposits with ceding undertakings and receivables from reinsurance business	-14,266	-38,910
Increase/decrease in deposits received from reinsurers and liabilities from reinsurance business	6,093	47,796
Increase/decrease in other receivables	179,233	-170,743
Increase/decrease in other liabilities	90,574	-28,688
Changes in other balance sheet items not attributable to investing or financing activities	-638,353	-426,725
Other non-cash expenses/income and adjustments to profit or loss for the period	487,297	-309,078
Gain/loss on disposal of investments, tangible fixed assets and intangible assets	-89,362	-262,539
Expenses for extraordinary items	4,143	2,623
Income tax expense	70,547	95,915
Income taxes paid	-109,220	-114,392
Cash flows from operating activities	**101,681**	**36,758**
Proceeds from disposal of entities included in the basis of consolidation	2,300	945
Proceeds from disposal of tangible assets	307	5,363
Proceeds from disposal of intangible assets	0	80
Payments to acquire tangible assets	-18,543	-10,358
Payments to acquire intangible assets	-63,831	-48,602
Proceeds from disposal of investments relating to unit-linked life insurance policies	5,473	5,363
Payments to acquire investments relating to unit-linked life insurance policies	-9,313	-19,742
Cash flows from investing activities	**-83,607**	**-66,951**
Cash payments to minority shareholders from the redemption of shares	-983	0
Dividends paid to minority interests	-6,930	-1,716
Proceeds from/payments for other financing activities	-18,631	-222
Cash flows from financing activities	**-26,545**	**-1,938**
Net change in cash funds	**-8,471**	**-32,131**
Effect on cash funds of exchange rate movements and remeasurements	0	-57
Effect on cash funds of changes in the basis of consolidation	-4,588	-3,153
Cash funds at beginning of period	144,877	180,218
Cash funds at the end of period	**131,818**	**144,877**

*incl. minority interests in profit for the period

The Statement of Cash Flows pursuant to DRS 21 shows the change in cash and cash equivalents for the financial year. The cash funds considered correspond to the balance sheet item E.II. Current credit balances with banks, checks and cash on hand. A distinction is made here between cash flows from current operating activities, investing activities and financing activities. The indirect method is used to report cash flows from current operating activities. In this case, net profit for the period is adjusted to eliminate the effects of transactions of a non-cash nature (in particular write-ups/write-downs and changes in reserves). Inflows and outflows of funds from insurance companies' investment business are also reported as cash flows from current operating activities. Furthermore, net profit for the period is adjusted for items of income or expense associated with investing or financing cash flows. Cash flows are adjusted to eliminate the effects of changes in the scope of consolidation.

Notes to the Consolidated Financial Statements

Group Accounting Policies

Gothaer Versicherungsbank VVaG is the parent of the Gothaer Group and prepares consolidated financial statements and a Group management report pursuant to sections 341 i ff. and 290 ff. of the German Commercial Code (HGB), sections 58 ff. of the German Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV) and the German Accounting Standards (DRS) that are relevant for the Gothaer Group.

We have not exercised the option pursuant to 297 (1) sentence 2 HGB to supplement the consolidated financial statements with segmental reports.

All companies whose accounts are included in the consolidated financial statements have compiled financial statements as of 31 December 2022 consistently applying Group accounting policies. As a general rule, the financial year is the calendar year. Individual associated companies with cut-off date 30 September 2022 have been included. Pursuant to section 299 (3) HGB, transactions with a material impact on assets, finances and earnings between 30 September 2022 and 31 December 2022 are taken into account separately.

The financial statements of joint ventures consolidated at equity and associated companies have generally not been adjusted pursuant to section 312 (5) HGB.

All material subsidiaries of the Gothaer Group are consolidated if they are directly or indirectly controlled by the Group. The date of a company's initial consolidation is the date on which the Gothaer Group assumes control of it. Capital consolidation is performed using the acquisition method. This involves recognizing the assets, liabilities, accruals, deferrals and extraordinary items on the acquired company's balance sheet in accordance with section 301 (1) HGB, disclosing hidden reserves and liabilities (complete revaluation) and netting the resulting value against the parent company's share in the equity of the subsidiary. A positive difference is allocated to goodwill, which is subject in subsequent years to scheduled amortization and non-scheduled depreciation based on impairment testing. A negative difference is recognized as a liability and reversed in the income statement in subsequent years as a difference from capital consolidation to the extent to which it relates to anticipated future expenses or losses in connection with the acquired company. If the difference from capital consolidation is not due to anticipated future expenses or losses, it is reversed directly through the income statement.

Joint ventures and associated companies are valued at equity in the consolidated financial statements pursuant to section 312 HGB. Further details can be found under Accounting and Valuation Policies in the section on investments.

Income generated by subsidiaries after initial consolidation is included in the revenue reserves of the Group after deduction of any minority interests. Minority interests are shown in the statement of financial position under equity.

Intragroup receivables and payables, expenses and income, and profits are eliminated in accordance with section 304 in conjunction with section 341 j (2) HGB unless they are of minor significance for the net assets, financial position and earnings of the Group. Because of the requirement in the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV) for the consolidated income statement to be divided into three sections, consolidation measures can impact on more

than one part of the income statement. If they impact on both Section II Underwriting account for life and health insurance business and Section III Non-underwriting account, they are recognized in Section III. This is basically a matter of consolidating income from equity investments. Transactions between Group companies are conducted at arm's length as a matter of principle.

Scope of Consolidation

The determination of the scope of consolidation is subject to materiality, which is assessed for each company on the basis of equity, balance sheet total and revenues. In addition, a threshold is applied to the total of the three criteria for all companies judged immaterial.

Subsidiaries

Accordingly, 22 subsidiaries (PY: 27) were fully consolidated in the consolidated financial statements along with the parent company because of the parent company's controlling influence pursuant to section 290 (2) HGB. They comprised six insurance companies (PY: six), one pension trust (PY: one) and 16 other companies (PY: 21).

The company Aquila GAM Fund GmbH & Co. geschlossene Investmentkommanditgesellschaft was sold and deconsolidated in 2022.

Furthermore, the shares in capiton Zweite Kapitalbeteiligungsgesellschaft mbH were redeemed. As a result, capiton Zweite Kapitalbeteiligungsgesellschaft mbH itself and its two subsidiaries capiton II Holding GmbH & Co. KG and kk Metalltechnik Beteiligungsgesellschaft mbH were removed from the scope of consolidation.

Gothaer Invest- und FinanzService GmbH was merged with Gothaer Vierte Kapitalbeteiligungsgesellschaft mbH with retroactive effect from 1 January 2022. Gothaer Vierte Kapitalbeteiligungsgesellschaft mbH was then renamed Gothaer Invest- und FinanzService GmbH.

Joint ventures and associated companies

In addition, three associated companies (PY: four) in which a significant influence can be exercised according to section 311 (1) HGB were recognized in the consolidated financial statements at equity pursuant to section 312 HGB. The scope of consolidation also includes one participation (PY: one) managed as joint venture. This was also recognized at equity pursuant to section 312 HGB.

The associated company Skogberget Vind AB was sold in 2022 and is thus no longer in the scope of consolidation.

List of holdings

The list of holdings pursuant to section 313 (2) HGB is found at the beginning of the section "Other disclosures". It includes the consolidated companies of the Gothaer Group in the financial year. A list of holdings pursuant to section 313 (4) HGB, which includes subsidiaries and participations that are not consolidated, is also found there.

Accounting and Valuation Policies

Introduction

The consolidated financial statements have been prepared in accordance with the rules of the German Commercial Code (HGB), the Stock Corporation Act (AktG), the Insurance Supervision Act (VAG) and the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV).

Consolidated balance sheet, consolidated income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements are prepared in thousand euros. The figures in the financial statements are rounded to one decimal place. Therefore the addition of individual items may result in rounding differences.

Currency translation

The consolidated financial statements are denominated in euros. The companies whose accounts are included in the consolidated financial statements denominate their financial statements in euros. One subsidiary which had denominated its financial statements in a foreign currency was deconsolidated in 2021. The income statement of the company was translated in the prior year at average exchange rates.

Intangible assets

Internally generated intangible fixed assets are not capitalized. Acquired intangible assets are recognized at cost less straight-line depreciation based on an anticipated economic life of one to 20 years for the relevant asset. Where permanent impairment is anticipated, depreciation is applied in accordance with section 253 (3) HGB.

Investments

Real estate, real estate rights and buildings, including buildings on third-party land are recognized at cost of acquisition or production less scheduled and non-scheduled depreciation.

Shares in affiliated companies and participations are recognized at cost in line with section 341b (1) HGB unless permanent impairment is anticipated, in which case they are recognized at the lower fair value in accordance with section 253 (3) HGB. Where the reason for impairment no longer exists, a write-up is performed to at most the amortized cost defined in section 253 (5) HGB.

Where no stock exchange value is available, shares in affiliated companies and participations are valued as a matter of principle in accordance with IDW RS HFA 10 in conjunction with IDW S1. An exception is made in the case of various private equity participations and indirect real estate participations held as long term investments. Here, fair values are established on the basis of net asset value or a cash flow based net asset value.

Loans to affiliated companies and participations are recognized at cost, unless permanent impairment is anticipated, in which case they are recognized at the lower fair

value. If the reason for impairment no longer exists, write-ups are performed up to at most the amortized cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method as a matter of principle.

Shares in joint ventures and associated companies are generally included in the consolidated financial statements at equity, i.e. at the pro rata share in equity. Pro rata shares in equity are established on the basis of the latest available financial statements. The carrying amounts in the financial statements of joint ventures and associated companies are retained pursuant to section 312 (5) HGB. Income resulting from the appreciation and expenses resulting from the depreciation of reported equity recognized through profit and loss are included in the investment result. Changes that are not recognized through profit and loss are taken into account in other revenue reserves.

For investment fund certificates, bearer bonds and other fixed interest securities that represent a long-term commitment, we choose to exercise the option offered by section 341b (2) half-sentence 2 HGB to treat the investments as fixed assets and apply the moderated lower-of-cost-or-market principle as a rule. In the case of all other investments, section 341b (2) half-sentence 2 HGB is not applied.

Investment fund certificates, which are classed as fixed assets, are recognized at cost. In accordance with section 253 (3) HGB, depreciation is applied only in the case of permanent impairment, with fair value determined by means of a fund review. Write-ups pursuant to section 253 (5) HGB are performed if the reason for impairment no longer exists. The fair value is determined on the basis of stock market prices or redemption prices.

Shares, investment fund certificates and other non-fixed-interest securities that are not intended to be held as long-term investments are recognized at cost on the strict lower-of-cost-or-market principle, where appropriate taking into account write-downs to stock exchange value or redemption price pursuant to section 253 (4) HGB. Where values recover, write-ups are performed in accordance with section 253 (5) HGB.

Bearer bonds and other fixed-interest securities classed as fixed assets are valued at cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method as a matter of principle. In line with section 253 (3) HGB, depreciation is applied only where impairment is permanent. If the reason for impairment no longer exists, a write-up is performed pursuant to section 253 (5) HGB. Fair value is established on the basis of stock exchange values or redemption prices.

Bearer bonds and other fixed-interest securities that are not intended to be held to maturity are treated as current assets, recognized at cost on the strict lower-of-cost-or-market principle and written down to stock exchange value in the event of temporary impairment. Where values recover, write-ups are performed in accordance with section 253 (5) HGB.

Registered securities, mortgages, liens on real property and annuities, receivables covered by promissory notes and loans as well as loans and advance payments on insurance policies are recognized at cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method.

Registered securities, mortgages, liens on real property and annuities, receivables covered by promissory notes and loans as well as loans and advance payments on insurance policies are regularly checked for impairment. Where permanent impairment is anticipated, write-downs are performed to fair value. Where impairment no longer exists, appreciation is applied up to at most the amortized cost.

The fair value of all standard registered securities, mortgages, liens on real property and annuities, receivables covered by promissory notes and loans, as well as loans and advance payments on insurance policies is established by mark-to-model valuation. All the relevant securities are valued on the basis of an appropriate swap curve at balance sheet date plus a security-specific spread. Securities that cannot be assigned as standard to one of the pre-defined groups (e.g. "Namensgenussscheine") are subjected to special individual mark-to-model valuation.

For all structured interest rate products, a precise analysis of cash flow structures is performed and the products divided into the underlying basic elements. Mark-to-model valuation is performed on the basis of market data at balance sheet date (swap curve, volatilities etc.), as well as current forward rates. The actual valuation, including optional components, is performed by discounting all anticipated future cash flows while taking into account security-specific spreads and illiquidity premiums.

Directly held asset-backed securities are recognized at the values reached by the arrangers.

Derivative financial instruments are recognized on a daily basis at market values obtained from market information systems. Alternatively, in the case of OTC derivatives, they are precisely discounted on the basis of cash flow-based models, using financial mathematical methods and appropriate swap curves at balance sheet date.

Valuation units between investments exposed to a foreign exchange risk (underlying transactions) and foreign exchange sale contracts (hedging instruments) are formed in the same currency. The valuation units exist for the full projected holding period of the underlying transaction. Hedges are rolled as a matter of principle, i.e. as forward contracts near maturity, they are prolonged by a new hedge. The forward component, which is the difference between the spot exchange rate and the forward exchange rate, is not included in the offsettable portion of compensatory valuation but deferred over the term of the foreign exchange sale contract and recognized in profit or loss as interest earned or interest paid. Cash flows from the prolongation of contracts are offset in equity against the book values of the relevant underlying transactions, provided that the amount relates to the effective part of the hedge (net hedge presentation method). Please also refer to the disclosures pursuant to section 314 (1) no. 15 HGB (disclosures on valuation units) in the notes to the financial statements in this report.

Other loans and other investments are recognized at cost. In the case of permanent impairment, write-downs are performed to fair value. Where values recover, write-ups are performed to at most cost.

The fair value of other loans and other investments is established by means of a discounted cash flow method with factor premium model. Alternatively, an individual mark-to-model valuation can be performed.

Bank deposits are carried at nominal value.

Deposits with ceding companies are recognized at nominal value.

Investments for the account and risk of life insurance policyholders are recognized at fair value, i.e. at their redemption price.

Receivables

Receivables due from policyholders and insurance agents in connection with direct insurance business are recognized at nominal value less reasonable individual and flat-rate value adjustments.

Accounts receivable in connection with reinsurance business are recognized at nominal value less reasonable individual and flat-rate value adjustments.

Tangible assets and inventories

Under tangible assets and inventories, operating and office equipment is recognized at cost less straight-line depreciation based on an anticipated economic life of one to 20 years. Low-value assets with an acquisition value of € 250 or less are written off directly. Inventories are valued at cost.

Deferred tax assets

Deferred taxes are calculated and offset in accordance with sections 274 and 306 HGB and DRS 18. This takes account of temporary differences between the commercial balance sheets and tax balance sheets of the consolidated companies, unused tax loss carryforwards and other balance sheet differences due to consolidation processes.

Deferred tax assets are recognized only if an offset with future taxable profit is probable. As a matter of principle, tax loss carryforwards are only factored into the calculation of deferred tax assets if the tax relief from the loss carryforward can be anticipated within the next five years.

The recoverability of deferred tax assets is reviewed as of every reporting date.

The deferred tax rate that is determined takes account of the respective tax situation of individual items or that of the Group companies. For German companies, this means allowing for 15.0 % corporation tax plus a solidarity surcharge of 5.5 % of the tax burden and trade tax rates between 14.1 % and 16.7 %.

Changes in tax rates are taken into account as soon as they are enacted.

Other assets

Other asset items not mentioned individually are recognized at nominal value as a matter of principle.

Equity

Revenue reserves include the loss reserve pursuant to section 193 VAG and other revenue reserves. In 2020, the equity difference from currency translation included

reserves from the translation of the foreign currency positions of the foreign subsidiary that was deconsolidated in 2021. Minority interests include the prorated equity of subsidiaries that do not directly or indirectly belong 100 % to the Gothaer Group.

Underwriting reserves

Underwriting reserves are recognized in compliance with the provisions of sections 341e to 341h HGB.

The main types of reserves formed in property and casualty, life and health insurance are described below.

Underwriting reserves in property and casualty insurance

The volume of unearned premiums from direct insurance activities is predominantly established by the 360/360-method on the basis of statistic premiums from policies in force. Other fraction methods are applied to a limited extent. In the engineering and marine insurance lines, the flat-rate method is used to quantify unearned premiums. The costs that need to be deducted from unearned premiums are calculated in accordance with the letter from the Federal Ministry of Finance dated 30 April 1974. Reinsurers' shares are calculated on the basis of contractual arrangements.

In the case of reinsurance assumed, unearned premiums were established on the basis of information from cedants.

Aggregate policy reserves for accident insurance with premium return as well as annuity reserves are determined in compliance with the relevant legal provisions, in particular the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV). Aggregate policy reserves are determined on the basis of individual policies using the prospective method and taking into account future expenses. Individual losses reported and losses incurred but not reported are identified and calculated individually.

Following the amendment of the Policy Reserve Ordinance (DeckRV) on 1 March 2011 to take account of the low-interest environment, an additional interest reserve (Zinszusatzreserve - ZZR) is formed for policies where actuarial interest is above the reference interest rate. For new policies, the ZZR is based on the reference interest rate at balance sheet date (subject to the amendments to the DeckRV as of 23 October 2018) and taking conservative account of lapse probabilities. For existing policies, reserving is based on the “business plan for strengthening existing policy interest rates”.

The reserve for losses (except annuities) included in the reserve for outstanding claims in connection with direct insurance business has been determined on the basis of the anticipated requirement and calculated individually. The reserve for losses incurred but not yet reported is determined on a flat-rate basis in compliance with section 341g (2) HGB. It is based on previous years' figures and takes account of the specific requirements of individual lines and types of insurance.

The reserve for loss adjustment expenses is determined in line with the letter from the Federal Ministry of Finance dated 2 February 1973.

Reserves for outstanding claims in connection with reinsurance business assumed are consistently established at amounts equal to those provided by ceding companies plus necessary increases.

Accepted actuarial methods are used to determine the amount for terminal bonuses to be included in the reserve for premium refunds. The calculation rules are recorded in the authorized basic business plan for the payment of surplus bonuses (old policies within the meaning of section 336 of the Insurance Supervision Act (VAG)) or meet the requirements of section 28 (7) RechVersV (new policies within the meaning of section 336 VAG).

The reserves established to compensate for annual fluctuations in the need for funds (equalization reserves) are calculated on the basis of section 29 RechVersV and the Annex to section 29 RechVersV.

Reserves for major risks in connection with pharmaceutical product liability insurance are determined in compliance with section 341h HGB and section 30 (1) RechVersV.

Reserves for nuclear facilities are made in compliance with section 341h HGB and section 30 (2) RechVersV.

Reserves for terrorism risks are made in compliance with section 341h HGB and section 30 (2a) RechVersV.

The reserve established for unused premiums from suspended motor insurance policies is equal to the premium credited for the time elapsed between the date of interruption of insurance coverage and the reporting date. Premium credits are determined separately for each individual policy.

The reserve for obligations in connection with membership in “Verkehrsopferhilfe e.V.”, an association that assists victims of accidents caused by uninsured drivers, is based on the amount assessed by the association.

The reserve for cancellations is determined separately for each individual type of insurance on the basis of past experience.

The reserve for contractual premium adjustments pursuant to article 9 of the Fire Business Interruption Insurance Conditions (FBUB) is determined on a flat-rate basis.

The reserve for premium refunds in connection with reinsurance assumed is established on the basis of information from the ceding company.

Underwriting reserves in life insurance

Gross unearned premiums are calculated for each individual policy, taking account of the commencement date and the mode of premium payment agreed. Tax regulations are observed for the deduction of non-transferrable invoiced collection fees.

Policy reserves for direct written business are calculated for each individual policy, taking account of the relevant starting month.

As a matter of principle, policy reserves are calculated by the prospective method in accordance with section 341f HGB, section 25 RechVersV and the ordinances enacted pursuant to section 88 (3) VAG and section 235 (1) nos. 4 to 7 VAG respectively. In

the case of unit-linked products, the value-dependent actuarial capital for each individual policy is used as the basis for a unit-linked policy reserve. The relevant valid business plan is observed for existing policies in force. Future costs are implicitly taken into account. In particular, policy reserves are also formed for administrative costs during non-contributory periods.

In light of anticipated improvements in mortality, we strengthened policy reserves for annuity and pension policies concluded on or before 31 December 2004, taking as a basis both current mortality tables and company cancellation and capital settlement probabilities. The calculated adjustment that is required takes account of the policy reserve revaluation requirements that need to be met for compliance with Federal Financial Supervisory Authority publication VerBaFin 01/2005.

Policy reserves were also increased for supplemental occupational disability policies based on tables older than the DAV 1997 I. The degree of replenishment required was ascertained in accordance with Federal Financial Supervisory Authority publication VerBAV 12/98.

Since the amendment of the German Policy Reserve Ordinance (DeckRV) in 2018, the reference interest rate used to assess additional interest reserves (Zinszusatzreserve – ZZR) has been calculated by the so-called corridor method. Due to the rise in the level of interest rates, the reference interest rate remains unchanged against the prior year for the first time. It is 1.57 %.

In the regulated portfolio of Gothaer Lebensversicherung AG, reserves are formed on the basis of business plans to strengthen interest rates in existing policies. In the regulated portfolio of Gothaer Pensionskasse AG, the procedure agreed with the supervisory authority involves spreading the ZZR increase over a longer period.

Additional interest reserves were reversed by € 74.4 million for Gothaer Lebensversicherung AG, while an allocation of € 12.2 million was made for Gothaer Pensionskasse AG. Additional interest reserves account for 9.6 % of policy reserves at Gothaer Lebensversicherung AG and 8.6 % at Gothaer Pensionskasse AG (gross).

Reserves for known outstanding claims and redemptions are calculated for each individual claim or redemption incurred by balance sheet date and reported by the date on which reserves are established. Weighted reserves based on previous years' experience are formed for unresolved claims under invalidity policies. Flat-rate reserves are formed for claims that have been incurred but not yet reported. The gross amounts recognized include reserves for anticipated loss adjustment expenses at a level permissible under tax law.

The reserves for premium refunds include funds (terminal bonus funds) for future terminal bonuses and minimum participation in valuation reserves. Terminal bonus funds are calculated by recognized actuarial methods. The rules for calculating terminal bonus funds are set out in the relevant approved principle business plan for surplus participation (old policies as defined by section 336 VAG) or comply with the requirements of section 28 (7) RechVersV (new contracts as defined by section 336 VAG).

When deferred taxes are recognized pursuant to section 274 HGB, reserves for deferred premium refunds are formed to the value of policyholders' anticipated future participation in taxation and tax relief.

Other underwriting reserves are formed mostly to the value of the difference between the underwriting reserves required for unit-linked life policies where investment risk is borne by policyholders and the existing investment stock. For consortium agreements with external lead management, reserves are calculated on the basis of the values reported by the lead company.

Reinsurers' shares of underwriting reserves for insurance business ceded are calculated on the basis of the relevant reinsurance treaties.

Underwriting reserves in health insurance

Policy reserves are calculated for each individual policy by the prospective method in line with recognized actuarial principles. In the process, care is taken, in particular, to ensure observance of the procedures stipulated in the technical basis for calculation as well as section 341f HGB and sections 146 ff VAG.

Policy reserves also take into account transfers from lapsed policies as of 31 December of the financial year. These transfers are portable parts of the ageing reserve that policyholders can transfer when switching to another private health insurer.

The percentage share of the co-insured community established for members of the postal and railway civil servants health insurance schemes (GPV) is adopted as communicated by the GPV management, without changes.

Because tariff generations and premium adjustment periods differ, there are also different actuarial interest rates for different tariffs/groups of persons. The average actuarial interest rate in the financial year was 2.416 % (PY: 2.530 %).

Reserves for outstanding claims in direct written business were calculated using a statistical approximation method in line with section 341g (3) HGB in conjunction with section 26 (1) RechVersV. The bases are formed by payments made in the period under review for claims incurred as well as the ratio of the average payment made in the years 2020 to 2022 to the total payments made for prior-year claims. Arrears were taken into account. Separate estimates are made for prior-year claims and claims in the year before the prior year. Outstanding PKV-Verband invoices due to contractual arrangements and legal regulations – in particular in connection with the Corona pandemic – were also taken into account in reserves.

Reserves for loss adjustment expenses are included in reserves for outstanding claims. They were established on the basis of the ratio of total loss adjustment expenses incurred in the financial year to the total volume of insurance payments made. Reserves for loss adjustment expenses are calculated as the percentage of reserved insurance payments and recognized at 70 % of the total in accordance with tax regulations.

Reserves for profit-related and non-profit-related premium refunds include reserves for premium refunds pursuant to section 341e (2) no. 2 HGB. The transfer to these reserve takes account of the statutory instrument (KVAV) issued on the basis of section 160 VAG. The appropriation of these resources has been approved by the independent trustee as required by law.

Other underwriting reserves include reserves for anticipated premium refund payments arising from pending lawsuits against the validity of premium adjustments.

When deferred taxes are recognized pursuant to section 274 HGB, reserves for deferred premium refunds are formed to the value of policyholders' anticipated future participation in taxation and tax relief.

Other accruals

For non-insurance-based commitments, pension accruals were calculated by the projected unit credit method on the basis of the 2018 G mortality tables developed by Heubeck-Richttafeln-GmbH. Accruals were discounted at the average rate of interest over the last ten years in line with the Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung), assuming a residual term of 15 years. The difference between valuations at average interest over the last ten years and that over the last seven years is shown in the notes on "Other accruals" in the Notes to the Financial Statements. The effects of the change in the actuarial interest rate are recognized in the interest result.

Pension accruals at balance sheet date were calculated on the basis of the following actuarial parameters:

• Actuarial interest		1.79 % and 1.77 % (30.09.)
• Wage and salary trend		2.20 %
• Pension progression trend		1.90 % und 1.70 % (30.09.)
• Fluctuation	up to age 35	6.00 %
	up to age 45	3.00 %
	up to age 60	1.00 %

We exercised the option offered under section 67 (1) EGHGB to accumulate at least a fifteenth of the allocation resulting from the transition to valuation under the German Accounting Law Modernization Act (BilMoG) through to 31 December 2024 at the latest.

The option set out in section 28 (1) EGHGB was exercised.

For insurance-based commitments, IDW RH FAB 1.021 is applied. In the financial year, pension accruals were therefore formed for the first time at the fair value of the reinsurance contracts. This resulted in a € 515 thousand lower allocation to pension accruals.

Claims on reinsurance that are protected from all other creditors and serve to fulfil pension obligations are offset against pension accruals in accordance with section 246 (2) HGB.

The reserve for obligations in connection with pre-retirement employment agreements, which is recognized in miscellaneous accruals, is determined on the basis of actuarial principles. Calculation is based on the 2018 G mortality tables developed by Heubeck-Richttafeln-GmbH, taking account of a wage and salary trend of 2.20 % and actuarial interest of 0.51 %. Reinsurance contracts are concluded for pre-retirement employment obligations as a safeguard against insolvency. Claims arising from the reinsurance contracts are offset against the reserve for pre-retirement employment obligations in accordance with section 246 (2) HGB.

Investment fund certificates are held as fixed assets to cover obligations arising from working time accounts. The carrying value of the certificates is determined exclusively by their fair value. Pursuant to section 253 (1) HGB, accruals are recognized at the fair value of the investment fund certificates or the guaranteed minimum return, whichever is higher. In the case of certificates with a residual term of more than a year, the guaranteed minimum return is discounted at the average market interest rate over the past seven years. In accordance with section 246 (2) HGB, the fair value of the investment fund certificates is offset against miscellaneous accruals from working time assets. The effects of changes in the fair value of the cover assets are recognized in the interest result, unless they needed to be offset. Insolvency protection for employees' claims arising from working time assets is guaranteed in accordance with section 7e SGB IV (trustee model).

Accruals for taxes and all other miscellaneous accruals are recognized at the amount dictated by sound business judgement. Reserves with a residual term of more than a year were discounted over the rest of their life at the average rate of market interest over the last seven years.

Other liabilities

Deposits held in connection with reinsurance business ceded and miscellaneous liabilities are recognized at settlement amounts pursuant to section 253 (1) HGB. Deferred income is recognized at nominal value.

Other liability items not mentioned individually are recognized at nominal value as a matter of principle.

Notes to the Consolidated Statement of Financial Position

Assets

Changes in assets in the financial year 2022

			Carrying amount previous year
A.		Intangible assets	
	1.	Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets	193,024
	2.	Payments in advance	61,745
	3.	Subtotal A.	254,769
B	I.	Real estate, real estate rights and buildings, including buildings on third-party land	23,042
B	II.	Investments in affiliated companies and participations	
	1.	Shares in affiliated companies	76,742
	2.	Loans to affiliated companies	223,127
	3.	Shares in joint ventures and associated companies	276,723
	4.	Participations	813,251
	5.	Loans to participations	8,585
	6.	Subtotal B II.	1,398,428
Total			1,676,238

					€ thousand
Additions	Reclassfications	Disposals	Reversals	Amortization	Carrying amount financial year
2,505	23,036	709	0	41,233	176,623
61,337	-23,036	11	0	0	100,036
63,842	**0**	**720**	**0**	**41,233**	**276,658**
147	**0**	**0**	**0**	**814**	**22,375**
2,356	43,916	6,938	0	121	115,956
2,779	-223,156	2,550	0	0	200
949	0	8,669	33,183	37,080	265,106
133,179	0	337,600	221	43,639	565,413
0	0	4,566	0	0	4,019
139,263	**-179,239**	**360,321**	**33,404**	**80,840**	**950,694**
203,251	**-179,239**	**361,041**	**33,404**	**122,887**	**1,249,727**

Real estate, real estate rights and buildings, including buildings on third-party land

The carrying value of self-occupied land and buildings totalled € 22,375 thousand (PY:€ 23,042 thousand).

Comparison of book and fair value of investments

B. III. 1. and 2. include investment fund certificates, bearer bonds and other fixed-interest securities with a book value of € 25,953,229 thousand that are classified as long-term assets pursuant to section 341b (2) HGB. The fair value of these assets comes to € 21,509,102 thousand. Hidden liabilities total € 4,483,097 thousand.

For the methods used to establish fair values, please refer to our comments under Accounting and Valuation Policies.

Information on financial instruments with a book value higher than the fair value

		€ thousand	
		Carrying amount	Fair value
B.II.5.	Loans to participations	4,000	3,812
B.III.1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	21,715,568	17,835,868
B.III.2.	Bearer bonds and other fixed-interest securities	2,844,041	2,240,232
B.III.3.	Mortgages, liens on real property and annuities	38,417	36,963
B.III.4.a)	Registered bonds	645,182	574,288
B.III.4.b)	Promissory notes and loans	1,331,943	1,115,344
B.III.4.c)	Loans and advance payments on insurance policies	205	181
B.III.4.d)	Other miscellaneous loans	333,116	302,419

In the case of investments in unit trusts and funds with an annuity component or of a mixed nature, depreciation was waived on the grounds that impairment was temporary and exclusively due to the J-curve effect or a result of temporary fluctuations in value due to interest rate movements or changes in credit risk prices.

In the case of loans to participations, investments in unit trusts and funds with an annuity component, bearer bonds and other fixed-interest securities, mortgages, liens on real property and annuities, registered securities, promissory notes and loans, loans and advance payments on insurance policies as well as other miscellaneous loans, depreciation was waived because impairment was temporary, due to interest rate movements or credit risk/price fluctuations.

Information on valuation units

				€ thousand	
		Trading/Nominal volume		Carrying amount	Fair value
B. II. 4.	Participations			77,903	114,539
	Forward currency sales	148,900	TUSD		6,230
	Forward currency purchases	30,470	TUSD		-254
	Micro valuation unit	**118,430**	**TUSD**	**77,903**	**120,515**
B. II. 4.	Participations			184,883	208,184
	Forward currency sales	252,110	TUSD		10,919
	Forward currency purchases	28,770	TUSD		-341
	Portfolio valuation unit	**223,340**	**TUSD**	**184,883**	**218,762**
B. II. 4.	Participations			89,719	136,648
	Forward currency sales	53,400	TGBP		926
	Micro valuation unit	**53,400**	**TGBP**	**89,719**	**137,574**
B. II. 4.	Participations			66,595	80,997
	Forward currency sales	29,390	TGBP		426
	Forward currency purchases	2,710	TGBP		-42
	Portfolio valuation unit	**26,680**	**TGBP**	**66,595**	**81,381**
B. III. 1.	Investments in funds			143,803	137,167
	Forward currency sales	154,630	TUSD		6,428
	Forward currency purchases	7,100	TUSD		-169
	Portfolio valuation unit	**147,530**	**TUSD**	**143,803**	**143,426**
B. III. 1.	Investments in funds			23,523	22,779
	Forward currency sales	22,230	TGBP		361
	Forward currency purchases	2,240	TGBP		-30
	Micro valuation unit	**19,990**	**TGBP**	**23,523**	**23,110**
B. III. 2.	Bearer bonds			14,855	13,464
	Forward currency sales	15,360	TUSD		666
	Micro valuation unit	**15,360**	**TUSD**	**14,855**	**14,130**
B. III. 2.	Bearer bonds			133,159	109,843
	Forward currency sales	135,840	TUSD		5,873
	Portfolio valuation unit	**135,840**	**TUSD**	**133,159**	**115,716**
B. III. 4. a)	Registered bonds			2,846	2,789
	Forward currency sales	4,200	TGBP		71
	Forward currency purchases	1,700	TGBP		-14
	Portfolio valuation unit	**2,500**	**TGBP**	**2,846**	**2,846**

Forward exchange contracts are used to hedge exchange rate risks. Identical basis, currency and maturity ensure that the resulting compensating changes in value and cash flows can be expected to neutralize one another completely by the time the transaction matures.

Effectiveness is measured by the Critical Terms Match Method. Furthermore, the hedging relationship, the risk management targets set and the strategy adopted for the conclusion of various hedging transactions are documented at individual contract level.

Hedging effectiveness is verified at the beginning of the hedging relationship and on a continuous basis thereafter, i.e. regular checks are performed to establish whether the fluctuations in the value of the derivative financial instruments used for the hedging transaction largely counterbalance the fluctuations in the fair value or cash flows of the underlying transaction hedged.

Hedges are reported in the balance sheet exclusively by the net hedge presentation method.

Shares in joint ventures and associated companies

Shares in joint ventures and associated companies include no goodwill.

Information on investment fund certificates with a share ownership of more than 10 %

€ thousand

Type of fund/ investment objective	Carrying amount	Fair value	Difference	Payout	Redemption option
Equity fund	1,288,871	1,288,871	0	5,713	daily
Pension fund	19,566,840	16,129,434	-3,437,405	362,948	daily or within one month
Property fund	1,690,726	1,947,766	257,040	149,599	daily or within max. six months
Other	2,908,397	2,473,778	-434,619	34,943	daily

The property funds shown here as well as other funds are basically valued on the strict lower-of-cost-or-market principle.

Equity funds and pension funds are valued on the moderate lower-of-cost-or-market principle according to section 341b (2) HGB.

Other loans

	€ thousand	
	2022	2021
B.III.4. Other loans		
a) Registered bonds	1,151,244	1,461,222
b) Promissory notes and loans	1,529,168	1,690,373
c) Loans and advance payments on insurance policies	16,615	18,705
d) Other miscellaneous loans	365,644	182,127
Total	**3,062,671**	**3,352,427**

Deferred tax assets

Differences between valuations in the commercial balance sheets and tax balance sheets of the consolidated companies resulted in an asset-side balance from future tax benefits. The deferred tax assets recognized for this are essentially due to lower valuations in the commercial balance sheets for investments and higher valuations in the commercial balance sheets for loss reserves and annuities for pensions and similar obligations. They also result from the recognition of deferred taxes on tax loss carry forwards.

Equity and Liabilities

Other accruals

The difference between the valuation of accruals for pensions and similar obligations at average interest over the last ten years and that over the last seven years was € 22,780 thousand (PY: € 34,340 thousand).

Offsetting of assets and liabilities

Pursuant to section 246 (2) HGB, plan assets from reinsurance of € 579 thousand (PY: € 566 thousand) have been offset against corresponding pension obligations of € 813 thousand (PY: € 749 thousand). The fair value of the plan assets offset is equal to value at cost.

The settlement value of obligations from working time accounts recognized in Other accruals – € 388 thousand (PY: € 253 thousand) – was offset against the € 412 thousand fair value of investment fund certificates held in trust as security (PY: € 253 thousand). The cost of the investment fund certificates totals € 413 thousand (PY: € 253 thousand).

Notes to the Consolidated Income Statement

Gross written premiums

	€ thousand	
	2022	2021
Life insurance business	1,180,409	1,446,087
Health insurance business	927,801	919,208
Property and casualty insurance business	2,358,185	2,217,229
Of which:		
Germany	4,338,493	4,446,660
Other EEA States	120,158	128,551
Third countries	7,743	7,313
Direct insurance business	4,466,394	4,582,524
Reinsurance business assumed	103,429	111,757
Total	**4,569,823**	**4,694,281**

Investment expenses

Amortization of investments includes non-scheduled depreciation of € 101,528 thousand (PY: € 51,398 thousand) in accordance with section 277 (3) HGB.

Other income

Other income includes € 182 thousand (PY: € 0 thousand) income from the discounting of reserves and income from currency translation totals € 684 thousand (PY: € 815 thousand).

Other expenses

Other expenses include € 10,131 thousand (PY: € 31,844 thousand) from the discounting of reserves and € 2,537 thousand (PY: € 2,759 thousand) from currency translation. Non-scheduled depreciation of € 925 thousand (PY: € 0 thousand) was recognized for intangible assets.

Offsetting of income and expenses

In line with the offsetting of retirement pension commitments and the corresponding plan assets, related expenses of € 64 thousand (PY: € 80 thousand) were offset against related income of € 13 thousand (PY: € 12 thousand) as stipulated in section 246 (2) HGB.

Other disclosures

List of holdings

Subsidiaries included in consolidated financial statements

			as %
Name	**Domicile**		**Ownership interest***
Parent company			
Gothaer Versicherungsbank VVaG	Cologne	DE	
CG Car-Garantie Versicherungs-Aktiengesellschaft	Freiburg i. Brsg.	DE	67.0
FWP Lux Feeder Beta S.A.	Munsbach	LU	100.0
GG-Grundfonds Vermittlungs GmbH	Cologne	DE	100.0
Gothaer Allgemeine Versicherung AG	Cologne	DE	100.0
Gothaer Asset Management AG	Cologne	DE	100.0
Gothaer Beratung und Vertriebsservice GmbH	Cologne	DE	100.0
Gothaer Erste Kapitalbeteiligungsgesellschaft mbH	Cologne	DE	100.0
Gothaer Finanzholding AG	Cologne	DE	100.0
Gothaer Grundbesitz GmbH	Cologne	DE	100.0
Gothaer Invest- und FinanzService GmbH	Cologne	DE	100.0
Gothaer Krankenversicherung AG	Cologne	DE	100.0
Gothaer Leben Renewables GmbH	Cologne	DE	100.0
Gothaer Lebensversicherung AG	Cologne	DE	100.0
Gothaer Pensionskasse AG	Cologne	DE	100.0
Gothaer Sechste Kapitalbeteiligungsgesellschaft mbH	Pullach i. Isartal	DE	100.0
Gothaer Systems GmbH	Cologne	DE	100.0
Gothaer Zweite Beteiligungsgesellschaft Niederlande mbH	Cologne	DE	100.0
Hamburg-Kölner-Vermögensverwaltungsgesellschaft mbH	Cologne	DE	100.0
Janitos Versicherung AG	Heidelberg	DE	100.0
MediExpert Gesellschaft für betriebliches Gesundheitsmanagement mbH	Cologne	DE	100.0
PE Holding USD GmbH	Cologne	DE	100.0
VBMC ValueBasedManagedCare GmbH	Cologne	DE	100.0

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Subsidiaries not included in consolidated financial statements

Pursuant to section 296 (1) no. 3 HGB and section 296 (2) HGB, the following subsidiaries are not included in the consolidated financial statements because they are intended to be sold or because they are of minor significance for the Group:

			as %
Name	**Domicile**		**Ownership interest***
A.S.I. Wirtschaftsberatung AG	Münster	DE	100.0
CarGarantie Courtage SARL	Didenheim-Mulhouse	FR	67.0
Car-Garantie GmbH	Freiburg i. Brsg.	DE	67.0
GBG-Consulting für betriebliche Altersversorgung GmbH	Hamburg	DE	100.0
GKC Gothaer Kunden-Service-Center GmbH	Cologne	DE	100.0
GoReLux II GP S.á.r.l.	Luxemburg	LU	100.0
Gothaer Digital GmbH	Cologne	DE	100.0
Gothaer Risk-Management GmbH	Cologne	DE	100.0
Gothaer Vertriebs-Service AG	Cologne	DE	100.0
GSC Gothaer Schaden-Service-Center GmbH	Berlin	DE	100.0
GSG Garantie-Service GmbH	Freiburg i. Brsg.	DE	67.0
IWS International Warranty Solutions GmbH i.L.	Cologne	DE	67.0
Medico GmbH & Co. KG	Frankfurt a.M.	DE	99.9
MVVS Meine Versicherungen-Vermittlungsservice GmbH	Cologne	DE	100.0
Pensus Pensionsmanagement GmbH	Göttingen	DE	100.0
RE Feeder GmbH	Cologne	DE	100.0
Schroders Immobilienwerte Deutschland	Frankfurt a.M.	DE	69.0

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Schroders Immobilienwerte Deutschland is a controlled entity pursuant to section 290 (2) No. 4 HGB (majority of the risks and rewards of a special purpose entity). Only Schroders Immobilienwerte Deutschland is not included in the consolidated financial statements in accordance with section 296 (1) No. 3 HGB on the grounds that shares are held for the purpose of onward sale.

Joint ventures and associated companies included in the consolidated financial statements

			as %
Name	**Domicile**		**Ownership interest***
KILOS Beteiligungs GmbH & Co. Vermietungs-KG	Pöcking	DE	93.1
OPCI French Wholesale Properties - FWP, SPPPICAV	Paris	FR	43.1
OWP Nordergründe GmbH & Co. KG	Bremen	DE	40.0
ROLAND Rechtsschutz-Versicherungs-AG	Cologne	DE	40.0

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Joint ventures and associated companies not included in the consolidated financial statements

Pursuant to section 311 (2) HGB and DRS 27, the following joint ventures and associated companies are not included in the consolidated financial statements due to their minor significance for the Group:

			as %
Name	**Domicile**		**Ownership interest***
LM+ - Leistungsmanagement GmbH	Cologne	DE	25.0
RCP Deutscher Solarfonds II GmbH & Co. KG	Frankfurt a.M.	DE	24.0
Wegatech Greenergy GmbH	Cologne	DE	19.8

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Participations not included in consolidated financial statements

				€ thousand	
Name	**Domicile**		**Ownership interest * as %**	**Equity**	**Net result for the year**
Aberdeen Asia Pacific II, L.P.	George Town	KY	13.4	108,680	17,307
Accession Mezzanine Capital III L.P.	St. Helier	JE	18.0	45,037	11,793
Achmea B.V.	Zeist	NL	1.2	10,624,000	467,000
Beechbrook Mezzanine II L.P.	Edinburgh	GB	16.6	48,075	8,658
Beechbrook Private Debt III L.P.	London	GB	15.5	174,374	36,977
Behrman Capital PEP L.P.	Wilmington	US	2.5	58,924	258,783
Behrman Capital IV, L.P.	Wilmington	US	12.3	64,438	62,806
Curzon Capital Partners IV L.P.	London	GB	8.6	228,276	51,821
EMF NEIF I (A) L.P.	London	GB	42.4	36,060	-4,023
EPISO IV, L.P.	London	GB	2.7	1,495,498	216,027
European Alliance Partners Company AG	Zürich	CH	12.5	9,141	346
EXTREMUS Versicherungs-Aktiengesellschaft	Cologne	DE	5.0	63,466	-754
Falcon Strategic Partners IV, L.P.	Wilmington	US	2.8	660,213	23,340
Falcon Strategic Partners V (Cayman), L.P.	George Town	KY	31.1	112,007	20,025
FirstMark Capital II, L.P.	Wilmington	US	13.3	716,232	279,926
FirstMark Capital III L.P.	Wilmington	US	13.5	1,073,008	711,324

				€ thousand
Name	Domicile	Ownership interest * as %	Equity	Net result for the year
FirstMark Capital OF I, L.P.	Wilmington US	16.7	296,600	142,932
GDV Dienstleistungs-GmbH	Hamburg DE	1.1	29,653	983
heal.capital I GmbH & Co. KG	Berlin DE	3.0	25,050	-2,492
HC Property Heureka I Alpha S.à.r.l.	Luxemburg LU	5.3	25,529	754
HC Property Heureka II Beta S.à.r.l.	Luxemburg LU	5.3	20,376	915
HC Property Heureka III Gamma S.à.r.l.	Luxemburg LU	5.3	13,164	817
HC Property Heureka IV Delta S.à.r.l.	Luxemburg LU	5.3	13,259	819
New York Life Capital Partners IV, L.P.	New York US	9.2	14,470	1,514
PineBridge Secondary Partners III L.P.	Wilmington US	12.4	149,048	31,432
PineBridge Secondary Partners IV Feeder, SLP	Luxemburg LU	10.5	354,564	78,717
Praesidian Capital Bridge Fund, L.P.	Wilmington US	19.9	18,030	4,938
Praesidian Capital Opportunity Fund III-A, L.P.	Wilmington US	32.7	13,956	-2,764
Protektor Lebensversicherungs-AG	Berlin DE	2.3	7,854	2
RREEF Pan-European Infrastructure Feeder GmbH & Co. KG	Eschborn DE	27.8	256,427	-440
Sana Kliniken AG	München DE	2.4	680,895	85,459
SilkRoad Asia Value Parallel Fund, SICAV-SIF	Luxemburg LU	15.4	371,095	60,160
WAI S.C.A., SICAV- FIS / Private Equity Secondary 2008	Luxemburg LU	22.1	22,816	785

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

The option set out in section 313 (3) sentence 4 HGB was exercised in drawing up the list of holdings.

The disclosures refer to the last financial year for which financial statements were available. Financial statements denominated in foreign currencies were translated into euros at the mean spot rate at balance sheet date.

Liabilities

Liabilities with a residual term of more than five years totalled € 319,346 thousand (PY: € 319,350 thousand).

Board membership and remuneration

Members of the Supervisory Board and Management are identified by name at the beginning of this report.

Remuneration paid to Management totalled € 8,696 thousand. Retirement, survivors' benefits and other payments for former members of Management came to € 4,785 thousand. Pension accruals totalling € 82,094 thousand exist for this group of individuals.

Remuneration paid to the Supervisory Board and Advisory Board totalled € 1,091 thousand and € 65 thousand respectively.

Directorships of Members of the Supervisory Board and Management

Supervisory Board	Membership of other statutory supervisory boards	Comparable domestic and foreign directorships and officerships
Prof. Dr. Werner Görg Chair	Gothaer Finanzholding AG (Chair), Gothaer Krankenversicherung AG (Chair), Gothaer Allgemeine Versicherung AG (Chair), Gothaer Lebensversicherung AG (Chair)	
Carl Graf von Hardenberg Vice Chair	Gothaer Finanzholding AG, Gothaer Allgemeine Versicherung AG, Hardenberg-Wilthen AG (Chair), Volksbank Kassel Göttingen eG	
Urs Berger	Gothaer Finanzholding AG, Schweizerische Mobiliar Genossenschaft (Administrative Board Chair), Schweizerische Mobiliar Holding AG (Administrative Board Chair), van Baerle AG, SZ Consulting AG, Basler Kantonalbank, SensoPro AG, Ringier AG, Ammann Group Holding AG, ILEVE OPTICS AG as of 7 Oktober 2022	
Gabriele Eick	Gothaer Finanzholding AG, Die Mobiliar AG	Goethe-Universität Frankfurt am Main (Foundation), Landesstiftung Miteinander in Hessen, Zoologische Gesellschaft Frankfurt (Foundation), Aramark GmbH (Chair)
Prof. Dr. Johanna Hey	Gothaer Finanzholding AG, ADVA Optical Networking SE (Vice Chair), Flossbach von Storch AG	ADTRAN Inc. as of 15 July 2022
Jürgen Wolfgang Kirchhoff	Gothaer Finanzholding AG, Märkische Bank eG (Chair)	

Management	Membership of other statutory supervisory boards	Comparable domestic and foreign directorships and officership
Oliver Schoeller Chair	Gothaer Systems GmbH (Vice Chair), ROLAND Rechtsschutz-Versicherungs-AG (Vice Chair), Gothaer Pensionskasse AG, Gothaer Asset Management AG (Vice Chair)	Eurapco AG (Chairman of the Board) AMICE (Vice President)
Thomas Bischof	Janitos Versicherung AG (ordinary member) up to 31 December 2022, (Chair) as of 1 January 2023	Wegatech Greenergy GmbH as of 24 October 2022
Oliver Brüß	Janitos Versicherung AG (Vice Chair), Gothaer Pensionskasse AG (Vice Chair), A.S.I. Wirtschaftsberatung AG (Chair), Gothaer Vertriebs-Service AG (Chair)	easy Login GmbH
Dr. Mathias Bühring-Uhle	Janitos Versicherung AG (Chair) up to 31 December 2022, (ordinary member) as of 1 January 2023, A.S.I. Wirtschaftsberatung AG up to 31 December 2022, Gothaer Systems GmbH (Chair), CG Car-Garantie Versicherungs-AG (Chair)	
Dr. Sylvia Eichelberg	LEG Immobilien SE, A.S.I. Wirtschaftsberatung AG as of 1 January 2023	
Harald Epple	Gothaer Pensionskasse AG (Chair), Gothaer Asset Management AG (Chair), ROLAND Rechtsschutz-Versicherungs-AG	Wegatech Greenergy GmbH as of 24 October 2022
Michael Kurtenbach	A.S.I. Wirtschaftsberatung AG (Vice Chair), Gothaer Vertriebs-Service AG (Vice Chair), Pensionskasse der BERLIN-KÖLNISCHE Versicherungen VVaG (Chair), Versorgungskasse Gothaer Versicherungsbank VVaG (Chair), GDV Dienstleistungs-GmbH, Gothaer Asset Management AG	

Total fee for the statutory auditor

	€ thousand	
	2022	2021
Auditing of financial statements	1,285	1,689
Attestation services	111	23
Tax advisory services	0	52
Other services	0	29
Total	**1,396**	**1,794**

Personnel expenses

	€ thousand	
	2022	2021
1. Wages and salaries	348,761	344,753
2. Social security contributions and employee benefits	57,889	56,060
3. Post retirement benefits	43,877	20,630
4. Total expenses	**450,528**	**421,443**

Human resources on average

	Persons	
	2022	2021
In house	4,280	4,271
In the field	495	487
	4,775	**4,758**
Apprentices	232	227
Total	**5,007**	**4,985**

Contingent liabilities and other financial commitments

In compliance with section 28 (1) EGHGB, accruals of € 4,362 thousand have not been recognized for pension-related obligations for which a legal entitlement was acquired prior to 1 January 1987.

Pension accruals of € 8,705 thousand were not recognized on the balance sheet because the apportionment option under section 67 (1) EGHGB was exercised.

At year-end, contributions totalling € 959,111 thousand were outstanding for shares held in affiliated companies and associates as well as for other investments (including € 123,480 thousand payable to affiliated companies).

Other financial commitments arising from long-term leasing and rental agreements totalled € 104,930 thousand at balance sheet date.

Under a guarantee bond, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG have an obligation towards their house bank to meet potential demands by US tax authorities for the repayment of tax refunds totalling USD 5,815 thousand in connection with credited US cheques. Based on years of experience with comparable US cheque credits, we currently see no significant risk of a claim being made on the guarantee bond.

Standard market purchase price adjustment and indemnification obligations as well as purchase price guarantees totalling approximately € 1,225 thousand have been assumed from the sale of a shareholding in the prior year. The risk of claims actually being made on these obligations and guarantees is regarded as low because the litigation risk inherent in indemnification risks is currently considered unlikely to materialize.

Gothaer Allgemeine Versicherung AG and Janitos Versicherung AG are members of the association "Verkehrsopferhilfe e. V.". This membership entails an obligation to contribute to the funds that the association requires to carry out its activities. The contribution is based on the share of the premium income generated by member companies from direct written motor and liability insurance in the year prior to the previous calendar year.

On the basis of sections 221 ff. VAG, health insurers are required to be members of a guarantee fund. After the assumption of insurance contracts, the fund can levy special contributions up to 2 ‰ of the sum of net underwriting reserves for the fulfilment of its duties.

In accordance with sections 221 ff. VAG, the life insurers are members of the life insurers' guarantee fund (Sicherungsfonds für die Lebensversicherer). In addition to the obligatory current contributions, the fund can levy special contributions up to 1 ‰ of the sum of net underwriting reserves on the basis of the Guarantee Fund Financing Ordinance (Life). Furthermore, in the event of the fund not having the resources needed to handle a rescue case, Gothaer Lebensversicherung AG has committed to make financial resources available to the guarantee fund – or alternatively to Protektor Lebensversicherungs-AG – in an amount equal to 1 % of the sum of net underwriting reserves, taking account of the contributions already made to the guarantee fund. The total commitment to the guarantee fund at balance sheet date was € 228,950 thousand.

Events of special significance

No events of special significance occurred after the conclusion of the financial year 2022.

Proposal for the appropriation of profit

The profit for the year registered by our parent company Gothaer Versicherungsbank VVaG was € 21,107,432.65. Including the profit of € 8,553.76 brought forward from 2021, the retained profit available to the General Members Meeting for appropriation is € 21,115,986.41.

We propose to the General Members Meeting that the sum of € 21,110,000.00 should be transferred to other revenue reserves and € 5,986.41 should be carried forward.

Cologne, 5 April 2023

Management

Oliver Schoeller

Thomas Bischof

Oliver Brüß

Dr. Mathias Bühring-Uhle

Dr. Sylvia Eichelberg

Harald Epple

Michael Kurtenbach

Independent Auditors' Report

GOTHAER Versicherungsbank VVaG, Cologne

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of GOTHAER Versicherungsbank VVaG, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement for the financial year from 1 January 2022 to 31 December 2022 and the notes to the consolidated financial statements, including the presentation of accounting and valuation policies.

We have also audited the Group management report of GOTHAER Versicherungsbank VVaG, for the financial year from 1 January 2022 to 31 December 2022. In accordance with German legal requirements, we have not audited the parts of the Group management report referred to under "OTHER INFORMATION".

In our opinion, based on the knowledge obtained in the course of the audit,

– the accompanying consolidated financial statements comply in all material respects with the rules of German commercial law applicable to insurance companies and, in accordance with German general accounting principles, present a true and fair picture of the net assets and financial position of the Group as at 31 December 2022 as well as the results of its operations from 1 January 2022 to 31 December 2022 and

– the accompanying management report as a whole provides an accurate view of the situation of the Group. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the parts of the Group management report referred to under "OTHER INFORMATION".

Pursuant to section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not resulted in any reservations with regard to the legal compliance of the consolidated financial statements or the Group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the Group management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as „EU Audit Regulation“), observing the German Generally Accepted Standards on Auditing as promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Our responsibilities under those regulations and standards are described in more detail in the section of our auditor's report headed "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT“. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained provides an adequate and reasonable basis for our opinions on the consolidated financial statements and Group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were considered in the context of our audit of the consolidated financial statements as a whole and in the process of forming our audit opinion on them; we do not provide a separate audit opinion on these matters.

We identified the following as key audit matters that need to be addressed in our report:

1. valuation of investments in unit trusts or funds recognized as fixed assets
2. valuation of the policy reserve (gross)
3. valuation of partial loss reserves for known and unknown claims included in the gross reserve for outstanding claims in property and casualty insurance

VALUATION OF INVESTMENTS IN UNIT TRUSTS OR FUNDS RECOGNIZED AS FIXED ASSETS

The issue

The consolidated financial statements of GOTHAER Versicherungsbank VVaG as at 31 December 2022 show shares, investments in unit trusts or funds and other non-fixed-interest securities totalling € 24,280 million. This includes net hidden liabilities of € 3,858 million, which materially affects the net assets and earnings of the Group.

In accordance with section 341b (2) HGB, the Group has largely designated shares in investment funds – which make up the major part of the balance sheet item shares, investments in unit trusts or funds and other non-fixed-interest securities – as being held to serve business operations on a permanent basis. These shares in investment funds are valued in accordance with the valuation rules applicable to fixed assets. They are recognized in the balance sheet at cost. In accordance with section 253 (3) HGB, depreciation is recognized only in the case of permanent impairment. Write-ups pursuant to section 253 (5) HGB are performed if the reason for impairment no longer exists. Fair value is determined by means of a fund review.

The valuation methods used to determine fair value are influenced by discretionary decisions and assumptions made by the legal representatives. For the consolidated financial statements, there is a fundamental risk that the lower fair value of the shares in investment funds at balance sheet date is lower than their book value and that any necessary write-downs to the lower fair value are not performed. As a result – and due to the significance of the amount for the consolidated financial statements – the valuation of shares in investment funds recognized as fixed assets was a key audit matter.

The information provided by GOTHAER Versicherungsbank VVaG on the recognition and valuation of shares in investment funds is contained in the "Investments" subsection of "Accounting and Valuation Policies" in the Notes to the Consolidated Financial Statements. Risk disclosures are found under "Investment risks" in the "Opportunities and risks for the Group" section of the management report.

Audit response

To audit the valuation of shares in investment funds recognized as fixed assets, we performed the following key audit procedures in a risk-oriented approach:

First of all, we satisfied ourselves on the basis of the liquidity plans presented that the Group has the ability to hold the shares in investment funds recognized as fixed assets on a permanent basis.

We then gained an understanding of the processes used to determine the fair value of the shares in investment funds. Based on this, we performed an audit of the design and operation of the key internal controls embedded in the valuation process to ensure that fair values are determined and processed correctly.

We also performed an assessment of the methods used to determine the conformity and consistency of the fair values. At the same time, we assessed the application of the rules announced by the IDW Insurance Committee.

Furthermore, we verified the entry of the fund data by the capital management company in the investment subledger and subsequently in the calculation document. In the next step, we checked that the calculation logic was correctly implemented in the calculation document and satisfied ourselves of the mathematical accuracy for randomly selected shares in investment funds.

VALUATION OF THE POLICY RESERVE (GROSS)

The issue

The consolidated financial statements of GOTHAER Versicherungsbank VVaG as of 31 December 2022 show a gross policy reserve of € 25,200 million. This equates to a share of 70.0 % of the balance sheet total. The reported policy reserve is largely attributable to life and health insurance. This has a significant impact on the financial position of the Group.

Tariff-dependent valuation of the policy reserve in life insurance is performed in accordance with section 341f of the German Commercial Code (HGB) and section 25 of the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV) on a policy-by-policy and prospective basis and is calculated by subtracting the present value of future premiums from the present value of future benefits. The basis is formed by the bases for calculation notified to the supervisory authority pursuant to section 143 VAG or the business plans approved by the supervisory authority.

Valuation is based on biometric assumptions and assumptions on cost and interest rate developments, additionally taking into account the regulations governing additional interest reserves and an interest rate reinforcement in the existing portfolio. The risk for the consolidated financial statements is that policy data are not fully taken into account in the calculation and that the policy reserve is under- or overvalued as a result of incorrect application or determination of the calculation parameters. Due to the complexity of the valuation, there is a risk for the financial statements that the amount of the policy reserve fails to meet legal requirements.

The policy reserve (gross) in health insurance is basically the sum of the ageing provisions calculated for each individual policy. Depending on the tariff, the ageing provisions of the individual policies are generally calculated automatically.

The policy reserve consists of the tariff-based ageing provision, the accumulated funds from the direct credit pursuant to section 150 VAG and the reserve for the statutory loading pursuant to section 149 VAG.

In addition to the rules of commercial law, supervisory regulations must also be taken into account. The assumptions made for calculating premiums must also be used for calculating ageing provisions. Key factors here are interest rate, lapse rate and calculated per capita claims, i.e. average claims payments per person per year. The rate of change as the insured person advances in age particularly needs to be taken into account in the calculated per capita claims. In the case of premium adjustments, changes in assumptions may only be implemented after approval by the independent trustee.

Due to the high complexity of the process of calculating ageing provisions, there is a risk for the financial statements that the amount of ageing provision fails to meet legal requirements.

As a result – and due to the significance of the amounts for the consolidated financial statements as at 31 December 2022 – the valuation of policy reserves (gross) in life and health insurance was a key audit matter.

The information provided by GOTHAER Versicherungsbank VVaG on the valuation of policy reserves is contained in the "Underwriting reserves in life insurance" and Underwriting reserves in health insurance" sub-

sections of "Accounting and Valuation Policies" in the Notes to the Consolidated Financial Statements. Risk disclosures are found under "Underwriting risks" in the "Life insurance" and "Health insurance sub-sections of "Opportunities and risks for the Group" in the Group Management Report.

Audit response

To audit the policy reserve in life insurance, we performed the following key audit procedures, which were carried out by our own specialists with knowledge of actuarial mathematics:

First of all, we noted the procedures adopted by the Group to determine and recognize the policy reserve. We satisfied ourselves that the relevant controls for the valuation of the policy reserve were appropriate and implemented and we verified their effectiveness by control testing. We particularly focused on the controls for ensuring the completeness and accuracy of policy data in the portfolio management system and the controls for calculating the policy reserves for individual policies.

Based on this, we performed substantive procedures on the valuation of the policy reserve, including interest rate reinforcements (additional interest reserve and interest rate reinforcement in the existing portfolio). We spot-checked the results obtained by the Group for policy reserves for individual policies and verified that the valuation methods used were applied consistently. In this connection, we also examined whether interest rate reinforcements were determined in accordance with legal/business plan stipulations and whether assumptions on cancellation and capital settlement probabilities were made in a transparent manner. We also examined whether the general or individually adjusted tables published by the German Association of Actuaries (Deutsche Aktuarvereinigung - DAV) were properly applied. At the same time, we employed an internal profit breakdown to satisfy ourselves that there were no long-term negative risk results.

We then evaluated the report of the responsible actuary. In particular, we examined his assessment of the valuation parameters used in the valuation of the policy reserve, checked that they were appropriate and satisfied ourselves that the report does not contain any statements that contradict our audit results.

To audit the policy reserve in health insurance, we performed the following key audit procedures, which were carried out by our own specialists with knowledge of actuarial mathematics:

First of all, we noted the procedures adopted by the Group to determine and recognize the policy reserve. We satisfied ourselves that the relevant controls for the valuation of the policy reserve were appropriate and implemented and we verified their effectiveness by control testing. We particularly focused on the controls for ensuring the completeness and accuracy of policy data in the portfolio management system and the controls for ensuring that new tariffs and assumption changes were recognized correctly.

Based on this, we performed substantive procedures on the valuation of the policy reserve. For a random selection of policies in force, we recalculated the ageing provision to verify whether the ageing provisions for individual policies were determined in line with the specifications of the so-called "Technische Berechnungsgrundlagen" (Technical Calculation Bases). At the same time, we checked whether the calculation assumptions made on actuarial interest rate, calculated per capita claims and mortality and lapse tables were consistent with those made for calculating premiums.

We then satisfied ourselves that the independent trustee approved the changes in the premium adjustments made in the financial year and that the actuarial corporate interest rate (AUZ) was determined in accordance with the current rules. For deliberately selected individual cases, we checked that the new bases for calculation were applied correctly. We also verified the calculation of the limitation funds from the reserve for premium refunds.

For the ratio of policy reserve to earned premiums, which we determined for each tariff, we analyzed the changes against the prior year. In addition, we isolated known factors such as limitation funds from reserves for premium refunds, direct credits, actuarial interest and Zillmer adjustments from the overall change in the policy reserve and analyzed the remaining change over time.

We also retraced the calculation of the direct credit from net return pursuant to section 150 (1) and (2) VAG and reconciled the corresponding write-up to the policy reserve.

VALUATION OF THE PARTIAL LOSS RESERVES FOR KNOWN AND UNKNOWN CLAIMS INCLUDED IN THE GROSS RESERVE FOR OUTSTANDING CLAIMS IN PROPERTY AND CASUALTY INSURANCE

The issue

The consolidated financial statements of GOTHAER Versicherungsbank VVaG as at 31 December 2022 show a gross reserve for outstanding claims of € 3,708 million. This was 10.3 % of the balance sheet total and materially affects the net assets of the Group.

The reserve for outstanding claims is subdivided into various partial loss reserves. A substantial part of the gross reserve for outstanding claims in property and casualty insurance is formed by the reserves for known and unknown claims.

For known claims, i.e. claims that occurred and were reported by balance sheet date, the anticipated claims expenditure is estimated according to the individual valuation principle. For unknown claims, an IBNR reserve is formed, based on empirical values. The risk for the consolidated financial statements is primarily that the outstanding claim payments anticipated for known claims are improperly estimated and that the level of claims expected for unknown claims that have already occurred is incorrectly assessed. This could result in an over- or undervaluation of the reserve for outstanding claims.

The methods used to determine the partial loss reserves for known and unknown claims as well as the detailed calculation parameters applied are influenced by discretionary decisions and assumptions made by the legal representatives. As a result – and due to the significance of the size of the outstanding claims reserve for the consolidated financial statements as at 31 December 2022 – the valuation of the partial loss reserves for known and unknown claims was a key audit matter.

The information provided by GOTHAER Versicherungsbank VVaG on the valuation of the reserve for outstanding claims in property and casualty insurance is contained in the "Underwriting reserves in property and casualty insurance" sub-section of "Accounting and Valuation Policies" in the Notes to the Consolidated Financial Statements. Risk disclosures are found under "Underwriting risks" in the "Property and casualty insurance" sub-section of "Opportunities and risks for the Group" in the Group management report.

Audit response

To audit the valuation of the partial loss reserves for known and unknown claims in property and casualty insurance, we performed the following key audit procedures in a risk-oriented approach:

First of all, we gained an understanding of the processes used to determine the gross partial loss reserves for known and unknown claims. Based on this, we performed an audit of the design and operation of the key internal controls embedded in the claims settlement process to ensure that the required reserves are complete and correct.

To verify the valuation of the partial loss reserve for unknown claims, we retraced the Group's calculation for selected risk-oriented lines and classes of insurance to establish the volume of unknown IBNR claims. In particular, we assessed the parameters used on the basis of historical experience and current developments. With regard to known claims not yet settled at balance sheet date, we performed substantive testing on risk-oriented and random samples of claims to verify the correctness of the claim file management and the appropriateness of the reserve that was formed. At the same time, we examined the records to verify the estimates of probable loss for various lines and classes of insurance.

In addition, we analyzed the actual development of the prior-year reserve for outstanding claims on the basis of the run-off results.

We checked the plausibility of the development of the outstanding claims reserve on the basis of key figure and time series analyses.

We also performed our own actuarial reserve calculations for selected segments, which were chosen specifically on the basis of risk considerations. In each case, we estimated the total claims expenditure (gross) in order to verify the adequacy of the reserves for outstanding claims and the level of security achieved.

The audit was performed with the help of our own specialists with knowledge of actuarial mathematics.

OTHER INFORMATION

The legal representatives and/or the supervisory board are responsible for other information. Other information comprises:

- the separately published non-financial Group report referred to in the Group management report
- the Group governance statement included in the "Gender diversity" section of the Group management report, and
- the other parts of the annual report, with the exception of the audited consolidated financial statements and Group management report as well as our auditor's report.

Our audit opinions on the consolidated financial statements and Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of audit conclusion on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether

- whether it is materially inconsistent with the consolidated financial statements, the Group management report or the knowledge we obtained in the audit, or
- whether it otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

The legal representatives are responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law pertaining to insurance companies and that, in accordance with German general accounting principles, give a true and fair view of the net assets, financial position and results of the operations of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary, in accordance with German general accounting standards, to permit the preparation of consolidated financial statements that are free from material misstatement as a result of malicious acts (i.e. manipulation of accounts and damage to assets) or errors.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for making disclosures, as appropriate, in relation to going concern. In addition, they have a responsibility to draw up annual financial statements based on the going concern assumption unless there are actual or legal circumstances that preclude this.

Furthermore, the legal representatives are responsible for preparing a Group management report that, as a whole, provides an accurate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with the requirements of German law and accurately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for making the arrangements and implementing the measures (systems) that they deemed necessary to permit the

preparation of a Group management report in accordance with the relevant German legal requirements and to enable sufficient appropriate evidence to be provided for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the financial reporting process for the preparation of the consolidated financial statements and Group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement as a result of malicious acts or errors and whether the Group management report as a whole provides an accurate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the requirements of German law and accurately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and Group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with the German Generally Accepted Standards on Auditing promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from malicious acts or errors and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the present consolidated financial statements and Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement in the consolidated financial statements and Group management report due to malicious acts or errors, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of a material misstatement due to malicious acts going undetected is higher than the risk of material misstatement due to error because malicious acts may involve collusion, forgery, deliberate omissions, misrepresentations or the overriding of internal control mechanisms;

- obtain an understanding of the internal controls relevant to the audit of the consolidated financial statements and the 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 audit opinion on the effectiveness of those systems;

- evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures;

- conclude on the appropriateness of the legal representatives' use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the relevant disclosures in the consolidated financial statements and Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- evaluate the entire presentation, structure and content of the consolidated financial statements, including the disclosures, and assess whether the consolidated financial statements present the underlying transactions and events in such a way as to present a true and fair picture of the net assets,

financial position and results of the operations of the Group in compliance with German general accounting principles;

– obtain sufficient appropriate audit evidence about the accounting information of the companies or business activities within the Group to express opinions 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 take sole responsibility for our audit opinions;

– evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law and the view of the Group's position that it provides;

– perform audit procedures on the prospective information presented by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information or the assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We provide those charged with governance with a statement confirming that we have complied with the relevant independence requirements and discuss with them any relationships or other matters that might reasonably be thought to have a bearing on our independence and, where relevant, the actions taken or safeguards implemented to address threats to that independence.

From the matters discussed with those charged with governance, we identify the matters that were of most significance in the audit of the consolidated financial statements for the current reporting period and therefore constitute the key audit matters. We describe these matters in our auditor’s report unless public disclosure is precluded by law or regulation.

OTHER STATUTORY AND LEGAL REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor at the General Meeting of Members' Representatives on 8 April 2022. We were appointed by the Supervisory Board on 8 November 2022. We have acted as auditor for GOTHAER Versicherungsbank VVaG since the financial year 2022.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to performing the audit for the Group companies, we provided or will provide the following services that were not disclosed in the consolidated financial statements or Group management report:

– For GOTHAER Versicherungsbank VVaG we audited the annual financial statements and the solo and group solvency overview.

– For controlled companies, we audited solvency overviews, audited and reviewed annual financial statements, audited dependency reports, performed WpHG and FinVermV audits, performed EdW contribution audits, verified notifications of contributions pursuant to SichLVFinV, performed a special audit of "MGA business" and provided general advice.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Elke Stümper.

Cologne, 14 April 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

Volkmer	Stümper
Wirtschaftsprüfer	Wirtschaftsprüferin

Report of the Supervisory Board

Due to personnel changes announced for 2023 at the auditing company appointed to audit the annual financial statements at 31 December 2022, a selection process in accordance with Article 16 of EU Regulation 537/2014 was initiated at the end of 2022 for the new appointment of the auditor for the financial year 2023.

The Supervisory Board continuously monitored the conduct of business by Management in the course of the financial year in fulfilment of its duties under the law and the bylaws of the Company. Management regularly submitted written reports on business developments and the situation of the Company and reported orally to the Board at four meetings. The Board was involved in all decisions of fundamental importance for the Company. The committees of the Board were also involved in informational and oversight activities. The Investment Committee and Executive Committee each convened on three occasions during the past financial year. The Audit Committee met on five occasions, one of them in connection with the tendering and selection process for the appointment of a new auditor for the financial year 2022 and one for the assessment of the quality of the audit. The progress and outcomes of the committee meetings were reported and discussed at the meetings of the Supervisory Board.

In line with the stipulations of the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), the members of the Supervisory Board conducted a self-appraisal, assessing their knowledge of investment, underwriting, accounting and auditing. This appraisal will form the basis for an education and training programme drawn up by the Board each year identifying the topics in which the Board as a whole or individual members of it wish to deepen their knowledge. Two training events were held for Board members on underwriting, investment and accounting.

The issues addressed regularly by the Supervisory Board included developments in premiums, claims and costs, the performance of major Group holdings and the impact of such developments on the financial statements. Special attention was also paid to the issues of competition, product design, distribution and the development of the sales volume, costs and earnings of the Group companies. The Board also kept a keen eye on the solvency situation under Solvency II in the Gothaer Group, studying not only the percentage coverage ratios of the current Solvency II regime but also studies examining the impact of changes to Solvency II rules. The Board also received information from Management on the medium-term corporate planning, risk strategy and risk situation of the Association as well as on IT strategy.

The Supervisory Board paid special attention to the "Ambition25" group strategy, in which the Gothaer Group companies address market distinction issues such as "Leading Partner for SMEs", "Strong Commitment to the Customer" and "More than Insurance". The primary focus here was on the implementation strategies and programmes required for market development and the products, processes and structures needed for the increasingly digital creation of value for the Gothaer Group.

In addition, the Supervisory Board received detailed reports on the impacts of the changing geopolitical and economic challenges faced, These were substantially shaped by high inflation on the one hand and a rapid rise in interest rates on the other. In light of the war in Ukraine, the Board was informed about the economic

consequences of different conflict and resolution scenarios and their effects on the companies.

In connection with property insurance, reporting focused on the underwriting impact of the knock-on effects of windstorm "Bernd" in 2021 and other extraordinary natural loss events in the year under review. This included the effects on availability and conditions of outward reinsurance. Furthermore, reports highlighted the development of claims expenses exposed to types of expense subject to rates of inflation that may be higher than the rise in the general cost of living index. The effect of inflation on loss reserves was also assessed in this context.

With regard to the personal insurance lines offered by the Group, the impacts of the rapid rise in interest rates after the prolonged low-interest phase were of particular interest to the Supervisory Board. The Board received regular reports on the funding status of the additional interest reserves, the distributability of commercial balance sheet profits, the development of hidden reserves and hidden liabilities, as well as the measures taken to ensure sufficient liquidity. The focus was also on the implications of the interest rate rise for premium growth and the resulting product and pricing strategy requirements for new business. The Supervisory Board also examined the financing required for additional interest reserves at Gothaer Pensionskasse AG and the profit transfer agreement concluded with Gothaer Finanzholding AG for this purpose.

The new brand campaign was also the subject of reporting. Furthermore, the Supervisory Board received an explanation of the emerging regulatory issues relating to sustainability as well as the sustainability strategy of the Group and its integration in every dimension of the Group's business activities. In this connection, the Board was apprised of both the measures already taken in the individual companies and those that are planned. In addition to the increasing orientation of the investment strategy to sustainability criteria and investment in renewable energy and natural capital, these include the development of sustainable insurance products across all lines as well as support for corporate clients transitioning to sustainability and pursuing sustainability goals in their own operations, for example to reduce carbon emissions or promote diversity. The Supervisory Board also examined and audited the separate non-financial report for the Gothaer Group. That audit gave rise to no objections.

The Board also regularly met with Management to discuss basic strategic issues for the future gearing of the Group's subsidiaries. The focus here was on Janitos Versicherung AG and CG Car-Garantie Versicherungs-AG.

Despite the special challenges faced, the Group companies again posted good results. Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG were able to maintain their financial strength, largely through the systematic pursuit of profit-oriented growth in a difficult economic environment. The rating agency Standard & Poor's confirmed the A rating with stable outlook in 2022, attesting to the security and financial strength of the Group in a challenging environment.

The Supervisory Board also discharged its statutory duty to examine HR issues relating to Management. Oliver Schoeller's term of office on the Management Board was extended.

Management's investment planning and policy were regularly a subject of Investment Committee meetings. Management reported to the Board in detail on developments in the capital markets and their impacts on the Group companies' investments, changes in undisclosed liabilities/undisclosed reserves and the development of investment income and discussed the possible macroeconomic consequences of the development of interest rates and the implications for the insurance industry.

The Audit Committee established by the Supervisory Board in line with section 107(3) AktG monitored the accounting process and verified the effectiveness of the internal control system, risk management system, compliance organization and internal auditing system. There were no objections. Key performance indicators in the financial statements were discussed in detail with Management and the auditors of the financial statements, taking comparable company benchmarks into account. The Audit Committee therefore proposed to the Supervisory Board that the financial statements for the financial year 2020 should be formally adopted in accordance with section 172 AktG.

The company financial statements for the financial year 2022 and the accompanying management report as well as the consolidated financial statements and the accompanying Group management report were audited by the external auditor BDO AG Wirtschaftsprüfungsgesellschaft, Cologne. In each case, the audit included an assessment of the early risk warning system.

Both sets of financial statements received an unqualified audit opinion from the audit firm pursuant to section 322 HGB. The auditors attended the Supervisory Board meeting on the financial statements and reported on the key results of the audits.

The Supervisory Board received the audit reports submitted and took note of and approved the results of the audits.

After examination of the presented financial statements and management report for the 2022 financial year and the consolidated financial statements and Group management report for the 2022 financial year, the Supervisory Board raised no objections. The Supervisory Board approved the financial statements and the consolidated financial statements for the year 2022. The financial statements are therefore adopted pursuant to section 172 of the German Stock Corporation Act (AktG).

The Supervisory Board approves Management’s proposal for the use of retained profit.

The Supervisory Board wishes to express its special appreciation and heart-felt thanks to the staff of the Gothaer Group companies and Management for their work last year under difficult economic conditions.

Cologne, 25 April 2023

The Supervisory Board

Prof. Dr. Werner Görg	Carl Graf von Hardenberg	Urs Berger
Gabriele Eick	Prof. Dr. Johanna Hey	Jürgen Wolfgang Kirchhoff

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