

Report of the Management

EXTERNAL FINANCIAL SERVICES

Despite the gloomy global situation, there were many positive developments in 2023. The integration of artificial intelligence (AI) to support and simplify everyday business and private life has been remarkable. Awareness of the importance of living sustainably and protecting the environment is growing. In addition, financial market developments in 2023 also paint an encouraging picture.

Developments in the innovative area of digital insurance sales were particularly positive.

Overall, 2023 was a good year for Würth Financial Services AG (WFS). Sales targets were exceeded and new client acquisition was promising. Developments in the innovative area of digital insurance sales were particularly positive. In addition, preparations for new regulatory requirements – including the Swiss Federal Act on Data Protection and the Swiss Insurance Oversight Act – were successfully completed and promising progress was made in the area of process digitalisation.

Insurance market 2023

In terms of global claim events, the effects in 2023 were relatively minor compared with previous years. However, insured damages exceeded the USD 100,000 million mark for the fourth consecutive year, with severe storms accounting for a large proportion of this figure. With insured losses amounting to USD 6,000 million, the earthquake in Turkey was the most expensive natural disaster in the past year. In Switzerland, the storm in La Chaux-de-Fonds led to damages of around CHF 90 million.

Thanks in part to financial market developments, most insurers can look back on positive results. However, due to the increased inflation level, their combined ratios are increasingly coming under pressure. Various providers, particularly in the motor vehicle insurance business, have increased premiums accordingly.

In the field of corporate insurance, the risk of cyber attacks is still underestimated and many companies forego insurance to cover attacks on their IT infrastructure. The situation in personal insurance remains strained due to high claims ratios. In general, insurers underwrite risks much more selectively, whereby good risks can in turn benefit from declining premiums, especially in the area of asset insurance.

Swiss brokerage market

There is a notable trend towards consolidation in the brokerage market in Switzerland, as well as abroad. Due to the pressure to adapt to a constantly evolving business environment, coupled with the desire to increase efficiency and access new technologies, many brokers are choosing to join forces. Other causes of this wave of consolidation include the shortage of skilled staff, technological developments (or digitalisation) and more stringent regulatory requirements.

The shortage of skilled staff has pushed up personnel expenses and resulted in lower service quality – particularly on the insurer side – as less qualified employees have had to be hired. This shortage has far-reaching implications with regard to error frequency at insurance companies and requires more oversight by brokers to ensure that client confidence is not eroded.

Innovative strategies are needed to counteract this lack of qualified talent and maintain service quality. Advances in digitalisation and the use of AI offer opportunities in this

area. AI will play a central role in risk management, as it makes it possible to conduct more precise analyses and make faster, better-informed decisions. This could help support employees in an environment marked by a shortage of skilled staff.

Upcoming regulatory changes – namely the new Swiss Federal Act on Data Protection and the Swiss Insurance Oversight Act – are also keeping the industry busy. These new acts aim to enhance client protection and ensure the professionalism of insurance brokers. A clear separation between dependent and independent agents and the disclosure of compensation and client hours worked are examples of the new requirements intended to improve the quality of advice and client protection.

Focal points in financial year 2023

The subject of regulation took up a lot of time last year due to the two new legislation mentioned above. Other key topics included sales, personnel development and expansion, and product innovation.

The past year was one of the most successful ever for WFS, particularly in terms of sales. It continuously succeeded in convincing new clients of its services, structures and the quality of its employees. Entrepreneurs are impressed by the stability of WFS, together with its down-to-earth corporate culture and focus on efficient processes.

The most important assets when it comes to providing advisory services and support are the employees, who are committed to meeting clients' needs each and every day. Given the shortage of skilled staff, personnel management is a priority. Every day, it is important to re-emphasise to employees that WFS will remain the right employer for them tomorrow and the next day, and that resisting the constant attempts by competitors to entice them away will prove worthwhile.

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With regard to personnel recruitment, there is also a significant requirement to create an attractive image for potential employees. In a brokerage market dominated by waves of consolidation, WFS benefits from the stability and reliability afforded by belonging to the Würth Group. In addition, its encouraging development in recent years led to its very positive perception among insurance companies and competitors.

In the past year, WFS further developed the digital insurance sales channel. InsurHub, which covers the insurance partner function in the Twint app, was expanded to include additional insurance products and achieved good growth rates in both client numbers and the number of insurance policies concluded. A first insurance product was also successfully integrated directly into the purchasing process, resulting in significantly higher completion rates. The trend in recent months has been positive and bodes well for InsurHub's ongoing development.

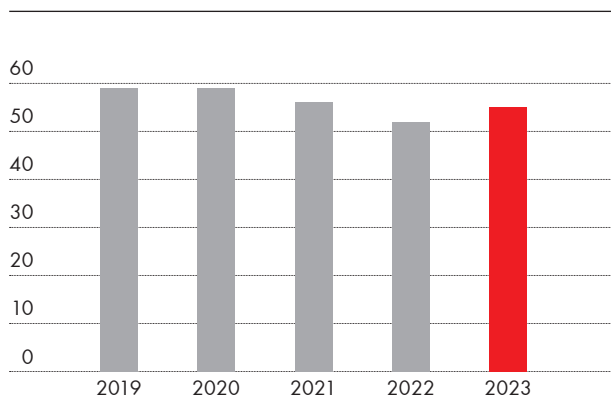
With regard to digital insurance sales, it is also encouraging that WFS was able to launch on a second platform on brokermarket.ch at the beginning of December 2023. Clients can use this sales channel to purchase involuntary unemployment and disability insurance when taking out a new mortgage or extending an existing mortgage. The process of concluding the insurance policy is fully digital and offers a highly simplified process for accessing the insurance product.

Successful course of business in 2023

WFS ended financial year 2023 on a very successful note. The brokered premium volume increased by 6% to CHF 384 million. As a result, revenue increased by 7%. This increase is highly encouraging, particularly given that the growth is entirely organic and the overall insurance market recorded significantly lower growth rates.

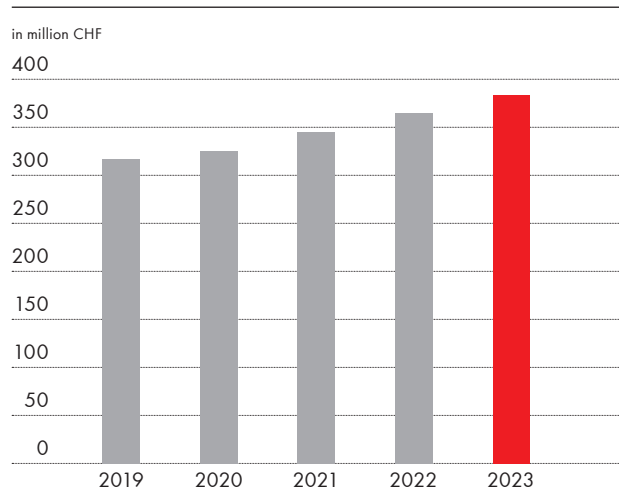
On the cost side, personnel expenses were rising. This is primarily attributable to the number of employees, which increased from 52 to 55. In addition, the personnel expenses also reflect the inflation-related wage adjustments of around 2%. IT costs also rose at an above-average rate due to the

Number of staff (FTEs)



increased focus on digitalisation, while administrative expenses remained at the previous year's level. The operating result improved by 22% in financial year 2023.

Development of premium volume



Outlook for 2024

WFS expects to see steady and sustainable performance in 2024. Its stated goal for the core business is to increase the number of employees, laying the foundation for further growth. The recruitment of additional sales representatives and specialists will be the main focus. WFS also intends to continue investing in automation and technical support in the various areas of digitalisation. The aim is for WFS to keep pace with technological progress within the scope of its capabilities and to make increased use of digital tools in day-to-day business.

With regard to digital insurance sales, WFS aims to significantly scale up the number of clients and policies sold digitally on the two platforms Twint and brokermarket.ch. In addition, the digital insurance sales offering is to be extended to further platforms, significantly elevating the importance of digital insurance sales for WFS.