

# Hypoport SE

*Results*  
*Q3/23*

## Our mission

# Digitalisation of the credit, real-estate and insurance industries



Credit industry



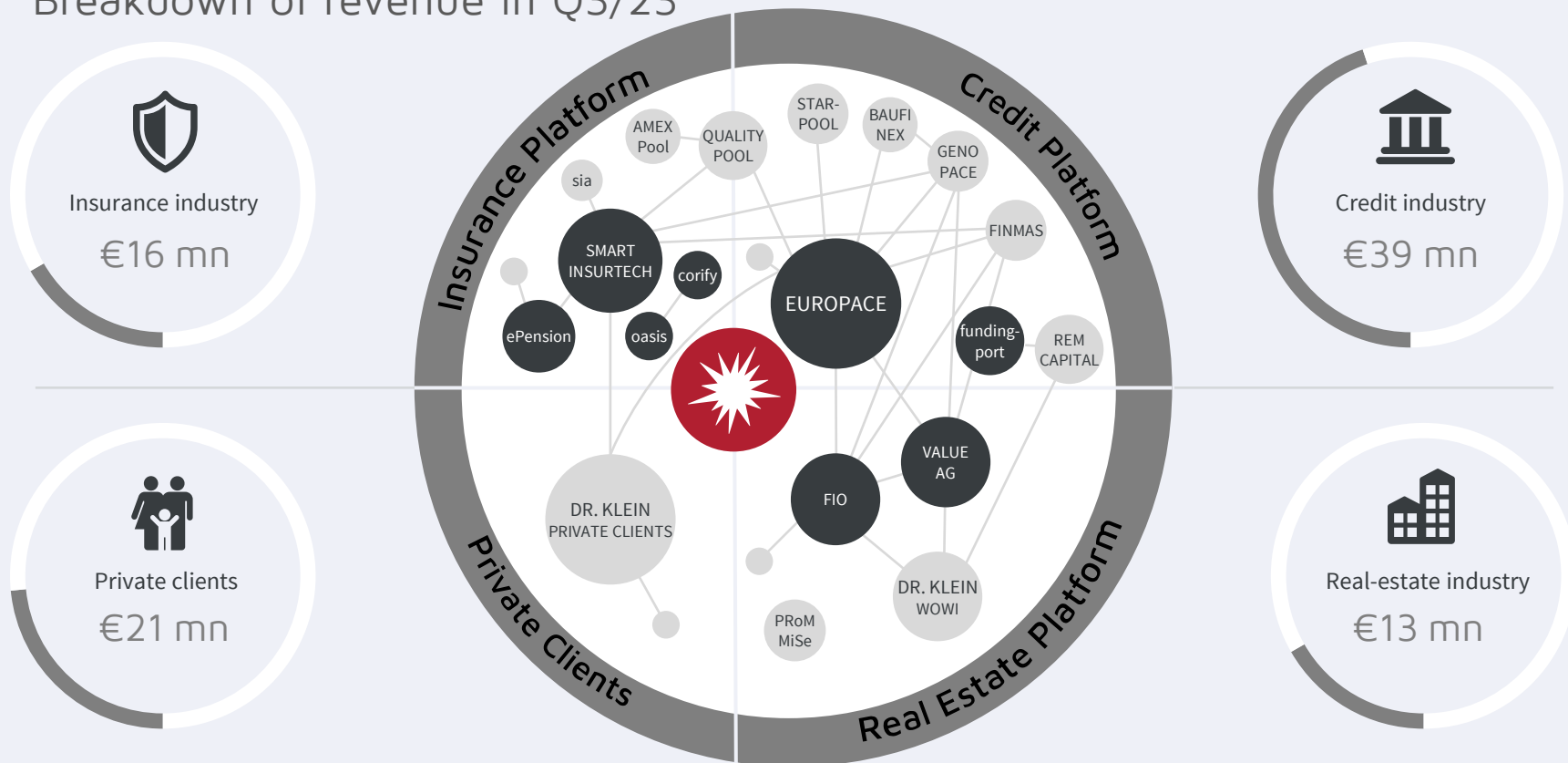
Real-estate industry



Insurance industry

# Hypoport – a network of technology companies

Breakdown of revenue in Q3/23



# Little support from sluggish markets

Results for Q3/23

## Key figures Q3/23 on Q2/23 (qoq)

- Revenue: €88 mn (+3%)
- Gross profit: €51 mn (+1%)
- EBITDA: €7.6 mn (+24%)
- EBIT: loss of €1.1 mn (Q2: loss of €2.5 mn)
- EPS: loss of €0.14 (Q2: loss of €0.40)

## Segment revenue

- Credit Platform revenue: +1%
- Private Clients revenue: +4%
- Real Estate Platform revenue: -1%
- Insurance Platform revenue: +14%

## Good news

- Modest uptrend continuing in the mortgage finance market
- Insurance Platform continues to break even following cost reductions
- Cost adjustments made in the valuation business

## Bad news

- Debate surrounding German Buildings Energy Act (GEG) is reducing the inclination of the housing industry and consumers to do business
- Declining momentum in the personal loans market

# Contents

## **1. Market environment**

2. Key performance indicators for the segments

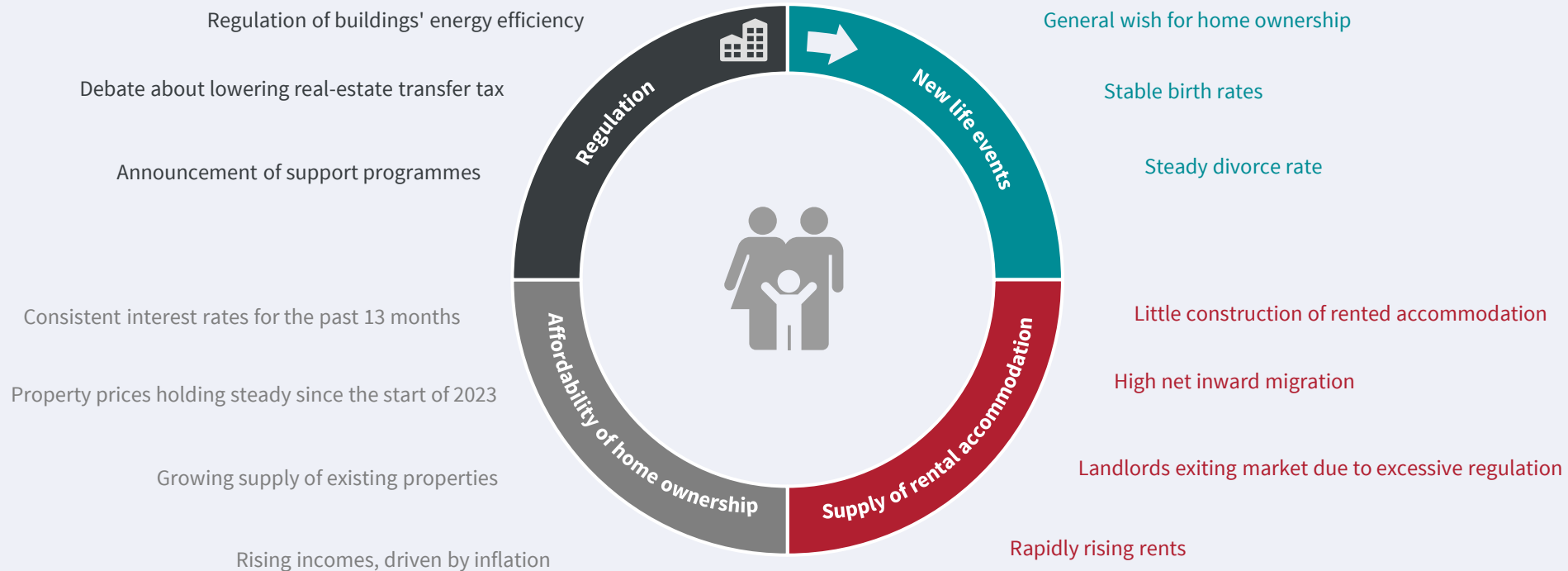
3. Overview of key performance indicators

4. Outlook

Annex (incl. share price information & IR)

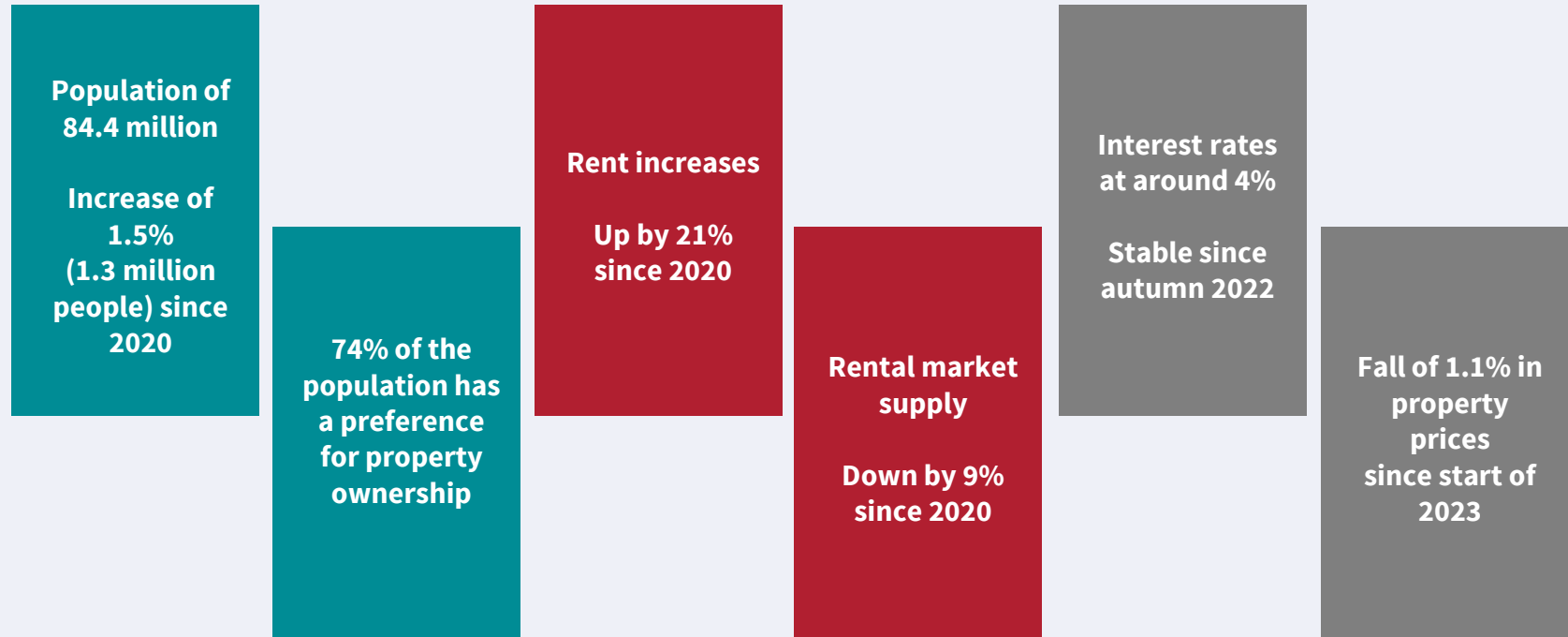
# Further improvement in factors driving decision to buy

Key factors driving the decision to buy and their macro-drivers



# Potential for mortgage finance volume in housing market

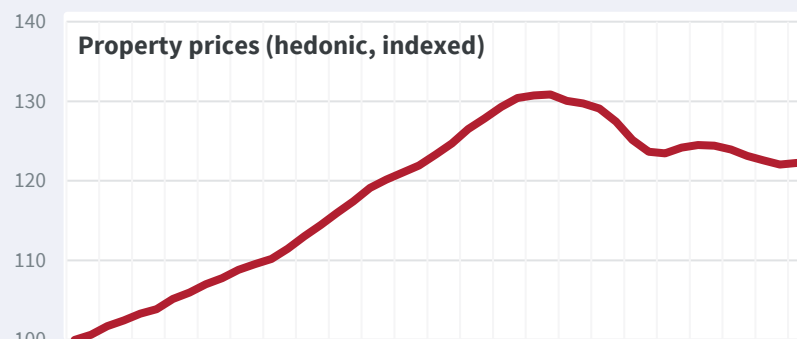
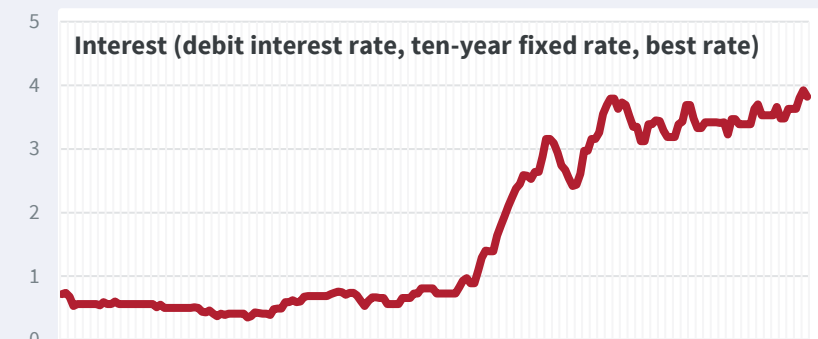
Facts relating to the mortgage finance volume in the German housing market



Sources: German Federal Statistical Office, Dr. Klein, VALUE AG, Allensbach survey / Sparda banks.

# Property purchases becoming increasingly attractive

## Macroeconomic factors affecting mortgage finance

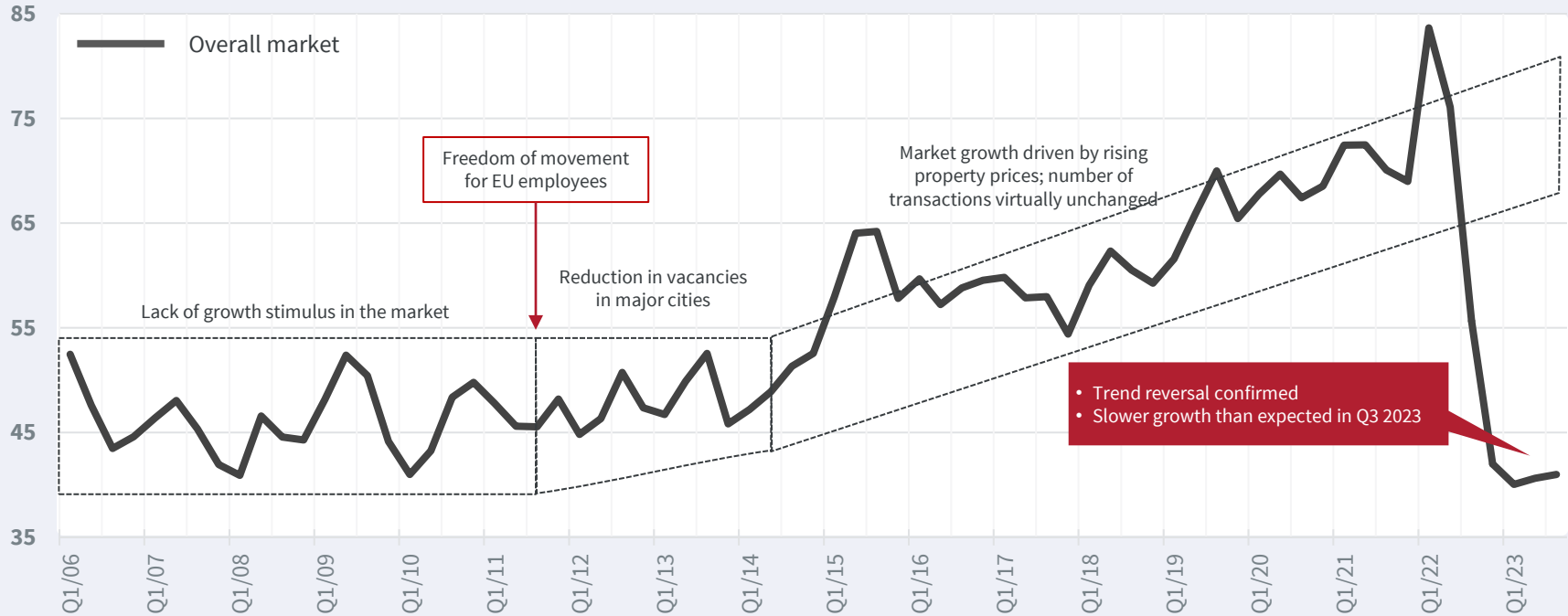


Sources: Dr. Klein best rate, Europace EPX hedonic price index, Value AG.



# Current market volume well below trend range

Volume of private mortgage finance in Germany



Quarterly figures (€ billion). Source: Bundesbank.

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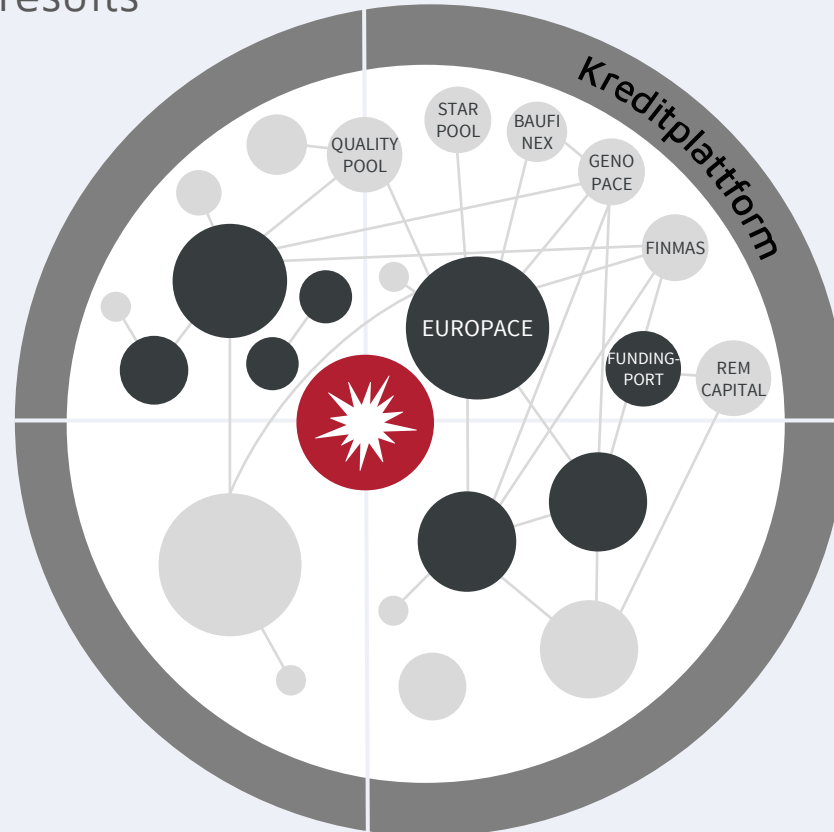
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# Credit Platform

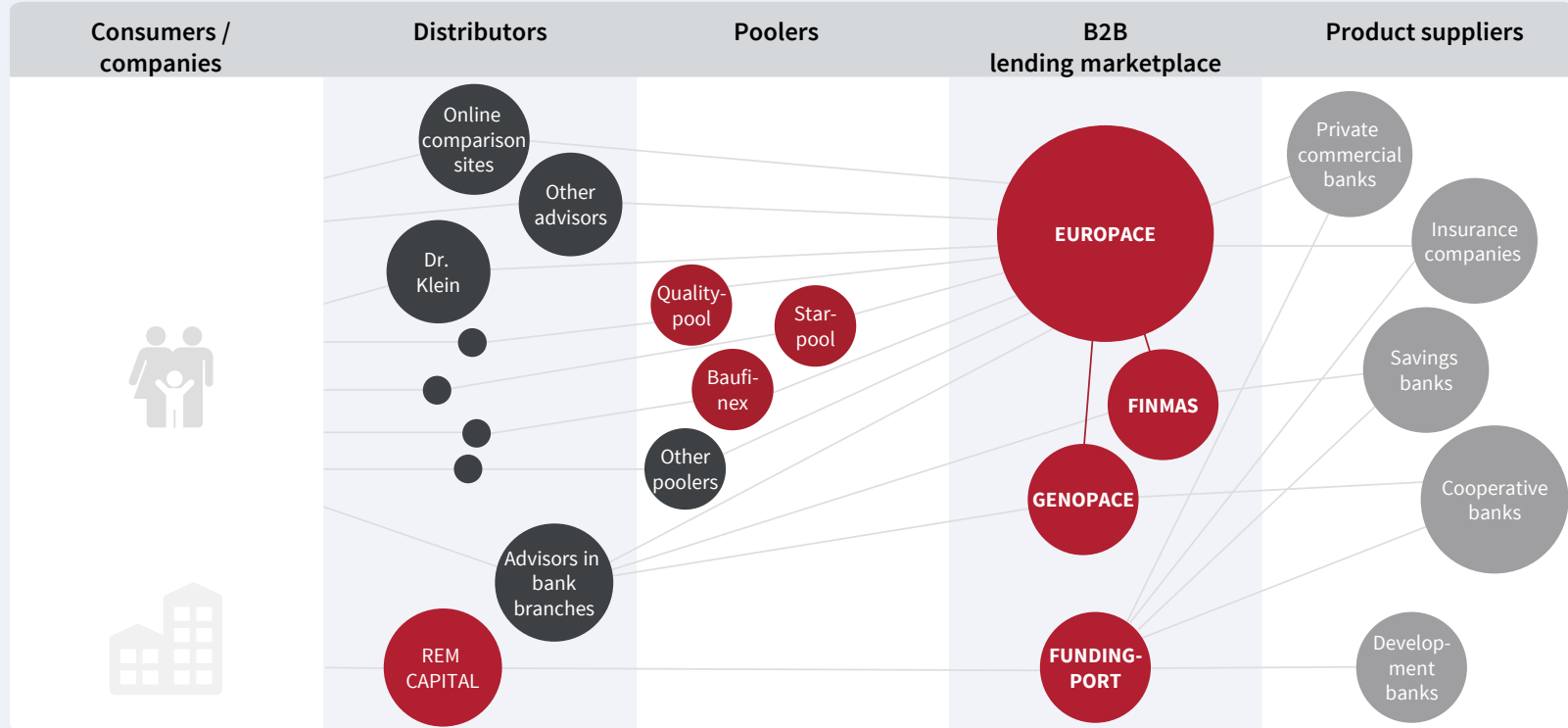
Business model & results



Credit industry

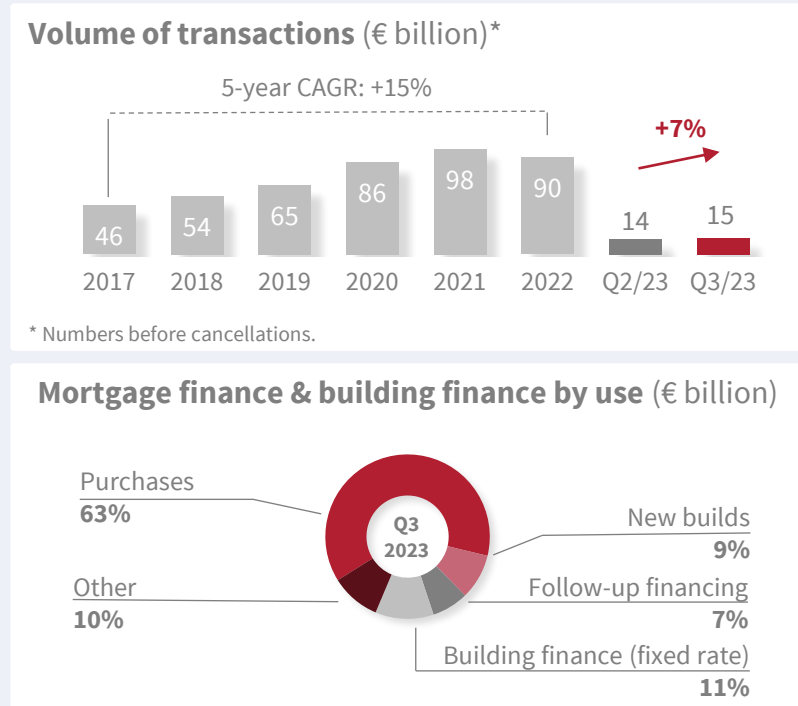
# Digitalisation of the credit industry

## Credit Platform segment business model



# Positive performance in a weak market environment

Credit Platform: mortgage finance and building finance product type

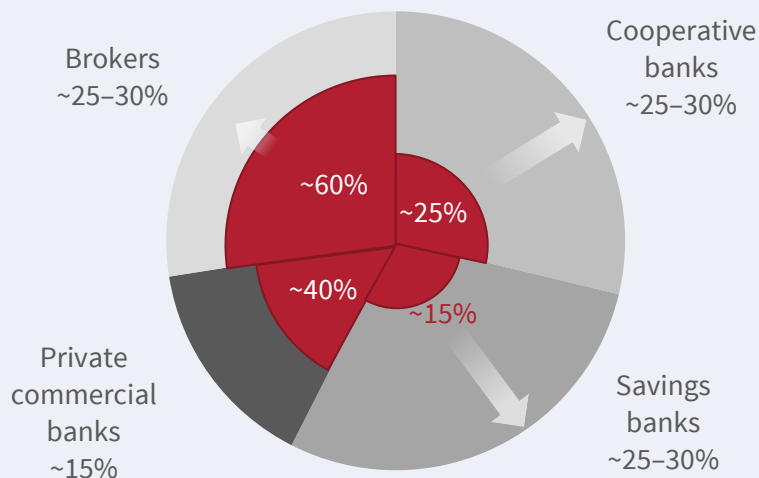


- Small gain in mortgage finance market share in a market that is expanding slightly overall (Bundesbank +1% qoq)
- Mortgage finance intended for construction at a historical low of 9% (normally around 15%)
- Mortgage finance intended for follow-up financing at a historical low of 7% (normally 15–20%) due to interest-rate situation
- Fall in the volume of building finance (as a way of locking in interest rates) in a still weakening overall market (-7% qoq) for retirement savings plans
- The successful migration of further sales channels in the Deutsche Bank Group did not yet have any impact in Q3 as rumours in the media about disruptions to the bank's disbursement processes adversely affected the transaction volume for financial product distributors affiliated with the Deutsche Bank group

# Europace still has huge potential for growth

Mortgage finance product type: market share, by distribution channel

## Distribution channels and Europace's share

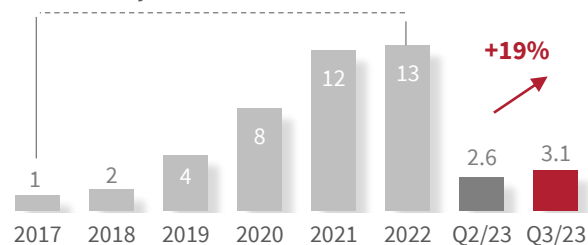


○ Mortgage finance in Germany in Q3 2023: €41 billion  
 ■ Mortgage finance on Europace\* in Q3 2023: €14 billion

\* Numbers before cancellations (€ billion). Sources: Bundesbank, Europace, own estimates.

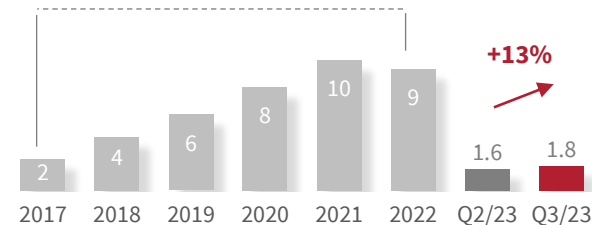
## GENOPACE (for cooperative banks)\*

5-year CAGR: +60%



## FINMAS (for savings banks)\*

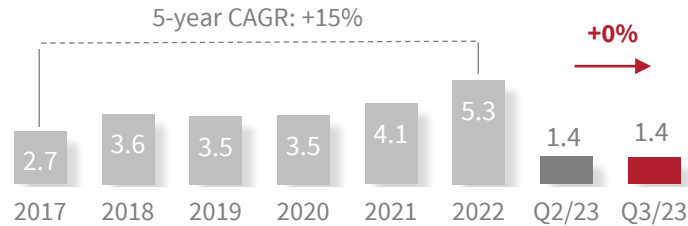
5-year CAGR: +31%



# Robust growth in a stagnating market environment

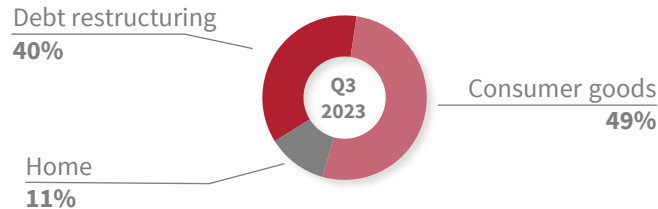
## Credit Platform: personal loans product type

### Transaction volume in personal loans (€ billion)\*



\* Numbers before cancellations.

### Transaction volume by use (€ billion)

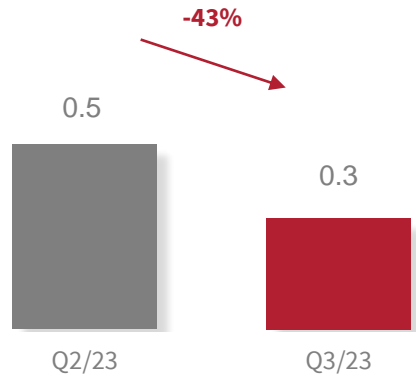


- Over the past five years, Europace has gained significant market share in the personal loans business as a B2B marketplace
- The expansion in this segment was achieved in a stagnating market (5-year CAGR: +0.3%)
- Volume in Q3 on a par with Q2 as banks are adopting an increasingly restrictive approach and consumer demand is falling slightly
- Savings banks and cooperative banks are continuing to generate growth on the platform
- Broad-based rollout of GENOFLEX – a system that serves as a price and risk management tool and is aimed at developing business jointly within the cooperative banking sector – from 2023 after a successful pilot project
- Personal loans for energy efficiency improvements and property renovations are an area of business with medium-term growth potential for mortgage finance distributors

# Weak market for advice on accessing funding

Credit Platform: corporate finance product type

Volume of new projects at REM Capital (€ billion)

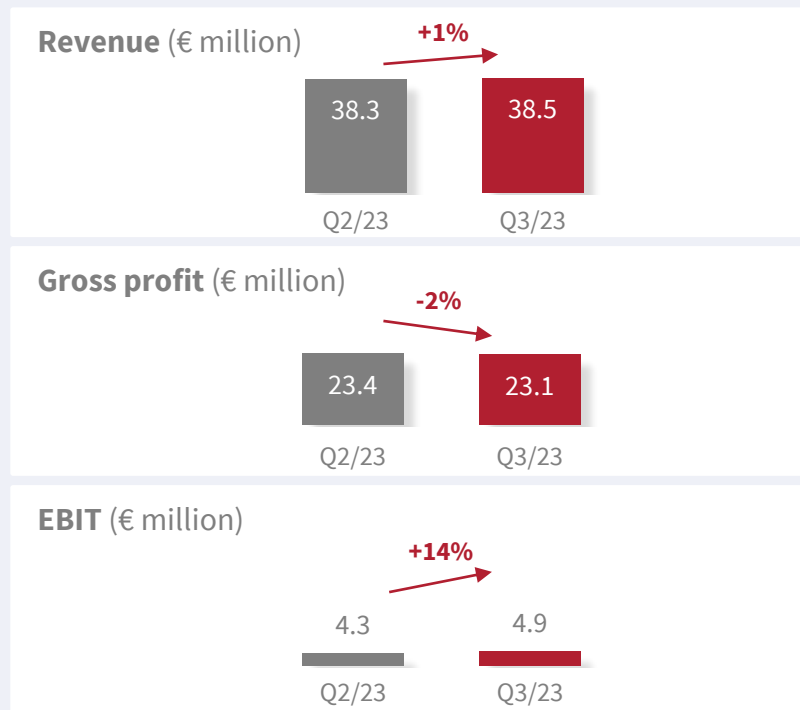


- REM Capital had seen exceptionally strong growth until mid-2022 due to attractive KfW funding schemes for energy-efficient properties
- Current external factors (climate change mitigation, energy costs) are posing challenges for German SMEs and will continue to create strong demand for advice in the coming years, with associated potential for transactions
- Current support programmes of national and regional governments and the EU have not yet been adapted effectively to the latest climate goals and the trajectory of the current crisis
- In this challenging environment, banks are much more reluctant to lend; SMEs are considering their short-term investment needs much more carefully in view of the risk of recession
- The current hesitancy in the market caused the volume of new projects to fall sharply compared with the healthy level seen in Q2 2023
- An increase driven by seasonal factors is expected in Q4 2023



# Revenue growth; disciplined approach to costs

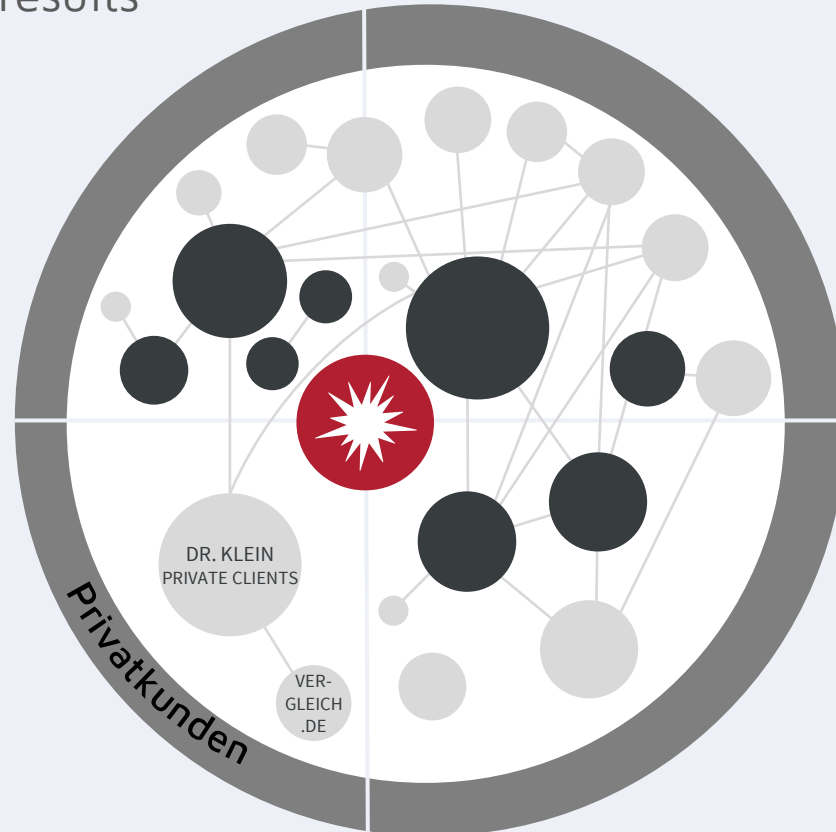
Credit Platform: revenue, gross profit and EBIT



- A further quarter-on-quarter rise in revenue in the mortgage finance business models, whereas revenue fell sharply in the corporate finance business models
- Profitability still below the five-year average of 40–45% (EBIT relative to gross profit) due to weakness in the markets for private mortgage finance and finance for SMEs
- Confirmation of segment outlook for 2023, predicting a slight drop in revenue and a pronounced fall in EBIT compared with 2022
- Platform commission has been rising since July following changes in the market's risk profile and the broadening of the services available
- Strong potential as the market continues to normalise and investment is required for the transition to green heating, for example through effective funding support schemes for consumers and SMEs

# Private Clients

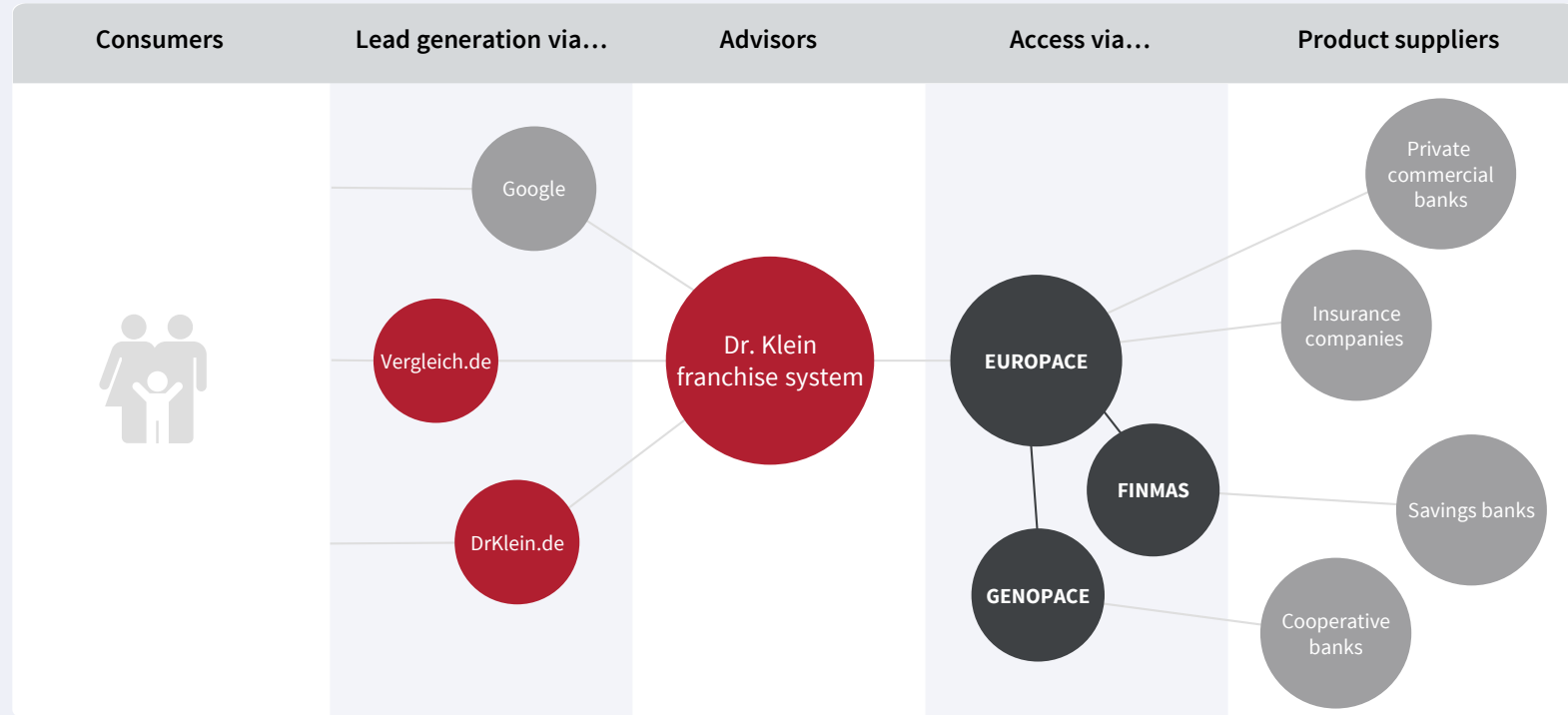
Business model & results



Private clients

# Strong brand for independent advice

Private Clients segment business model



# Dr. Klein maintains its position in a weak market

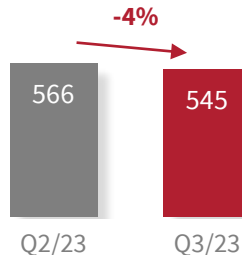
## Private Clients: operational key figures

### Volume of new loans brokered to private clients



\* Numbers before cancellations and adjusted to reflect new segment reporting.

### Number of loan brokerage advisors in branch-based sales



- Sales volume increased and market share gained despite lack of clarity for consumers about government support and GEG rules
- The number of franchise partners has held steady since the slump in the mortgage finance market in summer 2022; however, franchisees are slowly adjusting advisor capacity to reflect the volume of business
- Growing volume of leads but, conversely, individual consultations are taking longer
- If the market remains weak, smaller financial product distributors / advisors will likely join bigger brands; as the biggest franchise network and brand for independent advisory services, Dr. Klein should benefit greatly from this shift in the medium term
- Significantly higher interest rates are strengthening consumer demand for finance obtained through independent brokers

# Significantly improved profitability for Dr. Klein

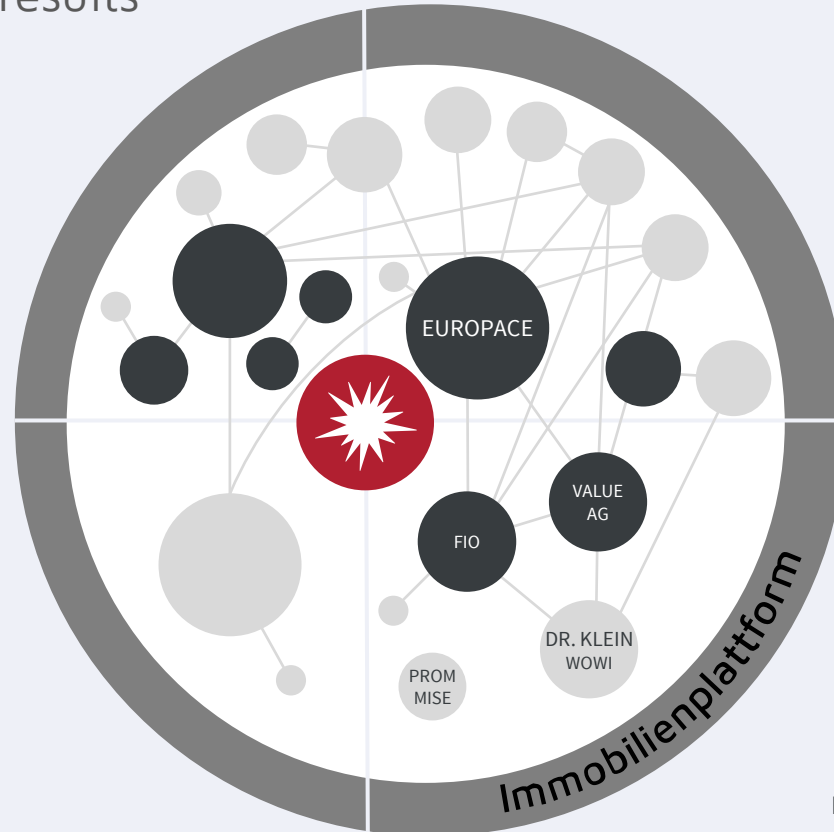
Private Clients: revenue, gross profit and EBIT



- Sustained market uptrend, combined with gains in market share, are more than making up for the lack of clarity about GEG rules and the government support situation, resulting in a rise in revenue in Q3
- EBIT increased at a stronger rate than gross profit thanks to sustained cost discipline
- 2023 outlook for the segment confirmed: significant drop in revenue and an even sharper year-on-year fall in EBIT
- Substantial upside potential as the market increasingly returns to normal

# Real Estate Platform

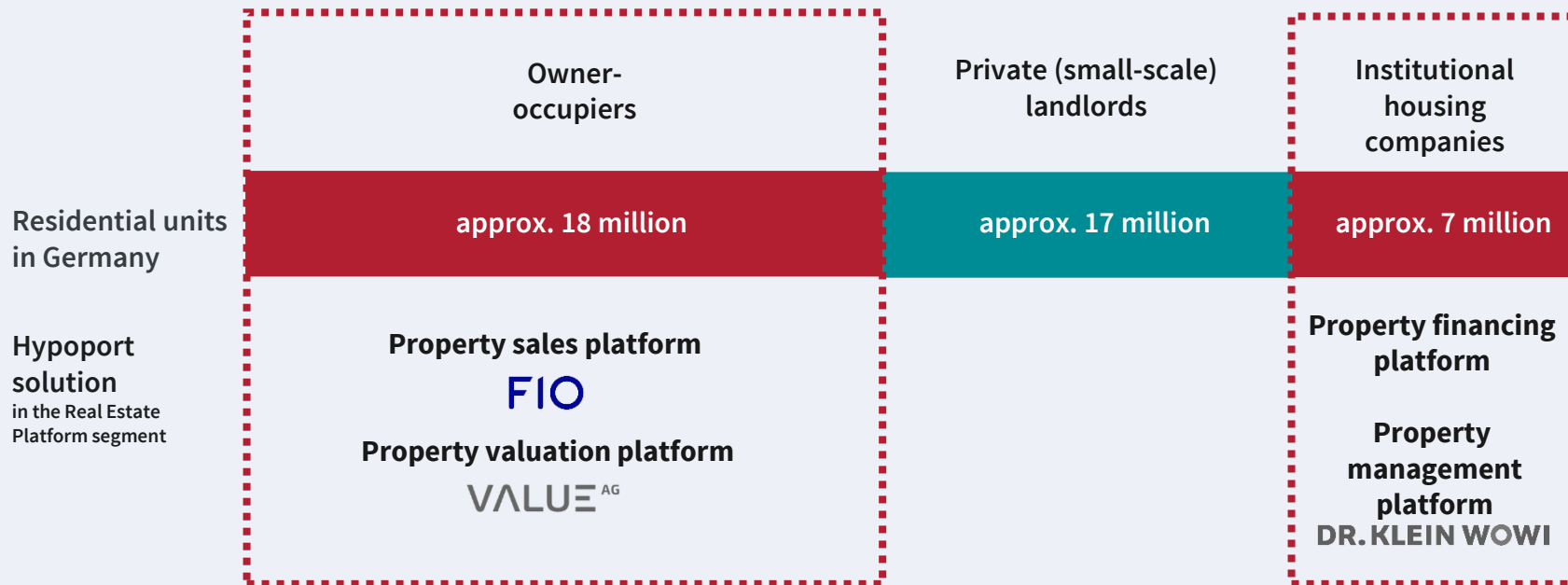
Business model & results



Real-estate industry

# Potential in the digitalisation of housing industry

## Market segments and solutions

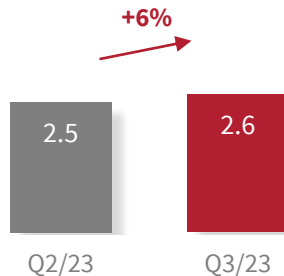


Sources: German Housing and Property Companies Association (GdW), German Federal Statistical Office (time series 31231-0001).

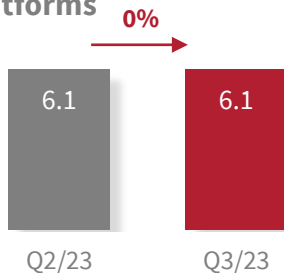
# Innovation in a sluggish market

Real Estate Platform: property sales platform and property management platform

**Property sales platform volume**  
(€ billion)



**Revenue from the property sales and property management platforms**  
(€ million)\*



- Development of software solutions for the sale and management of residential properties in the credit and housing industries
- Small increase in the property sales platform's revenue in Q3 despite difficult market conditions
- The property sales platform is the standard offering from FINMAS, a joint venture with Finanz Informatik (the centralised IT service provider of the Savings Banks Finance Group)
- Pilot project in the cooperative sector to trial mortgage finance lead generation using the property sales platform and #passt mortgage finance through GENOPACE
- Strong growth of the property management platform's order book, albeit with longer onboarding processes for new big-ticket clients and thus a slight drop in revenue

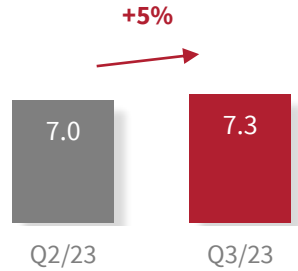
\* Revenue of FIO SYSTEMSAG, Maklaro GmbH, Dr. Klein Wowi Digital AG and Hypoport B.V. (PRoMMiSe).



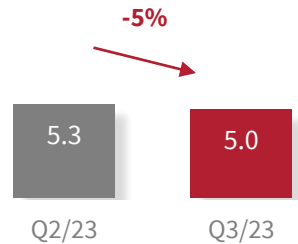
# Strategic changes to valuation services

## Real Estate Platform: property valuation platform

### Property valuation platform volume (€ billion)



### Revenue from the property valuation platform (€ million)



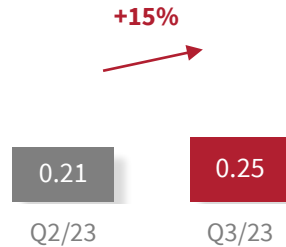
- The fall in mortgage finance volume and the small loans threshold being raised by 50% have now led to huge product shifts in the property valuation market
- The resulting fall in revenue and the mismatch between the number of qualified staff available and those actually required are being tackled by carrying out a strategic reorganisation at VALUE AG
- The objectives are to reduce costs and transform the product range through strategic investment in the digitalisation of business processes
- Value AG's proprietary automated valuation model (AVM) now launched on Europace
- Cross-selling potential and USP thanks to incremental improvements to the technical integration of FIO, Europace and VALUE AG with the aim of creating one overall digital process (integrated home ownership platform)

# Mortgage finance market remains muted

Real Estate Platform: property financing platform for the institutional housing sector

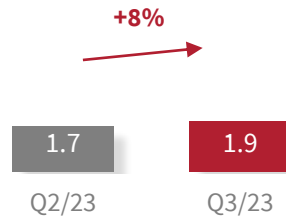
## Volume of new loans brokered on the property financing platform

(€ billion)



## Revenue from the property financing platform

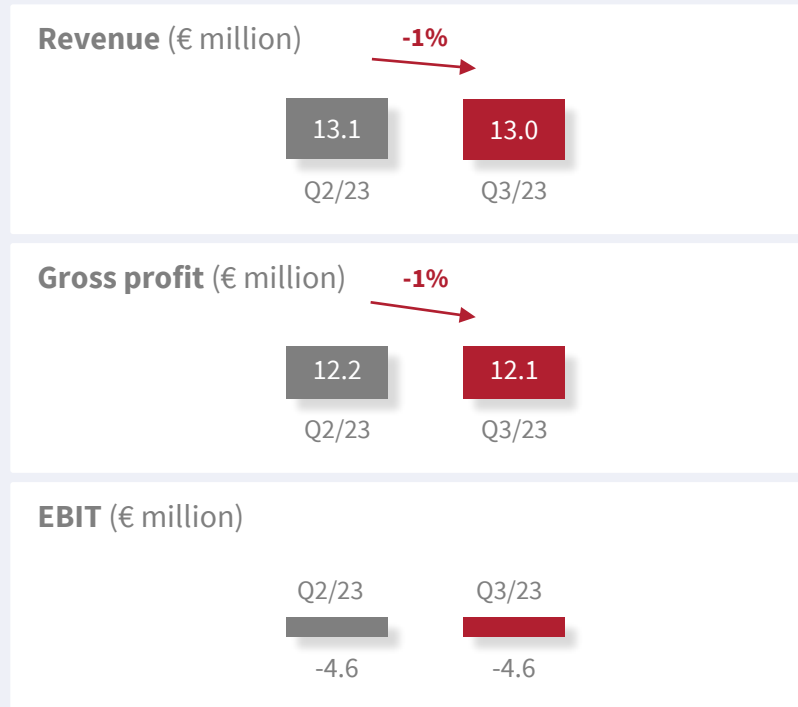
(€ million)



- Following rising interest rates and interest rate volatility in 2022, the inclination of the housing industry to do business fell sharply in Q2 2023 and remained at a low level in Q3 2023
- Social housing industry hugely affected by the options being debated for the German Buildings Energy Act (GEG)
- With new builds having ground to a halt due to the absence of a political framework, most projects aimed at energy-efficiency improvements have also been put on hold since Q2
- Huge potential if the right framework for the much needed construction of social housing is put in place
- How the measures to improve the energy efficiency of the existing property stock, which requires investment of at least €500 billion between now and 2045, is to be funded remains unclear
- The anticipated withdrawal of private landlords poses both an opportunity and a challenge for local housing companies

# Marked decline in volume on the property financing

Real Estate Platform: revenue, gross profit and EBIT



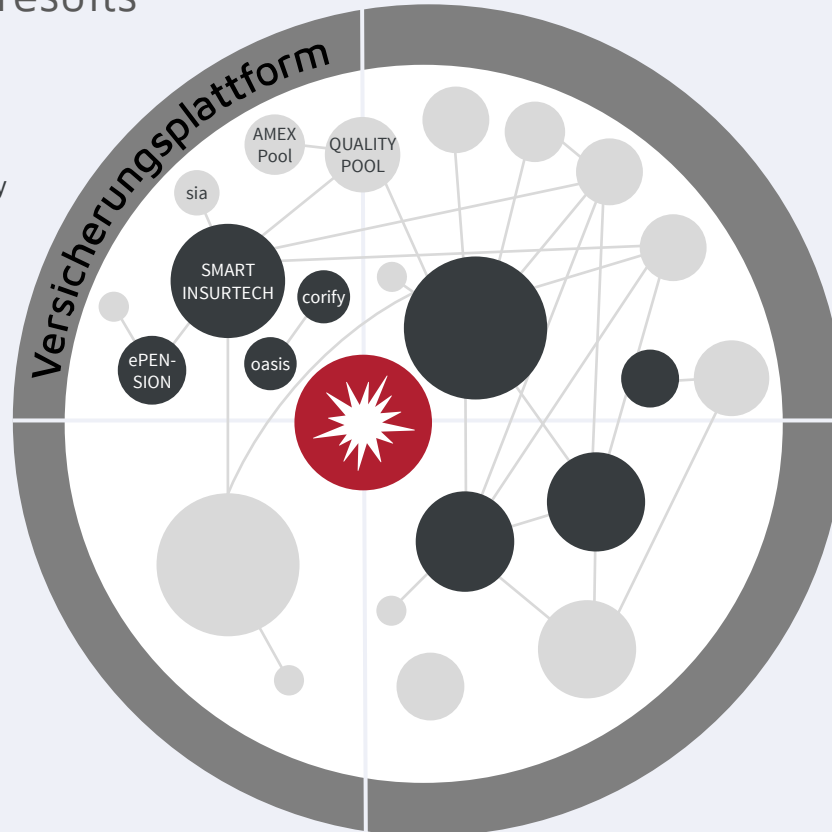
- The market and regulatory situation led to sharp falls in revenue from property valuation, but higher revenue in other sub-segments mitigated the decrease in revenue for the segment as a whole
- The segment reported another significant loss due to continued high levels of investment in the platforms
- The high level of orders on hand for the property management platform for the social housing industry has not yet translated into higher earnings
- Cross-selling by the Credit Platform segment (Europace, FINMAS, GENOPACE) continues to offer high potential
- For 2023, we are still anticipating a sharp drop in revenue and a significant adverse impact on the Group's net profit for the year

# Insurance Platform

Business model & results

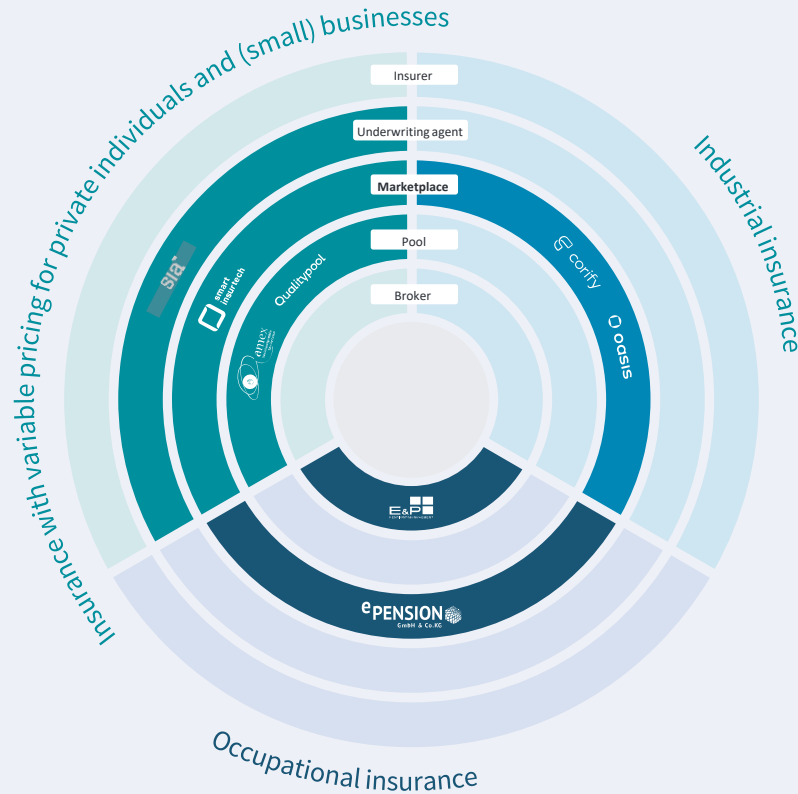


Insurance industry



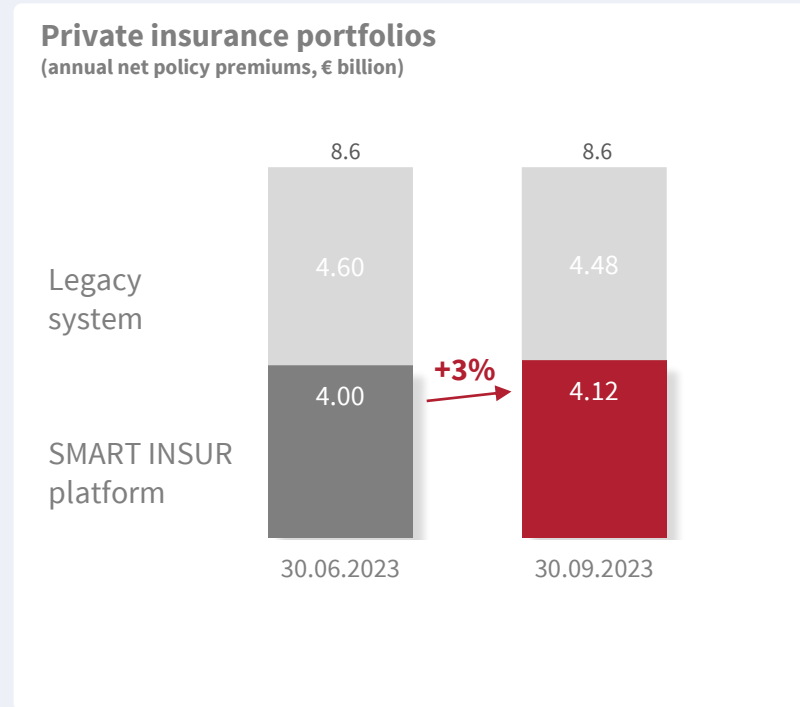
# Market positioning of the companies now finalised

Strategic positioning of the segment's portfolio



# Steady increase in the platform volume

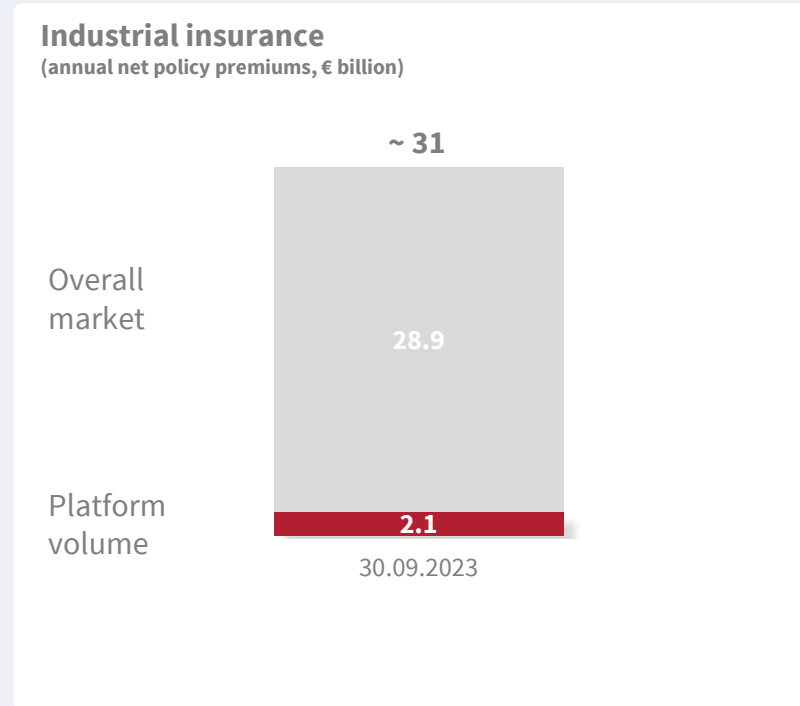
Insurance Platform: private insurance portfolios



- Annual net policy premiums of just under €9 billion for private insurance policies are managed in the legacy systems
- Migrating these portfolios to the SMART INSUR platform is crucial to the establishment of premiums-based fee models in the sector
- SmIT is gradually validating these portfolios; the validation rate is now over 30%
- Validation of the policy portfolios is needed to be able to provide further added value for brokers, distribution organisations and insurance companies, e.g. automated recommendations for action for their advisors

# Industrial insurance now a separate business line

Insurance Platform: industrial insurance portfolios

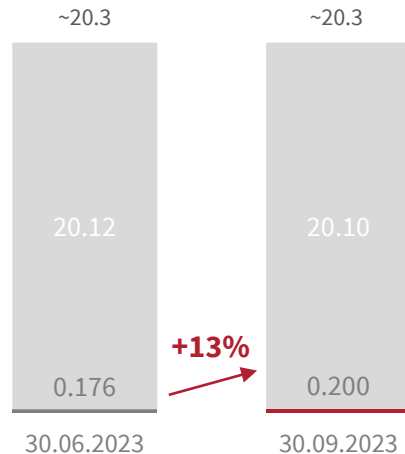


- Strategic repositioning as a contract portfolio management platform for the growing industrial insurance market finalised
- Corify, the first marketplace for industrial insurance risk, went live with the first product applications, as scheduled, in the second half of the year
- First client already signed up
- Progress being made in the collaboration with further major industrial insurance brokers and providers
- Attractive potential for development at Hypoport in terms of market share and growth in the overall market for industrial insurance in the coming years

# Huge potential for digitalisation in occupational pension market

## Insurance Platform: occupational insurance portfolios

### Annual net policy premiums on occupational insurance portfolios (€ billion)

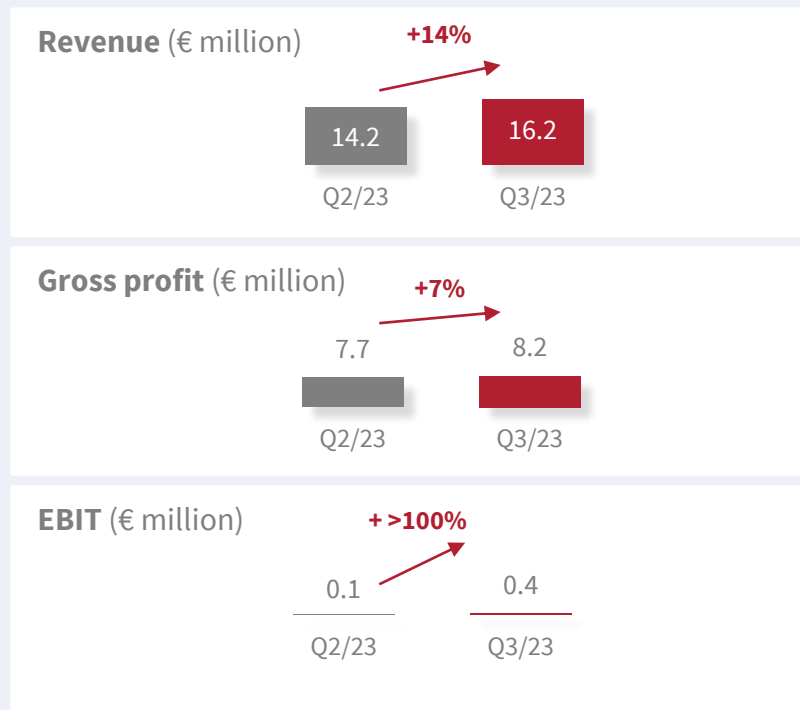


- ePension integrates all stakeholders in the occupational insurance market, including HR departments of large companies, insurers, specialist distributors of occupational pension schemes / brokerage organisations and employees
- Largest financial product distributor was signed up to use ePension in Q3
- Regulation regarding occupational pension provision is forcing employers to implement complex processes and manage a broad range of choices
- Volume from new clients currently depressed due to cuts to corporate benefits (voluntary contributions)
- Steady rise in volume from existing clients due to wage increases and the raising of the income threshold for social security contributions



# Progress with the strategic realignment

## Insurance Platform: revenue, gross profit and EBIT



- Volumes from additional clients signed up for SMART INSUR and ePension in 2022 and 2023 are being steadily migrated to the platform, but the acquisition of new clients continues to progress more slowly than expected
- Jump in segment revenue in Q3 compared with Q2 owing to seasonality of the low-margin pooling business
- Positive earnings performance, showing that the turnaround has been achieved, was confirmed in Q3
- The plan for 2023 is to generate modest revenue growth and to break even in terms of EBIT by optimising the cost base

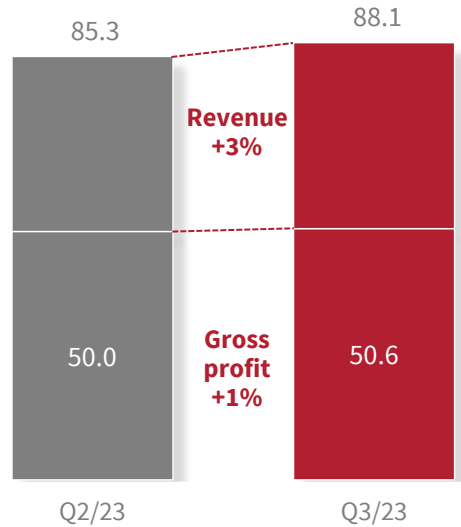
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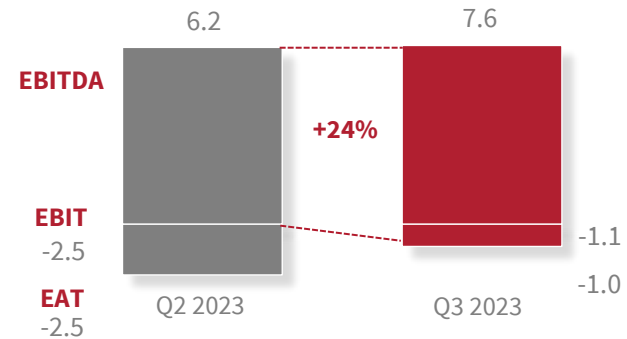
# Improvement in earnings compared to Q2

Overview of Hypoport's key performance indicators

## Performance (€ million)

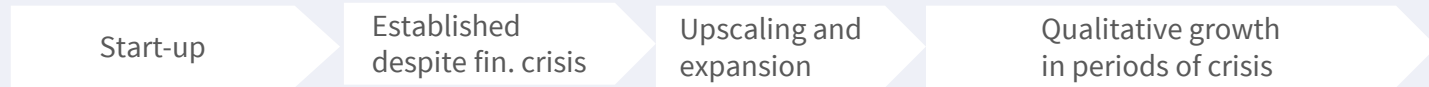


## Earnings (€ million)

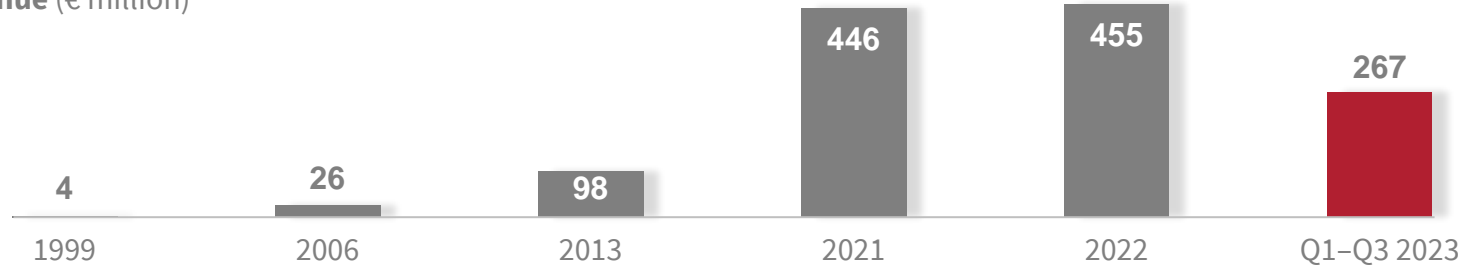


# Current environment offers long-term opportunities

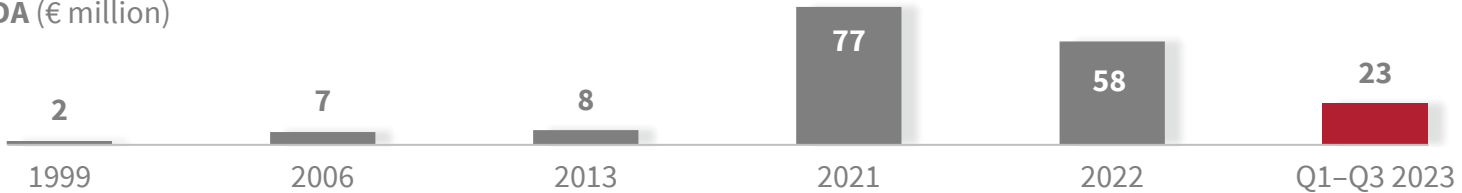
Long-term changes in revenue and EBITDA



Revenue (€ million)



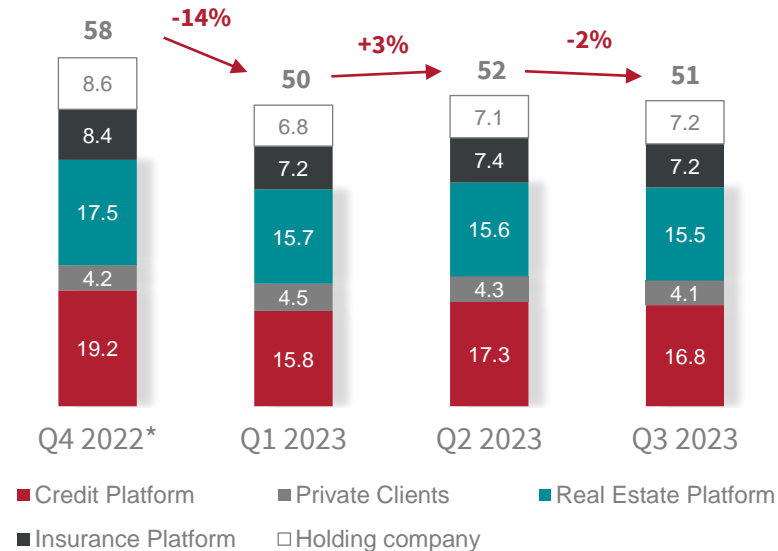
EBITDA (€ million)



# Costs held steady despite inflationary pressure

## Cost levels in the segments

### Personnel expenses and other operating expenses (€ million)



\* Q4 figure adjusted for net one-off items totalling minus €4 million.

- The reduction of costs across all segments will lower expenditure by €35–40 million in 2023 compared with the initial quarter, Q3 2022 (€60 million)
- Operating costs lowered by reducing office space, scaling back consultancy agreements and identifying a whole host of small direct cost items
- The cost reduction is more pronounced if other operating income of around €0.5 million resulting from subleases is factored in
- Investment in new platforms and products was maintained at an almost constant level despite the cost reductions; all promising innovation projects have been continuing, and will continue, in 2023

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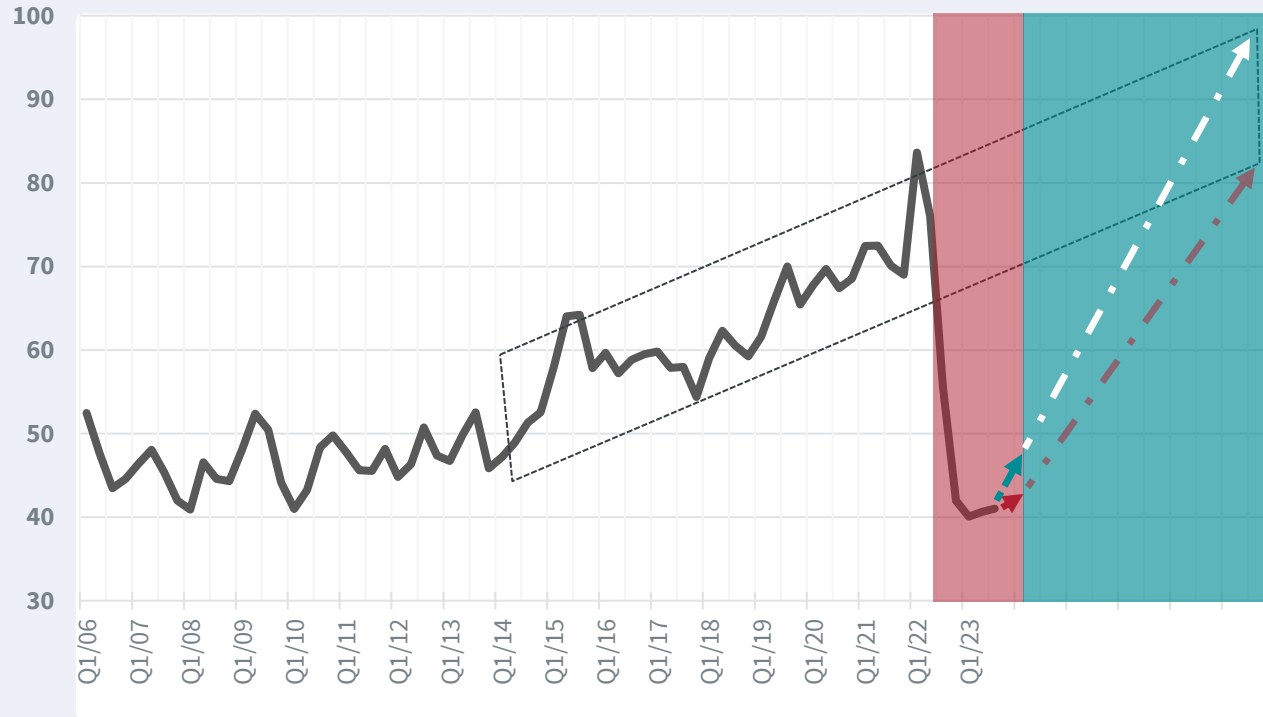
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## **4. Outlook**

Annex (incl. share price information & IR)

# Home ownership is a long-term growth market

Primary trends driving demand for mortgage finance



**202X: market of the future**  
~ €75–100 billion per quarter

- Persistently high net inward immigration is supporting demand for housing
- Current low level of new builds is not politically sustainable
- Regulated rental market is not appealing to middle-income tenants, resulting in a rising proportion of home ownership
- Investment in green heating / energy efficiency needs to be stepped up to €20 billion per quarter
- Wave of remortgaging will begin in 2027

Total mortgage finance volume (€ billion, per quarter), source: Bundesbank.

## For years

Hypoport has been generating double-digit increases in revenue and EBIT

## Forecast for 2023

Fall in revenue of up to 25%; consolidated EBIT in a range of €10 million to €15 million, partly thanks to various net positive non-recurring items

## For many more years

Hypoport will generate double-digit increases in market share and thus, in normal market phases, also in revenue and EBIT



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# Annex

# Investment highlights

**~20%** **REVENUE GROWTH**  
**10-year CAGR**

**~20%** **EBIT INCREASE**  
**10-year CAGR**

**15+** **ACQUISITIONS**  
**in 10 years**

**20+** **YEARS**  
of experience with platform-  
based business models

**88%** **OUR EMPLOYEES**  
are satisfied or even  
extremely satisfied with  
Hypoport as an employer

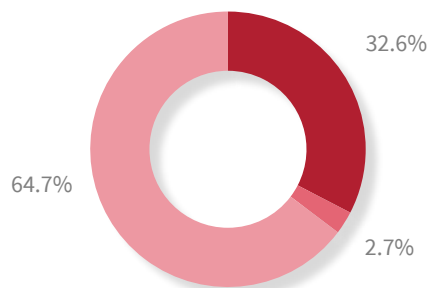
# Market capitalisation of just under €1 billion

## Shareholder structure and share information

### Breakdown of shareholders as at 31 October 2023

- Ronald Slabke (CEO)
- Treasury shares
- Free float

(more than 5% held by Baillie Gifford, more than 3% by Allianz Global Investors, more than 3% by Premier Miton, more than 3% by Union Investment and more than 3% by Nicolas Schulmann)

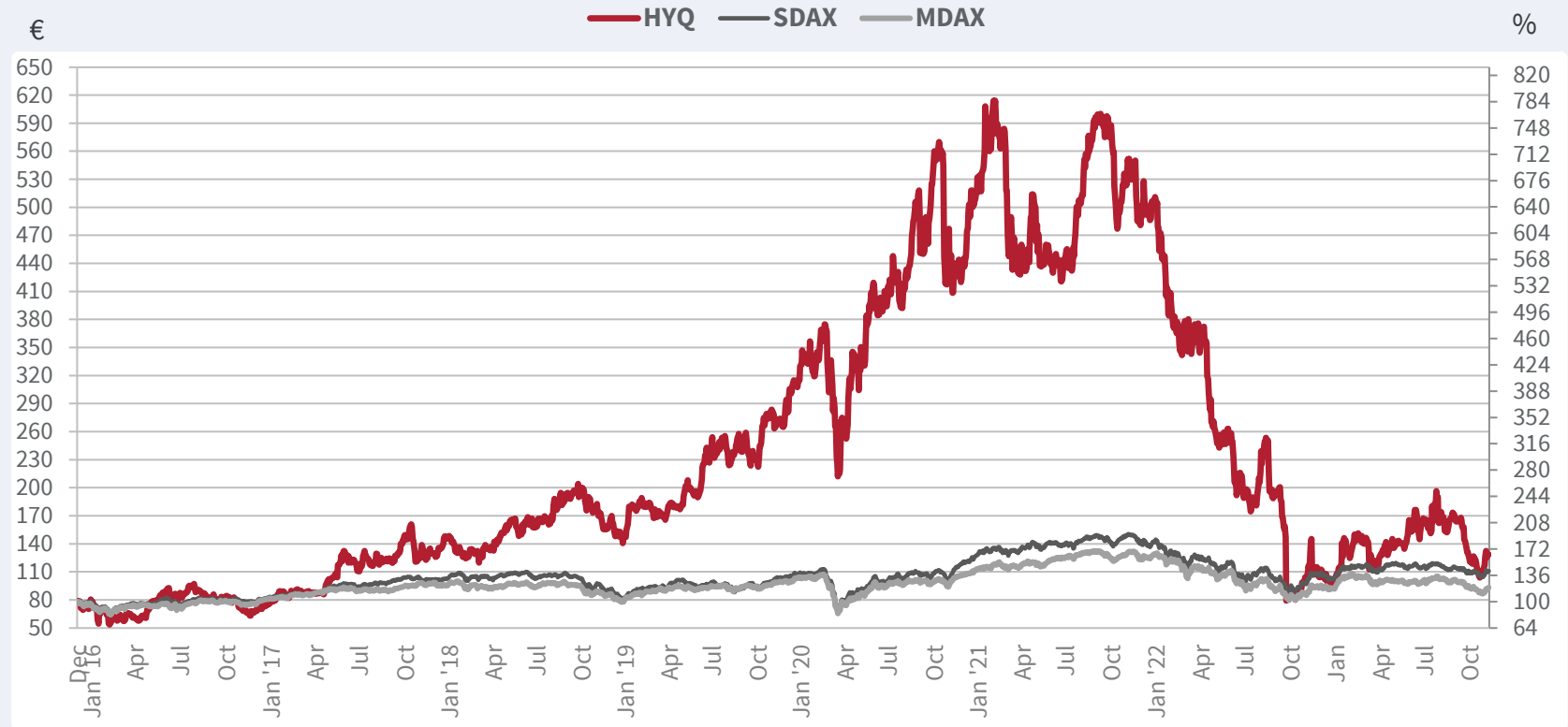


### Key performance indicators

KPI	Details	Value
EPS	Earnings per share in Q3 2023	-€0.14
Number of shares	Total number of shares	6,872,164
Market cap	Market capitalisation as at 9 Nov 2023	~€ 0.8 billion
Trading volume	Average trading volume per day in 2023	~€ 2.9 million
High	Highest closing price in 2023	€196.50
Low	Lowest closing price in 2023	€100.40
Indices	SDAX, Prime All Share, CDAX, DAXplus Family, GEX	

# Share price performance superior to indices

Share price since the date of joining the SDAX (daily closing price, Xetra, €)



# Hypoport's investor relations activity

Investor events, professional analysts' assessments, awards

Analyst	Recommendation	Target price	Date
Bankhaus Metzler	Sell	€97.00	20 October 2023
Berenberg	Buy	€230.00	16 August 2023
BNP Paribas Exane	Neutral	€170.00	14 August 2023
Pareto Securities	Buy	€215.00	27 October 2023
Warburg	Buy	€200.00	27 October 2023

## Index and awards

- SDAX, HDAX, DAX PLUS FAMILY
- Warburg 'Best Ideas 2023'
- Institutional Investor 'The 2020 All-Europe Executive Team'
  - 1st place 'Best IR Program Small & Midcap - Specialty & Other Finance' (investor choice)
  - 1st place 'Best IR Professional Small & Midcap - Specialty & Other Finance' (investor choice)

## Recent IR events

Conferences	Lyon, Frankfurt (2x), New York, Hamburg, Munich	Q1-Q3 2023
Roadshows	Boston, Ger/Aus/Swi, USA, UK	Q1-Q3 2023
Conferences	Lyon, Hamburg, Frankfurt (3x), London, Munich (2x), Paris (2x)	2022
Roadshows	Ger/Aus/Swi, UK, USA	2022
Conferences	Amsterdam, Berlin, Frankfurt (2x), Hamburg, London, Lyon, Munich (2x), Paris, USA (2x)	2021
Roadshows	Ger/Aus/Swi, London (2x), USA	2021

## Financial calendar

11 March 2024

Results for 2023

# Mortgage finance – a high-potential market

Long-term factors influencing private and institutional residential mortgage finance

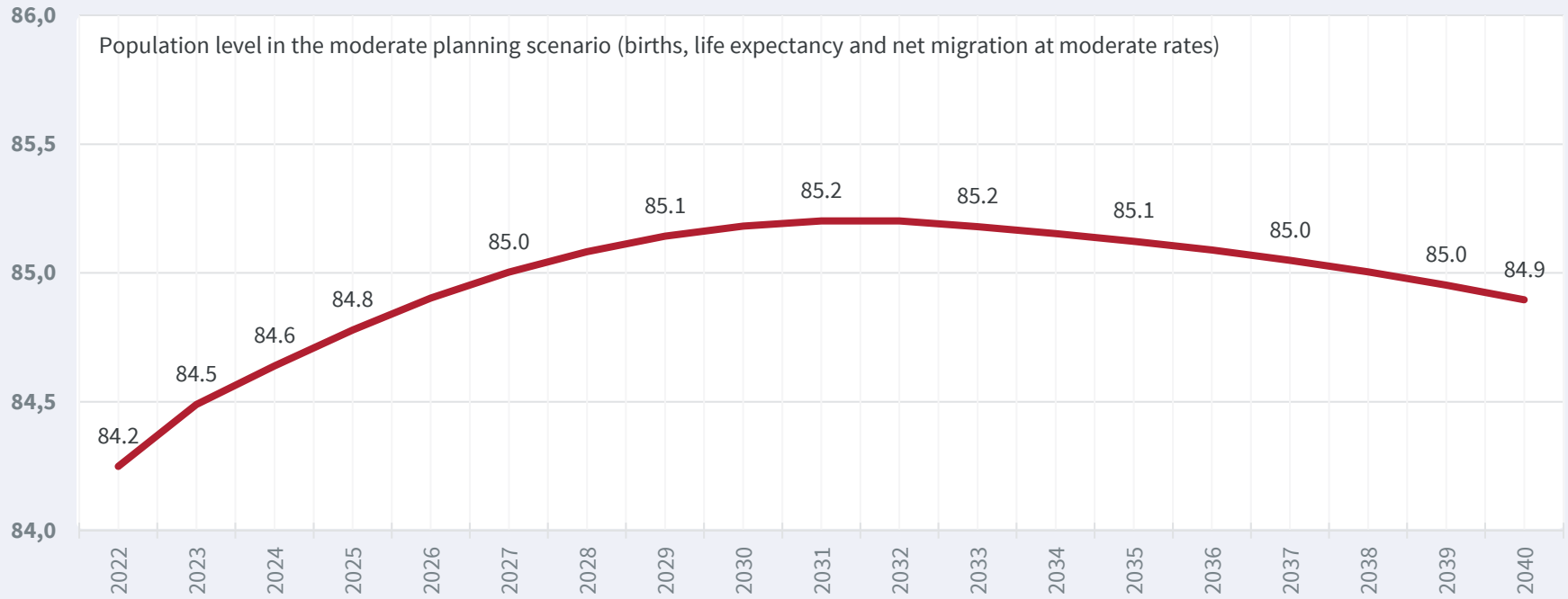
	Negative factors	Positive factors
Finance for <b>OWNER- OCCUPIED PROPERTIES</b>  Credit Platform Private Clients	<ul style="list-style-type: none"><li>• Lack of available properties</li><li>• High ancillary purchasing costs</li><li>• Legislators keep the market busy with a steady stream of new regulatory ideas</li><li>• Commercial and residential projects competing for construction resources</li></ul>	<ul style="list-style-type: none"><li>• Strong pent-up demand in and from the rental market</li><li>• Buying often cheaper than renting</li><li>• Slight growth in construction activity</li><li>• Market share of neutral loan brokerage advisors is growing</li><li>• Low home ownership (under 50%)*</li></ul>
Finance for <b>RENTAL PROPERTIES</b>  Real Estate Platform	<ul style="list-style-type: none"><li>• Increasingly unrealistic, uneconomic ideas about rent regulation in an already over-regulated rental market</li><li>• In metropolitan areas such as Berlin, political favouritism stands in the way of necessary new construction</li></ul>	<ul style="list-style-type: none"><li>• Marked increase in planned projects owing to pent-up demand for affordable housing, which has become a political issue</li></ul>

\* Source: Federal Statistical Office.



# Small population increase supports demand for housing

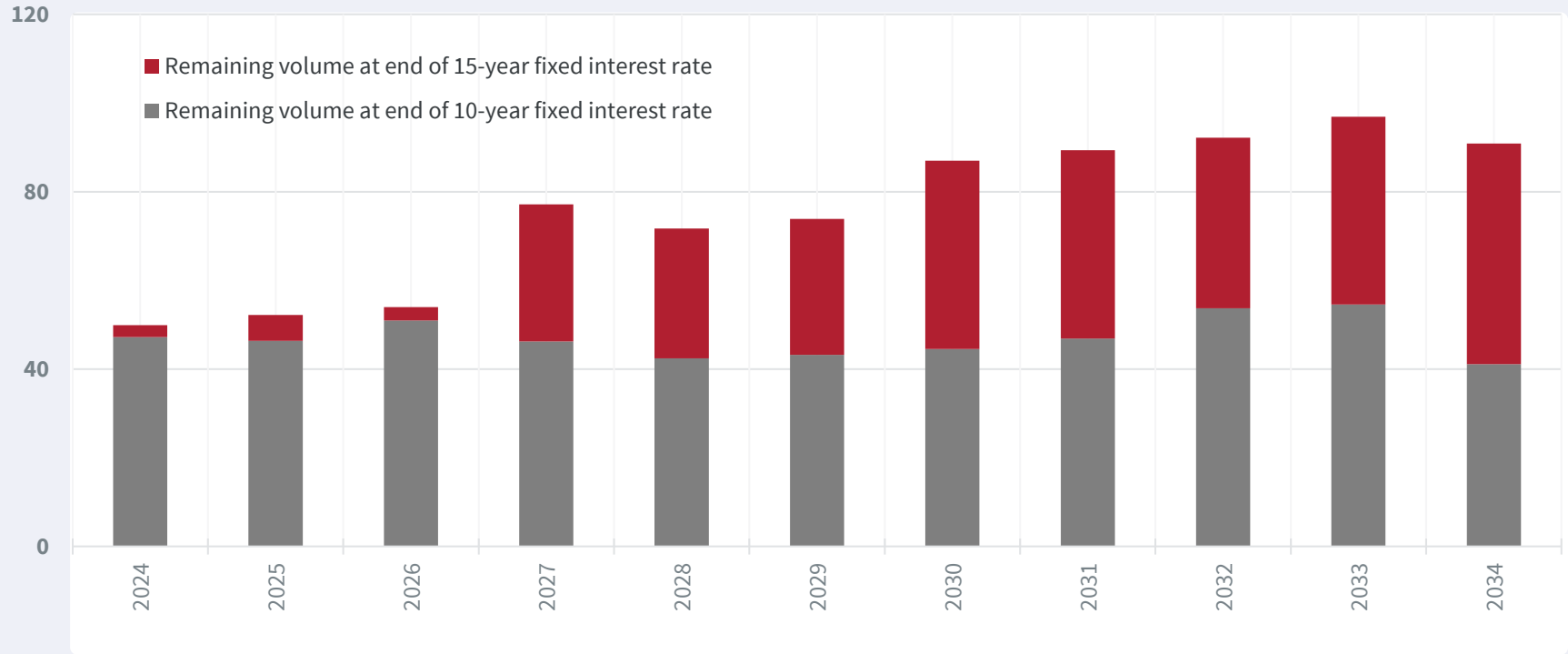
## Expected changes in population size up to 2040



Source: German Federal Statistical Office (2022) 15th coordinated population projection, variant 2 with moderate level of births, life expectancy and net migration (G2L2W2)

# High amount of refinancing from 2027 ongoing





















Expected volume of refinancing 2024 - 2030



Sources: Bundesbank, Europace, own calculations.

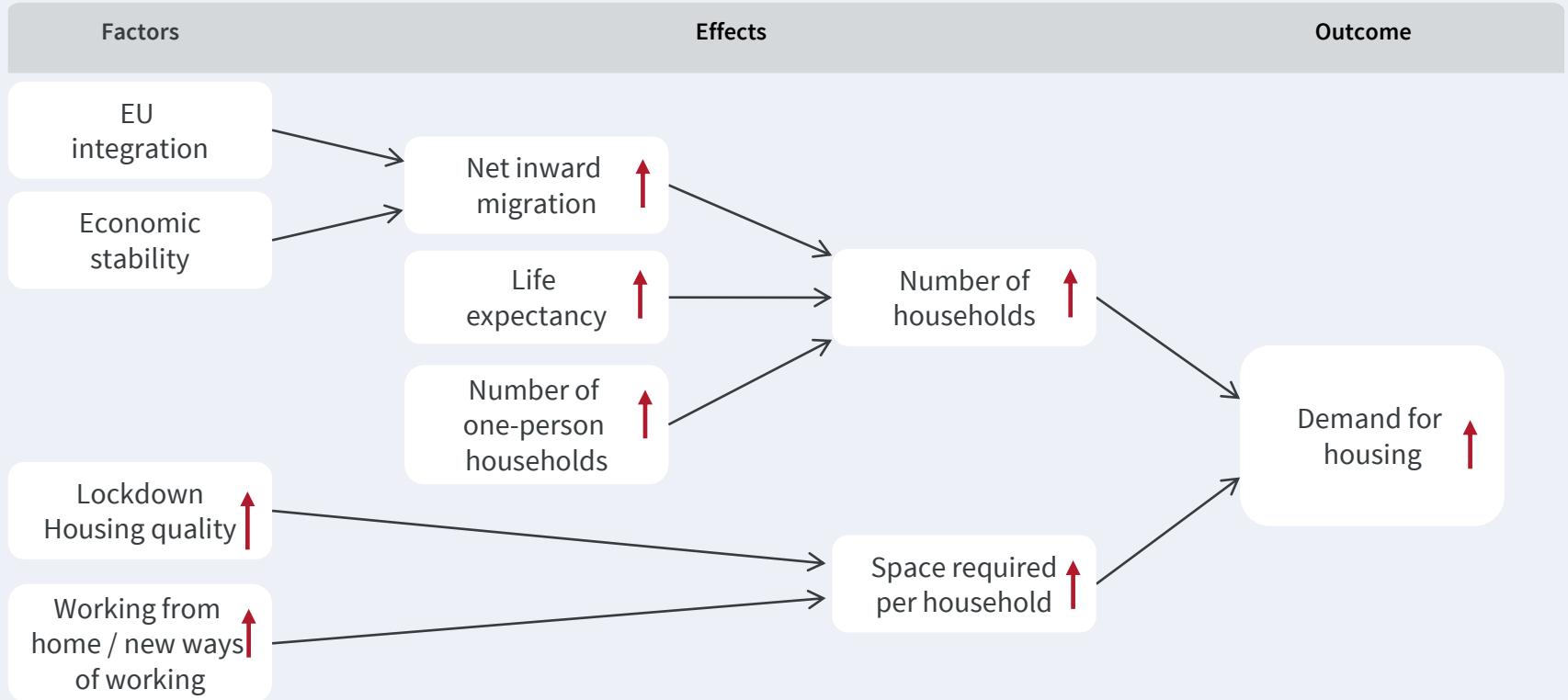
# Trigger events cause Germans to turn to financing

Factors of relevance for financing decisions

Type Reasons	Property purchase	Remortgaging	New builds	Modernisation
Life events	 Children, divorce, career changes		 Children	
Interest rates	 Changes in choice of location, size, and fixtures and fittings of the property	 Majority of loans have to be renegotiated after ten years	 Minor change to fixtures and fittings of new builds	
Resources			 Shortage of land for development, construction costs	 Shortages of skilled labour
Regulatory and political environment	 High transaction costs and inaccessible rental market		 Excessive building regulations, lack of funding support schemes	 Insulation bonus
Macroeconomic environment	 Target group: medium to high-income households		 Target group: high-income households	

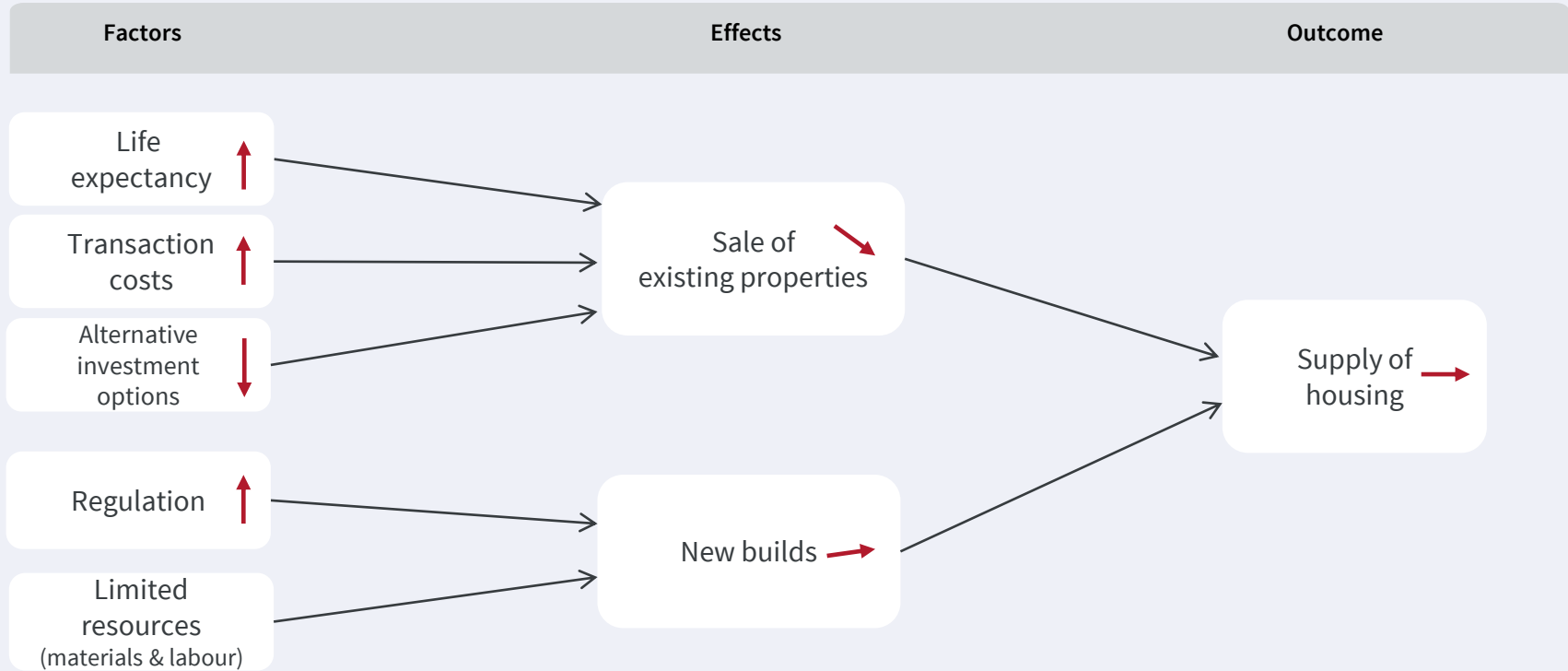
# Long-term neither interest rates nor short-term political topics matter

Factors influencing demand in the German property market



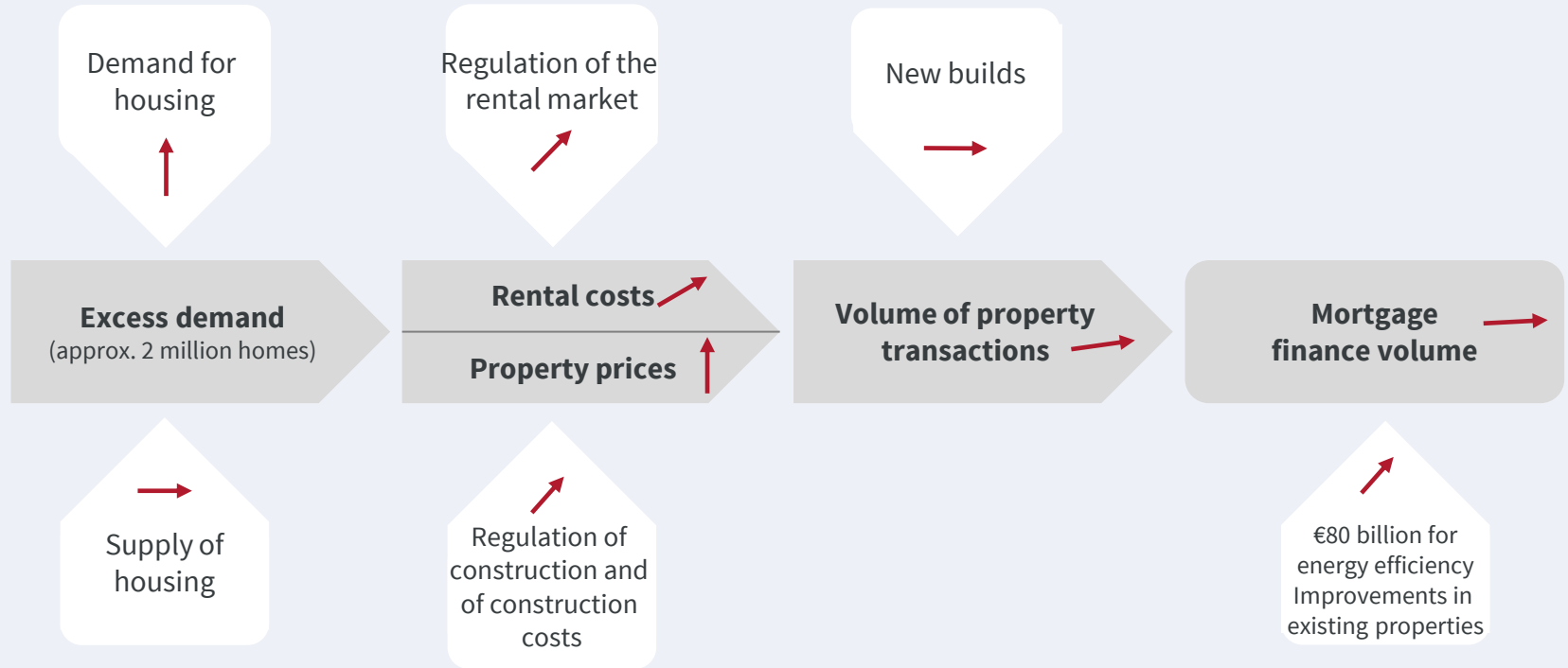
# Scarce supply due to low sales volumes and limited new building

Factors influencing supply in the German property market



# A long-term growth market

Structural factors underpinning sustained growth in the finance market



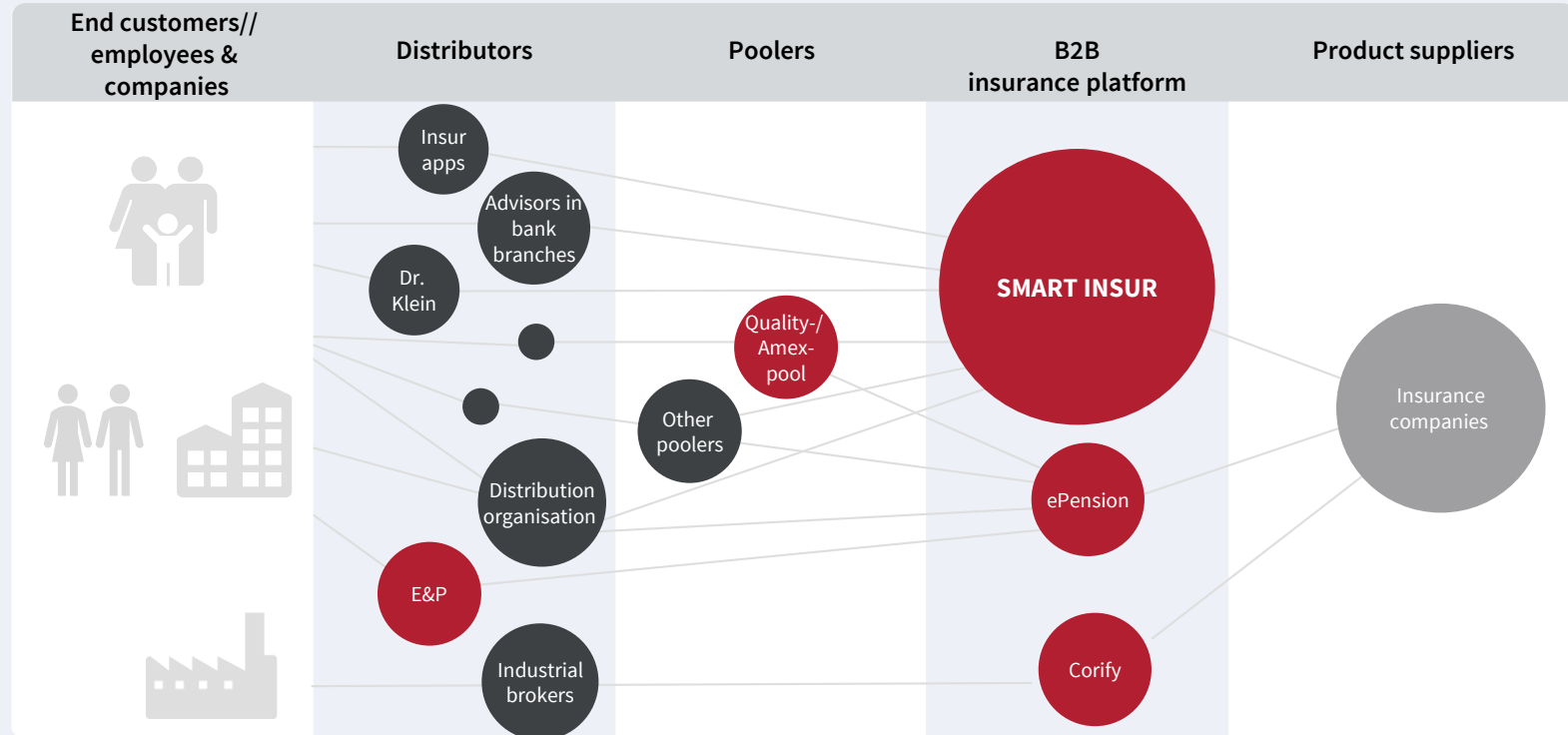
# Potential for digitalisation in the insurance market

## Long-term market factors

	Negative factors	Positive factors
Private insurance companies	<ul style="list-style-type: none"><li>• Established market players' legacy systems are slowing the pace of digitalisation due to the lack of compatibility with new technologies</li><li>• Further regulation is increasing the complexity of the insurance business and its digital transformation</li></ul>	<ul style="list-style-type: none"><li>• Consumers have higher expectations regarding digitalisation</li><li>• Insurtech start-ups and coronavirus are increasing the pressure on traditional market players to adopt digital technologies</li><li>• Possibilities for evaluating big data provide an incentive for digitalisation</li></ul>
Occupational insurance schemes	<ul style="list-style-type: none"><li>• Continuing lack of products and poor knowledge are holding back growth</li><li>• Low interest-rate environment and falling technical interest rate are making it more difficult to keep to guarantees</li></ul>	<ul style="list-style-type: none"><li>• Employees' growing expectations are driving the digitalisation of occupational pension support, administration and communications</li><li>• Increasingly complex occupational pension processes make digitalisation a necessity</li></ul>

# Digitalisation of the insurance industry

## Insurance Platform segment business model





# Huge potential for growth in all product groups

Market share in the three product groups

Overall market in 2022: €224 billion in annual net policy premiums written



Sources: German Insurance Association (GDV) as at 26 January 2023, own estimates.