CIG PANNÓNIA
INSURANCE

CIG PANNONIA LIFE INSURANCE PLC.

SEPARATE FINANCIAL STATEMENTS AND BUSINESS REPORT FOR THE YEAR 2022, PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCEPTED BY THE EUROPEAN UNION

CIG PANNÓNIA INSURANCE

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CIG PANNONIA LIFE INSURANCE PLC.

Separate Financial Statements for the year 2022, prepared according to the International Financial Reporting Standards accepted by the European Union

28 March 2023

Statement of Comprehensive Income Data in THUF

	megj.	2022	2021 (restated)
Gross written premium		26 833 916	22 212 463
Changes in unearned premiums reserve		- 54 408	- 70 210
Earned premiums, gross		26 779 508	22 142 253
Ceded reinsurance premiums		- 843 646	- 276 241
Earned premiums, net	8	25 935 862	21 866 012
Premium and commission income from investment contracts	9	105 045	147 397
Commission and profit sharing due from reinsurers	10	313 302	2 381
Investment other income	11	234 246	11 576 963
Interest income based on effective rate		770 141	430 005
Yield on investment of associates	11	834 500	448 109
Other operating income	12	876 341	937 423
Other income		**3 133 575**	**13 542 278**
Total income		**29 069 437**	**35 408 290**
Claim payments and benefits, claim settlement costs	13	- 14 718 137	- 14 947 760
Recoveries, reinsurer's share	13	124 314	64 082
Net changes in value of the life technical reserves and unit-linked life insurance reserves	14	- 2 104 825	- 12 009 427
Investment expenses	11	- 3 608 752	- 1 059 904
Impairment and impairment reversal of financial assets	11	- 7 072	- 6 258
Change in the fair value of liabilities relating to investment contracts	39	178 470	- 436 816
Investment expenses, changes in reserves and benefits, net		**- 20 136 002**	**- 28 396 133**
Fees, commissions and other acquisition costs	15	- 4 883 217	- 3 763 253
Other operating costs	16	- 1 712 780	- 1 707 839
Other expenses	17	- 757 369	- 307 792
Operating costs		**- 7 353 366**	**- 5 778 884**
Profit/Loss before taxation		**1 580 069**	**1 233 273**
Tax income/expenses	18	- 240 028	- 184 215
Deferred tax income/expenses	18	117 016	87 797
Profit/Loss after taxation		**1 457 057**	**1 136 855**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	19	- 602 294	- 574 917
Comprehensive income, would be reclassified to profit or loss in the future	19	- 3 129 280	- 1 616 687
Other comprehensive income		**- 3 731 574**	**- 2 191 604**
Total comprehensive income		**- 2 274 517**	**- 1 054 749**
Earnings per share (consolidated)			
Basic earnings per share (HUF)	20	12,9	17,8
Diluted earnings per share (HUF)	20	12,8	17,7

CIG PANNÓNIA INSURANCE

Statement of Financial Position Data in THUF

ASSETS	megj.	2022. december 31.	2021. december 31. (restated)
Intangible Assets	21	730 572	615 125
Property, plant and equipment	22	132 659	159 822
Right of use assets	23	276 578	385 461
Deferred tax asset	18	590 836	473 820
Deferred acquisition costs	24	1 434 785	1 251 601
Reinsurer’s share of technical reserves	36	457 684	178 930
Subsidiaries	25	4 200 772	4 068 923
Associates	25	51 753	51 753
Available-for-sale financial assets	26	-	21 507 125
Other financial assets at fair value	26	16 413 265	-
Investments for policyholders of unit-linked life insurance policies	27	86 205 307	85 664 010
Financial assets – investment contracts	28	5 167 307	5 237 951
Financial assets – derivatives		34 467	937
Receivables from insurance policy holders	29	2 707 547	1 832 689
Receivables from insurance intermediaries	30	123 576	32 481
Receivables from reinsurance	31	363 675	15 663
Other assets and prepayments	32	64 380	43 796
Other receivables	33	100 254	69 827
Intercompany receivables	34	111 972	70 617
Cash and cash equivalents	35	2 588 805	741 831
Total Assets		**121 756 194**	**122 402 362**

LIABILITIES			
Technical reserves	36	18 466 109	16 633 261
Technical reserves for policyholders of unit-linked life insurance policies	38	86 205 307	85 664 010
Investment contracts	39	5 167 307	5 237 951
Loans and financial reinsurance	40	6 704	37 739
Liabilities from reinsurance	41	647 539	85 013
Liabilities to insurance policy holders	42	846 589	833 437
Liabilities to insurance intermediaries	43	218 089	156 728
Lease liabilities	44	318 781	414 318
Provisions	45	196 134	43 728
Other liabilities	46	1 375 321	1 042 756
Intercompany liabilities	47	30 371	11 577
Liabilities to shareholders	CF	30 253	19 929
Total Liabilities		**113 508 504**	**110 180 447**

NET ASSETS		8 247 690	12 221 915

SHAREHOLDERS’ EQUITY			
Share capital	48	3 116 133	3 116 133
Capital reserve	48	4 019 111	4 019 111
Treasury shares	49	- 31 996	- 31 996
Other reserves	50	- 6 636 383	- 2 971 871
Retained earnings		7 780 825	8 090 538
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**8 247 690**	**12 221 915**

CIG PANNÓNIA
BIZTOSÍTÓ

Changes in Equity 2022

Data in THUF

	Notes	Registered capital	Capital reserve	Treasury shares	Other reserves	Retained earnings	Equity in total
Balance on 31 December 2021		**3 116 133**	**4 019 111**	**- 31 996**	**- 2 971 871**	**8 090 538**	**12 221 915**
IFRS 9 entry effect	5.2.4				67 062	- 67 062	-
Vlance on 1 January 2022		**3 116 133**	**4 019 111**	**- 31 996**	**- 2 904 809**	**8 023 476**	**12 221 915**
Total comprehensive income							
Other comprehensive income	19				-3 731 574		-3 731 574
Profit after tax in reporting year						1 457 057	1 457 057
Transactions with equity holders, recognized in equity							
Payment of divident						-1 699 708	-1 699 708
Balance on 31 December 2022		**3 116 133**	**4 019 111**	**-31 996**	**-6 636 383**	**7 780 825**	**8 247 690**

CIG PANNÓNIA BIZTOSÍTÓ

Changes in Equity 2021 restated

Data in THUF

	Notes	Registered capital	Capital reserve	Share based payment	Other reserves	Retained earnings	Equity in total
Balance on 31 December 2020		**3 116 133**	**4 019 111**	**-**	**- 780 267**	**7 071 702**	**13 435 517**
Effects of MRP Accounting policy change	5.2.3					- 126 857	- 126 857
Balance on 1 January 2021 (restated)		**3 116 133**	**4 019 111**	**-**	**- 780 267**	**6 944 845**	**13 308 660**
Total comprehensive income							
Other comprehensive income	19				-2 191 604		-2 191 604
Profit after tax in reporting year (restated)						1 136 855	1 136 855
							-
Transactions with equity holders, recognized in equity							-
Treasury share purchase	49			-31 996			- 31 996
Deduction of share-based payments	3.11					8 838	-
Balance on 31 December 2021		**3 116 133**	**4 019 111**	**- 31 996**	**- 2 971 871**	**8 090 538**	**12 221 915**

Changes in equity 2021 (original)

	Notes	Registered capital	Capital reserve	Share based payment	Other reserves	Retained earnings	Equity in total
Balance on 31 December 2020		**3 116 133**	**4 019 111**	**-**	**-780 267**	**7 071 702**	**13 435 517**
Total comprehensive income							
Other comprehensive income	19				-2 191 604		-2 191 604
Profit after tax in reporting year						1 160 677	1 160 677
							-
Transactions with equity holders, recognized in equity							-
Treasury share purchase	49			31 996			31 996
Treasury share sales	49			-31 996		1 004	- 30 992
Deduction of share-based payments	3.11					8 838	-
Balance on 31 December 2021		**3 116 133**	**4 019 111**	**-**	**- 2 971 871**	**8 242 221**	**12 405 594**

CIG PANNÓNIA INSURANCE

Statement of Cash Flows Data in THUF

	Notes	2022	2021 (restated)
Profit/loss after taxation		1 457 057	1 136 855
Modifying items			
Depreciation and amortization	16	343 545	338 379
Derecognised asset	17	-345	- 7 083
Booked impairment	17	821 175	897 515
Result of assets sales	11	48 228	18 303
Share based payments	3.11	-	6 780
Exchange rate changes	11	- 116 237	- 24 252
Result of associates	11	- 843 661	- 436 156
Dividend from subsidiaries	5.2.3	-	- 11 953
Income taxes expenditure	18	240 028	184 215
Deferred tax	18	- 117 016	- 87 797
Interest received	11	- 731 319	- 429 994
Result of derivatives	11	- 23 161	7 502
Provisions	45	152 406	- 237 951
Derecognition of leasing assets	23	8 358	290
Interest cost	11	3 203	6 630
Change of active capital items:		-	-
Increase / decrease of deferred acquisition costs (-/+)	24	- 183 184	- 115 527
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	27	- 541 297	- 11 542 275
Increase / decrease of financial assets – investment contracts (-/+)	28	70 644	- 1 007 882
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	29, 30,33	- 1 263 332	1 612
Increase / decrease of reinsurer's share from technical reserves (-/+)	36	- 278 753	288 832
Increase / decrease of intercompany receivables (-/+)	34	- 41 355	10 618
Increase /decrease of other assets and active accrued and deferred items (-/+)	32	- 20 585	- 32 653
Increase / decrease of technical reserves (+/-)	36	1 832 847	3 214 595
Increase / decrease of liabilities from insurance (-/+)	41, 42, 43	637 039	162 019
Increase / decrease of investment contracts (+/-)	39	- 70 644	1 007 882
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	36	541 297	11 542 275
Increase / decrease of intercompany payables (+/-)	47	18 795	- 32 231
Increase / decrease of other liabilities (+/-)	46	332 566	561 704
Increase / decrease in liability to equity holders (+/-)		-	-
Paid Income Taxes	18	- 206 244	- 158 751
Cash flows from operating activities		**2 070 055**	**5 247 941**

CIG PANNÓNIA
INSURANCE

Data in THUF

Statement of Cash Flows (cont.)

Cash flow from investing activities	Notes	2022	2021 (restated)
Purchase of debt instruments (-)	26	- 8 918 985	- 16 494 820
Sales of debt instruments (+)	26	10 227 462	14 596 673
Sales and purchases of capital intruments (+/-)	26	12 413	-
Purchase of tangible and intangible assets (-)	21, 22	- 328 838	- 454 924
Sales of tangible and intangible assets (+)	21, 22	998	25 666
Result of derivatives	11	- 10 369	2 666
Equity increase in subsidiaries (cost assumption)	25	- 1 000 000	- 3 500 000
Interest received	11	791 780	627 794
Dividend received	11	843 661	448 109
Cash flow from investing activities		**1 618 122**	**- 4 748 836**
CASH FLOW FROM FINANCING ACTIVITIES	**megj.**		
Lease repayment payment	44	- 98 212	- 53 533
Lease interest payment	44	- 10 329	- 8 458
Repayment of loans and their interests	41	- 34 656	- 117 862
Purchase of treasury shares	49	-	- 31 996
Dividend payment		- 1 701 797	-
CASH FLOW FROM FINANCING ACTIVITIES		**- 1 844 994**	**- 211 849**
Impacts of exchange rate changes		3 791	5 174
Net increase / decrease of cash and cash equivalents (+/-)		**1 846 974**	**292 430**
Cash and cash equivalents at the beginning of the period		**741 831**	**449 401**
Cash and cash equivalents at the end of the period		**2 588 805**	**741 831**

Notes to the financial statements

1 GENERAL INFORMATION

CIG Pannónia Life Insurance Public Limited Company (registered office: 1097, Budapest, Könyves Kálmán krt. 11. B; company registration number: 01 10 045857; registry court: Court of Registration of the Budapest-Capital Regional Court) (hereinafter: Company or Insurer) is registered in Hungary which was established as a Private Limited Company on 26 October 2007.

On 4 November 2009, the General Meeting decided on the change of the Insurer's operating form a Private Limited Company to a Public Limited Company. The public sale of CIGPANNONIA shares lasted from October 11, 2010 to October 22, 2010, during which the total amount of new publicly traded shares (10,850,000 shares) was registered and the Insurer received a total of HUF 9.3 billion new capital.

Since 12 April 2012 the Securities of the Insurer are traded in the BSE Shares Class "A" and after in the "premium" category and the shares are included in the BUX basket.

The Insurer started its sales activities on May 26, 2008 and continued its activities as of January 1, 2010 under the name CIG Pannónia Életbiztosító cPlc. Starting in May 2009, it started selling its products in Romania, and in September 2010 in Slovakia, however from 2016 in these countries the Insurer only manages the previously acquired portfolio.

The parties signed a contract on 7 October 2016 according to which the Company acquired 98.97% ownership interest in MKB Life Insurance cPlc. while its subsidiary, CIG Pannónia First Hungarian General Insurance Ltd. acquired 98.98% ownership interest in MKB General Insurance cPlc from Versicherungskammer Bayern. The acquisition was registered by the Registry Court in case of the Issuer on 18 January 2017 and in case of the Issuer's subsidiary on 25 January 2017 and thus the CIG Group acquired 98.98% of MKB General Insurance cPlc and 98.97% of MKB Life Insurance cPlc as at 1 January 2017.

On 30 June 2017, the Court of Registration of the Budapest-Capital Regional Court registered the merger of Pannónia Life Insurance cPlc. (formerly MKB Life Insurance cPlc.) into CIG Pannónia Életbiztosító Plc. and the merger of Pannónia General Insurance cPlc (formerly MKB General Insurance cPlc) into CIG Pannónia First Hungarian General Insurance Ltd.

CIG Pannónia Life Insurance Plc. concluded a strategic cooperation agreement with MKB Bank cPlc. on 11 April 2017. According to the agreement, the two companies concluded a long-term cooperation, the pension and life insurance products of CIG Pannónia are sold in the branches of MKB Bank, while the agents of CIG Pannónia is also selling the products of MKB Bank to the clients. With the strategic

cooperation of the Company and MKB Bank, the mutually beneficial cooperation between the companies continued to strengthen.

At the beginning of 2018, the Insurer entered into a strategic cooperation agreement with KONZUM Nyrt. On April 27, 2018, according to the resolution of the General Meeting of 30 January 2018, the Company acquired a 6.56% stake in KONZUM Investment and Property Management Plc. In addition, in an OTC trade the Company purchased 1,368,851 shares at a price of HUF 3,000 each, representing 6.56% of the 20,860,000 KONZUM shares in circulation at that time.

On 25th April 2018 the Central Bank of Hungary has authorized by its decision No. H-EN-II-38/2018. the acquisition of qualified influence of KONZUM Investment and Asset Management Plc. over CIG Pannonia Life Insurance Public Limited Company based on direct ownership exceeding the 20% limit, and over CIG Pannonia First Hungarian General Insurance Public Limited Hungary based on indirect ownership exceeding the 20% limit. By the Transaction KONZUM Plc. subscribed 23,466,020 pieces of dematerialized "A" series ordinary shares issued by the Insurance Company with the face value of HUF 40, and with the issue value of HUF 350. As a result of the Transaction, the KONZUM Plc. acquired the 24,85% direct ownership over the Insurance Company. The Court of Registration has passed the resolution number 01-10-045857/370 on 8 May 2018with the effect of the registration of the increase of the share capital, so the share capital of the Company has been increased to 3,777,130,400 Hungarian Forints and the amount of the shares issued by the Company to 94,428,260 pieces. The private placement of shares was launched on the Budapest Stock Exchange on 21 September 2018.

On 29 November 2018, the Board of Directors of the Company decided to establish the Employee Stock Option Program (hereinafter referred to as "MRP"). The establishment of the MRP took place in order to implement the Remuneration Directives adopted by the Company's General Meeting. Based on the decision of the Board of Directors on April 5, the Company transferred to the CIG Pannonia MRP a total of 374,006 CIGPANNONIA ordinary shares held by the Company as non-cash contributions to cover performance rewards through the MRP. After the transfer of shares, the Company does not hold CIGPANNONIA shares anymore.

The Annual General Meeting of the Company held on April 17, 2019 with decree of 8/2019. (04.17.) decided to reduce the share capital of the Company, as a result of which the share capital decreased from HUF 3,777,130,400 to HUF 3,116,132,580. The Company implemented the capital reduction by reducing the nominal value of the registered "A" series ordinary registered shares (94,428,260 pieces) of HUF 40 in the amount of 33 HUF per share, the way of carrying out the reduction was to reduce the nominal value of the shares. This change is subject to the Company Court Registry with decision of Cg.01-10-045857 / 395. The Company's share capital consisted of 94,428,260 ordinary registered shares ("A"

series) with a nominal value of HUF 33 each. All rights and obligations relating to the new shares are in accordance with the rights and obligations attached to the former shares in accordance with the provisions of the Company's Articles of Association and Act V of 2013 on the Civil Code. The share exchange date was September 26, 2019. The capital reduction represented 17.5 percent of the Company's equity as of December 31, 2018, based on which the total amount of the payment was HUF 3 billion, HUF 31.96 per share. The Company fulfilled the payment in September 2019.

At the meeting held on June 29, 2020, the Board of Directors of the Company decided on the increase of the share capital of the Company (hereinafter: Share Capital Increase). The Share Capital Increase was carried out by the Company in such a way that it increased the nominal value of 94,428,260 dematerialized voting shares with a nominal value of HUF 33 each, issued by the Company, to HUF 100 per share. With its announcement on 4 August 2020, the Company postponed the share exchange required in connection with the Share Capital Increase. The share exchange was postponed in order (i) to comply fully with the regulation dated on 17 June 2017 (2017/1129) of the European Parliament and the Council and (ii) in view of the fact that the Extraordinary General Meeting of the Company convened on 14 August 2020 intended to decide on the reduction of the Company's share capital. Subsequently, the General Meeting of the Company decided on 14 August 2020 to reduce the share capital of the Company with its resolution No. 22/2020 (VIII.14) ("Share Capital Reduction"). As a result, the share capital of the Company decreased from HUF 9,442,826,000 to HUF 3,116,132,580. The share capital reduction was carried out by the Company in such a way as to reduce the nominal value of 94,428,260 dematerialized voting shares with a nominal value of HUF 100 each, issued by the Company, to HUF 33 per share. This change was entered in the register of companies by the number Cg.01-10-045857/439. order of the Registry Court of the Metropolitan Court. In view of the registration of the Share Capital Reduction in the meantime, the registration of the Share Capital Increase has become obsolete, so KELER Ltd. will not create registered shares of the "A" series with a nominal value of HUF 100 and issued on the regulated market. However, taking the fact into account that a new series of shares was issued as a result of the Share Capital Decrease, the ISIN identifier of the newly issued series "A" ordinary shares with a nominal value of HUF 33 has changed, therefore the Company has carried out a technical share exchange. The first trading day of the new ordinary shares with a nominal value of HUF 33 (HU0000180112) on the Budapest Stock Exchange was on 9 December 2020.

On 27 November 2020, the Board of Directors of the Company amended its dividend policy. According to the Company's new dividend policy, after realistic

provisioning to take advantage of acquisition and non-organic growth opportunities is a primary goal. Dividends should be paid by taking into account the Solvency Capital Requirement and the Company's liabilities, financial and management plans. The funds available above this, which can be paid as forms of dividends, may be paid as dividends to the stakeholders.

Hungarikum Insurance Broker Ltd. announced that it had made a conditional (with the official authorization) agreement with OPUS GLOBAL Plc. on 24 September 2020 on the acquisition of Company's 23,466,020 series "A" dematerialized ordinary shares with a nominal value of HUF 33, representing 24.85% of the Company's share capital. Subsequently - but before the approval of the HFSA - on 20 October 2020, the Hungarikum Insurance Broker Ltd. purchased an additional 400,000 ordinary shares in a stock exchange transaction, for which reason its direct voting rights in the Company exceeded 5%.

The HFSA authorized Hungarikum Insurance Broker Ltd. to acquire a qualified influence in the Company based on direct ownership exceeding the 20% threshold but not exceeding 33% with its resolutions No. H-EN-II-128/ 2020. The HFSA's decision also extended Hungarikum Alkusz Ltd. acquiring a qualifying influence in the Company's subsidiary, CIG Pannónia Első Magyar Általános Biztosító Ltd., based on indirect ownership exceeding the 20% threshold but not reaching 33%. The HFSA authorized Keszthelyi Holding Ltd. and Erik Keszthelyi to acquire a qualifying influence in the Company and in the Company's subsidiary CIG Pannónia Első Magyar Általános Biztosító Ltd. based on direct ownership exceeding the 10% threshold but not exceeding 20% with its resolutions No. H-EN-II-129/ 2020 and No. H-EN-II-130/ 2020. The rate of the Hungarikum Alkusz Ltd. direct share at the end of 2020 is 32.86%, the number of its ordinary shares amounted to a total of 31,025,072.

Pursuant to the authorization of the Articles of Association, the Board of Directors relocated the registered office of the Company with effect from 1 February 2021, the new registered office: 1097 Budapest, Könyves Kálmán krt. 11. B. The Company also relocated the registered office of its subsidiaries with the same effective day.

The Board of Directors of the Company (with the no. 19/2020. (IV.24.) authorized by a resolution of the Board of Directors within the competence of the General Meeting) for the purpose of providing benefits to the MRP organization, with the help of MKB Bank Plc., on 29 March 2021, purchased 100,000 treasury shares at an average price of HUF 319 (no payment was made from the MRP Organization during the concerned period). The shares provided covers future payments subject to the terms and conditions of the MRP Organization, which are conditional and deferred, as well as maintenance obligations. As a result of the transaction the Company's treasury shares inventory has increased from 0 pieces to 100,000

pieces, which was 0.10 % of the amount of issued shares. The treasury shares were transferred to the MRP Organization on 6 May 2021.

HUNGARIKUM Biztosítási Alkusz Ltd. (registered office: H-8086 Felcsút, Fő utca 65., company registration nr.: 07 09 028910, tax ID nr.: 13010133-4-07, acting on its behalf: Erik Keszthelyi, managing director) (Acquirer, later: Designated Acquirer) and MKB Bank Public Limited Company (registered office: H-1056 Budapest, Váci u. 38., company registration nr.: 01-10-040952, tax ID nr.: 10011922-4-44) as investment service provider entrusted pursuant to Section 68 (4) of Tpt., for the reason and in order to achieve the goal of gaining influence to the extent specified in Section 68 (1) (b) of the Capital Markets Act CXX of 2001 (Tpt.), have submitted a mandatory public takeover bid for the purchase of registered ordinary shares issued by the Company (ISIN: HU0000180112) with a face value of HUF 33 (i.e. thirty-three forints) each. On June 18, 2021 the aforesaid takeover bid was submitted to the MNB (the Central Bank of Hungary) as Supervisory Authority for approval as well as to the Board of Directors of the Target Company, initiating its immediate publication.

The Board of Directors of the Company – following the information published in a transparent manner, including the disclosure of interim processes – and the Designated Acquirer and the investment service provider informed the Investors on the 7 September 2021 that the Offer had been approved by the HFSA by its decision H-KE-III-529/2021 dated 6 September 2021. The offer period lasted from 09:00 on 10 September 2021 to 12:00 on 11 October 2021. Immediately after receiving the decision of the Supervisor, the Designated Acquirer initiated the publication of the result of the supervision procedure and the approved tender offer, indicating the start and end date of the acceptance deadline (ie. for the period from 10 September 2021 to 11 October 2021), which the Target Company complied with within the legal deadline.

In accordance with the statement sent on 13 October 2021, the Designated Acquirer and the investment service provider informed the investors and other participants of the capital market about the result after the deadline October 13, 2021 for acceptance of the Offer.

During the period open for the acceptance of the mandatory public takeover bid the shareholders have made valid declaration of acceptance regarding a total of 12,592,366 CIGPANNONIA shares. The Designated Offeror took over all validly offered shares, as a result of which the direct influence of the Designated Offeror together with its previous shares changed from 32.96% to 46.30% in the Target Company.

Based on the notification made by VINTON Vagyonkezelő Kft. to the Company on 18 October 2021, VINTON sold 11,140,311 CIGPANNONIA shares, representing 11.79% of the Company's shares - it was the subject of the public takeover bid,

during and under the conditions set out therein. As a result of the transaction on 18 October 2021, the number of voting shares directly owned by VINTON decreased from 11,140,311 to 0 and thus represents 0% of the total number of shares issued.

All such announcements were immediately communicated by the Company through its announcement at the official publication sites, as well as the fact that the number of shares held by the Hungarikum Biztosítási Alkusz Ltd. in the Company changed to 52,397,438 through the acquisition of 8,680,000 shares, bringing the proportion of his voting shares to 55.48% - crossing up the Tpt. threshold value determined in accordance with Section 61 (1) and (3).

In 2021 and 2022, after the above announcement, Hungarikum Biztosítási Alkusz Ltd. further increased its ownership share through shares acquired on the stock exchange, by notifying the Company in a transparent manner of certain acquisitions of ownership in the stock exchange – even those that do not reach the limit value. Thus, the proportion of voting shares changed finally to 54,311,474 shares, bringing the proportion of its voting shares to 57.52%.

On 1 October 2021 the Company took over the portfolio of insurance contracts previously managed by the Dimenzió Mutual Insurance and Self-Help Association, amounting to approx. HUF 1 billion, mainly consisting of traditional insurance products. The owners of the contracts, which are mainly pension insurance contracts, automatically became customers of CIG Pannónia Life Insurance with the transfer. The settlement of the stock transfer was completed by the end of 2021.

The Company entered into a cooperation agreement with BNP Paribas Cardif Life Insurance Ltd. and BNP Paribas Cardif Insurance Ltd. on 14 October 2021. Pursuant to the agreement, the above contracting parties intend to extend their cooperation in the field of credit insurance previously exclusively related to the mortgage loans of MKB Bank Plc. to a wider range of products and customers. The subject and content of the agreement fit well into the framework of the previously published Growth Strategy, which contains development directions and goals. It should be assessed and contributes to the goal of the CIG Pannonia Insurer becoming a reliable, dominant-sized and stable composite insurer with a portfolio of life and non-life products in the coming period.

The Company decided on 23 December 2021 to increase the share capital of EMABIT by an additional HUF 5,000,000, as a result of which the new share capital of EMABIT increased to HUF 1,070,000,000. The share capital increase has taken place through the private placement of 5 new dematerialized registered ordinary shares with a nominal value of HUF 1,000,000 and an issue value of HUF 400,000,000, with the payment of a cash contribution - having the same rights as the shares previously issued. The full share capital increase has been performed

by the Company as the sole owner of EMABIT. Simultaneously with the share capital increase, the Company placed the difference between the issue and the nominal value of the shares, i.e. HUF 1,995,000,000, in the capital reserve of EMABIT. According to the information published by the Company on 30 December 2021, increase of the share capital took place by issuing new shares in accordance with the Company's new strategic vision, financing the operation of the business units restarted by EMABIT and the growth of the portfolio.

EMABIT entered into a partnership agreement with UNION Vienna Insurance Group Biztosító Plc. (registered office: 1082 Budapest, Baross u. 1., company registration number: 01-10-041566) on 11 November 2021. Thanks to the agreement it will further expand its range of non-life insurance as an integral part of the implementation of the Growth Strategy and will offer travel and home insurance to its retail customers from April 2022. On the non-life insurance line, EMABIT has entered the retail market with its Iránytű travel and LakóTárs home insurance, and has also been awarded the Qualified Consumer Friendly Home Insurance rating by the Hungarian National Bank on 9 March 2022.

On 22 February 2022, the Company and its 100% owned subsidiary EMABIT entered into a 20-year framework agreement with MKB Bank Plc. (Registered seat: 1056 Budapest, Váci u. 38.; Reg. no.: 01-10-040952) and Magyar Bankholding Ltd. (1134 Budapest, Kassák Lajos utca 18.; Reg. no.: 01-10-140865). Pursuant to the framework agreement, according to the implementation and timing of its terms, Magyar Bankholding Ltd. undertook to distribute and sell only the products of the CIG Pannónia Group with respect to products belonging to the life and non-life insurance segments through all sales channels of its member banks controlled and managed by a qualified majority, i.e. MKB Bank Plc., Budapest Bank Ltd. and Takarékbank Ltd. (member banks).

The establishment of the framework agreement is expected by the parties to create the long-term conditions for making full use of the synergies inherent in a banking-insurance cooperation, for which the parties have undertaken - specifying the detailed rules, modalities, financial terms, rights and obligations of their cooperation - to establish targeted cooperation agreement(s) in a regulated form and manner. All this is embodied on one hand in the banking product sales activities and the related sales promotion activities, on the other hand in the exclusive insurance sales activity and related sales promotion activity by Magyar Bankholding Ltd. and its member banks.

The Company signed a similar strategic agreement with Euroleasing Pénzügyi Szolgáltató Zrt, the largest player in the leasing market, in the second quarter of 2022.

With its decision no. H-EN-II-115/2022 dated 13 July 2022 Magyar Nemzeti Bank also authorized that - likewise based on the referred Agreement with BNP Paribas

Cardif insurers - BNP Paribas Cardif Életbiztosító Zrt.'s contract portfolio containing all group life insurance contracts (insurance contracts belonging to the risk group of group credit coverage life insurance) and to which the insurance contracts are contracted by MKB Bank Nyrt., as the legal successor of BUDAPEST Hitel- és Fejlesztési Bank Zártkörűen Működő Részvénytársaság, are transfered to CIG Pannónia Életbiztosító Nyrt. with effect of 1 September 2022. Following the transfer of the portfolio, CIG Pannónia Biztosítók will be the insurer of the portfolio of contracts specified in the license of the Magyar Nemzeti Bank, which will be reinsured by BNP Paribas Cardif Biztosítók.

At the same time the Magyar Nemzeti Bank (Hungarian National Bank, MNB) with its decision no. H-EN-II-115/2022 dated 13 July 2022 also authorized, that BNP Paribas Cardif Biztosító Zrt.'s contract portfolio containing all group non-life insurance contracts (credit coverage insurance resulting from non-life insurance contracts [except residential property insurance with credit coverage clause], insurance against various financial losses, other residential property insurance insurance contracts) and to which the insurance contracts are contracted by MKB Bank Nyrt., as the legal successor of BUDAPEST Hitel- és Fejlesztési Bank Zártkörűen Működő Részvénytársaság, are transfered to CIG Pannónia Első Magyar Áltános Biztosító Zrt. with the effect of 1 September 2022. The portfolio transfer took place on 1 September 2022 for both insurers.

On 15 December 2022, the Company and EMABIT, together as CIG Pannónia Group, and MKB-Pannónia Egészség- és Önsegélyező Pénztár (headquarters: 1056 Budapest, Váci u. 38.; registration number: 01-04-0000198; tax number: 18232761-1-41) (MKB EP) entered into a long-term, fixed-term (for five years and extendable for another five years) strategic cooperation agreement in order to fully harness the synergies in the cooperation between the fund and the insurance company - thus providing other insurance services (primarily health insurance services) within the applicable legal framework's possibilities to the fund's membership of more than 200,000 people.

Company's registered office:	1097, Budapest, Könyves Kálmán krt. 11. B
fax:	+36-1-247-2021
Phone:	+36-1-5-100-200
webpage:	www.cigpannonia.hu

1.1. Owners

The owners of the Company are Hungarian and foreign private individuals and legal entities, the number of shareholders is 5,753 at 31 December 2022. A share of

above 10% is owned by Hungarikum Biztosítási Alkusz Ltd., who has a 57.52% share through owning 54,311,374 shares.

Dr. Gábor Móricz has a total of 3,365,000 (3.56%) CIGPANNONIA ordinary shares. Kaptár Befektetési Zrt., which is in close contact with Dr. Gábor Móricz, has a total of 3,500,000 (3.71%) ordinary shares.

The ownership structure:

Owners description	Number of shares	Ownership ratio	Voting right
Domestic private individual	29 723 593	31.47%	31.48%
Domestic institution	63 328 431	67.07%	67.07%
Foreign private individual	137 037	0.15%	0.15%
Foreign institution	22 540	0.02%	0.02%
Nominee, domestic private individual	1 158 518	1.23%	1.23%
Nominee, foreign private individual	18 100	0.02%	0.02%
Nominee, foreign institution	32 726	0.03%	0.03%
Unidentified item	7 315	0.01%	0.01%
Total	**94 428 260**	**100%**	**100%**

The Insurer charged KELER Ltd. with keeping the shareholders' register. If, during the ownership verification, an account manager with clients holding CIGPANNONIA shares does not provide data regarding the shareholders, the owners of the unidentified shares are recorded as "unidentifiable item" in the shareholders' register.

Insurer implemented Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (MAR Regulation) and implemented technical standards for the precise format used for the preparation and updating of the insider list (10 March 2016) Regulation (EU) No 2016/347 and so maintains an insider list. The Insurer publishes a prohibited trading period for insiders every year on its website.

1.2. Supervisory Board

Chairman: **János Tima**

Members: **Erika Vada**

Ákos Veisz (until 19.04.2022)

Ildikó Ginzer (from 05.05.2022)

1.3. Audit Committee

Chairman:	**Erika Vada**
Members:	**János Tima**
	Ákos Veisz (until 19.04.2022)
	Ildikó Ginzer (from 05.05.2022)

1.4. Remuneration and Nomination Board

István János Fedák dr.

Péter Bogdánffy dr.

Zsuzsanna Ódorné Angyal

1.5. Board of Directors

Chairman:	**Zoltán Polányi (until 16.01.2023)**
	Péter Bogdánffy dr. (from 16.01.2023)
Members:	**István János Fedák dr.**
	Zsuzsanna Ódorné Angyal
	Gábor Dakó Miklós dr. (from 10.05.2022)

The Insurer shall disclose the amount of actual remuneration for the performance of elected officers annually in the form of a declaration of assurance on its website.

1.6. Management

Primary CEO, Chief Executive Officer:	**Zoltán Polányi (until 16.01.2023)**
	István János Fedák dr. (from 16.01.2023, under authorisation)
Chief Executive Officer:	**István János Fedák dr.**
Chief Financial Officer:	**Árpád Szűcs**

CIG PANNÓNIA INSURANCE

Deputy CEO responsible for corporate governance and prudential compliance:	**Gábor Miklós Dakó dr.**
Deputy Chief Sales Officer of Bank Insurance:	**Zoltán Kőrösi** (from 01.02.2023: Deputy CEO Sales Division)
Deputy CEO Retail Division:	**Kóka Antal** (from 01.02.2023)
Deputy CEO for Legal and Business Support:	**Dr. Kozma Dávid** (from 01.02.2023)
Chief Accounting Officer:	**Alexandra Tóth**
Chief lawyer and Data protection officer:	Dávid Kozma dr.
Chief actuary:	Géza Szabó
Responsible for actuarial function:	Melinda Márton
	Gábor Varga
Chief Risk Officer and Responsible for risk management:	Diána Hajdú (from 05.01.2022 until 21.02.2022)
	Norbert Kozma (from 23.05.2022)
Head of internal audit:	Erika Marczi dr.
Head of compliance:	Katalin Déri dr.
Responsible for consumer protection:	Zsuzsanna Faránkiné Nagy
	Anna Sternóczky dr. (from 03.10.2022 until 29.01.2023)
	Krisztina Hollósy-Papp (from 29.01.2023)
Senior doctor:	Katalin Halász dr.
Investment relations:	Emese Stodulka

1.7. Data of the signatories of the annual report

István János Fedák dr.

Primary Chief Executive Officer
1026 Budapest, Küküllő street 6.

Géza Szabó

Chief actuary
1123 Budapest, Csörsz street 13.

Public data of the person who is responsible for the financial statements:

Alexandra Tóth

Chief Accounting Officer
8996 Zalacséb, Ady Endre str. 6.
Registration number: 206 012

1.8. External auditor

In the case of the Insurer, LXXXVIII. (1) of Act LX. statutory audit is mandatory.

Data of the auditor:

Mazars Kft.

1139 Budapest, Fiastyúk utca 4-8., 2nd floor
Registration number: 000220
Molnár Andrea Kinga, registered auditor
Chamber membership number: 007145

The fees charged by the registered auditor for services for the 2022 business year were as follows:

- Review of the consolidated and standalone financial statements prepared by the Insurer in accordance with International Financial Reporting Standards ("IFRS") and the issuance of an audit report (together with the related Solvency II Review of the Annual Report), and
- the preparation of a supplementary report in accordance with Article 71 (4) - (7) (Insurance Act) for (for individual supervisory report) and in addition, the verification of the information contained in the remuneration report under the SRD Act,
- altogether: HUF 26,500 thousand +2% plus VAT.

2 STATEMENT OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AND BASIS OF MEASUREMENT

2.1 Compliance with the International Financial Reporting Standards

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards that have been adopted by the European Union (EU IFRSs). The EU IFRSs include standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC). The Company also prepares and publishes the consolidated financial statements on its website.

2.2 First Application

IFRS 1 First-time adoption of International Financial Reporting Standards contains guidelines for first-time adopters to facilitate and assist the transition process and make it more transparent. Based on the standard, the first-time adopter is the company who prepares its first financial statements according to the IFRSs. IFRS financial statements are the first annual financial statements in which the Company transfers to IFRSs by expressly and unrestrictedly declaring that these financial statements comply with IFRSs.

Until 31 December 2017 CIG Pannónia Life Insurance Plc. prepared its individual financial statements in accordance with the Hungarian Accounting Act. According to Section 9/A of the accounting law for listed insurance corporations as annual periods beginning after 1 January 2018 it is mandatory to prepare individual financial statements according to IFRS instead of Hungarian Accounting Act. CIG Pannónia Life Insurance Plc. has prepared its separate financial statements of 2018 accoring to the IFRS for the first time, however the company prepared earlier consolidated financial statements in which it expressed unrestrictedly that those complied with IFRSs. The Company as mother company became later a first-time adopter in its separate financial statements than in the consolidated financial statements. Therefore, in the separate financial statements the assets and liabilities are recognized at their value of the consolidated financial statements without the consolidating entries.

2.3 Basis for measurement

The valuation basis for financial statements is the original cost, except for the following assets and liabilities that are stated at fair value: derivative financial instruments, financial instruments at fair value through profit or loss and available-for-sale financial instruments valued at fair value against comprehensive result.

2.4 Functional and presentation currency

The financial statements are presented in Hungarian forints (HUF), which is the Company's presentation currency. The Hungarian forint (HUF) is the functional currency of the Company. The financial statements are presented in Hungarian forints (HUF), rounded to the nearest thousands, except as indicated.

2.5 Use of estimates and assumptions

The preparation of financial statements in compliance with the EU IFRSs requires management to make judgments, estimates and assumptions that affect the applied accounting policies and the reported amounts of assets and liabilities, income and costs. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The estimates used by the Company are presented in Note 4 Estimates and Assumptions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied to prepare the financial statements are set out below. The accounting policies have been applied consistently to the periods of operation presented by these financial statements.

3.1 Shares in separate financial statements

The accounting policy chosen for the measurement of shares under IAS 27 determines the range of methods that can be used to determine the carrying amount of a share.

On the basis of its accounting policy decision, the Company may choose the following three valuation principles for the subsequent measurement of the shares in the individual financial statements, which shall be determined by share groups.

- Cost method
- Fair value method (as Financial Instrument)
- Equity Method

The Insurer decided to use the cost method for the valuation of its insurance subsidiaries, other subsidiaries and other shareholdings.

The Company's strategic share in OPUS GLOBAL Plc (previously Konzum Plc) is valued by the fair value method against other comprehensive income. With respect to strategic interest, the Company applied the "designation" option under IFRS 1 in connection with paragraph 5.7.5 of IFRS 9 when transitioning to individual IFRSs, which allows for the irrevocable decision of equity-type investments to be measured against equity. Thus, any change in the fair value of the strategic interest is recognized in other comprehensive income and no impairment loss is recognized in respect of the strategic interest.

The Insurer may choose from three methods for the valuation of shares under the cost method at the time of the IFRS transition:

- Cost in accordance with IAS 27, "as if it has always applied IFRS"
- Value used in the Hungarian individual financial statements as a deemed cost
- Fair value as a deemed cost

In the case of shares measured at cost, the Insurer used the value used in the Hungarian individual financial statements as a deemed cost for the transition by other subsidiaries and other shareholdings. The Company has decided to use fair value as a deemed cost in respect of insurance subsidiaries. For this purpose, the Company performed a discounted cash flow assessment of its insurer subsidiary as of the date of transition and the amount calculated from the discounted cash flow method was the basis of cost.

As the Insurer decided, at the time of transition, to measure interests at cost determined in accordance with IAS 27, it should perform an impairment test for shares on the basis of IAS 36. If there is an indication that the share is impaired, the recoverable amount of the share shall be determined. The recoverable amount is the higher of the value in use (typically the value determined by the discounted cash flow method) or the fair value less cost to sell. If the recoverable amount is lower than the cost of the asset, impairment is recognized.

3.2 Foreign currency translation

Foreign currency transactions are recorded in the reporting currency by applying the exchange rate between the reporting currency and the foreign currency at the date of the transaction to the amount of foreign currency. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the statement of comprehensive income in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange prevailing at the end of reporting

period. Items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences on trade receivables and payables and on borrowings are recorded as investment income or expense. The impacts of period-end translations are accounted in the profit for the period, expect for non-monetary items valued at fair value against other comprehensive result, where the impact of the translation is recorded under other comprehensive income.

Foreign exchange rate gains and losses resulting from the year-end revaluation of financial assets denominated in foreign currency valued at amortized cost and valued at fair value against other comprehensive income shall be accounted for as follows:

- amortized cost value determined in foreign currency, converted to the functional currency at the closing exchange rate, less

- amortized cost value determined in functional currency at the beginning of the period, adjusted by: interest calculated using the effective interest method, where applicable, impairment, and payments during the period (adjusting items expressed in functional currency).

3.3 Policy classification – separation of insurance and investment contracts

Insurance policies are defined as contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The insurance risk is significant if, and only if, it is deemed at the inception of the policy that an insured event could cause the Company to have to finance significant additional payments in any scenario. Such policies remain insurance policies until all rights and obligations are extinguished or expire.

Until now, for determining the insurance risk for each contract, it was determined how, in the case of a regular fee payment, the initial sum at risk is proportional to the amount of the initial regular premium and the initial top-up payment, or in the case of a single premium, the additional risk premium for the single premium.

The Company considered risks that reached 5 percent to be significant. Policies with significant insurance risks were accounted as insurance policies; for policies which did not meet this condition, and if there was a top-up premium payment at the start, the components related to single/regular and top-up premium payments were initially separated; the latter were accounted as investment contracts. The Company carried out again the test outlined above for components related to single/regular premium payments. If the test revealed that the insurance risk was

significant, the component was accounted as an insurance policy, otherwise as an investment contract.

In the case of portfolios obtained by the acquisition of MKB Life Insurance Ltd., the Company has retained the original classification of insurance / investment qualification of the contracts, evaluating them at the time of the issuance of the insurance contract. Regarding this portfolio, contracts under 10% risk ratio were qualified as investment contracts. Investment contracts determined according to this ratio form a run-off portfolio.

The Group treats the contracts taken over from the Dimenzió Mutual Insurance and Self-Help Association as insurance contracts, as customers can choose a life annuity for each product in question and its risk share (payments after 85 years) is higher than 5% of the reserve. The contracts form an expiring portfolio.

As of the second quarter of 2022, the Company clarified its accounting for the separation of the contract's individual components during the separation of insurance and investment contracts. It continues to compare the initial investment and the service payments when determining the significance of insurance risk.

The policyholder's initial investment includes the first regular installment or the single premium, as well as any top-up premiums that they wish to pay together with the first regular installment or the single premium. The initial settled premium is the regular/single or top-up premium credited to the contract up to the date of policy issue.

In the future, the Insurer classifies a unit-linked contract as an insurance contract if the initial settled premium is positive and the maximum of the sums of the guaranteed insurance, the additional risk service and all the rider related to the contract reaches at least 5% of the initial settled premium or if the initial settled premium premium is zero and the sum of the guaranteed insurance, the additional risk service and all the riders related to the contract is positive.

3.4 Insurance policies

IFRS 4 allows the Company until 01.01.2023 to account for insurance policies in accordance with previous accounting policies. Accordingly, the Company presents insurance policies in its financial statements prepared according to the EU IFRSs, in accordance with past practice in compliance with the Hungarian accounting act (Act C of 2000 on Accounting), the decree of the government on the allocation of reserves (Government Decree 43/2015 (III.12.) issued on solvency and technical reserves of the insurers and reinsurers) and in line with its own reservation policy until 31.12.2022 (i.e. for the last time for these financial statements) as follows:

The IFRS 4 Insurance Contracts Standard exempts insurers from the obligation to apply IAS 8 standard accounting policies to their own accounting policies:

(a) insurance contracts issued by the insurer (including related acquisition costs and intangible assets); and

(b) its reinsurance contracts.

However, IFRS 4 does not exempt the insurer under IAS 8 10-12 paragraph:

- Provisions for future claims should not be recognized as an obligation if those claims arise from insurance contracts that did not exist at the end of the reporting period (such as catastrophe reserves and equalization reserves);
- the insurer must perform a liability adequacy test;
- remove a financial liability (or a part of financial liability) from its statement of financial position when and only it is terminated - that is, when the obligation specified in the contract has been met, it is canceled or expired.
- must not offset:
  - The reinsurance assets against the related insurance liabilities or
  - income or expenses arising from reinsurance contracts against expenses or income from related insurance contracts;
- consider whether the reinsurance assets are impaired.

The insurer has the opportunity to continue the following

- valuation of insurance liabilities without discounting;
- presenting contractual rights for future investment management fees at a value that exceeds their fair value as compared to current fees charged by other market participants for similar services. Most likely the initial fair value of these contractual rights equals the acquisition costs paid for them, unless future investment management fees and related costs are not consistent with market comparative information;
- the use of non-uniform accounting policies for affiliates' insurance contracts (and related deferred acquisition costs and related intangible assets, if any). If the accounting policy applied is not unified, the insurer may change it if the change does not make the policies applied even more diversified and complies with the other requirements of IFRS.

The insurer does not need to change its accounting policies for insurance contracts to eliminate excessive prudence. However, if the insurer determines the value of insurance contracts already with sufficient prudence, it should not install further prudence.

3.4.1 Gross written premium

Premiums are recognized as income when earned. Premiums are recognized before the deduction of commissions and before any sales-based taxes or duties. When policies lapse due to non-receipt of premiums or lapse of interest, then all the related earned but not received premium income or cancelled premium related to lapse of interest is offset against premiums. In accordance with the reservation policy the Company also establishes a cancellation reserve for premiums due but not received and for premiums might be cancelled due to lapse of interest (see Note 3.4. 4.(f)).

3.4.2 Claims and benefits

Claims, including payments relating to surrenders, are accounted for in the accounting period in which they are incurred. When claims are reported the Insurer allocates an RBNS reserve totalling the amount of the expected payment; when the claims are paid the reserve is released and then the claim payment becomes settled. At the end of each reporting date a reserve is established for claims incurred but not yet reported (IBNR, see Note 3.4., 4. (c)). Reinsurance recoveries are accounted for in the same period as the related claim.

3.4.3 Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the selling of insurance policies. Deferred acquisition costs are recognized in the financial statements at the amount by which the direct acquisition costs and other deferrable first year commissions exceed the cost coverage initially collected, but no more than the entire amount of the initial cost coverage. All other acquisition costs are expensed as incurred.

Amortization is settled in accordance with the coverage of the relevant policies in accordance with the product plan and local regulations. The Insurer, in accordance with the accounting principle of accruals the accrual of acquisition costs, delimits the portion of the acquisition costs that are covered by subsequent insurance premiums and which costs have not been taken into account by the Insurer as a factor reducing reserves, for the subsequent years. In later years, it will be released upon receipt of the cost premium in the insurance premium. The accruals for each contract, the sum of the incoming funds, and the combined use of the current depreciation key form the aggregate value of the accrual. The Insurer shall accrue only the costs that may be directly related to the acquisition. If future earnings are not expected to cover the accrued expenses, the Insurer will settle the accruals appropriately at a reduced rate and eliminate the decrease as an expense immediately. For unit-linked products, this amortization is recognized over the first two years of the policies.

For unit-linked contracts issued before 1 January 2022, the Company used the contract conclusion and maintenance fees charged in their entirety for the amortization of contract cost accruals. The Company reviewed the amount of other acquisition, operating costs and insurance surcharges incurred in connection with unit-linked contracts (not included in the calculation of acquisition cost accruals).The other costs incurred are significant (their level increased in 2022 due to the introduction of the insurance surtax), therefore, in the case of unit-linked contracts issued from 2022, the contract conclusion and maintenance fee is only partially used for the amortization of contract cost accruals. The validated cost partly covers the Company's other costs not included in the calculation of the accrual for acquisition costs.

The Company accrues all commissions of annually renewed products and rider covers and the accrued acquisition costs are resolved proportionally over time.

Other renewal commission and direct and indirect acquisition costs arising on developments and amendments to existing policies are expensed as incurred.

3.4.4 Measurement of technical liabilities

a) Unearned premium reserve

The proportion of written gross premiums (Risk premiums in case of unit-linked products) attributable to subsequent periods is deferred as an unearned premium reserve on a time proportional basis. Changes in this reserve are recognized in the profit or loss for the period.

b) Actuarial reserves

Actuarial reserves – related to the life segment – are calculated according to the product plans and HAL requirements in a prospective way (with the exceptions of some products taken over from the Dimenzió Mutual Insurance Association (hereafter: Dimenzió), for which the reserve calculation is retrospective according to the product plan). The amount of the reserve equals the discounted present value of the future liabilities less the discounted present value of future premiums, applying a predefined technical interest rate for discounting.

The Company in respect of some products applies the Zillmer reserve allocation method, which means that future benefits are taken into account on the expense side of the actuarial reserve, while future Zillmer premiums are considered on the income side. The Zillmer premium is the amount of the net premium and the portion of the premium used to

amortize acquisition costs. When applying the Zillmer reserve method the Insurer assumed that the continuous cost coverage in the premium and the actual costs incurred would be the same in each period. For gross reserve allocation all of the expenses (benefits and costs) are shown on the expense side and the Zillmer premium on the income side. This method implies that the gross reserve amount could turn negative due to the negative value of the cost reserve. However, the Insurer follows the prudent approach of not booking any negative reserve; actuarial reserves must reach a minimum value of zero, while any negative amount of the Zillmer reserve is recognized under deferred acquisition costs.

c) Claim reserves

Reported but not settled claim reserve (RBNS) is based on the difference between the total estimated costs of all claims incurred, reported and the paid claims in respect of these together with related future claim settlement costs; the value of the reserve is determined per claim based on expert estimates.

The Company lowers the amount of the RBNS reserve with the other reserves used to cover the event (e.g. unit-linked reserves not yet withdrawn, or regression reserve).

The Company allocates an itemized regression reserve in extent of the expected recover of regressable claims.

When allocating the claim reserves the incurred but not reported claim reserve (IBNR) is calculated separately. In accordance with the local GAAP requirements, in the life insurance segment (in case of the sectors operating more than 3 years) the IBNR is calculated by statistical estimation with the method of the run-off triangles, based on available statistics. In case of sectors, which are not operating more than 3 years or operating based on an individual contract, the IBNR is calculated as the higher of 6% of earned premiums for the year, or the average sum insured of a product.

d) Reserve for premium refunds dependent on profit

If the investment return on the assets behind the actuarial reserve exceeds the yield that is priced according to the product plan, then the excess yield repayment policy should be followed in determining the portion of the surplus yield that the policyholders have. In the case of traditional savings products, policyholders usually have at least 80 percent of the surplus yield, but at least the amount of the insurance contract terms. Crediting to the actuarial reserves are made once every

calendar year. If this surplus yield has not yet been settled at the reporting date the Company is obliged to increase the reserve for premium refunds dependent on profit according to the Hungarian regulations. The reserve is calculated on an accumulative, retrospective basis.

If a security valued at fair value against other comprehensive income serves as cover for the actuarial reserve, the Company will also allocate a reserve for premium refunds dependent on profit also for the bonus on such security. If the return is negative, the reserve is not reduced.

e) Reserve for premium refunds independent of profit

For policies where the conditions – no-claims or claim– dictate that the Company undertakes a conditional premium refund, a reserve for premium refunds independent of profit is allocated to cover the amount of the expected premium refund. In accordance with the elapsed time from the risk-bearing date and the future bonus payment date, taking the determined conditions of the expected bonus into account, a part of the expected bonus payment is allocated for each policy where the conditions for a premium refund prevail on the reporting date.

f) Cancellation reserve

A The Company allocates a cancellation reserve in accordance with the local GAAP to provide coverage for the expected cancellations due to non-payment or termination. In view of the product structure at the Company, the impact of the premium income received to cover refunds due to eliminating, reducing and temporarily suspending risks, as well as written premium receivables to be adjusted for the above reasons is not significant, and therefore the Company does not believe it is necessary to allocate a cancellation reserve on these grounds. In the case of all unit-linked insurance, the Insurer shall create a cancellation reserve in respect of the unpaid premiums. The reserve is 100% of the outstanding receivables. In case of traditional products, the cancellation reserve is based on the premium earned but not paid, for whose part expected to be cancelled the Group forms its cancellation reserve.

g) Unit-linked life insurance reserves

Premiums paid for unit-linked products net of costs as specified in the terms and conditions are invested into an investment portfolio chosen by the policyholder and all investment risks are borne by the policyholder. Certain risk premiums and cost coverages are deducted from this investment. Unit-linked reserves are measured based on the underlying

net asset value of the unitized investment funds on a continuous basis and as on the reporting date.

In respect of determining the amount of the unit-linked reserve, and ensuring the value of the underlying asset cover, the Company takes into account that the reserve level of the policies shall provide appropriate cover for those liabilities of the future that aren't covered by future premium incomes. For certain products, which have been sold before the Ethical Life Insurance Regulation entered into force, the level of reserves at the beginning of the life-cycle (typically in the first three years) is determined by several significant external factors, such as investment environment, yield level, the payment cycle as chosen by the client, and those are uncontrollable by the Company.

Due to the possible uncertainty of the mentioned factors, theoretically the applied reserves could be found insufficient, therefore the Company should increase the reserves of the policies, without the availability of the suitable coverage.

To avoid this situation, the Insurer uses prudent assumptions while estimating the sufficient amount of the reserves (in case of the years, when risk of the external/non-controllable factors are high), therefore the unexpected change of the yield environment or choosing an unfavourable payment cycle from the Company's point of view, couldn't cause under-reserving in the portfolio level.

After the beginning of the life-cycle of the products (typically from the fourth year), the mentioned uncertainty decreases. The Company adjusts by policies the sufficient level of the underlying reserves (until the end of the initial cost deduction period) annually. This adjustment is made by reallocating the deemed and real units.

h) Other technical reserves

The Group allocates other technical reserves for unit-linked life insurance policies on policy basis where the clients were entitled to a loyalty bonus benefit based on the terms and conditions and the terms of the loyalty bonus exist at the balance sheet date. Cross selling between policies (the expected probability of losing the right) is not taken into account. The Insurer calculates the amount and the growth rate of the reserve in a way that reserve allocation is made at the same time when cost coverages are deductible from the policies, and the reserve for premium refunds should cover bonus refunds to policyholder on the due date of loyalty bonuses. The Company also shows the reserve for other bonuses for the Pannonia

Loyalty Program. At the moment, the reserve corresponding to the amount of the final Pannonia Loyalty Bonus is created for contracts that are also eligible for (normal) loyalty bonus and Pannonia Loyalty Bonus (thus covering both reserve charges).

Certain contracts of the "Értékmegőrző" product are also eligible for bonus promises. For eligible contracts, the bonus reserve is created continuously, with a 4% probability of cancellation.

With regard to the portfolio taken over from the Dimenzió Insurance Association, we form other technical reserves for three reasons:

(1) To cover the expected liability arising from the longevity risk of Dimenzió HNY annuity. We believe that the reserve calculated along to the original (1990) mortality table is not sufficient to meet the annuity payment obligations. Therefore, a recalculation of the liability is performed with an adjusted mortality table, so that no technical interest is applied and this is recorded as other reserves.

(2) Cost reserve for acquired stock. During the evaluations prior to the takeover of the Dimenzió portfolio, the Insurer concluded that the cost deductions of the Dimenzió products and the accounting reserves formed on the basis of the product plans do not provide sufficient coverage to cover the maintenance costs of the portfolio. For this reason, of a significant part of the surplus reserve received on the transfer of the stock, the Insurer forms other technical reserves for the expenses expected to arise until the validity of the taken over contracts. The reserve includes the Insurer's administrative, investment and claims settlement costs per contract, as well as the costs of maintaining the contract registration system of the Dimenzió portfolio.

(3) Other reserve for the "Kincsem" product's accident services. The product includes a built-in accident service, for which the coverage until the end of the expected term is formed as other reserves, based on the methodology adopted from Dimenzió.

In case of the "Twilight" product, the Insurer will offer a discount from the insurance premium due at the last year of the premium payment period, depending on the premium payment period and the age of entry. For this premium discount, the Insurer forms other technical reserve, which is based on the premium payable in the last year. However, when forming the reserve, we also take the expected cancellation into account (due to non-payment of fees, redemption) and the expected mortality until the due date of the given fee.

i) Reserve on probable future losses

Probable future losses are covered by the Insurer under a separate reserve accounted within other technical reserves. At the reserve

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allocation the Company takes the past results of the line of business into account, the losses may arise in the future and the active policies in the portfolio at the date of examination. The level of the reserve is equal to the probable future loss.

j) Liability adequacy test

At each reporting date, an assessment is made using current estimates of future cash flows as to whether the recognized technical reserves less deferred acquisition costs are sufficient to cover future cumulated cash flows. If that assessment shows that the carrying amount of the liabilities (less DAC) is insufficient in light of the estimated future cumulated cash flows, the deficit is recognized first as impairment of DAC then by allocating additional reserves.

3.5 Investment contracts

3.5.1 Division of investment contracts, premiums paid

Contracts that primarily involve the transfer of financial risks (the insurer does not transfer significant insurance risk, such as long-term savings contracts) are not accounted for by the Insurer as insurance contracts, but as investment contracts and are divided into two parts:

- to a financial liability, which is accounted for in accordance with IFRS 9, and
- to an investment service contract part, which (the related income) is accounted for in accordance with IFRS 15.

The Insurer's investment contracts include unit-linked contracts that do not meet the definition of an insurance contract.

Amounts repayable to the investor are accounted for using deposit accounting methods, under which the amounts received reduced by the cost coverage specified in policy terms are recognized directly in the statement of financial position as financial liabilities to the investor. For the settlement of liabilities, see point 3.5.4.

For the accounting of fees charged in the framework of investment contracts as income, see point 3.5.5.

3.5.2 Services

In case of investment contracts, benefits paid are not included in the statement of comprehensive income, their effects are presented as a reduction of the investment contract liabilities.

3.5.3 Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the sale of investment contracts. All acquisition costs are expensed as incurred. The portion of the accounted acquisition costs, which is covered by subsequent premiums for the investment contract, or if the policy is cancelled, then by returned commissions from brokers, is deferred until the cost coverage is received by the Company. The Company assesses the probability of recovery of deferred acquisition costs on an individual basis. If the coverage is not likely to be received for the deferred costs, or if the investment contract is cancelled, the Company cancels the deferral and accounts the cost to profit or loss (under Premiums, commissions and other acquisition costs).

3.5.4 Liabilities

All investment contract liabilities are designated on initial recognition as held at fair value through profit or loss by the Insurer, since the Insurer manages these financial liabilities, together with the related assets (investments), on a fair value basis. The financial liability in respect of investment contracts is measured based on the underlying net asset value of the unitized investment funds on the reporting date.

In addition, other accounting insurance technical reserves related to investment contracts (other than unit-linked reserves) are reclassified to the provisions balance sheet line.

3.5.5 Premium and commission income from investment contracts

Premium income includes various premiums charged on investment and insurance policies, the amount of which is determined by the product conditions (e.g. administration fee, management fee, fee for changing the asset fund, risk fee).

Fees charged for investment management services provided are recognized as revenue in the period when the services are provided, for single premium contracts, the fund-proportional management fee dominating the deductions is a similar amount for each year. In the case of contracts with regular fees, the deduction of the management fee varies in proportion to the managed assets. The contract conclusion and administration fees are charged by the Insurer at the beginning of the term, at the same time as the service - i.e. registration and creation of the contract in the systems - is incurred. The costs charged to the customer in relation to the payment of the services are recognized when the services are paid for.

3.6 Income and expenses relating investments

Income and expenses relating investments comprise dividend and interest income, interest expenses, gains and losses from exchange rate differences, and gains and losses (both unrealized and realized) arising from net fair value changes of financial assets measured at fair value through profit or loss. Interest received in respect of interest-bearing financial assets measured at fair value through profit or loss is included in net gains and losses arising from fair value changes. Interest income, and expenses from loans, receivables and funds is accounted using the effective interest rate method. Interest income calculated using the effective interest rate method is included in a separate line of the comprehensive income statement (Interest income calculated using the effective interest method).

3.7 Other operating income

3.7.1 Income from the fund management

Fund management fees are deducted by the Company directly to the unit-linked funds according to the product conditions and booked in other operating income.

3.7.2 Income of pending charges

In case of regular premium unit-linked life insurance policies pending charge occurs, when the Insurer is entitled to distract costs, but the policyholder does not have sufficient accumulation units for the deduction. The date of cost deduction is the date of emergence. Based on the accounting rule of matching whether expenditure occurs (risk exists, administration, service occurs) in parallel income should have been accounted for. In case of emerging pending charge income is booked as other operating income and receivables from insurance policies and other receivables. The income related to pending charge is derecognized through profit or loss when the actual costs are deducted according to product conditions, and the concerning incomes realizing through to the reduction of unit-linked reserves.

3.7.3 Recognition of other income related to the acquisition of stock

In parallel with the acquisition of the insurance portfolio of the Dimenzió Insurance Association, the Company is entitled to income from its consortium partner, which is expected to be realized financially within four years. As the Company is entitled to this revenue in connection with the transfer of the portfolio, the two transactions cannot be separated according to the principle of offsetting and matching. As IFRS 4 does not establish a specific set of rules for the recognition of portfolio acquisition income, the Company determines the recognition of other income related to

portfolio acquisition in accordance with the principles of matching and IFRS 15 as follows. Revenue recognition is separated from financial realization and the share from the total expected revenue in the given period is resolved into profit or loss parallel to the incurring and expiring of the estimated services related to the acquired stock. The Company recalculates the estimated run-off of the service on a quarterly basis.

3.8 Leases

The four criteria below must be combined with a lease to be considered a lease under IFRS 16:

- the asset can be identified
- the lessee has the right to obtain substantially all the economic benefits of the use
- the lessee controls the use of the asset
- the contract is a leasing contract or contains lease.

Short term leases (less than 12 months without a purchase option) and low value assets are excluded from the standard as simplification option.

The lessee shall disclose in its statements of financial position the depreciable asset that represents the right of use in the financial statement and the liability for leasing payments on the liability side. While depreciation and interest component are recognized as an expense in the income statement.

The insurer idefinied the following leasing contracts, which were examined in detail:

- software leasings
- server leasings
- office equipment leasing (e.g. printers)
- office lease
- car lease

In the case of software leasing, the lessee may choose, in accordance with IFRS 16.4, not to apply the requirements of the standard and continue to account for the cost of the lease as an expense. The Company uses this exemption and treats software leases in accordance as well.

In connection with the servers, several points of the definition are fulfilled by the existing contract. However, since the server capacity is rented in a server park where not all capacity is occupied by the part used by the insurer or the servers are not specifically identifiable or detachable, therefore, according to IFRS 16: B20, the lease of the servers does not fulfill all criteria of financial leasing.

In the case of printers and other office equipment, the Company has identified contracts for which the terms of the lease definition are met. For these contracts, the Company intends to make use of the simplification of low-value leases, as the value of the leased assets identified in these contracts is not significant.

In the case of office rent and car rent (based on IFRS 16: 13-15), components related to a lease agreement, such as operating fees or other service charges, must be separated, these components are eligible as expenses. The termination date of the contract of office rent is 31.01.2026, the length of car rental contracts is 36-60 months.

After the separation of the other components, the lease contract meets the terms of the leasing definition, so the central office leased by the Company is classified as a lease in accordance with IFRS 16. The value of the right of use asset equals the discounted present value of the leasing payments, which were depreciated linearly by the Company over the lifetime of the contract.

When discounting the leasing payments, the effective interest rate is defined as the current (valid at the start date) EULIBOR (plus the interest premium used in the 2017 financial reinsurance contract (3.15%)), which represents the market interest rate available to the Company.

When transitioning to the IFRS 16 standards, the Company decided to use the modified retrospective approach (IFRS 16. C8-C11): the occurring margins are accounted for in their entirety within the equity at the moment of the transition (01.01.2019), therefore the previous period does not need to be presented, under the principle, that the Company has used the same standard ever since.

3.9 Determining operating costs and expenses

The total costs and expenses incurred by the Insurer in its operations are shown in a separate section of the statement of comprehensive income. The Insurer shows here the following cost and expense items

- Fees, commissions and other acquisition costs:

  In this line, costs that are incurred at the same time or over a number of years are incurred which result from the conclusion of an insurance contract. Acquisition costs include costs directly related to the insurance contract, such as the cost of acquisition and maintenance fees, incentive and other production incentive bills, invoiced and non-invoiced costs paid to external bodies for advertising, the cost of constructing a policy and the cost of incorporating the insurance contract into the portfolio of insurers and the cost of issuing insurance policies, such as the personnel costs and directly attributable costs, travel and other reimbursement expenses of colleagues

in the acquisition function; reimbursement of expenses paid to external bodies for distribution, operating and maintenance costs of business offices, if any.

- Other operation costs

Other operating expenses include the cost of collecting insurance premiums, portfolio management, managing shareholdings and fees, and managing outward and inward reinsurance. This includes the cost of staff, if they do not include acquisition costs, claims settlement costs or investment costs, as well as salaries and contributions paid to elected officials for their duties, and other reimbursements to them. Planned amortization of office equipment and office machines and intangible assets should also be included here if it is not directly attributable to sales, claims settlement or investment.

- Other expenses

Other expenditures include non-standard items related to the operation of the Insurer, eg.

- impairment of receivables
- write off bad debts
- insurance tax expenditures.
- fines and fees
- extraordinary depreciation
- amount of assumed debt
- given donations
- assets delivered free of charge
- insurance surtax expenditures

The insurance surtax (extra profit tax levied on the insurance sector in 2022 and 2023) is calculated by the Company based on the principles of IFRIC 21 in parallel with the gross written premium, since the tax is payable based on the gross written premium for the given year.

3.10 Income from state subsidies

When presenting state subsidies, the Insurer examines whether the criteria set as preconditions for financial realization are expected to be met. The subsidy is accounted for in the period when they are recognized by the company in parallel to the related costs it intends to compensate, to ensure systematic adequacy. [IAS 20.12]

Revenue-related subsidies may be reported separately as "other revenue" or can be deducted from related expenditure. [IAS 20.29] The Company has opted for net accounting and will thus deduct from expenses. The cost-reducing item (the amount of subsidy for the costs incurred) is entered in the financial statements in accordance with the principle of matching.

3.11 Employee benefits

The Insurer applies IAS 19 to accounting for employee benefits. Employee benefits are all forms of consideration provided by the company for employee service, not only in cash but benefits in kind.

Grouping employee benefits:

Short-term employee benefits: employee benefits (other than severance pay) that become fully due within twelve months of the end of the period in which the employee has performed the related work.

Post-employment benefits: employee benefits granted under formal or non-formal arrangements (other than severance pay) that are due upon termination of employment.

Other long-term employee benefits: are employee benefits (other than post-employment benefits and severance pay) that do not become fully due within twelve months of the end of the period in which the employee renders the related work.

Termination benefits: Employee benefits that may become payable due to the decision of the company to terminate the employee's employment before the normal retirement date or the employee's decision to accept voluntary termination in exchange for these benefits.

In 2014, the Insurer first launched a share-based payment program for its leading employees, details of which are given in Note 4.4.

On 29 November 2018, the Company decided to establish the Employee Ownership Program (hereinafter referred to as "MRP"). The establishment of the MRP took place in order to implement the Remuneration Directives adopted by the General Meeting of the Company. The MRP Organisation is a separate legal entity, over which CIG Pannónia Life Insurance Plc., as a final mother company, exercises control along the IFRS 10 criteria, as with the application of the remuneration policy it influences its earnings to be distributed, and defines its revenue and liabilities.

On 05.04.2019 CIG Pannónia Life Insurance Plc. transferred its treasury shares to CIG Pannónia Life Insurance Employee Ownership Programme Organisation (MRP). Besides transferring its own shares, the Company also offered a purchase option of CIGPANNONIA shares to the MRP. The grant date evaluation of the option constitutes the initial evaluation of the liabilty, decreased by the option fee paid by MRP.

During the grant date valuation and the subsequent valuation date valuation of employee share-based payments was determined using the Cox-Ross-Rubinstein binomial tree method. To determine the value of the options, the risk-free yield for model calculations was determined by the relevant risk-free yield curves published by EIOPA, and the exchange rate standard deviation was determined using the experimental exchange rate data. In assessing this option, the Company took the trading data of CIGPANNONIA shares into account for the last two years.

As these options of MRP and the CIGPANNONIA shares transferred to MRP are presented at their fair value (which, according to the Hungarian accounting rules, requires a fair valuation in the case of the MRP), the Company, with respect to its separate financial report, until 2022 likewise applied the fair valuation in the case of claims against MRP.

In 2022, the Company reviewed the valuation of the receivables and payables against MRP with respect to its separate financial report and determined that the optional receivables and payables against MRP are in fact nettable, as MRP is considered a paying agent that pays the benefits. The other part of the receivables against MRP is the value of the own shares transferred to MRP. Since the MRP is a separate legal entity, the Company did not consider the own shares in the MRP as an item reducing its own equity until 2022 in its separate financial report. However, if we consider MRP as a paying agent, the exchange rate differences stemming from the revaluation of own shares should not be recognized in the result, since the items related to own shares are to be accounted for as changes in equity. In the Company's opinion, treatment as a paying agent results in a more accurate presentation in the financial statements, therefore from 2022 the exchange rate difference accounted for on own shares transferred to MRP will not be recognized in the result and the shares will be recognized as an item reducing equity in the amount paid for them. The change in accounting policy has also been retrospectively adjusted by the company for the comparative period.

The receivables from MRP were valued against the Company’s results in fair value, because IAS 39.9 11A states, that the FVPTL can be chosen if the accounting mismatch can be decreased by this. In this case, as the valuation of the option and the shares in the MRP organisation is done in fair value according to the Hungarian accounting regulation, this accounting mismatch can be decreased

within the Life Insurance Company also by using fair value valuation of the MRP receivable.

As of 2019 performance bonuses for fulfilling and superseding the company's budgets are – according to the remuneration policy – paid for the employees through the MRP organisation. The remuneration policy allows for the payments of bonuses, as outlaid in employment contracts, to be partially deferred. If after 2021 the bonus targets are met, 70% of the payments are due in cash to the employees, while 10-10-10% of the bonus is due in shares in the following years through the MRP. In this case, 70% of the bonus is an employee benefit accounted for under IAS 19. Regardless of the position of the parties, the remaining 30% is, as defined in the remuneration policy, executed in the form of shares and is therefore a share-based payment under IFRS 2.

The main attributes of the benefit are as follows. The date the benefit is granted is the date on which the parties mutually understood the terms of the benefit. This is the date when the parties sign the bonus agreement. The bonus vesting period are the 4 business years to which the bonus agreement applies; however, the performance criteria must be evaluated for the business year to which the agreement applies. A further three-year deferred performance criterion needs to be applied for the payment of the additional 10-10-10%. IFRS 2 does not lay down specific rules for the valuation of the benefit, but according to IFRS 2 BC106-118 the valuation of a payment principally defined in a fixed amount should not differ because the form of its payment (i.e. whether it is paid in cash or in shares). Based on the above, the Company recognizes with regards to this benefit the fixed amount for the given year, continuously settled against the capital. In the course of valuation, the Company considers expected changes in performance criteria and vesting conditions using historical data of the previous periods.

3.12 Income taxes

Tax expense includes actual and deferred taxes for the current year. Actual and deferred tax is recognized in profit or loss unless it relates to an item that is accounted for in equity or other comprehensive income because it is recognized in equity or other comprehensive income with the related item.
The effective tax is the tax that is expected to be payable on the taxable profit for the year in question at the effective or substantially effective tax rates at the balance sheet date.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities recognized in the statement of financial position and recognized for taxation purposes. Deferred tax assets are recognized for deferred tax when it is probable that sufficient future taxable profit will be available against the deferred tax asset. The amount to be set as deferred tax receivable is

expected to be recoverable from the tax losses in the medium term, that is the tax expected to be deductible according to the Company's business plans and the effective tax rate. The Company previously defined ‘medium term’ as 6 years, which was reduced to 4 years in 2022 due to the volatile economic environment. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which the temporary differences are reversed. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.13 Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the given item. Amortization is recognized on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives and the amortization method are reviewed at the end of each annual reporting period, with the effects of any changes in estimates being accounted for on a prospective basis. Subsequent expenditure related to intangible assets is capitalized only if this results in future economic benefits for the Company. All other subsequent costs are accounted for as expense in the period when incurred. The Insurer only has intangible assets with definite useful lives; amortization rates of 14.5%-33% are applied. Amortization is charged to profit or loss under other operating costs.

Goodwill acquired in business combinations is initially recognized under intangible assets in accordance with Note 4.4. Goodwill is subsequently presented at cost less any impairment losses.

3.14 Property, plant and equipment

All items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the given item. Subsequent expenses related to items of property, plant and equipment are capitalized only if this results in future economic benefits for the Insurer. All other subsequent costs are accounted for as expense in the period when incurred. Any components of property, plant and equipment that have a significant value compared to the total cost of the asset are treated separately from the asset. So high-value components of a device with different useful lives are recorded and depreciated separately.

Depreciation is recorded from the date of first use and is calculated using the straight-line method over the estimated useful lives. Major renovations are

depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is earlier. The following depreciation rates are applied:

Type of asset	Depreciation rate
Investment on rented property	50%
Motor vehicles	20%
Office and IT equipment	20-33%
Furniture and other fittings	14,5%

Residual values and useful lives are reviewed, and adjusted, if necessary, at the end of each reporting period. The carrying amount is written down immediately to the asset's recoverable amount if it is higher than the estimated recoverable amount. (see note 3.13)

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognized in the profit or loss for the period.

Property, plant and equipment include computers, office equipment, fixtures and vehicles at cost less accumulated depreciation and impairment losses. Acquisitions below HUF 200 thousand are written off in the year of acquisition.

3.15 Impairment of non-financial assets

Assets are tested for impairment if internal or external circumstances indicate that the asset may be impaired. Depreciated or amortized assets and cash generating units are tested for impairment if there is any indication that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-flows (cash-generating units). An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3.16 Financial assets

A financial instrument is any contract that creates a financial asset for one economic entity and a financial liability or equity instrument for another economic entity.

3.16.1 Initial recognition

All financial assets are initially diplayed and derecognized on the trade date when the Insurer becomes a party to the contract creating the financial asset, including when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned (regular way trade). All financial assets are initially measured at fair value plus, in the case of financial assets not classified as at fair value through profit or loss, transaction costs which are directly attributable to the acquisition of the financial asset.

The fair value of the financial asset at initial recognition is usually the transaction price (i.e. the fair value of the consideration paid). However, if part of the consideration is not given or received for the financial asset, but for something else, the Insurer valuates the fair value of the financial asset and recognizes it at this value. The part of the consideration paid that exceeds the fair value of the financial asset at the time of acquisition is accounted for by the Insurer according to the relevant standard. The principles for determining fair value are described in chapter 4.24 of the accounting policy.

Financial assets and liabilities are netted and presented in the statement of financial position when, and only when, the Insurer has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.16.2 Classification and valuation of financial assets

Upon initial recognition, the Insurer classifies its financial assets into the following three groups based on the business model for managing financial assets and the contractual cash flow characteristics of the financial asset:

- financial assets valued at fair value through profit or loss,
- financial assets valued at fair value against other comprehensive income,
- financial assets valued at the amortised cost.

3.16.2.1 Equity instruments

Equity instruments are instruments that represent the residual interest in the assets of an entity after deducting all of its liabilities.

As a general rule, the valuation of investments in equity instruments (which applies to all investments in equity instruments that do not qualify as equity investments in subsidiaries) must be made at fair value through profit or loss.

However, at the time of initial recognition, the Insurer may irrevocably decide to present subsequent changes in the fair value of the investment in certain equity instruments, which are otherwise valued at fair value through profit or loss, in other comprehensive income ("FVOCI option"), provided that the equity instrument is not held for trading and is not a contingent consideration recognized by the acquirer of a business combination within the scope of the IFRS 3 standard either. The decision is made by the CEO and the Chief Accounting Officer on an instrument-by-instrument basis, taking ALCO's recommendation into account.

Dividends from equity instruments where the Insurer used the FVOCI option must be recognized in profit or loss.

3.16.2.2 Debt instruments

When classifying debt instrument financial assets, the Insurer considers two aspects:

- the business model used to manage the financial assets, and
- the contractual cash flow characteristics of the financial instrument.

The Insurer values its financial assets at amortized cost if both of the following conditions are met and the given financial asset was not irrevocably designated as valued at fair value through profit or loss upon initial recognition:

- the financial asset is held by the Insurer based on a business model designed to hold financial assets to collect contractual cash flows; and
- the contractual conditions of the financial asset at specified dates result in cash flows that are exclusively payments of principal and interest on the outstanding principal amount.

Debt instruments are valued at fair value against other comprehensive income by the Insurer if both of the following conditions are met and the given financial asset was not irrevocably designated as valued at fair value through profit or loss upon initial recognition:

- the financial asset is held by the Insurer based on a business model that achieves its goal by collecting contractual cash flows and selling the financial assets; and
- the contractual conditions of the financial asset at specified dates result in cash flows that are exclusively payments of principal and interest on the outstanding principal amount.

The Insurer classifies all other debt instrument-type financial assets in the category valued at fair value through profit or loss.

3.16.3 Business model test

The Insurer's business models have been defined at a level that reflects how it manages groups of financial assets together in order to achieve a particular business objective. The Insurer's business model is not dependent on the management's intentions regarding specific instruments. Accordingly, this condition does not reflect an instrument-by-instrument classification approach, but was defined at a higher level. Nevertheless, the Insurer may use several business models to manage its financial assets.

The Insurer's business model refers to the way in which it manages its financial assets; it determines whether the cash flows from the financial asset arise from the collection of contractual cash flows, the sale of financial assets, or both.

The Insurer's business model applied to manage financial assets can typically be observed through the activities carried out to achieve the objectives of the business model. When evaluating the business model applied to the management of financial assets, the Insurer takes all relevant evidence into account. Such relevant evidence includes, but is not limited to, the following:

a) how it evaluates the performance of the business model and the financial assets held under the business model, and how it needs to report these to its key management personnel;
b) risks affecting the performance of the business model (and the financial assets held under the model) and, in particular, how these risks are managed;
c) how business managers are remunerated (for example, whether the remuneration depends on the fair value of the assets under management or on the contractual cash flows collected).

When defining the business model, the Insurer takes the frequency into account, value and schedule of sales from the given portfolio in previous periods, the reason for the sales and expectations for future sales activity. However, sales alone do not define the business model and therefore cannot be analysed separately. The information related to previous sales and expected future sales are much more evidence of how the Insurer's objectives related to the management of financial assets are realised, as well as the way cash flows are realised. When evaluating information on previous sales, the Insurer takes the reasons for the sales and the conditions valid at the time of the sale into account (compared to the current conditions).

When defining the business model, the Insurer does not take the so-called "worst case" or "stress" scenarios into account that cannot reasonably be expected. If the cash flows are realized in a different way than expected by the Insurer when evaluating the business model (for example, it sells more or less financial assets than planned), this does not lead to a previous period error, and does not affect the classification of the previously recognized and still existing financial assets held under the same business model. When evaluating the business model, the Insurer takes all relevant information available into account, as well as the way cash flows were realised in the past.

The individual business model documentations include what, during its business model test, the Insurer considers to be significant or imminent sales when evaluating the frequency and volume of past and future sales from the given portfolio.

The Insurer defined the following business models for its portfolio:

Name of business model	**Content and main features of the business model**
Business model for holding financial assets to collect contractual cash flows ("HTC")	It aims to realise the cash flows of the asset by collecting contractual payments made over its lifetime. Sales are not an integral part of the business model, but a contingent element of it, although sales are not incompatible with this business model.
Business model to collect and sell contractual cash flows of financial assets (“HTCAS”)	Both the collection of the contractual cash flows of the assets and their sale are an integral part of the business model. This business model typically has more sales than the HTC business model.
Other business model	For example: holding for trading or handling on a fair value basis.

In the case of its financial assets, the Insurer defines the business model at the portfolio level, for which it has identified the following portfolios:

- Financial assets related to life insurance linked to investment units accounted for as insurance contracts
- Financial assets related to investment contracts
- Financial assets serving as collateral for reserves of traditional (non-unit-linked) life insurance contracts
- Own investments (multiple portfolios)
- Derivatives
- Cash accounts and bank deposits
- Other financial receivables (these include: trade receivables, loans granted, income-type accruals, asset management fee receivables, other financial receivables not mentioned above)

The Insurer manages the portfolios of financial assets related to life insurance linked to investment units accounted for as insurance contracts and financial assets related to investment contracts on a fair value basis (together with the related insurance obligations, and in the case of investment contracts together with the

related financial obligations), therefore the Insurer has established that the business model of these portfolios is Other business model.

The business model of traditional (non-unit-linked) life insurance contracts with its financial assets serving as collateral for reserves is such, that the Insurer, in addition to collecting the contractual cash flows from these financial assets, carries out substantial buying and selling activities in this portfolio in order to rebalance the investment portfolio in alignment with movements in the related insurance portfolio, thus ensuring that the related insurance liabilities are covered by the cash flows of the investment portfolio. Therefore, the Insurer determined that both the collection of contractual cash flows and sales are an integral part of the business model for this investment portfolio, so the business model for this investment portfolio is HTCAS.

In the case of own investments, the Insurer defines sub-portfolios and establishes the business model separately for each sub-portfolio.

The business model of derivatives is the Other business model, since they meet the definition of "held for trading" in IFRS 9.

The Insurer wishes to collect only the contractual cash flows from both the Cash accounts and bank deposits, as well as the Other financial receivables, therefore the business model of this portfolio is HTC.

In the case of the Other financial receivables listed above, the Insurer's objective, without exception, is exclusively to collect the contractual cash flows, so their business model is HTC in all cases (together, documented as one sub-portfolio).In the case of Other financial receivables not listed above, the Insurer defines sub-portfolios as necessary and establishes the business model for each sub-portfolio separately.

The Insurer always documents the performed business model tests by portfolio (or, where applicable, by sub-portfolio). For each financial asset, the Insurer keeps records in such a way that the business model can be determined from the records.

If the Insurer acquires or creates financial asset(s) that cannot be included in any of the portfolios already documented from a business model perspective, the Insurer defines a new portfolio and (if necessary) sub-portfolios and prepares the relevant documentation.

If the insurer acquires a portfolio of contracts together with the financial assets related to the contracts, it considers whether its objective is to sell or hold those assets, when determining the business model at the time of initial recognition. If the objective is sales, then the business model for these is Other business model (in addition to documenting a new portfolio for the purpose of business model testing), if it is holding, then the Insurer classifies these assets in the appropriate portfolio for its insurance or investment contracts and defines the business model accordingly (i.e. a new portfolio is not documented for business model test purposes).

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3.16.4 Analysis of contractual cash flows ("SPPI test")

At the time of initial recognition, the Insurer performs an analysis of the contractual cash flows of the debt instrument-type financial assets, based on which it determines that the contractual conditions of the given financial asset at specified dates result in cash flows that are exclusively payments of principal and interest on the outstanding principal amount ("SPPI test passed") or not ("SPPI test not passed").

When applying the above

- equity is the fair value of the financial asset at the time of initial recognition;
- the interest includes the consideration for the time value of money, the credit risk related to the principal amount outstanding during a specified period, and other basic lending risks and costs, as well as the profit margin.

The Insurer evaluates in the currency in which the financial asset is denominated, whether the contractual cash flows are solely payments of the principal and the interest due on the outstanding principal amount.

The Insurer analyses the contractual terms of the financial assets to determine whether they result in cash flows that are solely payments of principal and interest on the outstanding principal amount, i.e. whether they are consistent with the terms of a basic loan agreement. This includes analysing contractual terms that may change the timing or amount of contractual cash flows. When examining contractual cash flows, the Insurer considers the following:

- the nature of the possible conditional events (triggers) that induce a change in the schedule or amount of the contractual cash flows;
- leverage;
- prepayment and extension conditions;
- modifications related to the time value of money (e.g. periodic revaluation of interest rates)

3.16.5 Financial assets valued at amortized cost

The valuation of financial assets valued at amortized cost is carried out at amortized cost after initial recognition.

The amortized cost of a financial asset is the value of the financial asset determined at initial recognition, reduced by capital repayments, increased or decreased by the cumulative amortization of the difference between the value determined at initial recognition and the value at maturity calculated using the effective interest rate

The amortized cost of a financial asset is the gross book value of the financial asset before adjustment for expected credit losses.

The effective interest rate is the rate at which the estimated future cash payments or cash receipts over the expected life of the financial asset can be discounted exactly to the gross book value of the financial asset.

When determining the effective interest rate of financial assets (except for impaired financial assets acquired or incurred), the Insurer estimates future cash flows, taking all contractual terms of the financial instrument into account, with the exception of expected credit losses. In the case of impaired financial assets acquired or incurred, the Insurer applies a so-called credit-adjusted effective interest rate, which takes expected credit losses into account in addition to the estimated future cash flows.

The calculation of the effective interest rate includes all fees and charges paid by the contracting parties to each other or received from each other, which are an integral part of the effective interest rate, as well as transaction costs and all other premiums or discounts.

Interest income accounted for using the effective interest method is determined by applying the effective interest rate to the gross book value of the financial asset, with these exceptions:

a) for impaired financial assets, the effective interest rate must be applied to the amortized cost,
b) for POCI financial assets, the credit-adjusted effective interest rate must be applied to the amortized cost.

The gross book value of a financial asset is its amortized cost, before adjustment for expected credit losses. In the case of assets valued at amortized cost, the Insurer considers the related transaction costs, fees and commissions as part of the cost and takes them into account during the calculation of the effective interest rate. Accordingly, interest and amortization costs are accounted for using the effective interest rate method.

The Insurer evaluates receivables, other receivables, and intercompany receivables at amortized cost.

3.16.6 Financial assets valued at fair value against other comprehensive income

The Insurer classifies the following instruments in the category of financial assets valued at fair value against other comprehensive income:

- equity instruments that it designated as such during initial recognition
- debt instruments for which, as a result of the business model test, it was determined that the purpose of the business model is to collect the contractual cash flows associated with the debt instrument and at the same time the sale of the financial assets, and as a result of the SPPI test, at specified dates defined by the

contractual conditions of the financial asset, the generated cash flows are solely payments of the principal and the interest due on the outstanding principal amount.

Gains and losses on financial assets valued at fair value against other comprehensive income - with the exception of profit or loss due to impairment, interest according to the effective interest rate method, and exchange rate gains and losses - are recognized by the Insurer in other comprehensive income until the financial asset is derecognized or reclassified.

The Insurer recognizes the interest calculated using the effective interest rate method, the loss due to impairment, as well as the exchange rate gain and loss in the result. In this case, the amounts recognized in the result are the same as the amounts that the Insurer would recognize in the result if the financial asset was valued at amortized cost.

The amounts recognized in other comprehensive income cannot be subsequently transferred to the result in the case of equity instruments valued at fair value against other comprehensive income.

If the Insurer receives dividend income from equity instruments valued at fair value against other comprehensive income, it is accounted for in the result as dividend income.

There is no impairment requirement for equity instruments valued at fair value against other comprehensive income.

The Insurer evaluates its financial assets serving as collateral for the reserves of traditional (non-unit-linked) life insurance contracts and the securities in its equity portfolio at fair value against other comprehensive income.

3.16.7 Financial assets valued at fair value through profit or loss

All debt instruments that do not meet the conditions for valuation at amortized cost or at fair value against other comprehensive income are classified as financial assets at fair value through profit or loss, including derivative instruments that qualify as assets, which must later be valued at fair value through profit or loss.

As a general rule, equity instruments are also classified in this category, with the exception of those for which the Insurer chose valuation against other comprehensive income during the initial recognition.

Financial assets valued at fair value through profit or loss also include

- financial assets related to unit-linked life insurance contracts accounted for as insurance contracts, and
- financial assets related to investment contracts

as in their case the business model is Other business model.

Financial assets valued at fair value through profit or loss also include

- financial assets serving as collateral for the reserves of traditional (non-unit-linked) life insurance contracts, and
- own investments

which are invested in investment funds. The reason for this is that these investments do not meet the SPPI test and the conditions for being designated as fairly valued against other comprehensive income, as they are by definition not equity instruments.

Financial assets valued at fair value through profit or loss are valued at fair value after initial recognition, changes in fair value - including interest, dividends, exchange rate differences on foreign currency revaluation - are recognized in profit or loss, under other investment income and investment expense.

3.16.8 Reclassification of financial assets

The Insurer will reclassify affected financial assets if and only if it changes the business model used for the management of financial assets.

These changes are expected to be rare. Such changes are determined by the senior management, as a result of external or internal changes affecting the Insurer that are material to the operation of the Insurer. Any change in the business model is documented by the Insurer and the documentation includes the approval of the CEO and the Chief Accounring Officer, a description of the change and the justification of the materiality of the change, which is documented in the ALCO meeting documents.

If the Insurer reclassifies its financial assets, it must apply the reclassification prospectively from the date of reclassification. The Insurer may not restate previously recognized profits and losses (including profits and losses due to impairment) and interest.

The date of the reclassification is the first day of the [calendar quarter] period following the date of the documented change of the business model.

3.16.8.1 Reclassification from the category valued at amortized cost

Into the category valued at fair value through profit or loss

If the Insurer reclassifies a financial asset from the amortized cost valuation category to the fair value against profit or loss category, the fair value of the financial asset must be valued at the time of the reclassification. The gain or loss resulting from the difference between the previous amortized cost and the fair value of the financial asset is recognized in profit or loss.

Into the category valued at fair value against other comprehensive income

If the Insurer reclassifies a financial asset from the category valued at amortized cost to the category valued at fair value against other comprehensive income, the financial asset must be reclassified at the fair value valid at the time of the reclassification. The gain or loss resulting from the difference between the previous

amortized cost of the financial asset and its fair value is recognized in other comprehensive income. The valuation of the effective interest rate and the expected credit loss will not change as a result of the reclassification. The recognized expected credit loss must be derecognized (i.e. it will no longer be recognized as an adjustment to the gross book value) and from the date of the reclassification (in the same amount) must be recognized and disclosed as an accumulated impairment loss in other comprehensive income.

3.16.8.2 Reclassification from the category valued at fair value against other comprehensive income

Into the category valued at amortized cost

If the Insurer reclassifies a financial asset from the category valued at fair value against other comprehensive income to the category valued at amortized cost, the financial asset must be reclassified at the fair value valid at the time of the reclassification. The accumulated profit or loss previously recognized in other comprehensive income is removed by the Insurer from the equity and adjusted against the fair value of the financial asset at the time of reclassification. As a result, the valuation of the financial asset at the time of reclassification is as if it had always been valued by the Insurer at amortized cost. This modification affects other comprehensive income, but does not affect the profit or loss, so it is not a modification due to reclassification.

If a financial asset is reclassified between the valued at amortized cost category and the valued at fair value against other comprehensive income category, the recognition of interest income does not change, the Insurer continues to apply the same effective interest rate, and the valuation of expected credit losses does not change, as both valuation categories use the same impairment approach. However, if the Insurer reclassifies the financial asset from valued at fair value against other comprehensive income category to valued at amortized cost category, the expected credit loss changes the gross book value of the financial asset from the date of the reclassification.

Into the category valued at fair value through profit or loss

If the Insurer reclassifies a financial asset from the valued at fair value against other comprehensive income category to the valued at fair value through profit or loss category, the financial asset must still be valued at fair value. The accumulated profit or loss previously recognized in other comprehensive income must be reclassified from equity to profit or loss as a reclassification adjustment at the time of reclassification.

3.16.8.3 Reclassification from the category valued at fair value through profit or loss

Into the category valued at amortized cost or valued at fair value against other comprehensive income

If the Insurer reclassifies a financial asset from the valued at fair value through profit or loss category to the valued at amortized cost category, the fair value of the financial asset at the time of reclassification becomes the new gross book value of the asset and the effective interest rate will be determined based on the fair value of the asset at the date of reclassification.

3.16.9 Derecognition of financial assets

Before assessing whether and to what extent it is appropriate to derecognize a financial asset, the Insurer determines whether to apply the derecognition requirements to a part or all of a financial asset (or a group of similar financial assets).

The Insurer derecognizes financial instruments if

- its rights to the contractual cash flows cease or expire, or
- the related contractual rights to collect the cash flows from the asset are transferred by the Insurer, thereby transferring the essential benefits and risks resulting from ownership, or
- the related contractual rights to collect the cash flows from the asset are transferred by the Insurer, but it substantially neither transfers nor retains the risks and benefits resulting from ownership, nor does it retain control over the financial asset, or
- the Insurer writes off the financial asset in whole or in part ("write-off")

The Insurer also derecoignizes financial assets in the event of significant contractual changes, as the rights to the original contractual cash flows have also expired in this case.

The Insurer must recognize the rights and obligations arising or retained as a result of the transfer as separate assets or liabilities.

When derecognizing debt instruments valued at fair value against other comprehensive income, the accumulated profit or loss previously recognized in other comprehensive income must be reclassified from other comprehensive income to the profit or loss.

When deregognizing equity instruments valued at fair value against other comprehensive income, the Insurer reclassifies the profit or loss accumulated in other comprehensive income to the retained earnings.

In the case of financial assets valued at amortized cost, the result on derecognition is determined as the difference between the book value and the consideration received (including any new assets received, less any liabilities assumed) and is shown in profit or loss, under other investment income or investment expenses.

3.16.10 Replacements/modifications of financial assets

As for the rules for accounting of modifications in financial assets, the rules for modifications in financial liabilities are to be applied analogically.

The replacement of debt instruments under significantly different conditions between the current creditor and debtor must be accounted for as the termination of the original financial asset and the recognition of a new financial asset. Similarly, a significant modification of the terms of an existing financial asset, or a part of it (regardless of whether it was caused by the debtor's financial difficulties or not) must be accounted for as the termination of the original financial asset and the recognition of a new financial asset.

In this regard, the Insurer considers the conditions to be materially different, and the modifications to be material in each case, if the present value of the cash flows under the new conditions - including the premiums paid reduced by the premiums received - calculated on the date of the modification, discounted at the original (or, in the case of a floating rate financial asset, the current) effective interest rate, differs by at least 10 per cent from the gross book value of the original financial asset.

If the original financial asset was impaired, the Insurer will consider whether it needs to write off a part of it due to the modification and will write it off, if necessary. The gross book value of the original asset is the gross book value after any write-off.

If the above-mentioned values do not differ by 10%, the Insurer will still consider a modification of the conditions to be material if one of the following qualitative factors applies

- the currency of the instrument changes,
- the instrument's interest rate changes from fixed to floating or vice versa,
- other changes in conditions occur which, according to the management's particular and documented judgment, significantly change the instrument's risks.

With regards to accounting:

- If the replacement of debt instruments takes place under significantly different conditions, or the modification of the existing financial asset is material, the Insurer derecognizes the financial asset on the date of modification/replacement and recognizes a new financial asset in the books at fair value on the date of derecognition. The difference between the two values is recognized in the profit or loss, under other investment income or investment expenses. Any costs or fees incurred in connection with the transaction are recognized as a gain or loss related to the termination of the liability.

- If the replacement is not on significantly different conditions, or the modification of the existing financial asset is not material, the Insurer does not derecognize the original financial asset, but recalculates its gross book value and accounts for the adjustment a gain or loss in the profit or loss under other investment income or investments expenses.

Modification gain or loss is the difference between

- the discounted present value of the cash flow estimated during the expected term of the modified financial instrument at the original interest rate (with the current effective interest rate in the case of a financial asset with a floating interest rate) on the date of the modification and
- the gross book value of the original financial asset (taken after accounting for possible write-offs).

In the above present value calculation, the expected credit losses are not to be taken into account in the cash flows, except in the case of a POCI financial asset, when the discounting must be done not with the effective interest rate, but with the credit-adjusted effective interest rate.

The costs or fees incurred in connection with the transaction modify the book value of the financial asset and are amortized over the remaining term of the modified financial asset using the effective interest method.

3.16.11 Retroactive application

The Insurer applies the IFRS 9 standard retroactively in accordance with the IAS 8 Accounting policies, changes in accounting estimates and errors standard. The Insurer applied the modified retroactive transition method with the following exceptions:

Data for the comapartive period have not been restated.

- The differences between the previous book value of financial assets and liabilities and the book value valid at the beginning of the reporting period which includes the date of first application (i.e. on 1 January 2022) were shown by the Insurer in the opening retained earnings of 1 January 2022.
- The Insurer determined the business model in which the Insurer holds its financial assets based on the facts and circumstances existing at the time of the initial application of IFRS 9
- If a debt instrument has a low credit risk upon initial application of IFRS 9, the Insurer assumed that the credit risk of the debt instrument has not increased materially since the initial recognition.

3.17 Impairment of financial assets

The Insurer accounts for expected credit losses in the case of the following financial assets not valued at fair value through profit or loss:

- financial assets of the debt instrument type valued at fair value against other comprehensive income (for equity instruments, impairment is not disclosed),
- financial asset valued at amortization cost.

3.17.1 General rules of impairment

The Insurer recognizes the expected credit loss on the reporting date for all financial assets subject to the impairment requirements.

Expected credit losses are probability-weighted estimates of credit losses incurring over the expected life of the financial asset (i.e. the present value of the total expected cash flow shortfall). Estimates of expected credit losses must always reflect the possibility of both the occurrence and non-occurrence of a credit loss, even if the most likely outcome is that no credit loss will occur. Estimates of expected credit losses must reflect an unbiased and probability-weighted amount, which is determined through the evaluation of various possible outcomes.

When determining the credit loss, the Insurer also takes forward-looking information into account.

The Insurer assumes that the credit risk of a financial asset has not increased significantly since the initial recognition, if it is determined that the credit risk of the financial asset is low on the reporting date.

3.17.2 Settlement of 12-month expected credit loss (Stage 1)

The Insurer valuates the expected credit loss of a given financial asset (Stage 1) at an amount equal to the 12-month expected credit loss in the following cases:

- the credit risk of the financial asset is low on the reporting date, or
- is the credit risk of the financial asset is not low on the reporting date, but it did not increase significantly from the initial recognition up until the reporting date.
- The 12-month expected credit loss is a portion of the expected lifetime credit loss. It embodies the expected credit loss that may arise in the 12 months after the reporting date, resulting from events of default related to the financial instrument.

3.17.3 Settlement of expected credit losses over the lifetime (Stage 2 and Stage 3)

The Insurer recognizes the lifetime expected credit loss on each reporting date in the following cases:

- if the credit risk of the financial asset concerned has increased significantly since the initial recognition – taking all reasonable and justifiable information into account, including forward-looking information – but the financial asset is not impaired ("Stage 2 financial assets");
- if the relevant financial asset is impaired on the reporting date ("Stage 3 financial asset");
- in the case of trade receivables (the Insurer uses a simplified model to determine the expected credit loss)

Lifetime expected credit loss is the expected credit loss resulting from all possible events of default over the expected lifetime of the financial instrument.

3.17.4 Impairment (Stage 3) criteria

The Insurer defines the following as criteria for impairment (Stage 3):

- Overdue payment of more than 90 days for a part of the receivables from a given partner exceeding immateriality (i.e. more than x% of the total receivables) (in this case, all receivables from the same partner are to be classified as Stage 3)
- significant, known financial difficulties of the partner on the reporting date, including the initiation of bankruptcy or liquidation proceedings against the partner (in this case, all receivables from the same partner are to be classified as Stage 3)
- it becomes likely that the partner will go bankrupt or be forced to undergo other financial reorganization (in this case, all receivables from the same partner are to be classified as Stage 3)

3.17.5 Changes in credit risk

For its government securities and externally rated financial assets other than government securities - if they are not low credit risk at the reporting date - the Insurer considers a deterioration of at least 2 notches in the rating as a significant increase in credit risk.

If, in the previous reporting period, the Insurer valued the recognized loss of a financial asset at an amount equal to the lifetime credit loss, but decides that the credit risk of the financial asset concerned has not increased significantly since the initial recognition on the current reporting date, the recognized loss on the current reporting date is recognized at an amount equal to the 12-month expected credit loss (i.e. it is reclassified from Stage 2 to Stage 1).

In the case of financial assets valued at amortized cost and at fair value against other comprehensive income, the Insurer recognizes in profit or loss as an impairment gain or loss the amount of expected credit losses (or reversals) by which amount the recognised loss needs to be adjusted to the amount determined at the reporting date.

3.17.6 Financial assets with low credit risk

The credit risk of a financial asset is considered low if the default risk of the financial asset is low, the borrower's ability to meet its short-term contractual obligations to pay cash flows is strong, and an unfavorable change in economic or business conditions in the longer term may possibly (but not necessarily) weaken the borrower's ability to meet its contractual obligations to pay cash flows.

The Insurer considers financial assets with an external rating of BBB- (Standard&Poors rating) or better, recommended for investment ("investment grade") as low credit risk.

3.17.7 Special rules of impairment

3.17.7.1 Impairment of government securities and corporate bonds

In order to determine the impairment of government securities and corporate bonds, he Insurer first determines at each reporting date whether the security is in Stage 1, Stage 2 or Stage 3.

Impairment is calculated using the following formula for government securities and corporate bonds classified as Stage 1 and Stage 2:

$$ECL = PD \cdot LGD \cdot EAD$$

where

ECL:= expected credit loss at the reporting date

PD (probability of default):= 1-year PD if the security was classified as Stage 1 on the reporting date; lifetime PD, if the security was classified as Stage 2 on the reporting date

LGD (loss given default): estimated loss rate at default

EAD (exposure at default): the gross book value of the security on the reporting date

The PD is estimated on the basis of Weibull curves fitted to time series of sovereign or corporate default rates corresponding to the rating category of the latest available Standard & Poor's at the reporting date.

To estimate LGD, the Insurer uses a study on external sovereign debt restructuring cases and approximates LGD by the average of the face value reduction haircut values reported in this study for several countries.

To estimate the LGD of corporate bonds the Insurer applies:

- for bank bonds - a study on the rates of return of European banks;
- for corporate bonds – 45% as agreed in the Basel II framework.

The Insurer considers forward-looking information in such a way that, in addition to the base scenario ("Base case"), it also considers an optimistic scenario ("Upturn case") and a pessimistic scenario ("Downturn case"). In the Upturn case, it is assumed that the rating of the given government security improves by 1 notch compared to the reporting date (if this improvement is still possible), and that the rating at the reporting date is Stage 1. In the Downturn case, the Insurer assumes that the rating of the given government security deteriorates by 1 notch compared to the reporting date, and that the rating at the reporting date is Stage 2. In addition to the Base case, the Insurer calculates the expected credit losses for the Upturn case and the Downturn case using the above method and considers the weighted average of the three results as the credit loss on the reporting date. The

weights are determined by the management on each reporting day, as a result of an expert estimate.

The Insurer valuates its Stage 3 government securities individually. In each case, it performs cash-flow estimates in 2 scenarios. It takes the present value of the estimated cash flows for both scenarios and weights them according to management's judgment. To calculate the present value, the Insurer uses the original effective interest rate (in the case of a floating interest rate paper, it discounts with the current effective interest rate). The Insurer recognizes the expected credit loss as the difference between the resulting weighted cash-flow present value and the gross book value at the reporting date.

3.17.7.2 Impairment of cash and cash equivalents

The Insurer determines the expected credit loss of its cash and cash equivalents (bank account balances) on the reporting date as follows

$$ECL = PD \cdot LGD \cdot EAD$$

where

ECL:= expected credit loss at the reporting date

PD (probability of default):= 1-year PD, which the Insurer takes from the latest available annual Standard&Poors default rate study at the reporting date. Regardless of the rating, the Insurer approximates the 1-year PD with the 1-year default rate for financial institutions determined in the year of the study.

The Insurer does not have fixed deposits with banks longer than one year, so as a simplification, it does not perform a stage classification, but calculates with a 1-year PD.

LGD (loss given default): estimated loss rate at default, which the Insurer takes from an external study. We used the LGD study "Cruces, J. J., & Trebesch, C. (2013). Sovereign defaults: The price of haircuts. American economic Journal: macroeconomics, 5(3), 85-117", which is the first comprehensive database of investor losses ("haircuts") for foreign banks and bondholders. The database covers 180 cases from 68 countries between 1970 and 2010. For its LGD estimate the Insurer used the weighted average of 19 Central and Eastern European cases found in this study as a basis.

EAD (exposure at default): the bank account balance at the reporting date.

3.17.7.3 Impairment of intercompany receivables

For financial receivables from subsidiaries and associated companies, the Insurer did not recognize expected credit losses as long as there was no clear indication of a negative change in the financial situation of the company in question. In this case, the Insurer performs an individual cash-flow estimate for the intercompany

receivable in at least two scenarios. It takes the present value of the estimated cash flows in both scenarios and weights them according to management's judgment. To calculate the present value, the Insurer uses the original effective interest rate of the receivable (in the case of a receivable with a floating interest rate, the current effective interest rate). The Insurer recognizes the expected credit loss as the difference between the resulting weighted cash-flow present value and the gross book value on the reporting date

3.17.7.4 Impairment of trade receivables and other receivables

The Insurer uses a simplified methodology to determine the expected credit loss for trade receivables and other receivables. Expected credit losses are quantified with the help of a matrix, using past experience of credit losses.

When using the matrix, the Insurer observes the 365 days prior to the valuation date, in which it observes the percentage of trade receivables recognized during the period that have not been paid. The baskets are as follows:

- 0-30 days,
- 31-60 days,
- 61-180 days,
- 181-360 days,
- >360 days.

The loss rates assigned to the individual baskets based on historical data are adjusted by forward-looking information.

3.17.7.5 Impaired financial assets acquired or incurred

POCI financial assets are impaired at the initial recognition.

The Insurer considers a given financial asset as a POCI asset, if at the time of initial recognition of the other party is classified Stage 3 status.

When calculating the credit-adjusted effective interest rate of POCI assets classified as impaired at initial recognition, the Insurer takes the initial estimated credit loss in the estimated cash flows into account (that is, the lifetime expected credit loss is deducted from the estimated contractual cash flows).

On the reporting date, the Insurer only recognizes the accumulated changes in the lifetime expected credit loss since the initial recognition in profit or loss as impairment gains or losses on POCI assets.

A favorable change in lifetime expected credit loss is recognized as an impairment gain even if the amount of the lifetime expected credit loss is less than the amount of the expected credit loss that was included in the estimated cash flow at initial recognition.

3.17.8 Recognition of impairment for expected credit losses in the financial statements

The Insurer recognises impairment for expected credit losses in its financial statements as follows:

- In the case of financial assets valued at amortized cost: the asset is recongized in the statement of financial position by deduction from its gross book value and is recognized in the comprehensive income statement under impairment and reversal of financial assets

- In the case of debt instruments valued at fair value against other comprehensive income: no impairment loss is recognised in the statement of financial position, because the book value of these financial assets is equal to their fair value. The amount of impairment recognized for these financial assets is presented by the Insurer in the supplementary notes. At the same time, in the comprehensive income statement, the amount of the impairment loss for the given year appears under Financial assets impairment and reversal.

3.17.9 Write-off of financial assets

The Insurer writes off a financial asset in whole or in part if it is no longer reasonably expected that the financial asset or part of it will be recovered.

Events and circumstances that the Insurer considers to be such that it no longer reasonably expects a return from the asset or part of it are the following:

- a more than insignificant part of the financial asset (>10% of the face value/receivable value) is more than 5 years overdue. In this case, the entire financial asset is written off, unless a part can clearly be identified for which a return can still reasonably be expected.
- based on the outcome or expected outcome of bankruptcy or liquidation or enforcement against the other party, there is no prospect of recovery for all or part of the financial asset.

During the write-off, the Insurer reduces the gross book value of the financial asset against the amount of expected credit loss recognized.

3.18 Determination of fair values

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

The fair values of financial assets quoted in an active market are their bid prices at the reporting date. In other cases, the fair value is determined using the discounted cash flow and other financial models.

The Insurer uses the following three valuation levels when determining the fair value of assets and liabilities:

- Level 1: quoted price on the active market for the asset / liability
- Level 2: Based on input information other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs are unobservable inputs for the asset or liability

For the various financial instruments, the fair value method is as follows:

- Debt securities
  - Debt securities excluding government bonds and treasury bills introduced into the primary distribution system, shall be valued on a unified basis during the valuation period using the last closing net price by adding accrued interest up to the date of financial statements when determining the market value;
  - in the case of fixed or floating-rate debt securities with a mandatory price-fixing, with a remaining period of more than 3 months, in the primary distribution system, or in case of treasury bills, the arithmetic average of the best buy-and-sell net prices issued by the State Debt Management Center (hereinafter ÁKK) on the date of the Financial Statements or on last working day before it and the interest accrued up to the date of Financial Statements should be determined;
  - in case of debt securities and treasury bills with a non-compulsory pricing, with a remaining period of less than 3 months to maturity, with fixed-rate, including state-guaranteed debt securities, the market value should be determined by using the 3-month reference yield published by ÁKK on the closing date or on the last working day before it as the sum of the calculated net price and interest accrued up to date of Financial Statements;
  - If a debt securities listed on a stock exchange - with the exception of government securities issued in the primary distribution system - do not have a price not earlier than 30 days, then the market value is determined by using the last registered traded weighted average net price over-the-counter and the interest accrued up to the balance sheet date if this data is not older than 30 days. The 30-day validity of the prices quoted by OTC is the date of the publication, i.e. the last day of the reference period, even if

it falls on a non-working day. The same methodology shall be applied to debt securities not traded on the stock exchange;

• Shares:

- the shares traded at the stock exchange have to be valued according to the closing price on the date of financial statements;
- if there was no trading on that day, the last closing price shall be used if this price is not older than 30 days from the date of the financial statements;
- in the case of a non-listed share, the valuation price of the asset shall be determined on the basis of the officially published last weighted average OTC price if it is not older than 30 days
- if none of the methods can be applied, regardless of its antiquity, the lower of the last stock exchange price, the absence thereof the last OTC price and the purchase price should be used.

• Derivative instruments:

- T day earnings on futures on the Budapest Stock Exchange on the basis of the relevant stock exchange futures regulations if the transactions were opened on T day using the binding price and the T day settlement price if the transactions were closed on T day by the binding price and T-1 daily in the case of transactions opened earlier than T day, using the settlement rate T day and T-1 daily settlement price.
- Foreign exchange futures contracts are evaluated at forward rate calculated on the basis of the T-day spot rate and interbank rates quoted in the relevant currencies. The interest rates to be used for the calculation are inter-bank interest rates that are closest to the remaining maturity of the forward bond.

Compared to the above valuation methods, among the Insurer's unit-linked investments, the valuation of securities in Russian asset funds is an exception, the characteristics of which are described in detail under Note 27 by the Company.

3.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits payable on demand and term deposits with a term of less than 3 months.

3.20 Financial liabilities

The Insurer recognises financial liabilities in its financial statements with the date when the contractual obligation arises. Financial liabilities are derecognised when the contractual obligation is fulfilled, expires or ceases.

The Insurer subsequently classifies all financial liabilities at amortized cost, except for the following:

- fFinancial liabilities valued at fair value through profit or loss. These liabilities, including derivative instruments that qualify as liabilities, must subsequently be valued at fair value;

- financial liabilities that arise when the transfer of a financial asset does not meet the derecognition criteria or when the continuing involvement approach is to be applied;

- financial guarantee contracts;

- commitments to grant loans at an interest rate lower than the market interest rate

- contingent consideration recognized by the acquirer in a business combination within the scope of IFRS 3 Business Combinations.

The Insurer may irrevocably designate a financial liability as valued at fair value through profit or loss upon initial recognition if this results in more relevant information due to one of the following:

- it eliminates or significantly reduces a valuation or recognition inconsistency (also known as an accounting mismatch), which would otherwise have arisen due to the fact that the valuation of assets or liabilities, or the recognition of profits or losses on them is carried out on different bases; or
- the management of a group of financial liabilities or a group of financial assets and financial liabilities, as well as the valuation of its performance is carried out on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided within the Insurer on this basis to the key management personnel of the Insurer.

The Insurer classifies liabilities into the following categories:

3.20.1 Valuation of financial liabilities valued at amortization cost

Financial liabilities valued at amortized cost upon initial recognition are valued by the Insurer at fair value, increased or decreased by the transaction costs directly attributable to the issuance or acquisition of the financial liability. Subsequent valuation is at amortized cost.

In the case of financial liabilities valued at amortized cost, the Insurer considers the related transaction costs, fees, commissions as part of the cost and takes them

into account when calculating the effective interest rate. Accordingly, interest and amortization costs are accounted for using the effective interest rate method.

The Insurer valuates received loans, other liabilities, liabilities from financial reinsurance, liabilities to the owner and intercompany liabilities at amortized cost.

3.20.2 Liabilities valued at fair value through profit or loss

The Insurer presents the profit or loss arising from the financial liability marked as valued at fair value through profit or loss as follows:

a) the amount of the change in the fair value of the financial liability that can be attributed to the change in the credit risk of that liability, in other comprehensive income; and

b) the residual amount of the change in the liability's fair value against profit or loss, unless the treatment of the effects of the change in the credit risk of the liability described in point a) would result in an accounting mismatch or increase it in the profit or loss.

If the Insurer designates a financial liability as valued at fair value through profit or loss, it determines whether recognizing the effects of changes in the credit risk of that liability in other comprehensive income would result in an accounting mismatch or increase it in profit or loss. An accounting mismatch arises or increases if recognizing the effect of changes in the liability's credit risk in other comprehensive income create a larger accounting mismatch in the profit or loss than if these amounts were recognized in the profit or loss by the Insurer.

To determine this, the Insurer evaluates whether, according to its expectations, the effects of changes in the liability's credit risk will be offset in the profit or loss by a change in the fair value of another financial instrument valued at fair value through profit or loss. This expectation is based on the economic relationship between the characteristics of the liability and the other financial instrument. The mentioned determination takes place at the initial recognition and cannot be re-valued.

If an accounting mismatch arises or increases, the Insurer recognizes all changes in the fair value (including the effects of changes in the credit risk of the given obligation) in the profit or loss. If an accounting mismatch does not arise or increase, the Insurer recognizes the effects of the change in the credit risk of the given liability in other comprehensive income.

The amounts recognized in other comprehensive income cannot be transferred to profit or loss later. The Insurer may, however, reallocate accumulated profits or losses within its own equity.

The Insurer initially classifies all liabilities arising from unit-linked life insurance contracts that do not meet the classification criteria of insurance contracts as liabilities valued at fair value through profit or loss. (See: contract classification, investment contracts.) It valuates futures and derivatives at fair value through profit or loss.

After initial recognition, financial liabilities categorized as valued at fair value through profit or loss are valued at fair value.

3.20.3 Derecognition of financial liabilities

The Insurer derecognizes financial liabilities when contractual obligations

- cease,
- are waived or
- expire.

Typically, the financial liability ceases and is therefore derecognized when the other party no longer has the right to claim amounts from the Insurer. This is usually the case when:

- the Insurer settles the liability by redemption, or
- the Insurer is legally or by the creditor released from the obligation to repay the debt.

The difference between the book value of the financial liability (or part of it) that has ceased or been transferred to a third party, and the consideration paid (including transferred non-monetary assets and assumed liabilities) must be recognized in profit or loss.

3.21 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking the risks and uncertainties surrounding the obligation into account. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset

if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous policies are recognized and measured as provisions. A policy is considered onerous where the unavoidable costs of meeting the obligations under the policy exceed the economic benefits expected to be received under it.

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or by announcing the main features to those affected by it. The measurement of a restructuring provision only includes the direct expenditures arising from the restructuring, which are the amounts necessarily entailed by the restructuring but and not associated with the ongoing activities of the entity.

3.22 Share capital and capital reserve

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Capital increases are accounted for in equity when the Company has the right to receive the funds from shareholders. During capital increases the nominal value of the shares is accounted in share capital, with any surplus amounts paid recorded in the capital reserve. Direct costs of capital increases are accounted as items reducing the capital reserve.

The Company disclose its assets and liabilities in the comprehensive statement of financial position in the order of liquidity (according to IAS 1.60). The net assets – assets minus liabilities – equals to the shareholders' equity.

3.23 Other reserves

The Company recognizes among other reserves the difference between the cost and fair value of impaired securities valued at fair value against other comprehensive result, and the change in fair value recognized in other comprehensive income. From the fair value difference of the investments that make up the actuarial reserve, the share held by the policyholders is reclassified as a performance-based reimbursement reserve.

3.24 Treasury shares

According to IAS 32, paragraphs 33 and 34, when a company repurchases its own shares, any paid consideration should be presented directly as an equity decreasing item. No gains or losses can be recognized in the comprehensive income in connection with the purchase, sale, issue or termination of treasury

shares, the consideration for the purchase or sale is recognized directly in equity. The amount of repurchased treasury shares as specified in IAS 1 is stated separately by the Company in both the statement of financial position and the notes.

As IFRSs do not set specific disclosure criteria for equity, the Company applies the following presentation. The value of the repurchased treasury shares is presented separately in equity as an equity-reducing item. If the treasury shares are sold or reissued, the value of decreasing treasury shares will reduce this separate amount in equity. In the case of the inclusion of treasury shares, the difference between the par value and the cost is accounted in the capital reserve. Same applies at sale or reissue of the treasury shares the sales price difference from the cost accounted in the capital reserve.

3.25 Equity Correlation Table

The Equity Correlation Table is described in Section 114 / B of the Hungarian Accounting Act. It is presented as part of the notes in accordance with IAS 1 Presentation of Financial Statements.

The equity correlation table shall contain the opening and closing balances of each element within equity under IFRSs, and in that context the opening and closing balances of the following equity components:

a) equity capital: equity under IFRSs plus supplementary payments received and shown under liabilities in accordance with IFRSs, minus supplementary payments provided and shown under assets in accordance with IFRSs, including any cash to be transferred to the capital reserve on the basis of legal provisions, and assets received, shown under deferred income, minus any sum of receivables from owners in connection with making capital contribution in the form of equity instrument;

b) subscribed capital under IFRSs: subscribed capital provided for in the instrument of constitution, if classified as an equity instrument;

c) subscribed capital unpaid: part of the subscribed capital under IFRSs that has not yet been paid up and made available for the economic entity;

d) capital reserve: all equity components that are not covered by the definition of subscribed capital under IFRSs, subscribed capital unpaid, retained earnings, revaluation reserve, post-tax profit or loss or tied-up reserve;

e) retained earnings: previous years' accumulated results after tax shown in the annual accounts prepared in accordance with IFRSs, not yet distributed among the owners (including the combined total of the earnings retained according to this Act

on the balance sheet date of the financial year preceding the year of transition to IFRSs and the after-tax profit adjusted by the effect the transition to IFRSs had on retained earnings), as well as the sums credited or charged directly to such accumulated results in accordance with IFRSs, sums transferred from the subscribed capital or from the capital reserve to cover the losses, any sum transferred from other reserves, as required or permitted by IFRSs. The sum thus received shall be decreased by the supplementary payments shown under assets in accordance with IFRSs, plus any unused portion of the provision for developments with the sum of deferred tax liabilities calculated according to IAS 12 - Income Taxes deducted. Retained earnings may not include other comprehensive income, as provided in IAS 1 - Presentation of Financial Statements, with the exception of value adjustments in respect of transfers;

f) revaluation reserve: other comprehensive income shown in the comprehensive income statement provided for in IAS 1 - Presentation of Financial Statements, including other comprehensive income accumulated and from the current year, furthermore, the revaluation reserve from before the date of transition to IFRSs;

g) post-tax profit or loss: as defined in Point 9 of Section 114/A;

h) tied-up reserve: supplementary payments received and shown under liabilities in accordance with IFRSs, plus any unused portion of the provision for developments with the sum of deferred tax liabilities calculated according to IAS 12 - Income Taxes deducted.

The equity correlation table shall also contain:

a) a reconciliation of the capital registered by the court of registry with the subscribed capital under IFRSs;

b) untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising post-tax profit or loss of that financial year minus cumulative unrealized gains claimed in connection with any increase in the fair value of investment properties, as provided in IAS 40 - Investment Property, reduced by the cumulative income tax accounted for under IAS 12 - Income Taxes.

3.26 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of ordinary outstanding equities during the year after deducting the average number of preference equities held over the period.

The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while taking the impact of all dilutive potential ordinary shares into account that were outstanding during the period:

- the net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares, and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.
- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.27 Contingent liabilities

Contingent liabilities are not recognized in the financial statements unless they are acquired in a business combination. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3.28 Releated parties

IAS 24 requires the entity's financial statements to include the disclosures necessary to draw attention to the possibility of the entity's financial position and profit or loss of related parties and related transactions, as well as to the related parties. Under IAS 24, the Insurer is required to disclose the related party relationships in its financial statements, if control exists, whether or not there are transactions between related parties.

If there was a related party transaction, the entity shall disclose the nature of the related party relationship and the information about transactions and open balances necessary to assess the potential impact of the relationship on the financial statements.

A related party within the meaning of paragraph 9 of IAS 24 includes, inter alia, a person in the company or its key position and a close relative, or a party under the direct or indirect control, joint control or significant influence of such persons. has significant voting rights over the party.

Key position managers and their close relatives [IAS 24 (9) (d) - (e)] A party that is directly or indirectly authorized and responsible for the planning, management and control of the business of that company. The members of the Board of Directors and Supervisory Board of the Insurer are considered as key managers.

A related party is also a close relative of the above. Close relatives of an individual are family members who are supposed to influence that individual or who are likely to be affected by that individual's transactions with the company. In particular, IAS 24 includes:

(a) the spouse and children of the individual;
(b) the children of the individual's spouse; as well as
(c) dependents of the individual or the spouse of the individual.

Controlling or influencing parties in key positions and their close relatives [IAS 24 (9) (f)] In addition to the above, a related party is any party that is directly or indirectly owned by a key manager or a close relative of the company or its parent company is subject to indirect control, joint control or significant influence, or has a significant voting right over that party.

• direct or indirect control: the ability to manage the financial and operating policies of a company in order to obtain benefits from its activities

• Joint control: contractual sharing of control over an economic activity

• Significant influence: the ability to participate in the financial and operational policy decisions of the company, but not the control of these policies. Significant influence can be obtained through share ownership, by law or by contract

The Insurer shall disclose the total amount of compensation for key managers and its breakdown by the following categories:

(a) short-term employee benefits;
(b) post-employment benefits;
(c) other long-term benefits;
(d) severance payments; as well as
(e) share-based payments.

Publication of related party transactions (IAS 24 paragraph 17)

If there was a related party transaction, the entity shall disclose the nature of the related party relationship and the information about transactions and open balances necessary to assess the potential impact of the relationship on the financial statements. These disclosure requirements are beyond the requirements for disclosure of key management compensation.

The information published must include at least:

(a) the amount of transactions;

(b) the amount of open balances;

i. the terms and conditions of the transactions, including whether they are secured and the nature of the consideration to be provided at settlement; as well as

ii. details of the guarantees provided or received;

(c) provisions for doubtful debts to the amount of open balances; as well as

(d) the expense recognized in the period for bad or doubtful receivables from related parties

Each year the Insurer compiles and updates a list of related parties and a list of related transactions to meet its related legal obligations and identify transactions. This process is operated by the Insurer's Corporate Governance and the Legal Department. During the process, senior executives are required to submit a statement of transactions between the Insurer and related parties by completing a questionnaire.

3.29 Cash-flow statement

The purpose of the cash flow statement is to provide information on the ability of an enterprise to produce cash and cash equivalents as part of its financial statements, as well as the use it has made of the business, as a part of its financial statements.

The concept of cash in accordance with IAS 7 Cash Flow Statement includes cash in hand, as well as sight deposits, while it considers cash equivalents to be short-term, high-liquidity, and easily identifiable, with negligible change in value.

The cash flow statement details the periodic cash flows broken down by operating, investing and financing activities. The Insurer prepares the cash flow statement indirectly.

Cash flow from operating activities

Cash flow from operating activities provides key information for investors to judge how well an enterprise can finance its own operations, how much cash flow generating capacity of its main business is sufficient for further investment without the involvement of foreign funds, or for repayment of loans or dividend payments.

Operating cash flow is derived from the entity's primary revenue-generating activity, e.g.:

- sums received from insurance premiums;

- sums paid for insurance technical services;
- sums paid to suppliers for purchased goods and services;
- cash payments to employees and employees;
- Payments and refunds related to income taxes, unless they are related to investment or financing activities.

Transactions in operating cash flows should always be determined on the basis of the entity's primary revenue-generating activity.

Cash flow from investing activities

Separate disclosure of cash flows from investing activities is important because it shows the extent to which an enterprise has been able to finance expenditures that underlie the production of future cash flows. Only cash expenditures that meet the criteria for acquiring assets that can be recognized in the balance sheet correspond to the cash flow criterion of the investment activity. Ex.:

- cash flow related to the acquisition, production and sale of fixed assets,
- cash flows for the purchase or sale of equity or debt securities, unless they are considered to be cash equivalents;
- providing and repaying advances or loans;
- cash receipts and cash outflows from forward, option and swap transactions unless they are held for trading or related to financing activities

Cash flow from financing activities

Cash flow from financing activities helps to judge the future cash flow needs of owners and corporate creditors against the business.

Financing cash flows include:

- cash receipts from the issue of shares or other equity instruments;
- cash payments to owners for the acquisition or repurchase of shares;
- cash receipts from issuance of debt securities, short- or long-term debt securities, loans or borrowings;
- cash payments for repayment of loans and loans;
- cash payments to reduce financial lease liabilities.

3.30 IFRS 15 - Accounting for Revenue from Contracts with Customers

The IFRS 15 standard applicable from 1 January 2018 excludes insurance contracts from its scope, so the introduction did not have a significant impact on the Insurer's result. Due to the standard exclusions, most of the Company's activities are not

covered by the standard, as they are governed by IFRS 4 and IFRS 9. Relevant transactions from the standpoint of the standard are other non-insurance activities, typically the accounting of income from investment contracts, the reinvoicing of services and the sale of tangible assets.

Contracts that do not comply with the concept of an insurance contract and are a service contract are within the scope of IFRS 15. From 2018, the Insurer shall examine contracts that do not meet the definition of an insurance contract but comply with the concept of a contract under IFRS 15 and shall be subject to the new 5-step model of IFRS 15 from contract identification to revenue recognition. According to the Standard, the seller may account for the revenue when the goods or services are delivered to the buyer and in the amount that he / she deems appropriate for the goods or services in question.

The five-step model is the following:

Step 1: Recognising contracts with customers

Contracts entered into by the Insurer may be verbal or written agreements of business content, but normal business practices may also create a contract. It is also a condition for the contract to create enforceable rights and obligations that cannot be canceled without consequences.

Based on the Standard, a contract is created if the following conditions are met:

- The parties have accepted the contract and are committed to its implementation;
- The rights of the parties can be clearly determined on this basis;
- The contract has economic benefits;
- It is likely that the seller will receive the price of the delivered goods / services even by using legal means to collect them.

In the case of a contract amendment, the content of the change should be examined, as it is conceivable that the amendment should be interpreted as a separate contract.

Step 2: Determine separate obligations related to the performance of the contract

In this step, it is necessary to determine which promised goods or services or a combination of them under the contract can be treated as a separate performance obligation. In the performance of the contract, the supplier may also determine different incentives. A contract may contain several obligations. All separate,

separable goods, services or combinations of services are considered as separate performance obligations. If the performance obligation cannot be determined from the contract, revenue cannot be accounted for.

Step 3: Determine the transaction price

The price of the transaction is the amount that the supplier expects to be eligible for the price of the goods or services provided to the buyer. The goal is to keep the revenue steady. Various factors, such as performance incentives over a certain period of time must be taken into account, for the accounting of sales. The amount of these should be deducted as sales revenue during the incentive period. Revenue from a transaction (which may differ from the invoiced amount) must be estimated.

Step 4: Assign the transaction price to your individual obligations

The seller must share the transaction price between the individual obligations. If individual prices are not available for each obligation, an estimate should be used for sharing.

Step 5: Accounting the income at completion

Revenue can be recognized when the control over the asset or service purchased is transferred from the seller to the buyer. This can happen over a specified period of time or at a specific time. The transfer of control occurs when it enables the customer to control the use of the device and is entitled to benefit from the asset.

E.g.:

- they can produce a product or provide a service through the use of the device,
- Costs / expenditures can be reduced through the use of the device and the received service, and the settlement of liabilities becomes possible.
- The resulting device can also be used as a guarantee

Revenue can be accounted for for a certain period of time if:

- the buyer is entitled to the benefits at all times,
- the buyer acquires control of the device only to the extent that the seller gives it to him during the period;
- the supplier does not produce an item or service that is immediately controlled by the buyer, but has the right to collect time-proportional partial deliveries.

The Insurer has examined the transactions that are within the scope of IFRS 15 and has determined that these are primarily derived from the reinvoicing of services, for which the terms of the five-step model described above are met. The Company determines the prices of transactions based on observable market prices,

the income is shown when the performance obligation is fulfilled, when the goods or services promised are transferred. As a result of the above, the adoption of IFRS 15 did not necessitate a change in accounting policy, and the introduction was not subject to retrospective amendment.

CIG PANNÓNIA INSURANCE

4 ESTIMATES AND ASSUMPTIONS

4.1 Estimates of future benefit payments arising from insurance policies

The Company makes estimates of the expected number of (accidental) deaths for each of the years that it is exposed to risk. These estimates are based on standard mortality tables and historical statistical figures of accidental deaths.

The Insurer also makes estimates of policy terminations, the number and extent of surrenders, investment returns and administration costs at the inception of insurance policies. These estimates, which are reconsidered annually, are used as assumptions when calculating the liabilities arising from these policies.

The assumptions used to establish insurance policy liabilities and appropriate sensitivities relating to variations in critical assumptions are disclosed in Note 4.2.

4.2 Liability adequacy test

The Insurer performs liability adequacy tests (LAT) in respect of insurance policies and components as at the reporting date. The Insurer makes various estimates and assumptions for the purposes of the LAT. These estimates affect both the parameters and the model itself.

4.2.1 Estimates and assumptions relating to the model

In the liability adequacy test, the Company models future cash flows for life and health insurance contracts and associated costs, so the test includes premium income, commission payments, commission refunds, costs incurred to manage existing contracts, (partial) surrenders, and payments related to death and access services as well as disease risk modalities. The model checks the appropriateness of the reserves for covering liabilities by contract group.

Simplification is that the model does not account for future top-up payments to existing contracts, including their expected profitability, which is a more prudent approach than the best estimate.

The Company defined the duration of the model for 50 years for UL products that were originally wholelife, at the end of which it considers all contracts still live to be terminated, repurchased. Regarding grace policies lasting a lifetime, the mentioned simplifications aren’t applied, because leaving the guaranteed death payments after the expected payout period would reduce the amount of reserves required to cover liabilities. Cash flow projections are made for fixed-term contracts until maturity.

4.2.2 Estimates and assumptions relating to the parameters

During the modeling process, the Company assumed that no indexation was requested voluntarily by the policyholder. Mortality assumptions were prudently set at a higher level than the best estimate.

In order to better modelling other callable customer options, the Company has differentiated the possible scenarios of the termination for reasons, so the assumptions used can be compared more easily with subsequent experience.

Distinguished client-options:

Likelihood of non-payment

The likelihood of the non-payment relating to the premium that depending on the provider channel of contract, frequency of premium and the number of examined premium includes security margin compared to the „best estimate" assumptions which were applied in the short- and middle term business plans approved by the management of the Company. In the course of the modelling the Company has taken into account that the effects of the non-payment could be the starting of the non-paying period-, or the failure of the policy from the insurance portfolio. If the result of the non-payment is the cancellation of the policy, then the cancellation shall be after the termination of the respiro period.

Cancellation requested by the client, surrender

Based on the model, the cancellations - requested by the clients – occur monthly and equally, independently from other client requests or other endogenous parameters (e.g.: hypothetical yield of investments). The cancellation and surrender probabilities used for the LAT calculations contain a safety margin to the official short term and midterm budget approved by the Company which were based on the best estimate.

In addition, the Insurer takes the possibility of late payments as a client option into account.

The source of mortality data applied by the Company was the standard Hungarian mortality table of 2007, which was modified by a mortality factor typical for that group of contracts. The mortality data applied durint the LAT calculations contain a risk margin compared to the assumptions of official short and midterm budget accepted by the management of the Company.

The operating cost used for LAT is based on the budgeted operating cost in the official short term and midterm budget approved by the Company, which is modified by the Insurer also with a safety margin during the LAT calculations.

Those elements of the model, which aren't related to the acquisitions, allocated monthly to the portfolio of the accepted policies according to the Company's cost allocation policy.

The number of the accepted portfolios decreased due to lapse, and increased due to the new policies sold subsequently, therefore the results of the LAT are influenced by the expectations relating to the future number of the new acquisitions.

The Solvency II yield curve published by EIOPA (as at the end of the annual period) were used for discounting cash flows.

5 CHANGES IN ACCOUNTING POLICIES

5.1 Effects of the mandatory used standards – from 1 January 2022 – on the financial statements

For annual periods beginning on or after 2022, the following amended mandatory standards became effective, which - with the exception of IFRS 9 and IFRS 17 - are not expected to have a material impact on the financial statements:

For business years starting from 2022:

- IFRS 16: Lease Concessions Related to COVID-19
- Annual improvements to IFRSs 2018–2020
- IAS 16 Property, Plant and Equipment: Revenue Before Intended Use
- Amendment to IFRS 3 Reference to Framework Principles
- IAS 37 Loss-making Contracts - Cost of Performing a Contract

For business years starting from 2023:

- Amendments to IAS 1 Presentation of Financial Statements: Amendments to the short- or long-term classification of liabilities and to the presentation of accounting policies
- IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: The Deferred Tax Effect of Assets and Liabilities Arising on a Transaction

5.2 Changes in accounting policy in 2022

5.2.1 Contract classification – separation of insurance and investment contracts

As of the second quarter of 2022, the Company clarified its accounting for the separation of individual components of the contracts when separating insurance and investment contracts, as presented under Note 3.3. In determining the significance of insurance risk, it continues to compare the initial investment and the service payment.

The initial investment of the policyholder includes the first regular premium instalment or single premium and any top-up premiums that are intended to be paid together with the first regular premium instalment or the single premium. The initial equalised premium is the regular, single or top-up premium credited to the contract up to the date of policy issue.

The Insurer will hereinafter classify a unit-linked contract as an insurance contract if the initial settled premium is positive and the maximum of the guaranteed sum insured, the additional risk service and the amount of all riders related to the contract is at least 5% of the initial settled premium or if the initial settled premium

is zero and the sum of the guaranteed sum insured, the additional risk service and the amount of all riders related to the contract is positive.

Division of investment contracts, premiums paid

The contracts described above, which primarily involve the transfer of financial risks, are not accounted for by the Insurer as insurance contracts but as investment contracts and are divided into two parts

- financial liabilities that are accounted for under IFRS 9
- and an investment services contract part, which (the related revenue) is accounted for under IFRS 15.

According to point 40 of IAS 1, if the Company changes the presentation or classification of certain items of the financial statements, the comparative data - unless this is not feasible - must be reclassified in order to ensure comparability with the current period, and the nature, amount and reason for any reclassification must be published. The Company retroactively modified the change in accounting policy for the comparison period (2021), however, it did not republish the column of the opening statement of financial position for the comparative period. The change in accounting policy had no impact on the results of the comparative period, it only had presentation effects.

In the Company's opinion, the republishing of the opening balance sheet would not have provided users of the report with additional information to the extent recovering the cost of its production (IAS 1.42 paragraphs A and B).

5.2.2 Deferred acquisition costs accounting policy amendment

For unit-linked contracts issued prior to 1 January 2022, the Company used the contract conclusion and maintenance fee charged in its entirety for the amortization of contract cost accrual. The Company has reviewed the amount of other acquisition, operating and insurance surtax costs incurred in connection with unit-linked contracts (and not included in the calculation of the acquisition cost accrual). The other costs incurred are significant (their amount increased in 2022 due to the introduction of the insurance surtax) and therefore, for unit-linked contracts that are in force from 2022, the contract conclusion and maintenance fees will only be partially used to amortize the contract cost accrual. The applied cost partly covers the Company's other costs not involved in the accrual calculation of the acquisition cost. The amendment of the accounting policy did not affect the comparative period, therefore the data of the comparative period remain unchanged as a result of this amendment.

5.2.3 Settlements with MRP

Due to the optional receivable against MRP presented in point 3.11 and the fair value recognition of the CIGPANNONIA shares transferred to MRP (which, according to Hungarian accounting rules, requires a fair valuation in the case of MRP), the Company has also applied fair value valuation for the receivable from MRP in its separate financial reports until 2022.

The Company valued the receivables against MRP at fair value through profit or loss, as IAS 39.9 11A states that fair value through profit or loss can be chosen if the accounting mismatch resulting from the valuation can thereby be reduced. In this case, as the option and the shares in the MRP organization are valued at fair value according to Hungarian accounting rules, the difference in valuation was best reduced by using fair valuation in the Life Insurance Company as well.

In 2022, the Company reviewed the valuation of the receivables and liabilities against MRP with respect to its separate report and determined that the optional receivables and liabilities against MRP are in fact nettable, as MRP is considered a paying agent that delivers the benefits.

The other part of the receivable against MRP is the value of the own shares transferred to MRP. As the MRP is a separate legal entity, the Company did not consider the own shares in MRP as an item reducing equity in its separate reports until 2022. However, if we consider MRP as a paying agent, the exchange rate differences arising from the revaluation of own shares cannot appear in the profit or loss, since items related to own shares are to be accounted for as changes in equity. In the Company's opinion, treatment as a paying agent results in a more accurate presentation in the financial statements, therefore from 2022 the exchange rate difference accounted for on own shares transferred to MRP will not be recognized in the profit or loss and the shares will be recognized as an item reducing equity in the amount paid for them.

According to point 40 of IAS 1, if the Company changes the presentation or classification of certain items of the financial statements, the comparative data - unless this is not feasible - must be reclassified in order to ensure comparability with the current period, and the nature, amount and reason for any reclassification must be published. The Company retroactively modified the change in accounting policy for the comparison period (2021), however, it did not republish the column of the opening statement of financial position for the comparative period. The change in accounting policy had no significant impact on the results of the comparative period (HUF 23 million), the Company has chosen not to present the opening balance sheet of the comparative period, based on point 40b of IAS 1.

5.2.4 Introduction of IFRS 9 (effective from 01.01.2022)

The Company decided to apply IFRS 9 from 2022. Previously, the introduction of IFRS 9 was postponed until the introduction of IFRS 17 based on the exemption according to point 20K of IFRS4. The introduction of IFRS 17 is effective from 01.01.2023, however, according to the Company's decision at the beginning of 2022, it will apply IFRS 9 from 01.01.2022. One of the reasons for applying IFRS 17 a year earlier is that when IFRS 17 is introduced, the Company shall already have IFRS 9 data for the comparative period as well. In addition, in the opinion of the Company, the impairment principles of IFRS 9 enable a more realistic presentation in the current capital market conditions.

IFRS 9 contains new requirements regarding the classification and valuation of financial assets and liabilities and replaces the IAS 39 Financial Instruments: Classification and Valuation standard. The significant effects of the change in accounting policy on the Company's financial statements are described below.

Classification and valuation

In many respects, IFRS 9 retains the existing principles of IAS 39 in terms of classification and valuation, but at the same time, it applies fewer categories in relation to the classification of financial assets and liabilities, i.e. the categories of financial assets held to maturity, loans and receivables, and assets held for sale will no longer exist. The Company performed the business model tests required for the classification according to the conditions existing on the day of the transition.

Financial assets must be recognized at amortized cost if the Company intends to hold them to collect cash flows from contractual obligations, which typically consist of capital and interest, and does not value them at fair value through profit or loss.

Debt instruments must be valued at fair value against other comprehensive income, if the Company does not value them at fair value through profit or loss and the Company intends to hold them to collect the cash flows from contractual obligations, which typically consist of capital and interest, and to sell them

On initial application, in relation to non-trading equity instruments, the Company may choose - as an irrevocable decision - fair valuation against other comprehensive income. The choice must be made instrument by instrument.

All financial assets that are not valued at amortized cost or fair value against other comprehensive income must be valued at fair value against the Company's profit or loss, including derivatives. Financial assets (with the exception of trade receivables without significant financing components, which must be valued at the transaction price) must be valued at the initial valuation at fair value increased by direct transaction costs.

The following needs to be applied at the valuation following the initial valuation:

- At fair value in the case of assets valued at fair value against the profit or loss; the related income and expenses (including interest and dividend income) are accounted for in the result.
- Assets valued at amortized cost are valued at amortized cost determined using the effective interest method; interest income, currency revaluations, impairment losses and the result of sales are also accounted for in the result.
- Debt instruments valued at fair value against other comprehensive income must be valued at fair value. Interest income accounted for using the effective interest method, currency revaluations and impairment losses are accounted for in the result, the valuation difference arising from market prices is to be accounted for against other comprehensive income. In the event of a sale, the differences accumulated in the revaluation reserve are reversed against the result.
- Assets embodying ownership interests valued at fair value against other comprehensive income must be valued at fair value. Dividends are accounted for in the result, all valuation differences must be accounted for against other comprehensive income and never return to the result.

In relation to the Company's financial statements, the following effects occur when switching to the IFRS 9 accounting policy.

There was one significant change in the consolidated statement of financial position compared to the presentation according to IAS 39. The financial assets recognized in the Available-for-sale financial assets line will be recognized in the Other financial assets line at fair value from 2022.

In this financial statement line, the Company lists the following assets

- Financial assets serving as collateral for the reserves of traditional (non-unit-linked) life insurance contracts, which typically consist of government securities and corporate bonds. They are valued at fair value against other comprehensive income.
- The financial assets behind the equity, which are also made up of government securities and corporate bonds and are also valued by the Insurer against other comprehensive income.
- The Company valuates its interest in OPUS GLOBAL Plc, acquired as a strategic investment, at fair value against other comprehensive income. With regard to the strategic stake, the Company has applied the 'designation' option according to IFRS 1 in with point 5.7.5 of IFRS 9, which allows for an irrevocable decision to valuate share-type investments against equity, during the transition to individual IFRSs. As a result, all changes in the fair value of the strategic stake are to be recognized against other comprehensive income and not in the profit after tax, except for dividend income. The recognized capital changes do not return to the profit after tax even when they are derecognized.

The Company amended the consolidated comprehensive income statement as follows due to the change in accounting policy.

Due to IFRS 9 compliance, it is necessary to derecognize the line Interest income calculated using the effective interest method from the results previously shown on the Investment income line, which contains the interest income of all financial assets accounted for using the effective interest method. The line Other income from investments includes the income from realized exchange differences recognized in addition to interest income, the positive result of foreign currency revaluations and income from futures instruments.

Impairment and reversal of financial assets were also derecognized from the Investment expenses line, which includes the accounting of impairment losses according to IFRS 9 with respect to financial assets. In addition, the Company continues to recognize interest expenses, negative results of currency revaluations, realized exchange losses, negative foreign exchange results of futures transactions and other expenses incurred in connection with investments in the Investment expenses line.

Impairment effects

Pursuant to IFRS 9, the Insurer recognizes expected credit losses for financial assets valued at fair value through profit or loss, i.e. for financial assets of the

debt instrument type valued at fair value against other comprehensive income (in the case of equity instruments, impairment is not applicable) and for financial assets valued at amortized cost.

Expected credit losses are probability-weighted estimates of credit losses incurring over the expected lifetime of the financial asset (i.e. the present value of all expected cash flow shortfalls). Estimates of expected credit losses must always reflect the possibility of both the occurrence and non-occurrence of a credit loss, even if the most likely outcome is that no credit loss will occur. Estimates of expected credit losses must reflect an unbiased and probability-weighted amount, which is determined by evaluating various possible outcomes. When determining the credit loss, the Insurer also takes forward-looking information into account.

The Insurer assesses the expected credit loss of the given financial asset at an amount equal to the 12-month expected credit loss (Stage 1), if the credit risk of the financial asset is low or has not increased significantly since the initial recognition. The 12-month expected credit loss is a portion of the lifetime expected credit loss. It embodies the expected credit loss that may arise in the 12 months after the reporting date, resulting from events of default related to the financial instrument.

The Insurer recognizes the lifetime expected credit loss (Stage 2 and Stage 3) on each reporting date in the following cases:

- if the credit risk of the financial asset concerned has increased significantly since the initial recognition, but the financial asset is not impaired ("Stage 2 financial assets");
- if the relevant financial asset is impaired on the reporting date ("Stage 3 financial asset");
- in the case of trade receivables and claims against insurance intermediaries (the Insurer uses a simplified model to determine the expected credit loss).

Lifetime expected credit loss is the expected credit loss resulting from all possible events of default over the expected lifetime of the financial instrument.

The Insurer considers financial assets with an external rating of BBB- (Standard&Poors rating) or better, recommended for investment ("investment grade") as low credit risk. For its government securities and externally rated financial assets other than government securities - if they are not low credit risk at the reporting date - the Insurer considers a deterioration of at least 2 notches in the rating as a significant increase in credit risk. The credit rating of government securities is currently BBB.

The Company performed the impairment test of financial instruments on 01.01.2022 as of the date of transition to IFRS 9, as a result of which a HUF 67 million increase in the impairment loss is justified compared to the impairment accounted for by IAS 39. The settlement of this difference, i.e. the effect of the change in accounting policy in the valuation of financial assets and liabilities, is

seen as an amendment on 01.01.2022 against retained earnings, as shown in the equity movement table. The Company applies IFRS 9 retrospectively, with the exception (based on point 7.2.15) that republishing the comparative period is not necessary.

The retrospective effect of the accounting policy changes presented in this point 5.2 on the Statement of Comprehensive Income and the Statement of Financial Position of the comparative period can be seen below:

Statement of Comprehensive Income

(2021)	Restated	Original	Difference	Notes
Gross written premium	22 212 463	22 080 068	132 395	5.2.1
Changes in unearned premiums reserve	- 70 210	- 70 210	-	
Earned premiums, gross	22 142 253	22 009 858	132 395	5.2.1
Ceded reinsurance premiums	- 276 241	- 276 241	-	
Earned premiums, net	**21 866 012**	**21 733 617**	**132 395**	
Premium and commission income from investment contracts	147 397	223 060	- 75 663	5.2.1
Commission and profit sharing due from reinsuresrs	2 381	2 381	-	
Investment income	-	12 030 788		
Interest income calculated using the efective interest method	430 005	-	- 23 820	5.2.3 and 5.2.4
Other investment income	11 576 963			
Yield on joint ventures	448 109	448 109	-	
Other operating income	937 423	937 423	-	
Other income	**13 542 278**	**13 641 761**	**- 99 483**	
Total income	**35 408 290**	**35 375 378**	**32 912**	
Claim payments and benefits, claim settlements costs	- 14 947 760	- 14 541 872	- 405 888	5.2.1
Recoveries, reinsurer's share	64 082	64 082	-	
Net changes in value of the life technical reserves and unit-linked life insurance reserves	- 12 009 477	- 12 197 828	188 351	5.2.1
Investment expenses	- 1 059 904	- 1 066 162	-	5.2.4
Impairment and impairment reversal of financial assets	- 6 258	-		
Change in the fair value of liabilities realting to investment contracts	- 436 816	- 597 619	160 803	5.2.1
Liabilities and assets related to embedded derivatives at fair value	-	-	-	
Investment expenses, changes in reserves and benefits, net	**- 28 396 133**	**- 28 339 399**	**- 56 734**	
Fees, commissions and other acquisition costs	- 3 763 253	- 3 763 253	-	
Other operating costs	- 1 707 839	- 1 707 839	-	
Other expenses	- 307 792	- 307 792	-	
Operating costs	**- 5 778 884**	**- 5 778 884**	**-**	
Profit/Loss before taxation	**1 233 273**	**1 257 095**	**- 23 822**	
Tax income/expenses	- 184 215	- 184 215	-	
Deferred tax income/expenses	87 797	87 797	-	
Profit/Loss after taxation	**1 136 855**	**1 160 677**	**- 23 822**	**5.2.3**
Comprehensive income, wouldn't be reclassified to profit of loss in the future	- 574 917	-	- 574 917	5.2.4
Comprehensive income, would be reclassified to profit or loss in the future	- 1 616 687	- 2 191 604	574 917	5.2.4
Other comprehensive income	**- 2 191 604**	**- 2 191 604**	**-**	
Total comprehensive income	**- 1 054 749**	**- 1 030 927**	**- 23 822**	**5.2.3**

Adatok ezer forintban

	2021 módosított	2021 eredeti

CIG PANNÓNIA INSURANCE

Consolidated profit/loss after taxation attributable tot he company's shareholders (thousand HUF)	1 675 065	1 675 065	-	
Weighted average number of ordinary shares (thousand unit)	93 978 364	93 978 364	-	
Earnings per share (basic) (HUF) - consolidated	**17,8**	**17,8**		
Modified consolidated profit/loss after taxation attributable tot he company's shareholders (thousand HUF)	1 675 065	1 675 065	-	
Weighted average number of orinary shares (thousand unit)	94 428 260	94 428 260	-	
Calculated earnings per share (diluted) (HUF) – consolidated	17,7	17,7	-	
Earnings per share (diluted) (HUF) - consolidated	**17,7**	**17,7**		

Statement of Financial Position

ASSETS	31 December 2021 (restated)	31 December 2021 (original)	Difference	Notes
Intangible assets	615 125	615 125	-	
Property, plant and equipment	159 822	159 822	-	
Right-of-use asstes	385 461	385 461	-	
Deferred tax assets	473 820	473 820	-	
Deferred acquisition costs	1 251 601	1 251 601	-	
Reinsurers's share of technical reserves	178 930	178 930	-	
Subsidiaries	4 068 923	4 068 923	-	
Joint ventures	51 753	51 753	-	
Available-for-sale financial assets		21 507 125	-	5.2.4
Other financial assets at fair value	21 507 125	-		5.2.4
Investments for policyholders of uni-linked life insurance policies	85 664 010	84 532 896	1 131 114	5.2.1
Financial assets – investment contracts	5 237 951	6 369 064	-1 131 113	5.2.1
Financial assets – derivatives	937	937	-	
Receivables from insurance policy holders	1 832 689	1 784 677	48 012	5.2.1
Receivables from insurance intermediaries	32 481	32 481	-	
Receivables from reinsurance	15 663	15 663	-	
Other assets and prepayments	43 796	43 796	-	
Other receivables	69 827	69 827	-	
Receivables from joint ventures	70 617	880 720	- 810 103	5.2.3
Cash and cash equivalents	741 831	741 831	-	
Total Assets	**122 402 362**	**123 164 452**	**- 762 090**	

LIABILITIES				
Technical reserves	16 633 261	16 611 452	21 809	5.2.1
Technical reserves for policyholders of unit-linked ife insurance policies	85 664 010	84 532 896	1 131 114	5.2.1
Investment contracts	5 237 951	6 369 064	-1 131 113	5.2.1
Financial liabilities - derivatives	-	-	-	
Loans and financial reinsurance	37 739	37 739	-	
Liabilities from reinsurance	85 013	85 013	-	
Liabilities to insurance policy holders	833 437	833 437	-	
Liabilities to insurance intermediaries	156 728	156 728	-	
Lease liabilities	414 318	414 318	-	
Provisions	43 728	-	43 728	5.2.1
Other liabilities	1 042 756	1 060 279	- 17 523	5.2.1
Liabilities to joint ventures	11 577	638 003	- 626 426	5.2.3
Liabilities to shareholders	19 929	19 929	-	
Total liabilities	**110 180 447**	**110 758 858**	**- 578 411**	
	-	**-**		
Net assets	**12 221 915**	**12 405 594**	**- 183 679**	

Shareholders' equity				
Share capital	3 116 133	3 116 133	-	
Capital reserve	4 019 111	4 019 111	-	
Treasury shares	- 31 996	-	- 31 996	5.2.3
Other reserves	- 2 971 871	- 2 971 871	-	

Retained earnings	8 090 538	8 242 221	- 151 683	5.2.3
Equity attributable tot he Compan's Shareholders	**12 221 915**	**12 405 594**	**- 183 679**	
Non-controlling interest	-	-		
Total Shareholders's Equity	**12 221 915**	**12 405 594**	**- 183 679**	

5.3 Transition to IFRS 17 (effective from 01.01.2023)

Since the Company did not take advantage of the option of preliminary application of IFRS 17, it applies IFRS 17 for the first time for the business year starting on 1 January 2023. The date of the first application of IFRS 17 is therefore 1 January 2023, and the date of transition to IFRS 17 - the beginning of the annual reporting period immediately preceding the date of the first application of IFRS 17, hereinafter referred to as "Transition Date" or "Date of Transition" - is 1 January 2022. The Company must already present the 2022 business year, as the comparative year to be included in the 2023 financial year, in accordance with IFRS 17

This means that the comparative data in the 2023 (annual and interim) financial statements will not be the same as the current period data presented in the individual and consolidated (annual and interim) financial statements for the 2022 financial year. (So as the data presented in this report.)

The Company used two of the transition methods listed by IFRS 17, which are

- the full retrospective approach ("FRA", the "default" transition approach of IFRS 17), and
- the fair value approach ("FVA", IFRS 17.C20-24B).

The Company is not using the modified retrospective approach for the transition to IFRS 17.

During the transition to IFRS 17, the Company focused on the preparation of the opening balance sheet for the Transition Date and on ensuring the feasibility of IFRS 17 calculations after the Transition Date and did not aim to create complete financial statements before the Transition Date.

5.3.1 FRA transition approach at the Company

The FRA method means that the Company applies IFRS 17 as if it had always applied it, thus all relevant parts of the accounting policy related to IFRS 17 are to be applied to GICs affected by the FRA transition method.

In the case of both direct insurance and reinsurance contracts, the Company applies the FRA method to those GICs whose initial recognition had to be made in 2016 or subsequent years (the latest in 2021), except in the case of direct insurance contracts for certain (through portfolio acquisition or business combination) acquired contract portfolios.

The reason for the above is that for the periods before the Solvency II regulation (2016), the Company does not have, or would only at a disproportionate cost and effort have access to the essential data required for the full retrospective application of IFRS 17 (e.g. cash-flow runs, risk adjustment, commission and other

facts in appropriate breakdowns, etc.). In the case of acquired stocks, the mentioned data are only available for periods after the migration of these stocks to the Company's systems.

The relevant acquired contract portfolios (divided into insurance contract portfolios) and the first year of application of the FRA method to them is the following:

Insurance contract portfolio (direct insurances)	First application of the FRA method for the year (*)
Traditional regular premium pension savings (ex-MKB Portfolio)	2018
Traditional regular premium savings (ex-MKB Portfolio)	2018

(*) the FRA method is first applied by the Company to the GICs initially recognized in the given year (and for the last time to the GICs initially recognized in 2021)

IFRS 17 calculations concerning GICs affected by the FRA method, from their initial recognition to the Transition Date, are performed by the Company in a software purchased for this purpose. For this purpose, it uses annual reporting periods from initial recognition. The necessary cash-flow runs (predicted cash-flows) contain monthly data in the same way as in the case of IFRS 17 calculations performed after the Transition Date.

5.3.2 FVA transition approach at the Company

Decisions when applying the FVA method

The FVA transition method is applied by the Company - also in the case of direct insurance and reinsurance contracts - to those GICs that had to be initially recognized in 2015 or before (belonging to the cohorts of 2015 or earlier), supplemented by the acquired direct insurance portfolios indicated in the table above, for which the FVA method is applied in the case of contracts belonging to cohorts prior to the first year of the application of the FRA method.

For the reason for applying the FVA method to the above cohorts, see also above.

For the purposes of applying the FVA method, the Company groups the contracts into GICs (especially the profitability classification) on the basis of reasonable and supportable information available on the Transition Date. In the case of the FVA transition method, the Company uses the option of including contracts issued more than one year apart in the same GIC (grouped cohorts).

The Company grouped the cohorts as follows:

- in the case of stocks acquired through the acquisition of the MKB Groups in 2017 (ex-MKB portfolios), the grouped cohort affected by the FVA transition lasts until 31.12.2017;
- in the case of stocks acquired from Dimenzió (ex-Dimenzió portfolio), the grouped cohort affected by the FVA transition lasts until 31.12.2021;

- in all other cases, the grouped cohort affected by the FVA transition lasts until 31.12.2015.

In the case of (direct) insurance contracts acquired in a business combination or portfolio acquisition before the Transition Day, the Company makes always use of the option to present the obligation to compensate for claims incurred before the acquisition of these contracts as LIC (and not as LRC), in this way not quantifying / calculating CSM / loss component for these (IFRS 17.C22A).

In the case of GICs affected by the FVA method, the Company determines the valuation model based on the insurance contract portfolio - based on the information available on the Transition Date - to which the affected GIC belongs. Accordingly, it identified in the case of direct GICs those valued in the GMM and VFA valuation models after the Transition Date, and in the case of reinsurance GICs those valued in the GMM valuation model after the Transition Date.

The Company defines the yield curve used for the initial recognition (locked-in yield curve) and the yield curve observed at the claim incurrance, in cases where their definition is relevant, as the yield curve observed on the Date of Transition and not according to its processes after the transition to IFRS 17 (IFRS 17.C23). The relevant cases are GICs valued with the GMM model after the Transition Day, and, in the case of the yield curve observed at the occurance of the claims, those where the Company applies the OCI option.

In the case of GICs affected by the FVA transition method, the Company has not identified commissions related to contract renewals that cross cohorts, which would require it to record an insurance acquisition cash-flow asset at the Transition Date

On the Transition Day, the Company considers the parts of the premium related to the recovery of insurance acquisition cash-flows and which would be settled after the Transition Day, to be 0. The reason for this is that the Company cannot determine these amounts, even at a disproportionate cost and effort, because it does not have the necessary past commission data for GICs affected by FVA and the above amount is expected to be immaterial when calculated on the Transition Date, considering the time elapsed between the last cohort still eligible for FVA GIC and the Transition Date (amortization period).

As the underlying assets are held by the Company in all cases, the Transition Date cumulative OCI, where relevant, is reported consistently with the Transition Date cumulative OCI of the underlying items for the Company's GICs valued in the VFA model and subject to the FVA method after the Transition Date. If the underlying items have a cumulative OCI gain (loss) on the Transition Date, the Company recognizes the same amount of cumulative OCI as a loss (gain) in its insurance liabilities on the Transition Date (IFRS 17.C24(c)).

In the case of all other GICs calculated using the FVA method, the Company recognizes the cumulative OCI on the Transition Date, where relevant, at a value of 0 (IFRS 17.C24(b)).

The essence and calculation of the FVA method in the case of direct GICs at the Company

The focus of the FVA method is the LRC, and in connection to the LRC the determination of the CSM/loss component. After determining the CSM/loss component, the Company has all the data available to calculate the LRC and LIC of the GICs affected by the FVA method on the Transition Date:

- LRC where the GIC is profitable: CSM on the Transition Date according to FVA + the present value of the future (LRC) cash flows on Transition Date according to IFRS 17 + the RA on Transition Day (LRC) according to IFRS 17.
- LRC where the GIC is loss-making + the present value of the future (LRC) cash flows on Transition Date according to IFRS 17 + the RA on Transition Date (LRC) according to IFRS 17 (and the loss component on the Transition Date according to FVA is recorded separately for the purposes of later IFRS 17 calculations by the Company).
- The present value of the future (LIC) cash-flows on Transition Date according to IFRS 17 for GIC where the LIC is either profitable or loss-making + the RA on Transition Date (LIC) according to IFRS 17.

The CSM/loss component must be defined as follows (IFRS 17.C20):

$$CSM(LC) = FV_{GIC} - FCF_{GIC} = FV_{GIC} - (PVCF_{IFRS\,17} + RA_{IFRS\,17})$$

where

- $CSM(LC)$: the CSM/loss component on Transition Date
- FV_{GIC}: the fair value of the given GIC affected by FVA, determined in accordance with IFRS 13 on the Transition Date (not applying IFRS 13.47, which concerns the on demand nature)
- FCF_{GIC}: the current amount of the performance cash-flows of the given GIC affected by FVA according to IFRS 17 on the Transition Date, i.e. the sum of the value of the forecasted future cash-flows discounted with the current yield curve according to IFRS 17 ($PVCF_{IFRS\,17}$) and the risk adjustment for non-financial risks ($RA_{IFRS\,17}$) on the Transition Date.

The definition of FV_{GIC} in the formula above requires special considerations (beyond IFRS 17).

The Company captures the value of FV_{GIC} as follows

$$FV_{GIC} = PVCF_{IFRS\,13} + FVRA + Adj_{CD}$$

$PVCF_{IFRS\,13}$: the present value of future current cash flows in accordance with IFRS 13 discounted with a risk-free return on the Transition Date. Cash flows according to IFRS 13 differ from IFRS 17 cash flows mainly in the costs to be taken into account. Typically, the range of cash flows to be taken into account in IFRS 13 is wider than in IFRS 17. For example, in IFRS 13 it may include costs that cannot be assigned to GIC in IFRS 17 and are therefore not part of the performance cash

flows, but appear as expected costs in the expectations of a market actor. The discounting was done with the EIOPA yield curve published on 31.12.2021 without volatility adjustment.

$FVRA$: Risk adjustment that takes into account both financial and non-financial risks.

Adj_{CD}: Adjustment for the Company's own credit risk (negative number, reduces the value of FV_{GIC}.The Company determines it with the help of default probabilities (PDs) found in Article 199, point 3 of the Solvency II Regulation

$FVRA$ is captured by the Company by quantifying the cost of the capital it has to hold thanks to the given GIC for each year. $FVRA$ is the present value of the estimated capital requirement for each year calculated on the Transition Date.

The essence and calculation of the FVA method in the case of reinsured aGICs at the Company

In the case of its reinsured GICs, the Company determines the Transition Date CSM (loss component is not relevant) based on the FVA calculations performed in the case of direct GICs using the following formula:

$$CSM_{VB} = (PVCF_{VB}^{IFRS\ 13} - PVCF_{VB}^{IFRS\ 17}) + (FVRA_{VB} - RA_{VB}^{IFRS\ 17})$$

and

$$FVRA_{VB} = RA_{VB}^{IFRS\ 17} \cdot \frac{FVRA_{direkt}}{RA_{direkt}^{IFRS\ 17}}$$

In the above fomulas

— CSM, FVRA, RA (IFRS 17), PVCF (IFRS 17), PVCF (IFRS 13) with the subscript "VB" have a similar meaning as above for the FVA calculations used in the case of direct GICs, only that they apply not to direct GIC, but to reinsured GIC.

— CSM, FVRA, RA (IFRS 17), PVCF (IFRS 17), PVCF (IFRS 13) with the "direkt" subscript have a similar meaning as above for the FVA calculations used in the case of direct GICs.

Acquisition and transition of insurance stocks

There are two exemption rules to the general rules of insurance stock acquisitions in the context of transition:

1) Insurance contracts acquired in a business combination before the first application date of IFRS 17 (1 January 2023) are classified as insurance contracts, contrary to the above, on the basis of the contractual terms and conditions existing at the beginning of the contract or at the time of their

subsequent amendment (and not at the time of acquisition) (see also the chapter discussing the transition to IFRS 17)

2) For (direct) insurance contracts acquired in a business combination or portfolio acquisition before the Transition Date (1 January 2022), it is possible for the Company to recognize the liability for the settlement of claims incurred before the acquisition as LIC (and not as LRC), in which way the CSM/loss component does not need to be quantified/accounted for.

The Company classified all insurance (and reinsurance) contract portfolios acquired before the date of first application of IFRS 17 as insurance (reinsurance) contracts based on the contractual terms and conditions valid at the beginning of the acquired insurance (and reinsurance) contracts (or on the date of their subsequent amendment). Of the acquired portfolios, there were none that contained contracts that do not qualify as insurance (reinsurance) contracts according to IFRS 17, except for 57 single-premium contracts, which remained investment contracts as originally classified.

From the point of view of the exemption rule affecting LIC, only the Company has relevant acquired stock, and the Company used the exemption rule for that stock (see also above in the chapter *"Decisions when applying the FVA method"*).

5.4 Summary of IFRS 17 accounting policy

5.4.1 Important issues in IFRS 17

5.4.1.1 Classification of insurance, reinsurance and investment contracts

The contracts under which the Company assumes a significant insurance risk are considered insurance contracts. Reinsurance contracts are those contracts of the Company under which it transfers significant insurance risk of the underlying insurance contracts. Both insurance and reinsurance contracts expose the Company to financial risks.

Some contracts concluded by the Company take the legal form of an insurance contract, but do not transfer a significant insurance risk. These contracts are classified as investment contracts and financial liabilities.

The accounting settlement of investment contracts falls within the scope of IFRS 9.

Contracts that the Company initially recognizes as investment contracts may later become insurance contracts, for example because the insurance risk in the contract becomes significant. With the date when investment contracts that have become insurance contracts are initially recognized in accordance with IFRS 17, the Company derecognizes from the books all previously recognized assets and liabilities related to the investment contract. In cases where the insurance contract

has a CSM at the initial recognition, the net effect of said derecognitions will modify this CSM.

According to the rules of IFRS 17, an insurance contract remains an insurance contract until all the rights and obligations included in it cease (that is, they are fulfilled, cancelled or expired), unless, based on the relevant rules of IFRS 17, the contract is derecognized from the books due to the amendment of the contract and the amended contract is recognized in the books (as a new contract). A new contract recognized in the books may be classified as an investment contract based on the criteria mentioned above. The Company does and did not sell investment contracts containing discretionary profit sharing.

The Company applies IFRS 17 with regard to direct contracts, reinsurance held and reinsurance issued by it ("active reinsurance"). The provisions of IFRS 17 for direct insurance contracts also apply to active reinsurance contracts, except that they cannot be valued in the VFA valuation model.

5.4.1.2 Separation of insurance and reinsurance contracts into components

In the case of its insurance contracts, the Company evaluates whether they contain components that, according to the rules of IFRS 17, must be separated from the insurance contract and accounted for based on a different standard. If it identifies such components, it separates them and applies IFRS 17 only to the part that remains after the separation.

The principles and order of separation are as follows:

1. Separating embedded derivatives (IFRS 9)

2. Separation of distinct investment components, i.e. investment components for which it is true that

    a. the investment component and the insurance component are not closely linked; and

    b. insurance policy issuers or other parties separately sell or could sell policies under equivalent terms in the same market or jurisdiction.

The Company accounts for the separate investment components in accordance with IFRS 9.

3. separation of promises that relate to the transfer of individual goods or services other than insurance contract services to the policyholder. These are accounted for in accordance with IFRS 15.

The Company's portfolio does not include any contracts whose contents’ presentation requires a set or series of contracts to be treated as a whole, and none of the direct and reinsurance contracts in the Company's portfolio contain an investment component or a component for services other than insurance contract services (or both), therefore the insurance contracts fall fully within the scope of IFRS 17.

With the exception of those listed below, the Company treats the Company policies as one contract, as even though the various contracts could be terminated, but

— on the one hand, their pricing and risk assessment is not done at an individual level,

— on the other hand, the products are not available on group pricing at the individual level

thus, there is no possibility of interpreting them as separate contracts per policyholder.

Group life insurances, for which the Company charges a premium depending on the age of the policyholder and which can be joined individually are treated by the Company as separate contracts for each policyholder, as they are group insurance policies only in terms of their form.

5.4.1.3 Valuation models

The IFRS17 standard permits three measurement methods for the measurement of direct insurance contracts

- general measurement model (GMM) (or BBA/building block approach),
- variable fee approach (VFA),
- premium allocation approach (PAA).

The listed valuation models are applicable to the valuation of both the liability for remaining coverage (LRC) and the liability for incurred claims (LIC), and in the case of reinsurances, the asset for remaining coverage (ARC) and the asset for incurred claims (AIC).

5.4.1.4 Insurance contract portfolios, cohorts, date of initial recognition

For contracts exposed to similar risks and managed together, the Company creates portfolios of contracts, where the individual portfolios are also separated by cohorts (i.e. year of issue). At the Company, the individual cohorts are formed according to calendar years based on the date of issue, and in an analogous way during the quarterly reports.

The Company divides an issued insurance contract portfolio into at least the following portfolios based on profitability

a) the group of contracts which were oneorus at the initial recognition;

b) the group of contracts for which there was no significant probability at the initial recognition to become oneorus later; and

c) the group of remaining contracts in the portfolio.

Profitability is determined at the contract level based on the sum of the present value of the expected future cash flows and the value of the risk adjustment for the given contract (initial profit content). The risk adjustment is determined at the contract level.

Among the categories defined in the standard, the Company uses the following profitability groups for GMM and VFA evaluation models:

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- if the initial profit content for the contract is greater than 0 or 0, the contract is not initially unprofitable, but there is a significant chance that it may become unprofitable over its duration, (category c.) above)
- if it is less than 0, the contract is unprofitable (category a.) above)

The Company does not use the profitability category designated by the standard, for which there is no significant chance of becoming oneorus at the time of initial recognition (category b.) above).

In the case of contract groups subject to PAA valuation, it performs the same initial profitability analysis as in the case of GMM, VFA.

The Company applies a uniform treatment regarding the date of the initial recognition. The Company's underwriting procedures ensure that the issue date is the same as the start of the coverage period and that the date of the first payment due from the policyholder does not precede the issue date, except for certain cases.

The Company applies the provisions of the standard for initial recognition in accordance with the relevant principles of IFRS 17, by considering the date of issue as the date used for initial recognition, with the exception of certain group insurances. More specifically, the date of initial recognition according to IFRS 17 is the earlier of the dates of issue without a premium and the date of issue with a premium. In the case of the mentioned group contracts, the date of joining the group for certain products is the initial recognition date, in the case of other products, it is the date when the insured person is included in the data service received from the policyholder for the first time, even if at 0 premium.

The above initial recognition principle is the same for contracts measured with all three valuation models, except that in the case of contract groups valued with PAA for anniversary (and longer duration but also renewable) products, on the anniversary (if the contract is renewed), a new contract is created for IFRS 17. The initial recognition date of the new contract, which also determines the cohort to which it is assigned, is the start date of the renewed contract (the anniversary of the contract).

5.4.1.5 Year to date approach

The Company also prepares interim (condensed) financial statements. For the IFRS 17 calculations it uses the year-to-date approach. This means that when applying the IFRS 17 standard, the Company changes its accounting estimates in the previous interim financial statements, as if the previous reporting periods did not exist as a separate period. This affects several parts of the IFRS 17 calculations (e.g. determination of the yield curve used for initial recognition, profitability classification, quantification of period variances and estimate change effects).

5.4.1.6 Contract limits (direct and reinsurance)

The valuation of a group of contracts includes all future cash flows within the limits of each contract in the group.

Cash flows are within the limit of the insurance contract if they arise from actual rights and obligations existing in the reporting period in which the entity can

require the policyholder to pay premiums or in which the entity has an actual obligation to provide insurance contract services to the policyholder.

Individual life insurance policies consist of a main insurance policy and rider insurance policies. Even though the rider insurances - if sold separately by the Company - could be repriced and canceled annually, the Company does not separate these contracts into their components, because

- the riders in question are typically not sold separately
- if the main insurance is cancelled, the rider insurance is also cancelled, and
- it is not typical for the rider insurances in question to be canceled before the expiry of the main insurances.

Due to the above, the contract limit of the rider insurances is the same as the contract limit established for the main insurance.

In the case of held reinsurance contracts, the Company takes into account contracts not yet recognized from the direct underlying stock of the held reinsurance contract in question, i.e. also the cash flows of these contracts.

The Company assessed its held reinsurance contracts and found that most of the "legal contracts" can be canceled on the calendar anniversary, therefore the limit of these contracts is one year, either in the sense that it provides cover for claims arising in one calendar year (LOD) or in the sense that it provides coverage for risks undertaken in one calendar year (RAD).

For contracts that cannot be canceled at the end of the calendar year, the limits of the contract are the same as those set out in the contract.

5.4.1.7 Cash flows of insurance/reinsurance contracts in general

When valuating a group of insurance contracts, the Company must take all future cash flows within the limits of each contract in the group into account.

The Company distinguishes in accordance with the provisions of IFRS 17:

- cash flows attributable to insurance contracts, and
- cash flows not attributable to insurance contracts.

The projected cash flows are generated by the Company's actuaries at the contract level in the modeling tools and the contract level data is aggregated to the GIC level.

The Company considers the following as insurance acquisition cash flow and costs attributable to insurance contracts:

- direct acquisition costs
- other acquisition costs
- claim settlement costs
- investment and management costs
- administrative and maintenance costs

- other costs charged to the insured/policyholder
- costs related to the provision of services in kind.

The Company considers the following as not attributable to insurance contracts:

- education and training costs
- product development costs that are not directly attributable to the insurance contracts portfolio to which the contract belongs
- costs of individual stock transfer/acquisition projects
- costs incurred in connection with the stock market presence
- other costs related to consultancy services that constitute wasted costs.

The Company immediately recognises these costs as expenses when they incur, outside of IFRS17.

The timing of the projected cash flow:

- insurance premiums and fee-based cash-flow; insurance tax: beginning of the period,
- insurance acquisition cash-flow: beginning of the period,
- costs: end of the period,
- claims and services (investment and insurance component): end of the period.

The Company prepares monthly cash flow estimates.

5.4.1.8 Insurance acquisition cash flows

The Company allocates the insurance acquisition cash flows to the insurance contract groups using a systematic and reasonable method, unless it decides to recognize them as expenses using paragraph 59 (a) of IFRS17

The Company divides acquisition costs into two groups

- direct acquisition costs
- other acquisition costs

Part of the direct acquisition costs and other acquisition costs are available at the contract level. These are directly attributed to the insurance contract group after aggregation from contract level to GIC level.

The acquisition costs available at the company level are separated between the direct GICs created in the current year in proportion to the stock price of the new acquisition.

The Company has reviewed and has currently not identified any products where the insurance acquisition cash flows paid would be associated with a subsequent group of contracts not yet disclosed. Therefore, it does not recognize an insurance acquisition cash flow (hereinafter: IACF) asset according to IFRS 17 28 B. The IACF asset recognition test is reviewed for each new product launched by the Company.

The Company does not classify renewal commissions as insurance acquisition cash-flows, but as administrative and maintenance costs, therefore they are accounted for as insurance technical expenses in the period of occurrence.

5.4.1.9 Management of insurance tax and insurance surtax

Cash flows within the limits of the insurance contract are cash flows directly related to the fulfillment of the contract. This includes transaction-based tax, including insurance tax, which arise directly from existing insurance contracts.

The largest part of the insurance tax affects non-life contracts, the insurance extra profit tax or surtax affects both life and non-life contracts.

The Company does not distinguish between the insurance tax and the extra profit tax in terms of IFRS 17 calculations. Both taxes are considered to be directly related to GICs and are treated in the same way as the insurance premium, as a kind of negative premium and are included in the IFRS 17 calculations as such (e.g. in the case of GMM and VFA valuation models, the related experience variance tamodifies the CSM).

5.4.1.10 Mutualisation (cash-flow transfers between certain contract groups)

Mutualisation is only relevant in the case of the Company, since only the Company has products where mutualisation can be considered and the Company does not use the exemption allowed by the European Union when adopting IFRS 17, according to which - based on the choice of accounting policy - insurance contracts with direct profit sharing which have a cash-flow effect on the cash-flow of other insurance contracts, contracts issued more than one year apart can also be classified in a GIC.

This primarily occurs in the Company's traditional profit-sharing contracts and the reason is that the policyholders' share of the investment returns in these contracts is based on the book returns of investment portfolios ("underlying asset portfolio(s)" or asset management portfolio(s)) in which several GIC-mathematical reserves of the contracts belonging to were invested and the calculation of the policyholders' share of the investment returns is independent of when the initial recognition of the given GIC took place. As a result, the newly created GICs share in the returns of the portfolio(s) of invested assets from which, before the initial recognition of the new GIC, only existing GICs shared. By recognizing the newly created GIC, the share in the return of the underlying asset portfolio(s) is reallocated. If the above reallocation was not taken into account, the CSM or loss component calculated for each GIC would be distorted.

The Company has developed the following systematic allocation method to take mutualisation into account.

In the case of relevant life insurance contracts, the cash flow that is to be allocated from the existing GICs to the newly recognized GICs due to mutualisation is determined for each newly recognized GIC upon its initial recognition. This cash-

flow is calculated as the difference in the present value of the various cash-flow runs at the initial recognition of the new GIC.

The cash flow allocated to the newly created GICs is allocated to the previously created GICs (with the opposite sign as the "transferred cash flow" from the previous GICs to the new GIC) based on the average mathematical reserve duration as a driver.

5.4.1.11 Investment component

The investment component represents amounts that the insurer must pay to the policyholder regardless of whether an insured event has occurred.

According to IFRS 17, the (non-separated) investment component cannot be included in the insurance sales revenue under either valuation model. The reason for this is that the standard does not consider these as a consideration for a service, but simply as a paid amount to be returned to the policyholder (similar to a type of deposit). In the GMM and VFA evaluation models, therefore, the amount of the investment component expected for the period at the beginning of the period is not settled from the LRC against the insurance sales revenue, in contrast to the insurance component of claims (services) and costs. When the investment component occurs, it is transferred from the LRC directly to the LIC and then paid from there. In the PAA evaluation model, the investment component likewise cannot be included in the insurance sales revenue, therefore the investment components are deducted from the total (estimated) consideration to be allocated for the coverage period. Similar to the GMM and VFA valuation models, the investment component is transferred directly from the LRC to the LIC when it occurs and is then paid from there.

The separated investment component is separated from the insurance contracts from the outset, therefore it is already not included in the IFRS 17 calculations.

When determining the investment component, the Company proceeds as follows:

In the case of the projected LRC cash flows, at the beginning of the period, the investment component is the sum of the redemption value and maturity payments expected for the period, as well as the portion of the death payments equal to the redemption or maturity amount, since this is the amount that must be repaid to the policyholder

In the case of current cash flows, the value of the investment component is determined when the claim occurs. This makes it possible for only the insurance component to be included in the income statement, but regardless of this, both components (not separated from each other) are included in the liabilities for the incurred claims. Separation is no longer necessary when the insurance service is provided.

5.4.1.12 Application of yield curves during IFRS 17 calculations

The Company uses a discount rate for many IFRS 17 calculations (various present value determinations, interest calculations) in accordance with the guidance described in point 17.B72 of IFRS

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The types of yield curves used are:

- current yield curve (for determining the closing LRC, ARC in the GMM model, for determining the closing LIC, AIC in all valuation models, and for the interest payments of LIC, AIC in the following period)
- yield curve used for initial recognition (in GMM and VFA models for initial recognition, in GMM model for CSM interest payments, in GMM model for measuring CSM adjustment due to changes in the estimate of non-financial conditions, to determine the part of insurance financial income/expenses to be recognized in the result if the OCI option is chosen)
- yield curve observed at the time of when the claims incur (in the PAA model, to determine the part of insurance financial income/expenses to be recognized in the result if the OCI option is chosen)

In all cases, the applied discount rates are derived from yield curves that contain forward yields for monthly periods. The application of individual points of the yield curve for discounting takes into account the timing of the cash flows to be discounted (beginning of period or end of period cash flows).

In all cases, the applied yield curves are the risk-free yield curves modified with the appropriate illiquidity premium. The illiquidity premiums are determined by the Company at the portfolio level. The current risk-free yield curves modified with the illiquidity premium are therefore determined at the portfolio level, while the yield curves used for the initial recognition (see table below) are at the contract group level due to the linkage of the weighting to the contract group.

The Company uses weighted average discount rates (yield curves) for the initial recognition of *direct* contract groups. The weighting is done for the period of issue of the contracts belonging to the group, i.e. the Company weights yield curves observed at given times during this period The weighting is applied to the period of issue of the contracts in the group, i.e. the Company weights the yield curves observed at specific times during this period. The weights represent the actual stock premiums of contracts issued during the given period.

The Company also uses a weighted average yield curve for the initial recognition of *reinsurance* contract groups. It derives this from the weighted average yield curves used for initial recognition, but not modified by the illiquidity premium, produced for the direct GICs covered by the given reinsurance GIC. The weights are the claim recoveries for the given direct GIC covered by the reinsurance GIC. An illiquidity premium determined separately for the reinsurance GIC is added to the weighted yield curves produced in this way.

The *yield curve observed at the time of claim incurrance* for a given claim year is determined by weighting the yield curves observed in that year. The yield curves to be weighted are the yield curves observed on the first day of the claim year (last day of the previous year) and on the last days of the previous quarters of the claim year. The weights are RBNS reserves for claims that incurred in the given year.

The yield curve used for the initial recognition changes during the year of the GIC's build-up and is then locked in ("locked-in yield curve"). Likewise, if the yield curve

observed *at the time of claim incurrance* changes in the claim year to which it belongs, it will get locked in at the end of the claim year ("locked-in yield curve").

5.4.1.13 Management of foreign exchange insurances

The Company does not separate the currency derivatives embedded in its insurance contracts if they do not contain a leverage and an optional feature, and one of the following is met:

The cash flows of the derivative are denominated in that currency,

a) which is the functional currency of one of the contracting parties; or
b) in which the price of the relevant product or service obtained or delivered is usually determined in international trade, or
c) which is a currency that is generally used in contracts for the sale of non-financial items in the economic environment where the transaction takes place.

When creating contract portfolios, the Company takes the currency into account and groups insurance contracts exposed to different currencies into separate portfolios. Thus, for example, insurance contracts belonging to the same product group but exposed to different currencies are classified in separate portfolios. When classifying portfolios according to currency, the Company classifies those insurance contracts in a single portfolio, in which the premium and/or claim is denominated in the same currency.

The Company considers all contract groups in a given currency portfolio and the entirety of these contract groups (i.e. all future cash flows and risk adjustments) to be denominated in the currency of the portfolio.

In cases where the various cash flows within a given contract group are in reality denominated in different currencies (e.g. in addition to HUF premiums, claims and commissions, there are also costs in EUR), for the purposes of IFRS 17 calculations, the Company expresses these cash flows denominated in different currencies - both planned and actual data - in the currency of the contract group, which is the same as the currency of the portfolio to which the given contract group belongs

In order to convert the projected values of future cash flows into the currency of the portfolio, the Company uses the monthly forward exchange rates calculated between the relevant future cash flow and the currency of the portfolio as at the reference date of the projection, i.e. 1 January of the year in the case of an early projection or the last day of the period in the case of a late (end-of-period) projection.

To convert the actual values of the cash flows into the currency of the portfolio, the Company uses the arithmetic average of the daily MNB exchange rates of the relevant period.

Liability arising from insurance contracts, including CSM, is a monetary item. As a result, they must be revalued on the repotring date if they are denominated in a currency other than HUF. The Company converts the insurance liability

denominated in the currency of the given contract group, as well as the transactions of the current period affecting them, into HUF by applying IAS 21

5.4.2 Insurance contracts - liability for remaining coverage (LRC)

5.4.2.1 General measurement model (GMM)

The Company valuates all insurance contract groups within the scope of the IFRS 17 standard using the general measurement method, except for those for which it applies the PAA valuation method or the VFA valuation method.

The Company does not have any contract group to which it would apply the modified GMM measurement model.

Initial recognition

The Company recognizes (prepaid) premiums received before the initial diplay of insurance contract groups as a liability and as part of the liability for remaining coverage (LRC).

When the insurance contract group is initially recognized, these liabilities are derecognized by the Company:

a) if the contract group is profitable at its initial recognition and there is a contractual service margin (hereinafter: CSM) at the time of its initial recognition, the value of the CSM at the time of initial recognition is modified;
b) if the contract group is unprofitable at its initial recognition, it is accounted for in the result (as insurance service expenses)

For all GICs valued according to the GMM and VFA valuation models, the initial recognition requires the calculation of the risk adjustment (hereinafter: RA) for non-financial risks at the time of the initial recognition.

Follow-up valuation

Movements of the LRC

Among the movements of the LRC following are accounted for in the insurance revenue: the cancellation of the RA based on the expectations at the beginning of the period, the release of the CSM, the release of the claims and costs expected for the period at its beginning, excluding amounts allocated to the loss component, the experience variance associated with the premium, if it is not related to future services, as well as the part of premiums related to the return on insurance acquisition cash-flows allocated to the period. The insurance revenue cannot include any amount related to an investment component.

The Company accounts for the effect of interest settlement and changes in exchange differences under insurance financial income and expenses (except in the case of the OCI option, because then for their accounting the former movements are split between the result and the OCI).

The contractual service margin is modified by the change in the estimate and (related to premium or insurance acquisition cash flow) the experience variance related to the future service, and the experience variance of the investment component.

The release of the loss component is profit-neutral (it appears both as a deduction from the insurance revenue and as a deduction from the expense of insurance services), since the loss component is immediately recognized in profit or loss at the moment the contract becomes unprofitable. The subsequent profit-neutral release is necessary so that, during the coverage period, overall insurance revenue consistent with the premiums received and insurance service expenditure related to the claims and costs paid are included in the profit or loss.

The investment component refers to the amounts that the insurance contract requires the Company to repay to the policyholder in any event, regardless of whether an insured event occurs. The movement of the fact investment component is the movement/transfer from the LRC stage to the LIC stage.

At the beginning of the period, the difference between the cash-flows expected for the period and those related to the actual premium (premiums, insurance tax) and insurance acquisition, the experience variancemay apply to past, current or future insurance services as well. If it relates to past or current services, the experience variance must be accounted for in insurance revenue, if related to premiums; and in insurance service expenses, if related to insurance acquisition cash-flows. If this experience variance is related to future services, then its changes will modify the CSM. The Company currently has not identified any experience variance related to premiums and insurance acquisition cash-flows that is not related to a future service, therefore it currently treats all as related to future service.

CSM/LC transfer of insurance contracts during the follow-up valuation

During the follow-up valuation, the CSM of a given GIC can be reversed into a loss component by the movements that modify it, or vice versa, the loss component for a given GIC can be reversed into the CSM by the said movements.

The mentioned reversals can be in the following directions:

If the existing CSM - i.e. the CSM of the new policies from the opening CSM and the CSM resulting from the settlement of interest on the CSM - decreases to zero and there is a residual portion from movements (estimate changes, experience variance related to future services), this portion is immediately accounted for in the insurance service cost in the given period and the Company follows the accounting for the loss component in the further valuation of the relevant GIC until the loss component reverses back to CSM. The movement that reduces the CSM to 0 is accounted for by the Company as a decrease in the CSM in the period in which it occurs.

If the existing loss component - i.e. the loss component of the new policies from the opening loss component and the part of the interest settlement allocated to the loss component - decreases to zero and there is a residual portion from movements (estimate changes, experience variance related to future services),

this portion is accounted for as an increase in CSM in the given period, and the Company follows the accounting for the CSM in the further valuation of that GIC until the CSM reverses back to a loss component. The movement that reduces the loss component to 0 is immediately accounted for by the Company as a decrease in insurance service cost in the period in which it occurs.

CSM release and coverage units

The CSM value on the reporting date must be divided into two parts, the amount affecting the current period is accounted for in profit or loss (insurance revenue) (CSM release), while the remaining part (modified according to estimation changes and experience variances, updated to the last day of the reporting period) is for the period until the end of risk bearing and must be recognized as a liability.

The division is determined based on the coverage units. The coverage unit shows the extent of the contractual insurance service taking the duration into account. From the total CSM, the rate recognized in the current year is the rate at which the coverage units are prorated between the current period and the current period plus all future periods.

CSM release is done as follows

*CSM release = CSM to be released * [Factual coverage units in the current period / (Factual coverage units in the current period + Factual coverage units expected after the current period)]*

The CSM to be released is the CSM updated to the last day of the relevant period, i.e. the new policies, the (relevant) experience variances of the current period, the non-financial estimate changes - including the changes in the risk adjustment estimate for non-financial risks – and, in the case of VFA valuation models, CSM adjusted for the effect of the change in the fair value of the underlying items attributable to the Company

The Company determines the release of its foreign currency GIC CSM in foreign currency, converting the amount of the release into HUF at the average exchange rate for the period. Then, the closing CSM converted to forints at the closing exchange rate is determined, and the exchange rate difference is calculated and accounted for in the profit or loss.

The coverage units are determined by the Company in the value of the maximum insurance amount for all insurances (the higher of the (maximum) insurance service amount and the repurchase service amount).

The Company produces the estimated (planned) values of the cover units every month as part of the cash-flow runs of the plan, estimating the maximum insurance service amount at the end of each month. The Company discounts the planned coverage units. The Company does not discount the factual coverage units

in the current period. The Company determines the amount of factual coverage units for the relevant period by multiplying the (factual) maximum insurance service amount determined for the last day of the current period by the number of months of the current period. The reason for the determination in this way is to ensure that the factual coverage units of the current period can be compared with the planned coverage units.

Loss component release

In the GMM and VFA valuation models, at the time of initial recognition, if the performance cash flows embody a net cash outflow, the Company expects a total loss for the given contract, then the amount of the loss - the amount of the performance cash flows at the time of initial recognition - is immediately recognized in profit or loss. A loss component equal to this amount must be formed. The loss component is accounted for separately as part of the liability for remaining coverage (the LRC) and its movements are tracked in accordance with IFRS 17. The loss component shows the amount that is included in the result as reversals of losses on adverse contracts, and therefore cannot be taken into account when determining the insurance revenue.

During subsequent valuation, the loss component's release is profit-neutral (it appears also as reducing insurance revenue, and as reducing insurance services cost). The subsequent profit-neutral release is necessary so that, during the coverage period, overall insurance revenue consistent with the premiums received and insurance service cost consistent with the claims paid and costs incurred are recognized in the profit or loss.

The Company systematically divides the following changes in performance cash flows between the loss component and the liability for the remaining coverage taken without the loss component:

a) estimates of the present value of future cash flows related to claims and expenses that are released from the liabilities of the remaining coverage due to incurred insurance service costs;

b) the changes of the risk adjustment for non-financial risk recognized in profit or loss due to exemption from the risk (RA release)

c) financial income or expenditure on insurance.

The systematic division is achieved by the Company by multiplying the above performance cash flow changes by a so-called loss component release ratio.

Determination of end-of-period risk adjustment

For all GICs valued according to the GMM and VFA valuation models, it is necessary to calculate the risk adjustment (RA) due to non-financial risks at the end of the period, which the Company establishes using the "provision for adverse deviation" method, as the difference in the present value of cash-flow runs.

In the event that a GIC valued in the PAA model is unprofitable or becomes unprofitable in a given period, it becomes necessary to calculate the performance cash-flows for the last day of the period, which also includes the calculation of the end-of-period (closing) RA, which in these cases is done in the same way, like the RA calculation mentioned above.

Release of risk adjustment in the period

During the valuation following the LRC, it must be determined how much of the risk adjustments will be released in the given period. The release is done in proportion to the coverage units. The value to be released is determined according to assumptions made at the beginning of the period. The release of the risk adjustment for the current period is equal to the opening risk adjustment multiplied by the quotient of the sum of the discounted coverage units projected for the period and the sum of the discounted coverage units projected for the entire remaining period (including the current period). The coverage units are discounted using the yield curve valid at the beginning of the period.

The release of the risk adjustment is only relevant for contract groups valued with GMM and VFA, because in the case of the PAA valuation model, risk adjustment is only included in the IFRS17 calculations in the case of unprofitable contracts, even there only as a final risk adjustment (therefore, the release is not relevant).

5.4.2.2 Variable fee approach (VFA)

In the case of the VFA measurement method, application is mandatory if the VFA criteria are met for a contract.

The VFA valuation model must be applied in the case of insurance contracts containing so-called direct profit-sharing, which IFRS 17 essentially considers as investment-related service contracts, in the framework of which the entity promises an investment return based on underlying items.

According to the standard, the VFA valuation model is not applicable to reinsurances.

Initial recognition

The initial recognition of insurance contracts valued in the VFA valuation model does not differ from the initial recognition of contracts valued in the GMM valuation model.

Subsequent valuation

Insurance contracts valued in the VFA valuation model are considered by IFRS 17 primarily as contracts providing investment-related services. This is the main difference between the VFA model and the GMM. Deviations from the GMM model affect the LRC and related settlements, while the LIC is determined and settled according to the same principles as for the GMM and PAA models.

The following are the Company's deviations from GMM affecting LRC:

a) There is no separate interest settlement on the CSM, as the model practically re-evaluates the CSM for the effects of changes in financial risks. In the GMM, there is a separate interest settlement on the CSM and it is recognized among insurance financial expenses (divided between profit or loss and other comprehensive income if the OCI option is applied).
b) Changes in performance cash flows resulting from the time value of money and financial risks, affecting the variable premium, are accounted for in the CSM (thereby allocated to profit or loss on a time-apportioned basis through the release of the CSM as part of the insurance revenue). In the GMM model, all changes resulting from the time value of money and financial risks are shown among the insurance financial expenses (divided between profit or loss and other comprehensive income if the OCI option is applied).
c) When releasing CSM, the coverage units are discounted using the current discount rate (in the case of GMM, with the yield curve used for the initial recognition).
d) For VFA calculations, the Company uses the value of the underlying asset returns allocated to GICs, while this is not necessary for GMM.
e) In the VFA model, the application of the yield curve used for the initial recognition as a locked-in yield curve is not interpreted, while it is interpreted in the GMM. At the same time, for the initial recognition of GICs managed in the VFA model, the Company uses a weighted average yield curve produced in the same way as in the case of GICs managed in the GMM model.
f) In the case of the VFA, the calculation to be followed in the case of the OCI option starts from the underlying assets, in contrast to the calculation followed in the case of the GMM model, which is based on the difference between the values discounted with the locked-in yield curve and the current yield curve.
g) The Company, unlike the GMM valuation model, can choose whether to apply the risk mitigation approach according to paragraph 17.B115 of IFRS. The Company does not use the mentioned approach and the accompanying special accounting - i.e. the recognition of certain effects attributable to changes in the time value of money and changes in financial assumptions not in the CSM, not in the insurance finance income and expenses, as a departure from the main rule of the VFA.

5.4.2.3 Premium allocation approach (PAA)

The premium allocation approachis a simplified method, its use is optional. That is, even if the conditions of applicability are met, it is not compulsory to apply this method. The premium allocation approach is a simplified method compared to the GMM measurement model with the following simplifications:

- no CSM and related accounting
- no risk adjustment for non-financial risks, except when the contract group is unprofitable or becomes unprofitable
- the determination of the remaining coverage liability is simplified;
- the time value of money should only be taken into account, if the contract group contains a material financing component or the contract group is unprofitable or becomes unprofitable

Initial recognition

The Company recognizes (prepaid) premiums, received before the recognition of insurance contract groups, as a liability and presents them as part of the liability for remaining coverage (LRC). When the insurance contract group is initially recognized, these liabilities are derecognized by the Company. In the case of the PAA valuation model, if the contract group is not unprofitable at the time of initial recognition, there is no separate accounting step required for the premium liability entered in the books before the initial recognition, as it was already part of the LRC and in the PAA model it remains a part of the LRC. The change with the initial recognition is that the accounting (release) of the LRC as income during the coverage period is interpreted starting from the initial recognition, i.e. the accounting of the liability due to the premiums received before the initial recognition as income is not possible before the initial recognition.

In the case of the PAA valuation model, if the contract group is unprofitable at the time of initial recognition, the Company accounts for the liability due to premiums received before the initial recognition in the profit or loss (among insurance service costs).

Investment component

There is currently no investment component for non-life products.

Financing component

Based on the characteristics of the Company's non-life insurance products, currently no adjustment with a financing component is necessary.

Insurance acquisition costs

After the allocation of the insurance acquisition costs to the contract group, the acquisition costs are activated and then released. The release logic is the same as the logic and schedule of the settlement of the liability through insurance revenue.

Determination of insurance revenue and the logic of acquisition cost release

The Company also releases its insurance acquisition costs allocated to the insurance contract group according to the same pattern as the sales revenue pattern

Unprofitable contracts

The loss component according to the GMM model is not interpreted.

If, at any time during the coverage period, facts and circumstances indicate that the GIC is loss-making (adverse), the value of the LRC under the PAA and the present value of the settlement cash flows at the end of the period according to the GMM model shall be calculated.

If the latter is a larger liability, the difference must be accounted for in the profit or loss, as an insurance service cost.

5.4.3 Insurance contracts – liabilities for incurred claims (LIC)

5.4.3.1 Claim reserves and claim payment obligations

The LIC of the Company at the reporting date consists of the following:

i. the value of future cash flows derived from claims reserves (RBNS and IBNR) and claim cost reserves discounted with the current yield curve on the reporting date and from the related risk adjustment for non-financial risks and

ii. liabilities related to claims and claim costs that have already been approved for payment, but the financial settlement has not yet taken place by the reporting date.

LIC is determined in the same way for PAA, GMM and VFA valuation models.

5.4.3.2 Initial recognition

Liability for incurred claims related to the group of insurance contracts is valued at the value of the future cash-flows related to the incurred claims, adjusted by the time value of money of the future cash-flow and the effect of financial risk. The LIC recognized in relation to the incurred claims also includes the risk adjustment for non-financial risks related to these claims.

When applying the premium allocation approach, if the cash flows are expected to be settled within one year or less from the date of the claim, discounting of the cash flows is not required, but the Company does not take advantage of this relief and discounts these cash flows within one year.

For contract groups using the premium allocation approach, the Company uses the yield curve observed at the time of claim incurrance to discount the LIC cash flows.

5.4.3.3 Interest

The interest settlement for the current period is based on the yield curve observed for the opening value of the LIC at the beginning of the period (on the last day of the previous period).

For contract groups using the premium allocation approach, the Company uses the yield curve observed at the time of the claim incurrance to determine insurance financial income or expenses (including interest settlement).

5.4.3.4 Experience variances and risk adjustment change management

Experience variances affecting LIC can be grouped as follows:

- for the period in subject, there is a difference between the cash flow expected at the beginning of the period and the cash flow actually paid.
- the cash-flow estimate at the beginning of the period changes by the end of the period.

Experience variances are recognized by the Company among insurance service costs, separately from the change in the discount rate and from the LIC change due to possible financial risks, which is recognized as part of insurance financial income and expenses.

The change in the risk adjustment for non-financial risk is recognized by the Company as part of the insurance services cost (as a reducing item of the risk adjustment in the event of a decrease in the risk adjustment).

Risk adjustment for non-financial risks on LIC

General

In the case of LIC, it is necessary to calculate the risk adjustment for non-financial risks (hereafter LIC RA) for newly incurred claims, i.e. incurred in the given reporting period, as well as for the last day of the reporting period. For LIC RA, unlike the RA to be calculated in case of LRC section, RA release is not interpreted. The reason for this is that all changes in the LIC RA are accounted for by the Company under insurance service costs (financial results are not accounted for either, as changes in RA are not divided between insurance service results and insurance financial income or expenses), therefore the separate calculation of the RA release is not relevant.

The Company quantifies the LIC RA for claims incurred in a given reporting period by separating the LIC RAs calculated for the last day of the reporting period, generated at a higher (company or SII LoB) level, into GICs and, within these, into claim years. The LIC RA for the given reporting period as a claim year will therefore be the LIC RA for the claims incurred in the given reporting period.

The LIC RA is calculated based on a different methodology for life insurance and non-life insurance, however, within life insurance uniformly for GICs valued according to the GMM, VFA and PAA models, and within non-life insurance also uniformly for GICs assessed according to the PAA and GMM models, except that the Company uses a different calculation methodology for annuity and non-annuity claims LICs.

The Company's LIC for annuity claims is also relevant in the case of life insurance, however, at present, claims are only paid in the form of bank annuities, for which essentially no non-financial risks occur, and the Company considers the risk of changes in costs to be negligible. For this reason, in the case of life insurance policies, it currently does not count with LIC RA for annuity LIC. The Company will review this conclusion in the event of new-type claims to be paid in the form of an annuity.

Calculation of LIC RA for life insurance

In the case of life insurance, the LIC RA is determined by the Company using a quantile approach. It assumes a (normal) distribution for the changes in LIC relative to the present value of LIC cash flow calculated for the last day of the reporting period and considers the difference between 80% and 50% of the quantiles of this distribution as the LIC RA calculated for the end of the reporting period. The Company identifies the changes in LIC with the 1-year transaction results for the past years.

5.4.4 Reinsurance contracts held - asset for remaining coverage (ARC) of reinsurance

The recognition of the held reinsurance contracts is similar to that of direct insurances, therefore only the differences to the Company's current direct insurances are presented here.

The Company does not enter into reinsurance contracts that refer to events that have already occurred, the financial impact of which is still uncertain.

Classification into contract groups

Compared to direct insurance, one of the most important differences is that the Company classifies all held reinsurance contracts according to the definition under IFRS17 into separately held reinsurance contract groups, with the restriction that it classifies contracts resulting from the separation of the same "legal contract" and which can be detected in one year into a single held reinsurance contract group

Absence of oneorus contract groups

Another important difference – which follows from the standard itself – is that the held reinsurance contracts cannot be oneorus.

That is, no Loss component is determined. Which also means that the Contractual Service Margin, which is normally an asset, may even be a liability.

The risk adjustment - in contrast to direct contracts - is an asset and does not express what kind of compensation the Company expects due to uncertain future cash flows, but how much risk it transferred to the reinsurer through the given contract.

Recognition of amounts received from and paid to the reinsurer

The Company recognizes the amounts received from the reinsurer and the allocation of premiums paid to the reinsurer between periods in the income statement separately.

Acquisition costs

For held reinsurance, the Company has no insurance acquisition costs.

Allocated costs

For held reinsurance, the Company has no allocated costs.

Investment component

Unlike direct insurances, held reinsurance contracts have an Investment component. When determining the cash flows, the Company acts on the basis of the following:

Since it presents the amounts received from reinsurance and the allocation of premiums paid separately,

a) it treats reinsurance cash flows depending on the claims of the underlying contracts as part of the claims expected to be recovered based on the held reinsurance contract;
b) it treats the amounts expected from the reinsurer, that do not depend on the claims of the underlying contracts (such as certain types of reinsurance commissions) as a reduction of the fee payable to the reinsurer.

On the other hand, after the allocation of the individual commission items (especially, but not exclusively, the sliding scale, the profit commission), a part of the fee-reducing items is considered an investment component. Both decisions "remove" the item from both the revenue and the expenditure.

In the first step, the Company divides the amounts expected from the reinsurance company into two and then classifies them into the categories of premium reduction or investment component based on whether the given commission item was "only withheld" from the premium or was remitted by the reinsurance company.

The above also means that the amounts actually paid/accounted for as claim recoveries may have to be accounted for as an investment component under IFRS17.

Partner risk

Estimates of the present value of the future cash flows of the reinsurance contract groups held shall take into account the effect of any risk of default by the issuer of the reinsurance contract, including the effects of collateral and litigation losses.

Loss recovery component

If the underlying direct contract groups are oneorus or become oneorus and the reinsurance contract was not concluded for the oneorus contract groups, the Company will create a Loss Recovery component as follows, determining the proportion in which each held reinsurance. Using this loss recovery ratio(s), the Company forms the Loss Recovery component by prorating the loss component/loss components of the oneorus underlying direct contract group(s), when the underlying direct contract group becomes initially oneorus.

In the case of reinsurance GICs valued in the GMM valuation model, the opening value of the Loss Recovery component (which can be 0) is modified during the given period by the following:

- addition to the Loss recovery component due to the inclusion of the underlying direct GICs as new business (calculated as described in the previous paragraph)
- the effect of changes in the cash-flow estimate affecting the underlying adverse direct GICs, modifying their loss component

The Loss Recovery component formed after the above modifications is then released in proportion to the coverage units characteristic of the given reinsurance GIC (with a similar logic to the CSM release in the case of direct GMM GICs).

In the case of reinsurance GICs valued in the PAA valuation model, the Loss Recovery component is modified similarly to the GMM, and the release is made by multiplying the Loss Recovery component formed after the modifications by the release (allocation) ratio of the PAA model income calculated for the relevant period.

In the case of reinsurance GICs valued in the GMM model, the release of the Loss Recovery component has basically the same purpose as the release of the loss component in the case of direct GICs. The release takes place on a profit-neutral basis, reducing both the reinsurance expense allocated to the period in question and the income for the period resulting from reinsurance claim recoveries.

For reinsurance GICs valued in the PAA model, the release of the Loss recovery component modifies the ARC (as does the formation of the loss component for underlying adverse direct GICs).

For reinsurance GICs valued in the GMM model, it is calculated with the weighting of the yield curve used for initial recognition with reference to the direct GICs covered by the given reinsurance GIC.

5.4.5 Reinsurance contracts held – assets for incurred claims (AIC)

In the case of held reinsurance contracts, not the liability for claims incurred, but the assets for claims incurred is reported in the Company's balance sheet. The claim itself is not quantified on the basis of the "legal contract", since

- its accounting may differ from the standard, for example because it only applies to reported claims;
- it does not include the risk adjustment for non-financial risks.

The Company derives the cash flows of the reinsurance contracts held from that of the underlying direct insurances.

In the case of reinsurance GICs for which the Company applies the OCI option, the calculation of the yield curve observed at the time of the claim incurrence becomes relevant (see the chapter discussing yield curves).

5.4.6 Contract amendments, derecognition of contracts

The Company may derecognise an insurance contract under IFRS 17 only if, and only if

a) it ceases, i.e. when the obligation defined in the insurance contract expires, is fulfilled or canceled; or

b) the contract is amended in such a way that it results in derecognition based on IFRS 17 (see below)

If an insurance contract is amended, it must be decided whether it should be derecognized from the books or whether the amendment should be accounted for as a change in the cash-flow estimate (see point b) above)

An amendment to a contract can be any change in the contractual condition (e.g. modification of duration, optionality in the contract) or a change required by the regulator (e.g. MNB or legislator).

It is not to be treated as a contract amendment if the contracting party exercises an option already existing in the original conditions.

Derecognition of the contract and recognition of a new contract into the books is necessary in the following cases:

if the modified contract conditions were agreed upon when the contract was concluded,

- then the contract would not have been within the scope of IFRS 17; or

- then other components would have been separated from the contract, and the remaining insurance contract subject to IFRS 17 would therefore have been different
- the contract limit of the amended contract would have been essentially different from the contract limit of the contract before the amendment
- the amended contract should have been classified in a different GIC than the one before the amendment

In all other cases, the contract amendment does not result in derecognition, and it must be accounted for as a cash-flow estimate

5.4.7 Insurance contracts acquired in a business combination or portfolio transfer

Insurance contracts acquired in a business combination under IFRS 3 or portfolio transfer that does not qualify as a business combination are recognised on the acquisition date.

Insurance contracts acquired in the above ways are classified and valued on the basis of the terms, conditions and information of the contracts existing at the time of acquisition, not on the basis of the conditions, conditions and information existing at the time of the original inception of the contracts.

For the exception rules applicable/to be applied to the portfolio acquisition in the context of the transition, see the chapter discussing the transition to IFRS 17.

For insurance contracts acquired in a business combination under IFRS 3or portfolio transfer that does not qualify as a business combination, the CSM to be recognised on the recognition of the contracts is calculated - for contracts valued in the GMM and VFA models - in accordance with the general rules (IFRS 17.38 for direct insurance contracts and IFRS 17.65 for reinsurance contracts held), with the consideration received or paid for the contracts to be considered as the premium received or paid on initial recognition.

The consideration received or paid for contracts must not include consideration paid by the Company in the same transaction but for other assets (e.g. related investments) or liabilities.

If the contracts were acquired in a business combination according to IFRS 3, the above-mentioned consideration received or paid for the contracts must be considered equal to the fair value of the contracts (according to IFRS 13) at the time of acquisition.

If in the transaction the consideration received for the direct insurance contracts and the performance cash flows together show a net cash outflow, the contract group acquired is unprofitable.

With the amount of this loss (net cash outflow), the Company at the time of the acquisition

- in the case of a contract group acquired in a business combination according to IFRS 3 increases the goodwill or reduces the profit achieved on a beneficial purchase (no loss may arise on the business combination);
- in the case of direct insurance contracts acquired during a portfolio transfer that does not qualify as a business combination, it reduces the result.

In the aforementioned case of loss, the Company identifies a loss component, regardless of whether the direct insurance contracts were acquired in a business combination or a portfolio transfer that does not qualify as such, and later releases it according to the general rules.

If in the transaction the Company acquires held reinsurance GICs that also cover adverse direct GICs, the reinsurance CSM established as above must be adjusted with the loss recovery component, which is determined as follows:

- the loss component of the underlying adverse direct GICs at the time of acquisition, multiplied by
- the percentage of losses of the underlying adverse direct GICs, which the Company is expected to receive as a return from the acquired reinsurance contracts

The Loss recovery component

- is recognized in the result in the case of reinsurance GIC acquired in a portfolio transfer that is not considered a business combination (as income), or
- is recognized as an item that reduces goodwill or increases the profit due to a beneficial purchase in the case of a reinsurance GIC acquired in a business combination.

The Company identifies, records and later accounts for the Loss recovery component on the day of acquisition in the same way as it does in the case of its concluded held reinsurance contracts.

5.4.8 Presentation

The Company presents the following book values separately for the financial position:

— the portfolios of issued insurance contracts that are assets,

— the portfolios of issued insurance contracts that are liabilities,

— the portfolios of held reinsurance contracts that are assets,

— the portfolios of held reinsurance contracts that are liabilities.

Individual components of liabilities and assets arising from insurance contracts (e.g. CSM, loss component, RA) are not included in the balance sheet, they are presented as part of the reconciliation tables required by IFRS 17. In the case of a loss component, the amount of the LRC without the loss component and the amount of the loss component are published separately in the reconciliation tables.

5.4.8.1 Presentation in the statement of comprehensive income

When choosing the OCI option, the Company presents the part of the insurance financial result accounted for in OCI under the following:

- for insurance contracts under "Financial result from insurance transactions"
- for reinsurance contracts under "Financial result from reinsurance".

5.4.8.2 Insurance revenue

Under insurance revenue the company recognizes following:

- the release of Risk Adjustment based on the expectations at the beginning of the relevant period,
- the release of CSM,
- the release of claims and costs expected for the period at the beginning of the period (except for their amounts allocated to the loss component),
- experience variance related to the premium (if related to non-future services),
- the part of the premiums related to the reimbursement of insurance acquisition cash-flows, allocated to the relevant period.

The insurance revenue cannot include amounts related to an investment component.

5.4.8.3 Insurance service result (income and expense)

In the case of the GMM and VFA valuation models, if the contract group is unprofitable when it is initially recognized, the Company immediately recognizes the loss in the result under "Insurance services expenses".

The Company accounts for the change in Risk Adjustment in the insurance service result under "Expenses for insurance services" because, in accordance with point 17.81 of IFRS, it does not separate the change in Risk Adjustment between insurance financial income and expense and insurance services result.

This is also where the Company accounts for experience variances (separated from changes in the discount rate and changes due to possible financial risks).

5.4.8.4 Insurance financial result

Under insurance financial income and expense, the Company accounts for the effect of interest settlement and changes in exchange rate differences (except in

the case of the OCI option), changes in the discount rate and changes due to possible financial risks.

In all cases, the Company accounts for the exchange rate difference in the income statement in accordance with the IAS 21 standard. In the case of insurance contracts under "Financial result from insurance transactions", in the case of reinsurance contracts under "Financial result from reinsurance", except for the cases when the given group of contracts is valued in the GMM valuation model and the OCI option is applied.

Based on the requirements of the standard, the Company decides for each insurance contract portfolio whether to account for the periodic insurance financial income/expenditure in the result or divided between the result and other comprehensive income (hereafter: OCI option).

In the case of unit-linked contract groups valued in the VFA model, the underlying assets behind the LRC are valued at FVTPL by the Company. In the case of UL contract portfolios, the Company does not apply the OCI option.

In the case of choosing the OCI option for insurance contract groups valued with the GMM valuation model, the Company valuates the effect of the time value of money and its changes, as well as the effect of financial risk and its changes, with the discount rate at the time of initial recognition (at locked in rate) for both LRC and LIC. and also discounts it with the current discount rate.

The value discounted at the locked in rate is accounted for in the result as follows:

- for insurance contracts under "Financial result from insurance transactions"
- for reinsurance contracts under "Financial result from reinsurance"

The difference between the value discounted at the current rate and the value discounted at the locked in rate is accounted for in the other comprehensive income as follows:

- for insurance contracts under "Financial result from insurance transactions"
- for reinsurance contracts under "Financial result from reinsurance"

For portfolios of contracts valued in the VFA model to which the Company applies the OCI option, because the Company holds the underlying items in each case, it must recognize in profit or loss an amount by allocating the periodic insurance finance income or expense that eliminates the accounting mismatch related to the income or expense recognized in profit or loss for the underlying items held.

If the return allocated to the given GIC affected by the OCI option on the underlying items and accounted for in other comprehensive income is a profit (loss), the Company accounts for the same amount of insurance financial expenditure (income) in other comprehensive income.

For contract groups valued in the PAA model, the Company uses for OCI calculations the discount rates applied at the time of the incurrence of the incurred claim (LIC). The logic of the PAA LIC OCI calculation is otherwise identical to the logic used for the GMM LIC OCI.

When applying the OCI option, the Company divides the exchange rate difference into parts to be recognized in profit or loss and in other comprehensive income. The division is made by the Company calculating the following value:

a) period closing balance converted from the currency of the contract group into forints at the period closing exchange rate, where for the calculation of the closing balance, discounting is performed using the discount rates determined at the time of the initial recognition of the contract group (locked-in discount rates); less
b) the closing balance of the period in forints, calculated from the currency of the contract group converted into forints at the previous period's closing exchange rate, and from the movements of the contract group's currency converted into forints using the exchange rates in the accounting policy. For the calculation of the period opening balance and for the calculation of all period movements, where discounting can be interpreted, the Company uses locked-in discount rates.

The value calculated in the above manner is recognized by the Company in the income statement under Financial result from insurance transactions in the case of insurance contracts and under Financial result from reinsurance in the case of reinsurance contracts.

The difference between the total foreign exchange rate difference and the foreign exchange rate difference accounted for in the result is accounted for by the Company in other comprehensive income, in the case of insurances under Financial result from insurance transactions, in the case of reinsurance under Financial result from reinsurance.

5.4.8.5 Presentation of reinsurance contracts

The Company presents income or expenses from held reinsurance contracts separated from expenses or income from issued insurance contracts. The Company has no active reinsurance.

In the case of reinsurance, the release of the risk adjustment is not an income, but an expense.

Expected reinsurance service returns at the beginning of the period appear under "Claims returns, commission and profit sharing from reinsurer" (not as an item reducing insurance income)

The Company recognizes the premiums paid to reinsurers under "Expenditure due to premiums transferred to reinsurers" among the result of insurance services.

Based on paragraph 86 of IFRS 17, the Company choses to present the amounts received from reinsurers and the allocation of premiums paid separately.

6 MANAGEMENT OF INSURANCE RISK

6.1 Introduction and overview

The Company accepts insurance risk by underwriting insurance policies (and policies including such components), and management thereof is an important part of the business. In the case of the life insurance company, insurance risk generally relates to life and health risks. The death risk of individuals in Hungary represents the highest exposure to insurance risk for the Insurer. Uncertainty surrounding the timing, frequency and extent of claims under the related policies are risk factors affecting the Insurer.

The Insurer sells the following products:

Life insurances

(a) unit-linked policies
(b) term life insurance policies
(c) whole-life insurance policies
(d) endowment life insurance policies
(e) term-fix endowment life insurance policies
(f) traditional pension insurance policies
(g) waiver of premium rider in case of death
(h) grouped life- and accident insurance
(i) credit insurance.

Non-life insurances

(j) accident insurance
(k) accident and medical benefit rider

Health insurance

(l) health insurance and health insurance with claim exemption bonus
(m) health insurance rider

Risk management strategy constitutes a key element of the Company's insurance system, part of which includes the reinsurance strategy dealing with one of its main assets, reinsurance.

6.2 General principles and tools of Risk Management

In order to function effectively the Insurer provides all information on the significant risk for the management for decision making proposes. The risk management activity includes the risk identification, measurement, establishing the required action plan and monitoring of the effectiveness and results of these actions.

The goal of the establishment of the risk management system is to integrate the aspect of the risk management into the decision-making process. The Risk Management Committee of the Company received a special role in identifying the risks. The members of the Risk Management Committee are those persons, who understood the aspects of Company's business, management and risks and able to propose to reduce the risk effectively.

The Company creates a risk map, where it continously monitors the effectiveness of the actions to reduce the risk.

The risk management system covers to take insurance risk, to creater reservers, to handle liquidity and concentration risks and to handle operational and compliance risks. The operation of reinsurance and other risk mitigation techniques are integrated part of the system.

6.3 Underwriting strategy

The purpose of the underwriting strategy is to prevent the Company from exceeding pre-defined underwriting limits during the procedures for accepting risk exposures.

Elements of underwriting strategy:

- definition of underwriting limits,
- continuous controlling and monitoring of limit compliance,
- rules on underwriting procedure, including the continuous monitoring of partner risk
- pricing of options and guarantees embedded in products and regular pricing reviews,
- reinsurance policy.

6.3.1 Definition of underwriting limits

The Company establishes appropriate risk pools for risks so as to ensure that the risk fluctuation level applied by the Insurer remains below a level deemed acceptable by the Company.

In addition to establishing risk pools, the Company continuously monitors the estimates of expected payments.

6.3.2 Continuous monitoring of limit compliance

The Insurer regularly evaluates the quality of risks based on the indicators outlined above. If compliance with the set limits is not ensured for a particular risk, then appropriate risk appetite can be restored in several ways:

- Redefining the risk pool to segregate outlying risks above the maximum limit and manage them separately.
- Increase the size of the risk pool, either with new policies or by including additional, existing risk pools.
- Lower the sum insured with selected reinsurance policies, or by scaling back benefits with administrative means, such as by modifying product terms and conditions.
- Increase the limits by making changes to the reinsurance policies.

6.3.3 Rules on underwriting procedure

In the case of life insurances, underwriting is managed through a dedicated independent underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks, and also establishing decision points and procedures to be followed.

Assessment of health risks is part of the Company's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the future insured. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Policies including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

6.3.4 Pricing of products and regular pricing reviews

Products are priced based on the benefits provided to customers and their expected value. If necessary, instead of higher prices the Company treats the risk exposure incorporated into products with administrative tools. Such may include:

- stipulating rational waiting periods,
- rational exclusions of risks.

Both product design specialists and the actuaries monitor and check that these are complied with.

The Company continuously monitors the products profitability. Analyses are performed on earnings and changes in liabilities to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

6.3.5 Reinsurance policy

The Insurer has a written reinsurance policy which sets forth the rules that must be applied for atomizing risks or if a risk is underwritten that exceeds the risk

tolerance level outlined above; of all the opportunities, the reinsurance of risks seems to be the most optimal solution.

The Insurer deemed the following criteria important when selecting reinsurers:

The reinsurer must be rated by one of the main international rating institutions. The Company choose a reinsurance partner which has a rating from a large international ratings agency, and said rating must be acceptable. In case of national - typically unrated - reinsurer the Company makes a credit rating assessment based on public financial indicators or considers the parent classification in case of a branch. The detailed rules are included in the reinsurance policy of the Company.

6.4 Concentration of insurance risks

The Insurer is exposed to risk if insured events do not occur as calculated and independently of one another, but connected, based on a common trend or attributable to a common cause. Risks primarily arise from the fact it is assumed with the majority of premium calculations that events will occur independently, and although all of the Company's premiums implicitly or explicitly comprise a premium for this purpose, whether this is sufficient or not under extreme circumstances has to be examined.

Risks can be connected for the following reasons:

6.4.1 Geographical diversification

The Company primarily underwrites insurance risks in the territory of the Hungary, but its operations also cover other countries in the region (Slovakia, Romania) Geographical concentration risk can be managed by extending the area of operations and by balancing the ratios between the areas somewhat (in terms of underwritten risk and premium income).

In addition, the Company strives to exclude from the general and specific conditions of individual products the risks which, if they occur, tend to violate the independence assumption used for the calculation and cause a concentration of insured events in a given geographical area. These exclusions comply with the general standards on the market (e.g. ionizing radiation, epidemics, terrorism, war).

6.4.2 Profession group, risk profile ratios out of kilter

Risk concentration can be caused by certain groups of professions or risk profiles becoming over-represented within the portfolio, since in this case, external changes systematically affecting the exposure of a given sub-group can cause major differences in assumptions used for premium calculations.

The Insurer manages this risk by conditionally excluding certain groups of professions (and certain insured events within the profession segment) and by monitoring the composition of the portfolio.

6.4.3 Demographic risks

Concentration risk in a wider sense is caused by demographic processes and trends affecting the whole population (and thus all insureds), which cause systematic changes in the probability of occurrence of insured events. The most important of such processes currently underway is the increase in life expectancy, which represents a longevity risk for insurance companies.

There is a significant longevity risk in the case of the HNY annuity product taken over from the Dimenzió Insurance Association. The Company establishes other technical reserves to manage this risk and monitors the mortality rates of the insured.

However, only very few of the Company's other current products contain benefits affected by longevity risk. The impact of this process must be contemplated in the future before accepting any longevity risk.

The Company monitors the demographic outcome of the COVID-19 outbreak which started in 2020, and -with regards to the Company- its direct impact on surplus mortality and surplus morbidity.

6.4.4 Customer options

The Insurer is exposed to risk if, prompted by the same reason, many customers use options embedded in products at the same time, principally options to cancel or modify policies. Such a scenario would be a large volume of policy cancellations on account of a reputation risk or a general downturn in the economic environment.

The Insurer takes the opportunity of a mass exercise of options into account when pricing customer options, setting the prices for the options in a way that compensates for the costs of a mass exercise of options. The Company makes sure the premiums are sufficient by carrying out stress tests and ex post calculations, whilst dedicating most resources to motivation activities related to customer conduct that is at the core of the risk. The customer option that represents the most significant risk is the opportunity of policies where no premiums need to be paid, and the early cancellation of policies.

With the declaration of the emergency situation due to the COVID-19 epidemic, the Company immediately started monitoring repurchases on a weekly basis, and

based on the decision of the Hungarian National Bank (MNB) submits data to the authorities on a weekly basis (in 2021 and continuously since).

6.4.5 Personnel concentration

Concentration risk can arise in the portfolio if its insufficient size means that the risk equalization within the risk pool is inadequate. Such a situation can arise if an insured is named as such in more than one life insurance policy, and therefore this is considered a key risk which cannot be spread efficiently across the given risk pool. The Company records several such key risks in the portfolio.

The Insurer's risk management strategy defines indicators to determine when the risk equalization capacity of a risk pool is sufficient, and these indicators are constantly monitored. If risk equalization within a risk pool is inadequate, then the Company reduces the risk exposure by means of reinsurance agreements or with administrative restrictions to benefits (at the level of policies).

6.5 Terms and conditions of insurance policies and key factors affecting future cash flows

This part provides an overview of the terms and conditions of insurance products within the technical portfolio of the Company, indicating the countries where such products are available, as well as the key factors affecting the timing and uncertainty of future cash flows.

6.5.1 Unit-linked policies (Hungary, Romania and Slovakia)

Terms and conditions:

The unit-linked policies issued by the Company are whole-life or sustainable, regular or single premium policies primarily for savings purposes – through premiums paid and investment return realized thereon. The current account value and surrender value of the policy depend on the price performance of investment units made in investment unit-linked funds for the premiums paid, and on the costs levied by the Company (as consideration for risks, investment services and administration).

The benefit payable in the event of death is the higher of the current value of the account and the guaranteed death benefit.

Key factors affecting future cash flows:

Financial risk is borne by the policyholder as investment performance directly affects the value of the unit fund and hence the benefits payable. The Insurer is

exposed to insurance risk insofar as the current value of the fund policy is lower than the guaranteed minimum death benefit.

If the account value of the policyholder is lower than the guaranteed death benefit, then the Company is entitled to deduct a risk premium on a monthly basis, thus covering its mortality risks. Other factors affecting future cash flows received by the policyholders are the level of costs levied on these unit-linked funds (unit-linked fund management fees, other management fees).

The costs actually incurred and adverse trends in cost coverage that can be withdrawn based on policy terms and conditions are cost risks. There is also the indirect effect of the investment risk, as if the investment climate takes a turn for the worse and the value of assets recorded for customers falls, there is the opportunity that the cost coverage defined as a percentage (fund management cost) will not provide sufficient cover for the costs actually incurred.

There is also the risk of defaulting on the expected return on investment on mathematical reserves from regular fees paid.

6.5.2 Term life insurance (Hungary)

Terms and conditions:

The Company's portfolio includes a regular premium risk insurance product that pays a fixed amount at the time of death. For most contracts, the amount of the fees is fixed for the entire duration of the contract, while maintaining the possibility of indexing. Contracts do not have a repurchase value. The new version of risk insurance also allows for the possibility of permanent functional impairment (lump sum and annuity) and the choice of dreaded disease services diagnosed within the time period.

Key factors affecting future cash flows:

Actual mortality as compared to assumptions, cancellations and costs incurred. There is also the risk that permanent functional impairment and dreaded disease services morbidity will differ from those expected.

There is also the risk of defaulting on the expected return on investment on mathematical reserves from regular fees paid.

6.5.3 Whole-life insurance (Hungary)

Terms and conditions:

The system is a guaranteed service for the entire life of the product in the event of death. The value of the service is 3% per year, the fee paid by the client. Death

incidents during the waiting period – which are not accidental – result in a reduced payment by the Company. The product's two lifetime versions also include a payout service, ie there is no additional fee for any of the deaths of the two insurers, if the death occurred after a waiting period or as a result of an accident. Contracts can only be terminated after two years of insurance coverage. Occasional payment is possible.

Key factors affecting future cash flows:

actual mortality compared to assumed mortality, cancellation trends and costs incurred. There is also the risk that the investment return on the actuarial reserves allocated from regular premiums will be lower than expected.

Due to the limited payment period and the indexation of the sum insured (while the fee is constant), the product also has an inflation risk.

6.5.4 Endowment Insurance (Hungary & Romania)

Terms and conditions:

Periodic mixed life insurance contracts with regular premiums provide services during the duration of the insurance in the event of death or at the end of the insurance if the insured is still alive.

The risk coverage is optionally normal (event of death in the course of time) or extended (event of intra-term death, lasting damage to function due to an accident in the course of time, dreaded disease diagnosed within a period). There may be occasional payments for the contract. The contract can be repurchased.

Key factors affecting future cash flows:

the actual rates of mortality compared to the assumed, the rate of cancellations and the costs incurred, as well as the collateral for permanent impairment of accidents due to accidents, have led to the development of experienced and suspected morbidity.

There is also a risk of default on investment returns on mathematical reserves earned from regular premiums paid.

6.5.5 Term-Fix Endowment Insuarance (Hungary)

Terms and conditions:

For life insurance contracts with regular premiums, the Insurer pays the maturity insurance sum at the end of the term, regardless of whether the insured is alive

or not. In the event of the death of the insured within the term, beneficiary receives a pre-defined death service, which is selected from a list when concluding the contract.

There may be occasional payments for the contract. The contract can be repurchased.

Key factors affecting future cash flows:

the actual rates of mortality compared to the assumed, the rate of cancellations and the costs incurred, as well as the collateral for permanent impairment of accidents due to accidents, have led to the development of experienced and suspected morbidity.

There is also a risk of default on investment returns on mathematical reserves earned from regular premiums paid.

6.5.6 Traditional Pension Insurance (Hungary)

Terms and Conditions:

Regular paid pension life insurance contracts provide services for the duration of the insurance, or for the life of the insured at the end of life.

Insured event is the death of the insured person during the term and the permanent damage to health of at least 40%, or if the Insured becomes eligible to receive a pension. The contract can be repurchased.

Key factors affecting future cash flows:

the risk of cancellations and costs incurred, and the risk of default on investment returns on mathematical reserves earned from regular fees.

Due to the nature of the construction, the actual development of mortality is not a significant risk as compared to the assumed and the sustained damage to health due to the permanent morbidity of the disease compared to the assumed.

6.5.7 Accident insurance (Hungary)

Terms and conditions:

Accident insurance makes payment to the beneficiary(ies) based on the insured events that occurred during the risk bearing of the insurance in accordance with the chosen coverage.

Insurance services include accidental death, accidental disability, bone fracture, accidental surgical compensation, accidental hospital daily compensation and burn injuries. The insurance does not offer a repurchase option.

Key factors affecting future cash flows:

Actual accidental mortality compared to assumed mortality, cancellation trends and costs incurred, and the progression of experienced and assumed morbidity due to other services of accidental origin.

6.5.8 Accident insurance rider (Hungary and Romania)

Terms and conditions:

An accident insurance rider policy can be taken out alongside unit-linked, risk and endowment life insurance products as the main insurance. In line with the chosen cover, the accident insurance makes payments to the beneficiary(ies) based on insured events that occur over the term of the insurance risk exposure. The basic package covers the risks of accidental death and disability; optional elements include copayments for accident-related surgery or an accident-related hospital stay. The insurance offers no surrender option.

Key factors affecting future cash flows:

actual accident mortality compared to assumed mortality, cancellation trends and costs incurred, as well as actual and assumed morbidity due to coverage extended for permanent impairment to health cause by accidents.

6.5.9 Waiver of premium rider in the event of death (Hungary)

Terms and conditions:

Waiver of premium rider insurance in the event of death can be taken out alongside unit-linked and risk life insurance as the main insurance. In the event the person insured by the insurance rider dies during the term, the Insurer agrees to pay the remaining premium payment obligations for the main insurance.

Key factors affecting future cash flows:

actual mortality as compared to assumptions, cancellations and costs incurred.

The following parts provides an overview of the terms and conditions of life insurance products sold by the Insurer indicating the countries where such products are available, as well as of key factors affecting the timing and uncertainty of future cash flows.

6.5.10 Group Life, Accident and Health Insurance (Hungary)

Terms and conditions:

Group life, accident insurance contracts make payments to the beneficiary (s) based on the insurance events occurring under the risk coverage of the insurance contract. Elements of coverage may include: death, dreaded illness, disability, hospital daily allowance, surgical reimbursement, and accident services: accident-related death, disability, hospital daily allowance, surgical reimbursement, burn injury, bone fracture and reimbursement (and their transport and workplace variations). An important segment of accident insurance is the group-managed but individual-based (typically public utility) insurance. Health insurance based on group service-financing is also an insurance managed in a group, but based on individual entry, in which, in addition to payments made on the basis of insured events, the organization and financing of certain medical services are also part of the insurance services. Group insurance does not offer a repurchase option.

Key factors affecting future cash flows:

the actual evolution of mortality, accident mortality and mobility compared to the assumption, the evolution of cancellations and the costs incurred.

6.5.11 Credit insurance (Hungary)

Terms and conditions:

Credit insurance in the case of certain risks pays the installments in accordance with the chosen collateral, and in the case of certain risks reimburses the principal debt existing at the time of the insured event. Insurance services are death, disability and incapacity for work.

Key factors affecting future cash flows:

Actual mortality and morbidity compared to the assumed, the evolution of cancellations and the costs incurred.

6.5.12 Health insurance and health insurance with claim exemption bonus (Hungary)

Terms and conditions:

The regular premium payment product is a health insurance policy, which provides customers, under an agreement with an international healthcare service provider

(Further), with second medical opinions and abroad medical treatment services in the event of predefined insurance events.

In certain cases, the product also includes a death service (up to the amount of the fees paid) and, in the case of no arising claims, at the end of the term a refund of a predefined percentage of the fees paid during the term of the insurance. The contract including the claim exemption bonus offers a repurchase option.

Key factors affecting future cash flows:

Actual mortality and morbidity compared to the assumed, the evolution of cancellations and the fair value of costs incurred (medical-, and other costs).

6.5.13 Health insurance rider (Hungary)

Terms and conditions:

Health insurance rider can be taken out alongside unit-linked-, and endowment life insurance products as the main insurance. In accordance with the agreement made with an international health service provider the clients (of the health insurance rider) could get second medical opinion, beside a high-level medical treatment, if the definied insured events were occured. No surrender option (resulting from the rider) is existing

Key factors affecting future cash flows:

Actual mortality as compared to assumptions, cancellations and fair value of costs incurred (medical-, and other costs).

7 CAPITAL ADEQUACY

The Insurer's objective is to maintain a strong capital base to protect policyholders' and creditors' interests and to comply with regulatory requirements, whilst maintaining shareholder value. This is achieved through:

- maintaining the Insurer's ability to continue as a going concern so return generation for shareholders and providing benefits to other stakeholders,
- providing an adequate return to shareholders by pricing insurance and investment contracts in proportion to risk, and
- complying with capital requirements established by regulators of the insurance markets where the Insure operates.

The Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) entered into force on 1 January 2016, which introduced a complex, risk-based solvency requirement, risk-based supervisory regulations in Europe, so a risk-based approach is applied in the whole sets of requirements. The risk-based approach is integrated in the risk-sensitive calculation of the solvency capital requirement as well as in the business planning and in the evaluation of the financial position. The insurance companies within the own risk-and solvency evaluation (ORSA) regularly assess their solvency capital requirements according to the business plans including the risks not covered by the first pillar and the long-term risks, too.

In order to meet the capital adequacy requirements under the Solvency II Insurance Act, the Insurer places great emphasis on and continuously meets them. As of 31 December 2022, the Insurer's available solvency margin is almost the double of the required solvency margin, thus significantly exceeding the 150 per cent level of the 50 per cent volatility buffer expected by the HFSA.

Data in THUF

	31.12.2022	31.12.2021
Available solvency capital for SCR	15 996 831	17 418 127
Available solvency capital for MCR	15 996 831	17 418 127
Solvency capital requirement (SCR)	7 733 016	7 079 293
Minimum capital requirement (MCR)	2 392 000	2 168 000
Capital adequacy (compared to SCR)	207%	246%
Capital adequacy (compared to MCR)	669%	803%

The value of "Solvency Capital that can be taken into account to cover the Solvency Capital Requirement" as of 31.12.2021 comprises the amount established in the annual Solvency II report, which has changed slightly compared to the published report.

8 EARNED PREMIUM

Data in THUF

	2022	2021 (restated)
Regular premiums written	20 275 238	16 879 997
Top-up payments and single premiums	6 558 678	5 332 466
Gross written premiums	**26 833 916**	**22 212 463**
Change in unearned premiums reserve	- 54 408	- 70 210
Earned premium, gross	**26 779 508**	**22 142 253**
Ceded reinsurance premiums	- 843 646	- 276 241
Earned premium, net	**25 935 862**	**21 866 012**

The Insurer transfers a part of its insurance contracts to reinsurance and has several reinsurance partners, resulting in the obligation to pay reinsurance fees.

The impact of the modification to the 2021 reference period is presented under Note 5.2.

Breakdown of gross written premiums by insurance line of businesses:

Data in THUF

	2022	2021 (restated)
Unit-linked insurance product	19 366 287	16 714 079
Traditional life insurance	6 509 668	4 675 748
Health insurance	957 961	822 636
Total	**26 833 916**	**22 212 463**

In 2022, the premium income of the pension insurance products appears in the value of HUF 7,453,525 thousand (HUF 6,815,111 thousand in 2021) between unit-linked insurance. Revenues from traditional pension insurance in 2021 amounted to HUF 1,229,326 thousand (HUF 1,263,474 thousand in 2021).

The Insurer used an estimate in determining the premium income of the group credit coverage life insurances reported among the traditional life insurance policies, as by the time the report was prepared it had not received all policyholder data provision on the basis of which the due premium income can be accurately determined. In the estimate, it determined the premium income by expanding the data of the existing periods, for which he issued an accurate pro forma invoice only in 2023, thus the estimated and the actual premium income may differ slightly.

Gross premium income breaks down as follows for insurance sold by the Company in Hungary, and as part of cross-border services in Romania, Slovakia:

Data in THUF

	2022	2021 (restated)
Hungary	26 720 640	22 056 831
Romania	3 531	4 305
Slovakia	109 745	151 327
Total	**26 833 916**	**22 212 463**

9 PREMIUM AND COMMISSION INCOME, INVESTMENT CONTRACTS

Data in THUF

	2022	2021 (restated)
Policy-based premiums	27 813	93 618
Fund management fees	73 710	52 008
Premiums related to services	3 522	1 771
Total premium and commission income	**105 045**	**147 397**

The impact of the modification to the 2021 reference period is presented under Note 5.2.

10 COMISSION AND PROFIT SHARE DUE TO REINSURANCE

Data in THUF

	2022	2021
Commission and profit share due to reinsurance	313 302	2 381
Commission and profit share due to reinsurance	**313 302**	**2 381**

The significant increase in commissions and profit shares due to reinsurance was mainly driven by reinsurance commissions on credit insurance sold by Budapest Bank, taken over from BNP Paribas Cardif Insurance.

CIG PANNÓNIA
INSURANCE

11 INCOME FROM AND EXPENSES ON INVESTMENTS

Data in THUF

	2022	2021 (restated)
Effective interest income	770 141	430 005
Interest income based on effective interest methood	**770 141**	**430 005**
Gains on investment sales	50 271	72 657
Realised gains on derivatives	18 378	2 666
Unrealised gains on derivatives	33 531	568
Foregin currency gains	132 066	32 262
Fair value change gain	-	11 465 810
Income from investments	**234 246**	**11 576 963**
Dividend from associate	**834 500**	**448 109**
Operation expenses on investments	55 650	58 873
Financial reinsurance interest	288	1 938
Realised losses on derivatives	28 748	-
Unrealised losses on derivatives	-	10 737
Foreign currency losses	18 241	3 025
Losses on investment sales	146 344	89 604
Losses on fair value change	2 481 001	-
Interest on lease libailities	10 329	8 459
Impairment of shares in subsidiaries	868 151	887 268
Expense on investments	**3 608 752**	**1 059 904**
Impairment and impairment reversal of financial assets	**7 702**	**6 258**
Total income from (exenses on) investments	**- 1 776 937**	**11 388 915**

The fair value change's loss/gain is the return on clients' unit-linked investments in 2022.

As stock market investors, 2022 was a sad year. With few exceptions, almost all stock markets closed significantly lower compared to the end of 2021. The highest return was achieved with the Latin American, Warren Buffet and Metallicum asset funds, other markets ended the year with a loss. Asset funds with a moderate risk and mixed composition had a mixed performance, the Best Select asset fund closed with the best performance. Money market funds came into focus again in 2022 thanks to interest rate hikes by the MNB, the base interest rate is now 13%,

but after one-day deposits, the central bank pays up to 18% to prevent the forint from plummeting.

In 2022, there was a significant turn in the capital markets. Globally, inflation picked up significantly in both developed and developing markets. Inflation was initially fueled by shortages in supply chains, and the situation was further worsened by the RussianUkrainian war, which triggered a surge in the price of oil and, in particular, the price of gas. The rising inflation could not be ignored by the central banks either, so the last year was also the year of the beginning of monetary tightening, thus marking the end of money printing that lasted for almost 15 years. Stock markets went down 20% from their highs. Although countries around the world still had significant restrictions due to the coronavirus at the beginning of last year, the number of Presentation of the Issuer's financial position 37 CIG Pannonia Life Insurance Plc. – Quarterly report Covid cases had already decreased by the second half of the year. At the same time, in China - significantly due to insufficient immunization and the relaxation of the Zero-Covid policy - infection rates jumped by the end of the year.

Inflation turned out to be more persistent, stickier and broader-based than most economic actor expected in 2022. In some regions, purely supply-side shocks (e.g. Western Europe - skyrocketing gas and energy prices due to the war), while in other countries the demandside effects are also significant (e.g. USA, Hungary), and hence the extent of the inflation problem, and the severity of the specific central bank response measures also differs. The peak of inflation is not yet visible in Hungary, whereas the annual average inflation may have been around 14.5%, while we will see its peak in the first months of 2023. In the fight against inflation, the MNB raised the base interest rate to 13% in 2022, which is already an increase of 1,060 basis points - 10.6 percent (!) - since the beginning of last year. At the same time, the effective interest rate, i.e. the one governing the markets, already rose to 18% in the last quarter of last year, which may help to achieve price stability, but may significantly set back economic growth. The ZMAX index, which contains the shortest government securities maturing within 3 months, was the winner of the Hungarian bond market indices of the year, rising by 5.9%, but the RMAX index also rose by 3%, while the benchmarks containing longer papers fell significantly: the CMAX index by 14.8%, and the MAX index by 16.1%.

In 2022, the color „red" dominated the markets: both developed and developing countries achieved returns of around minus 20%. Developed markets narrowly outperformed emerging markets. As a result of the macroeconomic and geopolitical risks in the region, the stock markets of neighboring countries also

performed poorly last year. Although regional papers are cheap, they trade on the markets with a significant stock market risk premium due to the previously explained economic and political reasons. Investors also traded Romanian, Polish and Czech papers, but they did not like the domestic stock market, despite its cheapness. This is still due to the introduced special taxes - which have a negative effect on the results of Hungarian listed companies - and our proximity to the war. The BUX index depreciated by 13.7% in the past year.

The American S&P500 index closed the year with a 19.7% decrease, while the STOXX 600 index, which includes Europe's 600 largest companies, only lost 13.1% of its value. The Japanese market was a bit of an outperformer with its -5.1% performance last year. Developing markets also performed negatively in 2022: Central and Eastern European indices showed a decrease of 11-17%. At the same time, the South American stock market was particularly strong within emerging markets with a zero percent dollar-denominated performance.

In 2022 the Forint found itself in rain – and it poured. Rising energy prices, budgetary imbalances, high inflation (even in regional comparison), political tensions and the effects of the war, as well as the developments during the negotiations with the EU moved the forint exchange rate and overall weakened it against both the dollar and the euro. The devaluation against the dollar was also supported by the US interest rate hike. Taking these into account, the forint was the fourth worst-performing currency among the currencies of developing market countries globally, with a weakening of more than 13% last year. At the time of the low point in October, 445 forints had to be paid for one dollar on the interbank foreign exchange market, but it closed the year at 375.68 forints. Last year, the forint weakened by 8.2% compared to the euro. The peak against the euro was HUF 432 in October, which fell to HUF 400.25 by the end of the year

The Company's return on its own investments was HUF 775 million profit in 2022, while it was HUF 379 million profit in 2021. The increase in profits is driven by a rising yield environment.

The dividend from MKB-Pannónia Fund Management to the Company increased significantly, as the associated company achieved significant success fee income in 2021, the dividend of which was paid in 2022, thanks to the high yields at that time.

The impairment of shares in subsidiaries refers to the impairment recognized for CIG Pannónia Első Magyar Általános Biztosító Társaság Ltd., as detailed in Note 25.

12 OTHER OPERATING INCOME

Data in THUF

	2022	2021
Portfolio management income	479 748	554 302
Other technical income	121 790	45 892
Reinvoiced services	185 732	92 567
Release of provisions	-	187 105
Other income	89 071	57 557
Other operating income	**876 341**	**937 423**

The portfolio management income is the realised fund management fee of unit-linked portfolio, which is constantly decreasing, as it relates to the Company's previously sold unit-linked product type, which already has a decreasing stock.

Release of provisions is detailed under Note 45.

13 NET CLAIM PAYMENTS AND BENEFITS

Data in THUF

	2022	2021 (restated)
Claim payments and benefits for insurance policyholder	14 061 460	14 771 105
Expenses of health insurance	450 186	106 031
Claim settlement expenses	206 491	70 624
Claim recoveries from reinsurers	- 124 314	- 64 082
Total net claim payments and benefits	**14 593 823**	**14 883 678**

In 2022, 76 percent of claims and services included partial and full surrender of life insurance contracts (83.7 percent in 2021), 7.4 percent of deaths (6.7 percent in 2021), maturity 9.8 percent (6.5 percent in 2021) and other claims payments explain 6.7 percent (3.1 percent in 2021). The costs of health insurance services increased significantly during the year inparallel with the rise of group service financing health insurances.

Claim payments and benefits for insurance policy holders was reduced by the amount of the claim refunds on reinsured policies which is HUF 124 million (in 2021 HUF 64 million) received from reinsurance. The growth is likewise explained by the loan collateral portfolio taken over.

14 CHANGES ON RESERVES

Data in THUF

	2022	2021 (restated)
Net unit-linked reserves increase/(decrease)	541 296	10 167 679
Net RBNS increase/(decrease)	124 679	385 551
Net mathematical reserve increase/(decrease)	671 777	1 216 559
Other net technical reserves increase/(decrease)	767 073	239 688
Total	**2 104 825**	**12 009 477**

Following 2021, unit-linked life insurance reserves increased to a lesser extent in 2022 primarily due to the negative returns, having a significant impact on the change in reserves.

The net increase / (decrease) in contingent claim reserves also includes the change in the reinsured part of claim reserves.

The net increase / (decrease) in mathematical reserve also includes the change in the reserves of premium refunds dependent on profit (excluding the shadow reserve).

The change in further technical reserves includes the change in the reserves independent of profit, the other reserves and the cancellation reserves.

The shadow reserve part of the reserves of premium refunds dependent on profit - the portion to policyholders of the unrealized exchange rate difference of financial assets valued at fair value against other comprehensive income - is shown against other comprehensive income. As the unrealized exchange rate difference of financial assets valued at fair value against other comprehensive income is a loss at the end of 2021 and 2022, no portion of it will accrue to policyholders, i.e. the reserve at the end of the year is 0.

15 COMMISSIONS AND OTHER ACQUISITION COSTS

Data in THUF

	2022	2021
Commissions and fees	4 081 943	3 241 922
Changes in deferred acquisition costs	- 183 183	- 115 527
Other acquisition costs	984 457	636 858
Total fees, commissions and other acquisition costs	**4 883 217**	**3 763 253**

Other acquisition costs include costs related to the operation of sales networks (salaries, IT, office, operating costs, etc.) the costs of sales promotions and the amount of impairment losses on commission receivables in the current year, in 2022 amounting to HUF 19 million (2021: HUF 5 million). Acquisition costs showed a significantly increasing trend (+30%), while gross earned premiums increased by 21%. This is mainly due to an increase in other acquisition costs above commissions, following the establishment and recruitment of new businesses, organisations and employees and related to the implementation of the growth strategy.

16 OTHER OPERATING COSTS

Data in THUF

	2022	2021 (restated)
Salaries and salary contributions	730 562	693 712
Other personal costs	30 673	39 118
Advisory and consultancy services	139 183	147 478
Training costs	1 796	3 035
Marketing and PR costs	284	2 702
Administration costs	12 804	10 693
IT services	257 664	255 162
Office rental and operation	55 784	62 269
Travelling, and car expenses	21 627	17 335
Office supplies, phone, bank costs	92 498	81 144
Depreciation and amortisation	222 772	224 788
Other administration costs	147 133	170 403
Other operating costs total	**1 712 780**	**1 707 839**

Other operating expenses remained on the same level as last year. Although wage costs increased, this was almost offset by the decrease in other costs.

According to the remuneration report of the Company, in 2022 HUF 167,554 thousand (HUF 123,018 thousand in 2021) was related to salary payments (incl. salary, bonus and other payments) of the Company's directors employed under the SRD Act.

The significant leasing contract of the Insurer is the office lease agreement of the office, effective until 31 January 2026. In addition, in 2021 car leasing contracts with a significant value emerged, with various maturities, averaging 36-60 months. In 2022, the Company paid for short-term office leasing contracts HUF 19,279 thousand (HUF 7,880 thousand in 2021); while the expenses of low value

leasing contracts (water dispenser, printers, dirt carpets) totalled HUF 1,405 thousand (HUF 1,304 thousand in 2021).

17 OTHER EXPENSES

Data in THUF

	2022	2021
Net expenditure on pending charges	9 040	107 700
Extraordinary deprication	297	12 783
Insurance tax	60 354	48 124
Additional insurance tax	412 882	-
Other expenses	89 219	46 708
Forward-charged expenses	185 578	92 477
Total other expenses	**757 370**	**307 792**

Among other expenses, the most significant change is the appearance of the extra-profit tax, which reduced the insurance company's results by HUF 413 million.

Based on the provisions of IFRS 3, the Company examined whether the portfolio classifies as a transfer or a business combination in relation to the group credit coverage portfolio transfer and the related reinsurance contract presented in Note 1. The stock transfer is a portfolio transfer, since through it the insurance company took over only insurance contracts (and entered into a reinsurance agreement), but at the same time did not take over employees or finished processes. It outsourced the administration and claims settlement of the received products, but integrated the products into its own systems and its internal and external reporting and closing processes.

The fair value of the transferred assets and liabilities was determined by the Company at the date of the transfer (01.09.2022) using a discounted cash flow model, where for the discounting it used the expected return calculated by the CAPM model at 01.09.2022. In the discounted cash-flow model, the Company also took into account the additional risk value, which was used to express the opportunity cost of the additional capital associated with the stock transfer. Based on this, the Company's assessment of the fair value of the portfolio transfer is 0 overall. According to the provisions of IFRS 4, the difference between the consideration paid and the fair value must be accounted for in the result, the value of which is HUF 24 million under other expenses.

18 TAX INCOME (EXPENSES)

Regarding the activities of the Insurer, the corporate tax rate is uniformly 9% regardless of the tax base from 2017 onwards.

The Company accrued losses before 2014 (and in 2019), which can be used against future taxable income. In 2022 the Company increased deferred tax asset by HUF 117 million as the expected recoverable portion of the accrued loss has increased. In the course of the corporate tax calculation, the accrued loss accumulated in previous years decreased (in the amount of HUF 406 million) against the taxable profit. Losses accumulated until 2015 can be used up to 2030 at most.

According to the strategic plans adopted by the Insurer, profitable operations will continue to be provided in the future, so the profits that will be made in the foreseeable future will allow the use of accrued losses as it has been applied. The amount set as deferred tax receivable at the end of 2022 (HUF 591 million) is expected to be recovered from the accrued loss in the medium term, ie the tax savings expected to be realized on the basis of the Insurer's business plans and tax rate.

The following table shows the corporation tax and deferred tax expenses and incomes recognized in profit or loss and in other comprehensive income:

Data in THUF

	2022	2021
Local business tax, innovation contribution	- 203 502	- 165 804
Corporation tax expenses in reporting year	- 36 526	- 18 411
Deferred tax expenses/gains	117 016	87 797
Total tax income/(expenses) realised in profit or loss	**- 123 012**	**- 96 418**
Deferred tax liabilities arising from financial assets valued at fair value against other comprehensive income	-	-
Total tax income/(expenses) realised in other comprehensive income	**-**	**-**

In 2022 and 2021, the following receivables-related differences have arisen for the benefit of profit or loss and other comprehensive income, but their tax effects have not been recognized in the financial statements, as it is unlikely that future gains will allow their use.

Changes in unrecognized deferred tax

Data in THUF

	31.12.2022	Change	31.12.2021
Deductible temporary differences	6 447 884	3 651 095	2 796 789
Loss carried forward	5 366 589	- 1 706 030	7 072 619
Total	**11 814 473**	**1 945 064**	**9 869 409**

Of the unrecognized deductible temporary differences, an asset item of HUF 594,874 thousand would have arisen against other comprehensive income. (In 2021 this amount was HUF 265,309 thousand.)

Reconciliation of tax income/expenses and amounts assessed by applying prevailing tax rates to profit or loss before taxation:

Data in THUF

Presentation of effective tax rate	2022.	2021. (restated)
Profit/loss before taxation	1 580 069	1 233 273
Calculated tax income/(expenses) (9%)	-123 891	-96 072
Recognition of the unrecognized deferred tax assets relating to the losses of prior years	117 016	87 797
Unrecognized deferred tax assets relating to the loss of the actual financial year	0	0
Differences from loss carry forward (unpresented in the prior years, utilized in the actual year)	36 527	18 411
Other unrecognized temporary differences	-328 599	-171 597
Permanent differences	379 437	230 848
Local business tax, innovation contribution	-203 502	-165 804
Total tax income (expenses)	**-123 012**	**-96 418**

19 OTHER COMPREHENSIVE INCOME

Data in THUF

	2022.	2021. (restated)
Comprehensive income, wouldn't be reclassified to profit or loss in the future	- 602 294	- 574 917
Comprehensive income, would be reclassified to profit or loss in the future	- 3 129 280	- 1 616 687
Total other comprehensive income	**- 3 731 574**	**- 2 191 604**

Other comprehensive income includes (among the income, which would be reclassified to profit or loss in the future) changes in the fair value of financial assets valued at fair value against other comprehensive income. Other comprehensive income that wouldn't be reclassified to profit or loss in the future includes the unrealized exchange rate difference of the Company's strategic stake in Opus Global.

20 EARNINGS PER SHARE

Data in THUF

	2022	2021
Consolidated Profit/loss after taxation attributable to the Company's shareholders (HUF thousand)	1 207 577	1 675 065
Weighted average number of ordinary shares (thousand)	93 954 254	93 978 364

Earnings per share (basic) (HUF) - consolidated	12.9	17.8
Modified consolidated profit/loss after taxation attributable to the Company’s shareholders (HUF thousand)	1 207 577	1 675 065
Weighted average number of ordinary shares (thousand)	94 428 260	94 428 260
Calculated earnings per share (diluted) (HUF) - consolidated	12.8	17.7
Earnings per share (diluted) (HUF) - consolidated	**12.8**	**17.7**

The treasury shares should not be treated as ordinary shares in point of the EPS calculation, therefore they cannot be taken into account in the calculation of the weighted average number of ordinary shares.

In accordance with IAS 33.4, the Company's earnings per share are equal to the earnings per share of the Group included in the consolidation. In accordance with this interpretation, the earnings per share presented above are based on consolidated after-tax profit.

Earnings per share was HUF 12.9. According to IFRS, the maximum value of calculated diluted EPS (HUF 12.8) can be maximum equivalent with the amount of the basic EPS.

The weighted average number of ordinary shares (according to the above) was calculated as follows:

2022

Date	Issued ordinary share (item)	Treasury shares (item)	Number of shares outstanding (item)	Number of days*	Weighted average
31.12.2021	94 428 260	474 006	93 954 254	365	93 954 254
31.12.2022	**94 428 260**	**474 006**	**93 954 254**	**365**	**93 954 254**

2021

Date	Issued ordinary share (item)	Treasury shares (item)	Number of shares outstanding (item)	Number of days*	Weighted average
31.12.2020	94 428 260	374 006	94 054 254	88	22 676 094
29.03.2021	94 428 260	474 006	93 954 254	277	71 302 269
31.12.2021	**94 428 260**	**474 006**	**93 954 254**	**365**	**93 978 364**

21 INTANGIBLE ASSETS

Intellectual products include software that is supported by operating and software development partners. The growth of intellectual products is primarily related to the development of technical accounting systems and to the data consolidation

system under development in the IFRS 17 project. The amount of intangible assets under development at the end of the year is HUF 299,120 thousand. The decrease in intellectual property is related to intangible assets that the Company no longer uses.

Data in THUF

31.12.2022	Intellectual property, assets value rights	Total intangible assets
Cost		
01.01.2022	2 648 883	2 648 883
Increase	314 090	314 090
Decrease	- 209 641	- 209 641
31.12.2022	2 753 332	2 753 332
Accumulated amortization, impairment		
01.01.2022	- 2 033 758	- 2 033 758
Increase	- 198 338	- 198 338
Decrease	209 336	209 336
31.12.2022	- 2 022 760	- 2 022 760
Net book value	**730 572**	**730 572**

Data in THUF

31.12.2021	Intellectual property, assets value rights	Total intangible assets
Cost		
01.01.2021	2 367 797	2 367 797
Increase	283 553	283 553
Decrease	- 2 467	-2 467
31.12.2021	2 648 883	2 648 883
Accumulated amortization, impairment		
01.01.2021	- 1 827 919	- 1 827 919
Increase	- 206 975	- 206 975
Decrease	1 136	1 136
31.12.2021	-2 033 758	- 2 033 758
Net book value	**615 125**	**615 125**

22 PROPERTY, PLANT AND EQUIPMENT

Data in THUF

31.12.2022	Motor vehicles	Office furniture, equipment	Real estates	Work in progress	Total
Cost					
01.01.2022	-	176 483	120 067	8 442	304 992
Increase	-	15 654	6 978	-	22 632
Decrease	-	- 5 674	-	- 7 888	- 13 562
13.12.2022	-	186 463	127 045	554	314 062
Accumulated amortization					
01.01.2022	-	- 124 648	- 20 552	-	- 145 170
Increase	-	- 17 455	- 24 103	-	- 41 558
Decrease	-	5 325	-	-	5 325
13.12.2022	-	- 136 778	- 44 625	-	- 181 403
Net book value	**-**	**49 685**	**82 420**	**554**	**132 659**

Data in THUF

31.12.2021	Motor vehicles	Office furniture, equipment	Real estates	Work in progress	Total
Cost					
01.01.2021	36 095	132 572	78 604	2 919	250 190
Increase	-	54 857	116 514	5 523	176 894
Decrease	- 36 095	- 10 946	- 75 051	-	-122 092
13.12.2021	-	176 483	120 067	8 442	304 992
Accumulated amortization					
01.01.2021	- 14 504	- 105 032	- 78 421	-	- 197 957
Increase	- 1 434	- 27 946	- 17 152	-	- 46 532
Decrease	15 938	8 330	75 051	-	99 319
13.12.2021	-	- 124 648	- 20 522	-	-145 170
Net book value	**-**	**51 835**	**99 545**	**8 442**	**159 822**

Among the Insurer's property plant and equipment there are no properties, machines or equipment which are not in use, because those are derecognized from the books.

Among the properties, machinery and equipment, the Insurer no longer registers its own vehicles, as it has sold them and replaced them with long-term leas contracts from 2021 onwards.

23 RIGHT OF USE ASSETS

Data in THUF

31 December 2022	Office leasing	Car leasing	Total
Cost			
01.01.2022	236 324	233 796	470 120
Increase	6 848	58 916	65 764
Decrease	- 54 963	- 47 063	- 102 026
31.12.2022	188 209	245 649	433 858
Accumulated amortization			
01.01.2022	- 51 641	- 33 018	- 84 659
Increase	- 30 142	- 73 503	- 103 645
Decrease	13 284	17 740	31 024
31.12.2022	- 68 499	- 88 781	- 157 280
Net book value	**119 710**	**156 868**	**276 578**

Data in THUF

31 December 2021	Office leasing	Car leasing	Total
Cost			
01.01.2021	146 391	25 729	172 120
Increase	223 039	208 067	431 106
Decrease	- 133 106	-	- 133 106
31.12.2021	236 324	233 796	470 120
Accumulated amortization			
01.01.2021	- 118 413	- 688	- 119 101
Increase	- 52 547	- 32 330	- 84 877
Decrease	119 319	-	119 319
31.12.2021	- 51 641	- 33 018	- 84 659
Net book value	**184 683**	**200 778**	**385 461**

The leased assets are constituted by the property rental of the Company's headquarter building and starting from the end of 2020 by the rental of cars. In connection with the change of the registered office, the former office leasing asset was derecognised in early 2021.

The Insurer does not have leasing contracts with variable fees, residual value guarantees, or extension and cancellation options; neither does it have lease contracts to which the lessee has committed but which have not yet begun.

24 DEFERRED ACQUISITION COSTS

Data in THUF

Deferred acquisition costs	31 December 2022	31 December 2021
Balance on 1 January	1 251 601	1 136 074
Net change in deferred acquisition costs	183 184	115 527
Balance on 31 December	**1 434 785**	**1 251 601**

25 SUBSIDIARIES AND ASSOCIATES

Data in THUF

	31 December 2022	31 December 2021
MKB-Pannónia Fund Manager Plc.	51 753	51 753
Associated Company	**51 753**	**51 753**

Data in THUF

	31 December 2022	31 December 2021
CIG Pannónia First Hungarian General Insurance Company Plc.	4 196 972	4 065 123
Pannónia PI-ETA Funeral Service Limited Liability Company	3 800	3 800
CIG Pannónia Financial Intermediary Ltd. "v.a." (under liquidation)	-	-
Subsidiaries	**4 200 772**	**4 068 923**

The Company has investments in the following affiliated companies:

CIG Pannónia First Hungarian General Insurance Company / CIG Pannónia Első Magyar Általános Biztosító Társaság (EMABIT)

1097 Budapest Könyves Kálmán krt. 11, B

Ownership: 100%

Cost of equity: HUF 10,081,326 thousand

Accrued impairment: HUF 5,884,354 thousand

Share book value: HUF 4,196,972 thousand

Registered capital: HUF 1,075,000 thousand

Equity: HUF 4,196,972 thousand

Capital reserve: HUF 7,620,236 thousand

Profit after tax: HUF 790,451 thousand

The capital was increased at the insurer's subsidiary in 2022 once by HUF 1 billion, which increased the cost of equity to HUF 10,081,326 and its registered capital changed to HUF 1,075,000.

In accordance with its accounting policies, the Company uses the cost method for the valuation of interests in the separate financial statements for its subsidiaries in the insurance sector, its other subsidiaries and other interests.

For its subsidiaries in the insurance sector, the Company has chosen to use fair value as its deemed cost when transitioning to IFRSs. In this respect the Company carried out a discounted cash flow valuation of its subsidiaries in the insurance sector for the date of transition and the valuation based on the discounted cash flow method was used as a basis for historical cost.

As at the time of transition the Company chose to value its interests based on the costs as accounted for along IAS 27 in the individual IFRS financial statements, it needs to perform an impairment test on these interests according to IAS 36. If there is an indication that the interest is impaired, the recoverable amount of the interest needs to be determined. The recoverable amount refers to the higher amount of either the value in use (typically determined through the discounted cash flow method) or the fair value less the costs to sell. If the recoverable amount is lower than the asset's cost, an impairment loss needs to be recognized.

In the course of 2019, concerning EMABIT several events occurred which affected the valuation of the interest.

CIG Pannónia First Hungarian General Insurance Company Ltd. ("EMABIT") has provided suretyship insurance for registered companies and individuals in Italy since 2014 with BONDSOL Kft. as its sole agent. Most of the beneficiaries were certain entities of the Italian State (agencies, municipalities, etc.).

Among the suretyship insurances, at the end of 2018 and in early 2019 the beneficiary Customs and Monopoly Agency (agency responsible for the supervision

of gambling in Italy, ADM) has submitted a request for drawdown of insurance promissory notes (related to products Gaming and Public Concessions) issued to four large clients. The total value of the contractual obligations was approx. EUR 12 million.

In parallel with the claims settlement process it became evident, that, with regard to Italian suretyship insurance activities, EMABIT's reinsurance contract was a forgery and thus EMABIT's entire respective exposure lacked reinsurance.

The reinsurance contract between EMABIT and Africa RE was brokered with the intermediation of a Lloyds broker through a broker licensed in Switzerland. Africa RE is a stable, 'A-' rated reinsurance company that complied with the requirements of the EMABIT Reinsurance Code of Conduct. The signed contract was received by the Company on 27 August 27 2015, with subsequent reinsurance financial settlements (reinsurance premium, reinsurance reimbursement, etc.) all settled through the Swiss intermediary. To clarify the existence of the coverage, EMABIT contacted Africa RE directly. In a letter dated 16 September 2019, Africa RE informed EMABIT that it had no contact with the intermediaries represented in the submitted documents, that the cover assurance documents were a forgery, and that they did not originate from Africa RE.

As a result, EMABIT was left without reinsurance coverage for an exposure of EUR 379 million (about HUF 125 billion) with respect to the Italian business line, of which it had previously assumed an approx. 95-99% quota share coverage through the Africa RE contract. By the end of 2019 the exposure to this presumably non-reinsured portfolio decreased to EUR 256 million by the end of the year. EMABIT filed a demand for the prosecution of the reinsurance brokers involved in concluding the contract in 2019 and reported the fraud to the respective Hungarian courts. Legal proceedings are underway since and and exposure continues to decrease.

The above two events had a significant negative impact on EMABIT's solvency capital during 2019.

In addition to the ADM claims related to the gaming concessions, another significant claim has been received by EMABIT. In the fourth quarter of 2019, ADM claimed damage to bonds issued by EMABIT, related to the excise duty debt of a fuel trading company. The claims for the two EUR 5 million bonds in subject amount to EUR 10 million in total. The two bonds belong to the portfolio for which the alleged reinsurance was to be covered by Africa Re.

After investigating the circumstances of the claim, EMABIT declined to launch claim payments, filed a demand for prosecution on fraudulent contracts in Italy, and sought legal redress from the courts for ADM initiating the claim payment.

In connection with the guarantee contracts, ADM forwarded a claim for EUR 5 million in bonds in the second quarter of 2020. The insurer found that the claim was outside the maturity of the policy and that the deadline had not been extended by the rules laid down for the Italian COVID situation, and therefore rejected the claim. The Authority's contrary decision was challenged by EMABIT in an Italian court.

In connection with the presented events, MNB, as part of a targeted investigation, applied temporary measures to the Company on 22 October 2019. For a maximum period of one year, MNB prohibited the Company in its Italian cross-border activity to enter into new insurance contracts in the guarantee sector and to extend its existing contracts there. Also, MNB obligated the Company to immediately launch prudent and reliable risk management and control measures regarding its insurance business, not endangering the Company's financial position.

As a result of the events, MNB obliged EMABIT to submit a financial recovery plan ("Recovery Plan") to MNB for approval by 4 January 2020 at the latest. The primary objective of the Recovery Plan is for the Company to present specific measures which ensure that the Company's Solvency Capital Requirement (SCR) exceeds 100%, with respect to the guidelines of Section 309 (2) of the Act on Insurance Activities.

The Company prepared the Recovery Plan by the due date, detailing the events related to the Italian Business Line, and analyzing the company's historical activities. The Company then presented the various potential measures available to restore solvency adequacy, as well as their advantages and disadvantages. In addition to these possible alternatives, the Recovery Plan outlined the specific steps of the action plan adopted by the Board of Directors, which aim to address the legal situation in Italy and to repair the damages through a 12-point action plan, and also helped to raise the Company's capital adequacy to the expected level. To restore the solvency adequacy within half a year, EMABIT assessed the possibility of disposing individual portfolio items.

Pursuant to the decision of the Board of Directors of 7 April 2020 EMABIT sold its hungarian property, liability, forwarding, transportation and motor insurance branches within the framework of a portfolio transfer. The portfolio exceeding 100,000 contracts with a portfolio fee of almost HUF 6 billion was sold within the scope of the subsidiary's own funds recovery plan on 31 May 2020.

Based on the above events, CIG Pannónia Life Insurance, the parent company of EMABIT, has performed the impairment test on its subsidiary and considered it justified to account impairment in the 2019 annual report. EMABIT's fair value less the transaction costs proved to be higher than its value in use (DCF), therefore this recoverable amount was considered when determining the value of the investment's impairment.

The Management's best expectations for the fair value was EMABIT's separate equity value at 31 December 2019. The value of equity reflected the fair value of the portfolios expected to be sold (assets held for sale) which the Company did not value on a going concern principle.

The best estimate of the value of portfolios held for sale was the offer (sum of the expected purchase price) less the legal, transactional consultancy and data room maintenance costs associated with the sale. Expected operating costs stemming from the completion of loss-making portfolios were also taken into account in the valuation of the discontinued operations. As a result, the parent company recognized an impairment loss of HUF 3,330 million on the value of this interest at the end of 2019.

The HFSA, with its resolution No. H-JÉ-II-39/2020, approved the EMABIT recovery plan with the condition of an additional capital requirement for the subsidiary with an amount of HUF 500 million.

As a result of all these recovery measures, by 30 June 2020 EMABIT's solvency capital adequacy increased to 147%, including considering the additional capital requirement, and its capital position has been restored.

Considering the restored capital adequacy, on 7 September 2020, with its resolution No. H-EN-II-15/2020, the HFSA lifted the ban imposed on EMABIT regarding conclusion of new insurance contracts and the extension of existing contracts in all of its sectors of activity in Hungary, while for its cross-border activities in Italy HFSA decided to maintain the restrictions for another year.

For these reasons the Company's Board of Directors asked István Fedák dr. to handle the unchanged risks in EMABIT's Italian claims and to change the strategy for ongoing and related legal matters. The Solvency ratio of EMABIT fell to 114% at the end of 2020, mainly due to an increase in the claim reserves of the Italian cases. In connection with the change of strategy, the review of existing claim reserves and regression reserves has finished and has been going on ever since.

In the fourth quarter of 2020 the Group took steps at the operational level to ensure opportunities for the relaunch of operations -parallel to the intent of

insuring guarantee elements at the Group-level as required- after EMABIT implemented the provisions of the recovery plan set by the HFSA, and its solvency position has stabilized, with the aim to strengthen its sales, internal defence lines and capital position following the adoption of EMABIT's strategy. To implement all these objectives, the parent company undertook to carry out the necessary capital increases, enabling EMABIT to continue operating in the long term. Thus, in addition to the non-life segment and the remaining stocks, the operational planning also plans with the development and sale of new products from 2021 onwards.

On 8 February 2021, the Board of Directors of the company decided to strengthen the capital position of EMABIT, considering the plans and the ORSA report to relaunch EMABIT for the future. In order to relaunch EMABIT's activities in a prudent manner as set out in the plans and in the ORSA report, the company has decided on guarantees to ensure that the conditions for relaunch are met. In addition to the completed business plans and the support of the Company, the operation was ensured for at least the next 12 months, therefore at the end of 2020 the principle of going concern became sustainable also for EMABIT based on the opinion of the management.

In accordance with the Life Insurer's commitment it increased the capital in EMABIT twice in 2021 by HUF 3.5 billion, followed by a further increase in the capital of its subsidiary in 2022 by HUF 1 billion.

From the second quarter of 2021, EMABIT has focused on the development and finalization of a new organizational structure in line with the Growth Strategy, including filling at the group level the launched units of assets and liabilities with experienced professionals and with these professionals to review and revise, and in some cases form products and product groups, as well as to create an operational model tailored to the size of the organization, that accurately reflects responsibilities and tasks within the organization. This work has been successfully completed for the corporate products.

We relaunched our non-life insurance business, entered the market with large enterprise liability insurance, property insurance and motor vehicle fleet casco. We also needed to strengthen our product development, claims management, IT, HR support and marketing capacities.

Following this EMABIT entered into a partnership agreement with UNION Vienna Insurance Group Biztosító Zrt. (registered office: 1082 Budapest, Baross u. 1., company registration number: 01-10-041566) on 11 November 2021. Thanks to the agreement it further expanded its range of non-life insurance as an integral

part of the implementation of the Growth Strategy and will offer travel and home insurance to its retail customers from 2022.

In possession of the above information, the Company again performed an impairment test of its subsidiary interest at the end of 2022. Based on available information, EMABIT's fair value less transaction costs is for now higher than the value in use (DCF), therefore this recoverable amount was taken into account by the Company when determining the impairment of the investment. Thus, the total recognized impairment at the end of 2022 was HUF 5,884,354 thousand, the book value of the share equals the individual equity of EMABIT: HUF 4,196,962 thousand.

Pannonia PI-ETA Funeral Services Ltd. (hereinafter: Pieta)

1097 Budapest Könyves Kálmán krt. 11, B

Ownership: 100%

Value of the share: HUF 3,800 thousand

Registered capital: HUF 3,000 thousand

Equity: HUF 5,474 thousand

After-tax profit: HUF 114 thousand

Founded in April 2008, PI-ETA provides funeral services to the Insurer for the provision of grace, in conjunction with the "Alkony" product. The Insurer has owned 100% of Pannónia PI-ETA Savings Service Ltd. since 2011. In 2015, the Insurer raised the share capital of Pannonia PI-ETA in the value of 2,500,000 HUF to comply with the new Civil Code provisions. The year 2022 was closed with a profit of HUF 114 thousand by PI-ETA.

CIG Pannónia Finance Intermediary Ltd. "v.a." (under liquidation) (hereinafter: PPK)

1097 Budapest Könyves Kálmán krt. 11, B

CIG Pannónia Finance Intermediary Ltd. (PPK), the subsidiary established on 29 November 2018, in which the Group held a 95% share, started its insurance and financial intermediary activities as a dependent agent in the beginning of 2019. On 23 May 2019 MNB authorised its financial services brokerage activity as a financial market multi-agent. The authorisation also covered mortgage brokerage activities.

In 2019 CIG Pannónia Finance Intermediary Ltd. sold insurance policies worth HUF 443 million, in 2020 HUF 140 million.

The Insurer closely monitored the activities of the intermediary and found several times that the insurance policies sold by the subsidiary have a significantly higher premium non-payment rate than the average market benchmark. The high non-payment rate caused a high commission write-off. The decreasing coverage did not meet the operating expenses, therefore the pre-tax profit of CIG Pannónia Finance Intermediary Ltd. became negative in the 2019 business year. The unprofitable operation continued in 2020, causing the Group a loss of HUF 154 million. According to the Company's repeated analysis, it was not possible to make the operation of the subsidiary profitable in the long run. After reviewing the analyses, on 9 September 2020, the Board of Directors of the Company initiated the liquidation of its qualified majority-owned subsidiary. In line with this decision the General Meeting of CIG Pannónia Finance Intermediary Ltd., on its meeting held on 30 September 2020, decided to initiate the liquidation. The commencement date of the liquidation was 1 January 2021.

CIG Pannónia Pénzügyi Közvetítő Zrt. did not engage in intermediary activities in 2021, and realized negative income in 2021 as a result of commission reversals. CIG Pannónia Pénzügyi Közvetítő Zrt. passes on the reversals to its former dealers in a certain proportion. The Company assigned its receivables from the dealers arising from the reversals to the parent company on 31 July 2021, therefore it derecognized these receivables from the books. The simplified annual report closing the liquidation process was prepared by CIG Pannónia Pénzügyi Közvetítő Zrt. on 6 December 2021.

The Company Court ordered the deletion of the company from the company register on April 25, 2022.

MKB Fund Management Ltd.

(formerly: MKB Pannonia Fund Management Ltd.)

1068 Budapest, Benczúr utca 11.

Ownership:	7.67%
Value of share:	HUF 51,753 thousand
Registered capital:	HUF 806,120 thousand
Equity:	HUF 8,682,493 thousand
Profit after tax:	HUF 4,641,236 thousand

The turnover of MKB Fund Management Ltd. in 2022 was HUF 5,962 million, after-tax profit was HUF 4,641 million, of which HUF 491 million was the share of the Insurer.

The Articles of Association of MKB Fund Management Ltd. determine the rights of the holders of preference shares, which is embodied in the rights of the owners to control and manage the Company. Based on the preference shares, CIG Pannónia Life Insurance Plc. Delegates 1 to 1 members to the Board of Directors of MKB-Fund Management Ltd.

The distribution of the profits of MKB Fund Management Ltd. among the owners is not in proportion to their ownership interest but to the extent of their contribution to the Fund Manager's result. The Fund Manager has more profit centers, for which the allocation of the result is the so-called Profitcentrum Allocation Rules. The profit earned by the Company from 2015 onwards is the result of the "Insurance profit center". In 2022, 10.6 percent of the Fund Manager's earnings were allocated to the Company.

The Company received a dividend of HUF 361 million in 2020 and HUF 843 million in 2022 from its associated company.

The Insurer’s part of the capital of the MKB Fund Manager in 2022 and in 2021:

Data in THUF

2022	Share capital	Retained earnings of previous years	Valuation reserve	Profit/Loss after taxation	Total
Fund manager	806 120	3 386 419	- 151 281	4 607 092	8 648 349
Issuer’s share	7,67%	3,53%	7,67%	10,65%	
Capital per issuer	**61 829**	**119 661**	**- 11 603**	**490 565**	**660 453**

Data in THUF

2021	Share capital	Retained earnings of previous years	Valuation reserve	Profit/Loss after taxation	Total
Fund manager	306 120	957 498	-	6 026 826	7 290 444
Issuer’s share	16%	16,32%	-	13,41%	
Capital per ussuer	**48 980**	**156 235**	**-**	**808 074**	**1 013 289**

26 OTHER FINANCIAL ASSETS AT FAIR VALUE

Data in THUF

	31 December 2022	31 December 2021
Corporate bond		1 438 714
Equities		1 409 917
Investment funds		147 845
Govermnet bonds, discontinued T-bills		18 510 649

Total available-for-sale financial assets		21 507 125
Corporate bond	2 787 736	
Equities	807 622	
Government bonds, dicounted T-bills	12 817 907	
Other financial assets at fair value	**16 413 265**	

Under Equities the Company lists its share in OPUS GLOBAL Plc. In parallel to the introduction of IFRS 9, available-for-sale financial assets ceased to exist. The Company reports its investments under Other financial assets at fair vlaue.

27 INVESTMENTS FOR POLICYHOLDERS OF UNIT-LINKED LIFE INSURANCE POLICIES

Investments executed for policyholders of unit-linked life insurance policies ensue in separate the Insurer unit-linked funds in accordance with policy terms and conditions. At the end of 2022 the Insurer had 99 segregated unit-linked funds. The executed investments are invested into various financial instruments depending on the investment policy of the unit-linked funds. Cash on account that is not invested – but is part of the unit-linked fund – is recognized within the unit-linked fund as cash. The derivative instruments are currency forward transactions in the unit-linked funds.

Other investments line contains the transit instruments, and the premium liabilities of fund.

Data in THUF

	31 December 2022	31 December 2021
Equities	22 705 779	23 266 700
Government bonds, discounted T-bills	3 098 696	7 155 198
Corporate bonds	525 121	-
Investment funds	43 905 707	49 930 842
Derivative instruments	22 003	- 61 762
Cash, and cash equivalent	15 667 005	5 764 765
Other investments	280 995	- 391 733
Total investments for policyholders of unit-linked life insurance policies	**86 205 307**	**85 664 010**

The modification of the comparative period is presented under Note 5.2.

Due to the impact of the war in Ukraine on the capital market, from 1 March 2022 the Company suspended to market the asset funds listed below in its unit-linked life insurance products (i.e. to sell and purchase investment units of the following asset funds) due to the developed situation and the circumstances beyond the control of the Company based on Act LXXXVIII of 2014 (hereinafter: "Bit.") Section 127 (1):

- Urál Oroszországi Részvény Eszközalap
- Urál Oroszországi Pro Részvény Eszközalap
- Euró Alapú Urál Oroszországi Részvény Eszközalap
- Euró Alapú Urál Oroszországi Pro Részvény Eszközalap

(hereafter referring to these asset funds together as: "**Affected Asset Funds**").

The net asset value of the Affected Asset Funds and, at the same time, the price of the investment units cannot be determined because the underlying financial assets of the Affected Asset Funds have become partially or completely illiquid, i.e. non-marketable assets.

Due to the armed conflict between Russia and Ukraine, the Moscow Stock Exchange suspended trading in all of its markets indefinitely starting 28 February 2022. As a result, the Amundi Russia investment fund (ISIN code: LU1883868579), which is part of the underlying assets of the Affected Asset Funds and purchases investment instruments on the Moscow Stock Exchange, has become illiquid and therefore untradeable; the manager of the foreign investment fund does not disclose a price, as a result of which the price of the Affected Asset Funds couldn't be calculated either.

From 1 March 2022, the Company does not calculate or publish prices and net asset values for the Affected Asset Funds. As a result, the transactions in units of the Affected Asset Funds (e.g. payments, exchange of assets, repurchases, provisions of death and maturity services) for whose fulfillment price applicable under the terms of the insurance contract falls on or after 28 February 2022, CIG did not fulfil, or did not fulfil according to the standard procedure.

All costs specified in the special contractual terms and conditions, which are enforced before the investment of the insurance premium according to the rules set out therein (in particular the contract and maintenance fee, the administration fee, the allocation fee and, in some cases, the risk premium), will be deducted also during the suspension. The insurer also applies the risk premium to products for which it is deducted by reducing the number of investment units.

In addition to the risk premium referred to in the previous paragraph, the insurer shall not charge the costs and fees for the period of suspension of the asset fund and for the units registered in the suspended asset fund, which are charged under the special contractual terms and conditions after the investment of the premiums by reducing the number of investment units (in particular the part of the initial costs and the management fees falling on the investment units of the suspended

asset funds). Furthermore, the insurer waives the deduction of the asset management fee to be applied to the net asset value of the suspended asset funds.

The portfolio manager of the asset funds will not deduct the portfolio management fee applicable to the net asset value of the suspended asset funds for the period of suspension. The depositary of the asset funds will continue to deduct the custody fee applicable to the net asset value of the suspended asset funds for the period of suspension.

Pursuant to the provisions of the Bit., on 31 March 2022, the insurer separated the assets of the suspended asset funds that had become illiquid and the other non-illiquid assets of the suspended asset funds, i.e. the suspended asset funds were separated into successor asset funds containing illiquid and liquid assets (hereinafter "separation"). As a result of the separation, the original asset funds suspended on 1 March 2022 ceased to exist on 31 March 2022.

The liquid successor funds at the date of separation contained only cash (cash on account). At the same time as the separation was carried out, the suspension of the asset fund was lifted in relation to the successor asset funds containing liquid assets, and they continued to operate as independent asset funds. The insurance company first calculated the exchange rate (for the valuation date of March 30) and net asset value for the liquid successor asset funds on March 31. Given that the liquid successor asset funds contained only cash (account money), they were obviously not able to fulfill the commitments made in the investment policy, according to which the asset funds invest in collective investment forms whose primary target is the Russian capital market. As the funds of the liquid successor asset funds were not suitable for the realization of the goals set out in the investment policy, the insurance company decided to close and terminate the liquid successor asset funds with effect from 19 April 2022.

The operating procedures of the illiquid successor asset funds, which are also registered as independent asset funds, are governed by the above-mentioned rules published on 1 March and 3 March, i.e. the insurer acts in the same way for the illiquid successor asset funds as for the originally suspended asset funds. For the illiquid successor funds the suspension remains in force as described in Bit. 127 (1) to (8), with the starting date of the suspension of the asset fund being the starting date of the suspension of the original asset fund. Illiquid successor asset funds likewise inherit the investment policy of the suspended asset funds. According to Bit. 127(7), the maximum period of suspension of the asset fund is one year, which may be extended by the insurer for a further total of one year in justified cases.

In view of the fact that the underlying investment assets of the successor funds listed above are currently still unmarketable and non-tradable, CIG Pannónia Life Insurance Plc. has extended the suspension period of the successor funds until the underlying financial assets of the successor funds become marketable, but for a maximum of one year (until 28 February 2024).

The Insurer considers the value of the illiquid Russian successor asset funds to be 0 for the purposes of the annual report, on the grounds of illiquidity and non-tradability.As a consequence, in the annual report, these asset funds are included under Investments for policyholders of unit-linked life insurance policies and Financial assets - investment contracts and, consequently, under Technical provisions and Financial liabilities - investment contracts, with a value of 0, as they do not meet the asset and liability criteria of the IFRS Framework. As a result, the assets value of the asset funds calculated at the last valuation price reduced the return on assets and, to the same extent, the change in reserves, by a total of HUF 1 232 million

28 FINANCIAL ASSETS – INVESTMENT CONTRACTS

Data in THUF

	31 December 2022	31 December 2021 (restated)
Equities	1 361 027	1 422 649
Government bonds, discounted T-bills	185 742	437 507
Corporate bonds	31 477	-
Investment funds	2 631 790	3 053 036
Derivative instruments	1 319	- 3 776
Cash and cash equivalents	939 110	352 488
Other investments	16 843	- 23 953
Total financial assets – investment contracts	**5 167 307**	**5 237 951**

The modification of the comparative period is presented under Note 5.2.

Investments for policyholders of unit-linked life insurance policies and Financial assets – investment contracts contain investment funds investing in closed investment funds managed by MKB Fund Manager Ltd. the associate company of the Insurer. Determinative parts of these funds were owned by the Company at the end of 2022.

The following table shows the asset composition of these funds:

Data in THUF

MKB Funds underlying investments	31 December 2022	31 December 2021
Equities	3 912 863	5 988 746
Government bonds, discounted T-bills	4 675 218	2 051 053
Corporate bonds	990 896	590 017
Investment funds	533 325	1 205 364

Cash and cash equivalents	4 216 778	1 281 144
Other investments	2 879 658	1 051 913
Total	**17 208 738**	**12 168 237**

29 INSURANCE RECEIVABLES FROM POLICY HOLDERS

Data in THUF

	31 December 2022	31 December 2021 (restated)
Insurance receivables from policy holders	2 536 973	1 653 074
Pending charge receivables	170 574	179 615
Total of insurance receivables policy holders	**2 707 547**	**1 832 689**

Most of the receivables from insurance policy holders are premium receivables due within 90 days. The age and structure of receivables remained the same. The modification of the comparative period is presented under Note 5.2.

30 RECEIVABLES FROM INSURANCE INTERMEDIARIES

Data in THUF

	31 December 2022	31 December 2021
Insurance receivables from policy holders	289 526	254 726
Pending charge receivables	- 165 950	- 222 245
Total of insurance receivables policy holders	**123 576**	**32 481**

Receivables on insurance intermediaries mainly include receivables arising from the repayment of commission to non-active (discontinued) brokers.

31 RECEIVABLES FROM REINSURERS

Data in THUF

	31 December 2022	31 December 2021
Receivables from reinsurers	363 675	15 663
Total of receivables from reinsurers	**363 675**	**15 663**

The increase in receivables from reinsurers is primarily caused by the transfer of portfolios of credit coverage contracts.

32 OTHER ASSETS AND PREPAYMENTS

Data in THUF

	31 December 2022	31 December 2021
Prepaid expenses and accrued income	24 900	27 360
Interest rental premium, and other premium related prepayment	33 797	13 442
Inventories	5 683	2 994
Total of other assets and prepaid expenses and accrued income	**64 380**	**43 796**

A significant part of other accrued income is due to the recognition of income related to the acquisition of stock as explained in Note 3.7.3.

33 OTHER RECEIVABLES

Data in THUF

	31 December 2022	31 December 2021
Trade receivables	683	495
Loans granted	604	1 179
Receivables from investment fund fee	62 365	44 262
Advance payments to suppliers and state	35 423	23 891
Other receivables	1 179	-
Total of other receivables	**100 254**	**69 827**

34 INTERCOMPANY RECEIVABLES

Data in THUF

	31 December 2022	31 December 2021 (restated)
Receivables against EMABIT	111 522	69 826
Receivables against the Employee Stock Option Program (MRP)	430	500
Receivables against Pieta	20	20
Receivables against CIG Pannónia Finance Intermediary Ltd.	-	271
Intercompany receivables	**111 972**	**70 617**

The modification of the comparative period is presented under Note 5.2.

35 CASH AND CASH EQUIVALENTS

Data in THUF

	31 December 2022	31 December 2021
Deposits	2 588 805	741 831
Total cash and cash equivalents	**2 588 805**	**741 831**

CIG PANNÓNIA INSURANCE

36 TECHNICAL RESERVES AND RE-INSURER'S SHARE THEREOF

Data in THUF

Gross value of technical reserves	31 December 2022	31 December 2021 (restated)
Unearned premium reserve	795 582	741 173
Actuarial reserves	11 475 048	10 733 569
Reserve for premium refunds dependent on profit	33 050	103 363
Reserve for premium refunds independent of profit	211 612	139 538
Claim reserves:	1 719 297	1 320 263
- of which RBNS	1 451 492	1 084 580
- of which IBNR	267 805	235 683
Cancellation reserve	1 336 975	1 129 581
Other reserve	2 894 545	2 465 775
- reserve for policyholder's loyalty bonuses	2 367 131	1 771 050
- reserve for other reasons	527 414	694 725
Total technical reserves	**18 466 109**	**16 633 261**

The modification of the comparative period is presented under Note 5.2.

Data in THUF

Reinsurer's share of technical reserves	31 December 2022	31 December 2021
Unearned premium reserve	51 207	51 769
Claim reserves:	406 477	127 161
- of which RBNS	336 760	75 558
- of which IBNR	69 717	51 603
Reinsurer's total share of technical reserves	**457 684**	**178 930**

The reserves by line of business according to Bit. are shown in the following tables:

Data in THUF

Reserves allocation as per main line of business (2022)	Unit-linked	Traditional health and accident	Total
Unearned premium reserve	30 072	765 510	795 582
Actuarial reserves (premium reserve of life insurance)	-	11 475 048	11 475 048
Outstanding claim reserves (RBNS, IBNR)	523 313	1 195 984	1 719 297
Reserve for premium refunds	1 238	243 424	244 662
of which: dependent on profit	1 238	31 812	33 050

of which: independent of profit	-	211 612	211 612
Gross cancellation reserves	1 277 501	59 474	1 336 975
Other technical reserves	2 192 068	702 477	2 894 545
Total reserves	**4 024 193**	**14 441 916**	**18 466 109**

Data in THUF

Reserves allocation as per main line of business (2021)	Unit-linked	Traditional health and accident	Total
Unearned premium reserve	33 079	708 094	741 173
Actuarial reserves (premium reserve of life insurance)	-	10 733 569	10 733 569
Outstanding claim reserves (RBNS, IBNR)	635 076	685 188	1 320 263
Reserve for premium refunds	1 238	241 662	242 900
of which: reserve for premium refunds dependent on profit	1 238	102 124	103 363
of which: reserve for premium refunds independent of profit	-	139 538	139 538
Gross cancellation reserves	1 086 999	42 583	1 129 582
Other technical reserves	1 633 850	831 924	2 465 774
Total reserves	**3 390 240**	**13 243 020**	**16 633 261**

The result of the Company's passive reinsurance in 2022 was a loss of HUF 126,716 thousand, while in 2021 it was a loss of HUF 493,155 thousand.

In the case of outstanding claims reserves, the Company does not expect a significant delay in settling claims. The Company expects to settle most of the claims within one year.

In the life segment, we experienced a significant performance result in the case of the itemized outstanding reserve, which was for the most part caused by the release of reserves due to the expiration of claims (HUF 123 million). On the claims of the CIG Health Visa (CIG Egészségvízum) product group's contracts the positive result is 39% (HUF 29 million). In the case of insurance services related to the CIG Health Visa (CIG Egészségvízum) product group, 90% of the risk is borne by the Company's reinsurance partners, thus the net effect of the positive result on the results is HUF 2.9 million. The positive result for claims of the group contracts (corporate and MVM accidents) is 11% (HUF 18 million).

37 RESULTS OF LIABILITY ADEQUACY TEST (LAT)

The results of the model presented by product groups (unit-linked, traditional and Health Visa (Egészségvízum) products) and by currency (HUF, and EUR based products) in the schedule below. The analysis covered both the risks relating to

unit-linked products, traditional and Health Visa (Egészségvízum, previously known as Best Doctors) insurance products, and the individual life insurance of the acquired portfolio.

Data in million HUF, and thousand euro	2022 HUF UL (million HUF)	2022 EUR UL (million HUF)	2022 HUF TRAD (million HUF)	2022 BD* TRAD (million HUF)	2021 HUF UL (million HUF)	2021 EUR UL (million HUF)	2021 HUF TRAD (million HUF)	2021 BD* TRAD (million HUF)
+ Written premium	34 684	2 869	17 173	289	51 771	3 961	15 896	277
- Death insurance benefits	- 3 649	- 784	- 3 728	- 9	- 3 565	- 647	- 5 549	- 180
- Surrender	- 73 839	- 14 801	- 4 549	- 202	- 86 783	- 16 487	- 2 006	- 9
- Endowment	- 22 503	- 2 092	- 9 427	- 85	- 25 768	- 1 742	- 11 589	- 62
- Sickness service	-	-	- 636	- 23	-	-	- 798	- 63
- Costs	- 4 665	- 512	- 1 582	- 14	-6 411	- 675	- 2 056	- 42
- First-year commission	- 113	- 16	- 199	- 32	-175	-6	- 24	- 1
- Renewal commission	- 1 047	- 113	- 3 518	- 1	- 1 198	- 112	- 1 336	- 10
+ commission reversal	213	22	60	-	94	9	57	0
Total CF	**- 70 919**	**- 15 427**	**- 6 407**	**- 77**	**- 72 034**	**- 15 699**	**- 7 405**	**- 90**
+ Accounting technical reserves	76 678	16 549	11 970	286	75 770	16 714	11 150	249
+ Actuarial reserve	- 864	- 82	- 468	- 11	- 774	- 31	- 426	- 14
Net reserves	**75 814**	**16 467**	**11 502**	**275**	**74 995**	**16 682**	**10 724**	**235**
Surplus / deficit	**4 895**	**1 040**	**5 095**	**198**	**2 962**	**983**	**3 320**	**145**

*Under BD TRAD products the Insurer refers to its Health Visa (Egészségvízum, previously known as Best Doctors) products

At the end of 2022 each product had a positive result, i.e. the reserves –reduced by the amount of DAC- exceed the present value of the projected cash-flows in all cases, therefore no impairment of deferred acquisition costs had to be booked because of the examination (however, the run-off results relating to deferred acquisition costs influenced the value of these acquisition costs at the end of the year).

The LAT surplus of the Company increased significantly compared to the end of the previous year. The main reason for the increase is the increase in the risk-free yield curve. Due to the increase in risk-free return, future liabilities are taken into account at a higher discount rate (which reduces the discounted present value of liabilities).

In the LAT calculations, the Company assumed a 16% higher value than the non-payment and cancellation rates used for the calculation of technical reserves, and a 5% higher value than the mortality rates used for the calculation of technical reserves.

The presumption related to the cost was 3.3% higher cost-level than the non-acquisition cost in the budget accepted by the management of the Company.

38 TECHNICAL RESERVES OF POLICYHOLDERS OF UNIT-LINKED LIFE INSURANCE POLICIES

The following table presents changes in unit-linked reserves in the reporting year:

Data in THUF

	31 December 2022	31 December 2021 (restated)
Opening balance on 1 January	85 664 010	75 440 940
Written premium	19 152 258	16 780 424
Fees deducted	- 4 629 152	- 4 275 004
Release of reserves due to claim payments and benefits	- 11 942 351	- 13 650 401
Investment result	- 2 339 789	11 032 390
Reclassification between deemed and real initial units	- 22 151	- 28 106
Portfolio acquisition	-	55 391
Other changes	322 481	308 376
Balance on 31 December	**86 205 307**	**85 664 010**

The modification of the comparative period is presented under Note 5.2.

39 INVESTMENT CONTRACTS

The following table shows the changes in liabilities related to investment contracts in the reporting year:

Data in THUF

	2022	2021 (restated)
Opening balance on 1 January	5 237 950	2 910 863
Written premium	819 359	2 527 593
Fees deducted	- 104 940	- 147 627
Release of reserves due to claim payments and benefits	- 606 488	- 489 494
Investment result	- 136 548	435 782
Reclassification between deemed and real initial units	-105	-199
Other changes	- 41 921	1 032
Balance on 31 December	**5 167 307**	**5 237 950**

Investment contracts are unit-linked policies which do not include significant insurance risk based on the Company's accounting policy relating to policy classification (see Note 3.5.). The modification of the comparative period is presented under Note 5.2.

40 BORROWINGS AND FINANCIAL REINSURANCE

The Company, at the beginning of its business operation, entered a financial reinsurance agreement with the purpose of obtaining finance for the acquisition costs of its unit-linked policies during the start-up period of the Company. Reinsurers provide financing for the first year commissions paid by the Company and adjusted for reversed commissions. The available amount is determined based on the number and value of policies sold. Settlements between the parties are carried out on a quarterly basis by generations of policies.

Since the repayment of the loan is covered by the cash-flow of the insurance policies, therefore the timing of the repayments is in accordance with the premiums received. The percentage specified for the regular insurance premium of the reinsured portfolio has changed several times during the lifetime of the contract. The outstanding balance bears interest at a fixed rate of between 3.38% and 7.91% depending on the given generation of policies. In 2018, the Company decided not to renew its financial reinsurance contract in respect to the generations starting in 2019, i.e. it will repay the financing and interest accumulated so far in the following years. Early 2023, the financial reinsurance will be repaid in full.

Changes in 2022 and 2021 are presented below:

Data in THUF

	31 December 2022	31 December 2021
Opening balance of loans and financial reinsurance	37 739	149 901
Loan received	-	-
Repayments (capital and capitalized interest)	- 34 656	- 117 861
Other changes	3 621	5 699
Closing balance of loans and financial reinsurance	**6 704**	**37 739**

Financing cash flow in accordance with IFRS 7

Data in THUF

	01.01.2022	Cash flows	Transfer	Currency differences	Other	31.12.2022
Treasury shares	- 31 996					- 31 996
Loans and financial reinsurance	37 739	- 32 656		417	3 204	6 704
Lease payment and interest	414 318	- 108 542	3 120	9 884		318 781
Payables to shareholders	19 929	- 1 686 470	1 696 794			30 253
Total financing liabilities	**439 990**	**- 1 829 668**	**1 699 914**	**10 301**	**3 204**	**323 742**

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	01.01.2021	Cash flows	Transfer	Currency differences	Other	31.12.2021
Loans and financial reinsurance	149 901	-117 862	-	-931	6 631	37 739
Lease payment and interest	53 400	- 61 991	417 610	5 299	-	414 318
Payables to shareholders	19 929	-	-	-	-	19 929
Treasury shares	-	-31 996				-31 996
Total financing liabilities	**223 230**	**-211 849**	**416 606**	**4 368**	**6 631**	**439 990**

41 LIABILITIES TO REINSURERS

Data in THUF

	31 December 2022	31 December 2021
Liabilities to reinsurers	647 539	85 013
Total liabilities related to reinsurers	**647 539**	**85 013**

The Insurer presents the traditional - non-financial - reinsurance obligations to the reinsurer on this account. The increase in the liability is the result of the loan coverage portfolio taken over.

42 LIABILITIES TO POLICY HOLDERS

Data in THUF

	31 December 2022	31 December 2021
Liabilities from services	58 783	61 476
Liabilities from premiums	787 806	771 961
Total liabilities to policy holders	**846 589**	**833 437**

Liabilities against insurance policyholders include mainly premium paid for insurance contracts that were still in offer status at the reporting date, or which amounts were paid in advance to deposit accounts of live contracts. If the offer is issued after the closing date, the related premium will be invested and included in

the books as premium income or investment contract liability. If the offer is rejected, the amount paid will be returned to the policyholder. The Company settles the due premium at the next due day from the amounts of the deposit accounts.

43 LIABILITIES RELATED TO INSURANCE INTERMEDIARIES

Data in THUF

	31 December 2022	31 December 2021
Liabilities to insurance intermediaries	218 089	156 728
Total liabilities related to insurance intermediaries	**218 089**	**156 728**

Liabilities to insurance intermediaries include such commission liabilities which were invoiced by the brokers in December, however the Company paid them only in January, furthermore commission which shall fall due in December according to the accounting, nevertheless the invoicing took place in the next year.

44 LEASE LIABILITIES

Data in THUF

	2022	2021
Opening balance on 1 January	414 318	53 400
Increase	65 764	431 106
Derecognition	- 62 644	- 13 497
Paid leasing fees	117 000	70 451
Of which: interest	8 459	8 459
Decrease of liabilities	108 541	61 992
Difference due to exchange rate	9 884	5 301
Balance on 31 December	**318 781**	**414 318**

45 OTHER LIABILITIES

Data in THUF

	31 December 2022	31 December 2021
Trade payables	115 442	64 577
Liabilities to fund managers	118 866	109 798
Liabilities to employees	104 956	83 227
Social contribution and taxes	193 263	108 336
Other liabilities	23 192	833

Accrued expenses and deferred income	599 230	412 379
Advance payments of subsidies	220 372	263 606
Other liabilities and provision total	**1 375 321**	**1 042 756**

Liabilities to fund managers represent amounts relating to unit-linked investments settled with the respective fund managers subsequent to the reporting date. Also on this line are the obligations arising from securities purchased before the end of the year but financially settled only after the balance sheet date. Accrued expenses include costs due before but not invoiced by the reporting date.

On 13 February 2021, the Company reported in an extraordinary report that the National Office for Research, Development and Innovation has issued an eligible professional opinion, based on which the Company and EMABIT receive HUF 799,977,189 in support in the field of "Development of personalizable insurance products with the help of artificial intelligence". The first installment of the subsidy (HUF 512,248 thousand) was called by the end of 2021.

For our project 2020-1.1.2-PIACI-KFI-2021-00267 the implementation period is 01.12.2021. - 30.11.2024. After the completion of the Project, we are obliged to maintain and operate the capacities, products and services developed within the framework of the Project until 31 December 2027 (maintenance period). Mandatory commitment until the end of the maintenance period: business utilisation in the amount of HUF 275,182 thousand.

In the statement of financial position the Company divided the balance sheet line Other liabilities and provisions into two for the for a clearer presentation.

46 PROVISIONS

In respect of provisions, the following changes were made during 2021 and 2022:

Data in THUF

	31 December 2022	31 December 2021 (restated)
Provision on 1 January	43 728	281 679
Provision release	- 17 525	- 265 717
Provision allocation	169 931	27 766
Provision on 31 December	**196 134**	**43 728**

The Company made provisions for the following items in 2022 and 2021:

Data in THUF

Provision for expected liabilities	Expected payment period	31.12.2022	31.12.2021
Provision for litigation	1-2 years	17 332	-
Provision for expected obligation	within 1 year	42 594	26 203
Provision for losses related to the termination of contracts	2 years	-	17 525
Provision for Expenses related to reorganization	within 1 year	136 208	-
Total provisions		**196 134**	**43 728**

Amounts set as provisions are prepared along the best estimate made by the Company on the basis of available information.

The provision for losses related to the termination of contracts is due to the expected loss on contracts sold by exited insurance intermediaries, where the Company expected that a significant portion of life insurance contracts previously entered into by the insurance intermediary will be canceled. The outstanding amounts of the insurance intermediaries concerned were recovered in 2021 and 2022, therefore the provision was released.

The reserve for investment contracts is the sum of the claim reserves and bonus reserves connected to the investment contracts, which the Company reclassified during 2022 from the insurance technical reserves to the provisions balance sheet line. The reclassification was done also retroactively.

The provision for costs related to reorganization is the sum of the costs related to organizational restructuring.

47 INTERCOMPANY LIABILITIES

Data in THUF

	31 December 2022	31 December 2021 (restated)
Liabilities against EMABIT	29 771	10 777
Liabilities against Piéta Ltd.	600	800
Intercompany liabilities	**30 371**	**11 577**

The modification of the comparative period is presented under Note 5.2.

48 SHARE CAPITAL AND CAPITAL RESERVE

As of December 31, 2022, the nominal value and the number of shares issued were as follows:

Issued ordinay shares (nr)	Ordinay shares outstanding (nr)	Description
94 428 260	94 428 260	series "A" ordinary shares
94 428 260	**94 428 260**	

Summary of nominal value of issued shares in 2022 and 2021:

Share series	Nominal value (HUF/share)	Issued shares	Total nominal value (THUF)
Series "A"	33	94 428 260	3 116 133

49 TREASURY SHARES

Description	Date of aquiring	Number of own shares	Par value of treasury shares (THUF)	Cost of treasury shares (THUF)
Series „A" shares – as a gift for free	2014.05.22	1 196 750	47 870	-
Transfer of series "A" ordinary shares to MKB Bank as consideration for a minority interest	2017.07.06	- 92 744	- 3 710	-
of which: sales in employee share-based payment program	2018.10.15	- 230 000	- 9 200	-
of which: sales in employee share-based payment program	2018.11.07	- 160 000	- 6 400	-
of which: sales in employee share-based payment program	2019.04.05	- 340 000	- 13 600	-
Conversion of shares	2020.12.09	- 374 006	- 14 960	
Conversion of shares	2020.12.09	374 006	12 342	
Purchase of series "A" shares	2021.03.30	100 000	3 300	31 996
31.12.2022		**474 006**	**15 642**	**31 996**

Based on the decision of the Board of Directors on 5 April 2019, the Company transferred to the CIG Pannonia MRP a total of 374,006 CIGPANNONIA ordinary shares held by the Company as non-cash contributions to cover performance rewards through the MRP.

The Board of Directors of the Company (with the no. 19/2020. (IV.24.) authorized by a resolution of the Board of Directors within the competence of the General Meeting) for the purpose of providing benefits to the MRP organization, with the

help of MKB Bank Plc., on 29 March 2021, purchased 100,000 treasury shares at an average price of HUF 319. The shares provided will cover future payments subject to the terms and conditions of the MRP Organization, which are conditional and deferred, as well as maintenance obligations. As a result of the transaction the Company's treasury shares inventory has increased from 0 pieces to 100,000 pieces, which was 0,10 % of the amount of issued shares. The treasury shares were transferred to the MRP Organization on 6 May 2021.

Following the transfer of shares, the Company did not legally hold CIGPANNONIA shares anymore. In terms of accounting, however, based on points 33 and 34 of the IAS 32 standard, if a company buys back its own shares, any consideration paid must be presented directly as an item reducing equity. No profit or loss related to the purchase, sale, issuance or cancellation of own shares can be recognized in the result, the consideration for the purchase or sale is recognized directly in equity. Since MRP is considered a paying agent as explained in point 5.2.3, therefore, even though it is a separate legal entity, its own shares directly reduce the Company's equity.

The Company recognizes its treasury shares as an equity item that decreases equity as a separate item within equity.

50 OTHER RESERVES

Data in THUF

	31 December 2022	31 December 2021
Difference in fair value of financial assets valued at fair value against other comprehensive income	- 6 636 383	- 2 971 871
Other reserves	**- 6 636 383**	**- 2 971 871**

Other reserves include the difference between the fair value of financial assets valued at fair value against other comprehensive income recognized directly in equity, of which the negative evaluation difference of OPUS explain HUF -2,424 million, while the negative evalutation difference of government bond portfolios explain HUF -4,394 million.

51 EQUITY CORRELATION TABLE

Equity correlation 2022

Data in THUF

IFRS statement of finncial position items	Notes	Registered capital*	Capital reserve	Treasury shares	Other reserves	Retained earnings		Equity in total
Accoint Act. 114/B § items		Jegyzett tőke	Tőketartalék		Értékelési tartalék	Eredmény-tartalék	Adózott eredmény	Saját tőke összesen
Balance on 31 December 2021		**3 116 133**	**4 019 111**	**- 31 996**	**-2 971 871**	**8 090 538**		**12 221 915**
IFRS 9 opening effect	5.2.4				67 062	-67 062		-
Balance on 1 January 2022 (restated)		**3 116 133**	**4 019 111**	**- 31 996**	**-2 904 809**	**8 023 476**	**-**	**12 221 915**
Total comprehensive income								
Other comprehensive income	19				**-3 731 574**			**- 3 731 574**
Profit tax in reporting year							**1 457 057**	**1 457 057**
								-
Transactions with equity holders recognized directly in equity								**-**
Dividend payments	ST					**-1 699 708**		**- 1 699 708**
Balance 31 December 2022		**3 116 133**	**4 019 111**	**- 31 996**	**- 6 636 383**	**6 323 768**	**1 457 057**	**8 247 690**

Hungarian Accounting Act 114/B 4 paragraph’s a); b); c); d); e); f); g) and h) items are not relevant at the Insurer

*Ther registered capital at Court Registration is equal to IFRS registered capital.

** Free retained earnings to pay dividend is HUF 6,170,268 thousand.

Equity correlation 2021 (restated)

Data in thousand HUF

IFRS statement of financial position items	Notes	Registered capital	Capital reserve	Treasury shares	Share based payment	Other Reserves	Retained earnings		Equity in total
Accounting Act. 114/B § items		Registered capital	Capital reserve			Revaluation reserve	Retained earnings	Profit/loss after taxition	Equity in total
Balance on 31 December 2020		**3 116 133**	**4 019 111**	**-**	**8 838**	**- 780 267**	**7 071 702**	**-**	**13 435 517**
Effect of MRP	5.2.3						- 126 857		- 126 857
Balance on 1 January 2021 (restated)		**3 116 133**	**4 019 111**	**-**	**8 838**	**- 780 267**	**6 944 845**		**13 308 660**
Total comprehensive income									
Other comprehensive income	19	-	-	-	-	- 2 191 604	-	-	- 2 191 604
Profit after tax in reporting year		-	-	-	-	-	-	1 136 855	1 136 855
Transaction with equity holders recognized directly in Equity									
Purchase of treasury shares	49	-	-	31 996	-	-	-	-	31 996
Derecognision of share based payments		-	-	-	- 8 838	-	8 838	-	-
Balance 31 December 2021		**3 116 133**	**4 019 111**	**31 996**	**-**	**- 2 971 871**	**6 953 683**	**1 136 855**	**12 221 915**

Hungarian Accounting Act 114/B 4 paragraph’s a); b); c); d); e); f); g) and h) items are not relevant at the Insurer

*Ther registered capital at Court Registration is equal to IFRS registered capital.

** Free retained earnings to pay dividend is HUF 8,090,538 thousand.

52 FINANCIAL RISK

Financial instruments presented in the statement of financial position include investments and receivables connected to investment and insurance policies, other receivables, cash and cash equivalents, borrowings, trade and other liabilities.

The main insurance risks and the risk management policy are presented in Note 6.

Under the current reserve-allocation rules the unit-linked insurance reserve of the Company and the assigned asset coverage response to an interest shock in the same way, i.e. an asset revaluation caused by a shift in the yield curve means the reserve is revalued to the same extent and at the same time. Similarly, the Company's reserves change to the same degree in the case of currency fluctuations as when changing due to asset revaluations; consequently, the unit-linked insurance reserve, the liabilities from investment policies and the associated asset coverage overall carry no direct interest, currency or lending risk for the Company; changes in interest rates and exchange rates have no direct impact on the Company's results and equity. An indirect effect may occur on the financial risks of unit-linked life insurances through costs deducted from the reserve (asset fund management fee and management fee). This rate is a maximum of 1.95% of the net asset value, i.e. significantly limited.

Financial assets are classified into different categories depending on the type of asset and the purpose for which it is acquired. Currently three asset and two liability categories are used, which are the following: financial assets measured at fair value through profit or loss, loans and receivables, and financial instruments measured at fair value against other comprehensive income; and financial liabilities measured at fair value through profit or loss and other financial liabilities.

The Company is exposed to many financial risks through its financial assets and financial liabilities (investment contracts and borrowings). The most important components of financial risks include interest risk, liquidity risk, foreign exchange risk and credit risk. In the Insurer’s opinion the concentration risk of financial assets is not significant – it can only affect government securities and corporate bonds.

The risks arise from open positions in interest rate, currency and securities products, all of which are exposed to general and specific market movements.

The Company manages these positions as part of Assets-Liability Management, with the objective of achieving returns on its financial assets which in the long run exceed liabilities from investment and insurance policies. The basic

technical method of the Company's Assets-Liability Management is matching insurance and investment contracts from an asset and liability side based on their nature.

The financial risks affecting the Insurer are assessed independently of each other, as their combined effect, according to Solvency II analyses and calculations, is in all cases smaller than the sum of the individual effects. Due to the diversification effect between risks, the sum of the individual risks results in an upper estimate compared to the aggregate financial risk.

The risks are presented below.

52.1 Credit risk exposure

The Company's credit risk exposure arises primarily on premium receivables from insurance policy holders, receivables from insurance brokers due to commission clawbacks, bank deposits, given loans and on debt securities. The Company allocates a cancellation reserve under local accounting rules for the part of receivables from policyholders, that is not expected to be recovered (cf. note 3.4.4 (iv)).

Some of the commission receivables are from active insurance brokers, others are from former brokers no longer in contact with the Company. The Company recorded impairment on receivables not likely to be recovered.

The book value of financial assets, due to these factors, adequately represents the maximum credit exposure of the Insurer. The maximum exposure to credit risk at the reporting date was as follows:

Data in THUF

	31 December 2022	31 December 2021
Government bonds	16 102 344	26 103 354
Corporate bonds	3 344 334	1 438 714
Equity	24 874 428	26 099 266
Investment notes	46 537 498	53 131 723
Cash	19 194 920	6 859 084
Receivables	6 691 118	2 167 920
Other financial assets	- 2 928 467	- 626 929
Reinsurer's share of technical reserves	457 684	178 930

In case of the government bonds, which are the most significant financial assets, the credit risk exposure is not significant, due to these bonds being guaranteed by the state. The Insurer continuously monitors the credit risk of corporate bonds and receivables from reinsurers in the Solvency II process.

Impairment

Of the receivables from direct insurance and other receivables the Company allocated impairment in respect of the receivables from insurance brokers. Ageing of receivables from direct insurance transactions, other receivables and booked impairment is presented below:

Data in THUF

	2022.	2021.
Opening balance on 1 January	223 814	407 357
Derecognition of impairment on irrecoverable receivables	- 76 389	- 165 816
Impairment of assigned receivables	-	41 517
Impairment recognized against the release of provision	-	- 64 597
Impairment booked to income statement	19 220	5 353
Closing balance on 31 December	**166 645**	**223 814**

The change of impairment in the receivables from direct insurance and other receivables was as follows:

Data in THUF

	31 December 2022		31 December 2021 (restated)	
	Gross	Impairment	Gross	Impairment
Not overdue	1 277 126	-	1 375 042	-
between 0 and 30 days overdue	1 413 222	-	12 981	-
between 31 and 120 days overdue	344 085	-	376 819	-
between 121 and 360 days overdue	106 765	-	61 500	-
Overdue by more than a year	466 938	- - 166 645	419 686	-223 814
Total	**3 608 136**	**- 166 645**	**2 246 028**	**-223 814**

On 31 December 2022, the Company does not have any overdue or impaired receivables whose outcome is uncertain or its return may be a problem. 100% of non-impaired receivables maturing between 121 and 360 days and overdue by more than a year are receivables from policyholders for which the Company forms a cancellation reserve.

52.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of reveivables of policyholders, contract commitments or other cash outflows. Such outflows would deplete available cash for operating and investment activities. In extreme circumstances, lack of liquidity could result in sales of assets or potentially an inability to fulfil contract commitments. The risk that the Company will be unable to meet the

above obligations is inherent in all insurance operations and can be affected by a range of institution-specific and market events.

The Company's liquidity management process, as carried out and monitored by management, includes day-to-day funding, managed by monitoring future cash flows to ensure the requirements can be met; maintaining a portfolio of easily marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow, and monitoring the liquidity ratios calculated based on the consolidated financial statements to ensure compliance with internal and regulatory requirements.

Monitoring and reporting take on the form of cash flow projections and measurements for future periods that are key to liquidity management. The table below presents policy cash flows payable and receivable by the Company as at the reporting date of the statement of financial position:

31 December 2022 Data in THUF	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liabilities *	**8 837 088**	**8 616 716**	**8 147 948**	**46 147**	**288 429**	**134 192**	
From Lease liabilities	**318 781**	**318 781**	**46 147**	**46 147**	**92 295**	**134 192**	
Government bonds	2 441 050	2 828 563	765 541	810 787	409 074	755 675	87 488
Corporate bonds	1 454 317	1 616 152	296 497	142 278	464 152	84 833	628 393
Shares	2 168 649						
Investment funds	2 631 790						
Cash	3 527 915	3 527 915	3 527 915				
Receivables	3 592 746	3 592 746	3 592 481	265			
Other financial assets	-168 879	-168 879	-168 879				
Total assets * *	35 786	35 786	35 786				
Liabilities *	**15 539 924**	**11 287 899**	**7 936 578**	**953 330**	**841 604**	**840 508**	**715 881**

* Loans, financial reinsurance, other liabilities and provisions, investment contracts, liabilities from direct insurance
**As neither unit-linked reserves nor investments behind other reserves are available to settle financial liabilities, their amounts are not included in the table.

31.12.2021 Data in THUF	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liabilities *	**7 883 176**	**7 883 176**	**7 488 854**	**75 260**	**143 714**	**175 347**	**-**
From Lease liabilities	414 318	414 318	59 743	59 743	119 485	175 347	-
Government bonds	6 380 180	6 601 619	1 504 765	2 646 554	1 313 248	974 543	162 510
Corporate bonds	301 169	374 904	-	13 284	13 284	39 852	308 484
Shares	3 139 781	-	-	-	-	-	-
Investment funds	3 860 171	-	-	-	-	-	-
Cash	1 135 696	1 135 696	1 135 696	-	-	-	-

Receivables	2 793 643	2 793 643	2 792 803	339	501	-	-
Other financial assets	- 43 992	- 43 992	- 43 992	-	-	-	-
Total assets * *	**17 566 648**	**10 861 870**	**5 389 272**	**2 660 177**	**1 327 033**	**1 014 395**	**470 994**

* Loans, financial reinsurance, other liabilities and provisions, investment contracts, liabilities from direct insurance
**As neither unit-linked reserves nor investments behind other reserves are available to settle financial liabilities, their amounts are not included in the table.

52.3 Foreign exchange risk

The Company underwrites insurance and investment contracts denominated in euro and forint. The Company invests in assets denominated in the same currencies as their related liabilities, which reduces foreign currency exchange risks. Another factor reducing the risk is that the acquisition costs related to the policies generally arise in the currency that the income arises in.

The Company is exposed to foreign currency exchange risk by the fact that financing including interest received as part of financial reinsurance and not yet repaid, is determined in Euros, and the annual repayment amount is defined one year in advance at a set exchange rate.

Since the cash flows from the technical reserve that cover the repayments generally arise in forints, any change in the EUR/HUF exchange rate constitutes a risk both for the coverage of the repayment instalments due based on the policy and from the perspective of a revaluation of the existing debt.

However, this risk is mitigated by the average remaining term expected for a policy in a reinsured generation being less than two years.

The Company constantly monitors its positions with reinsurers, and it believes that the foreign currency risk of all reinsured generations is manageable. The currency risk is managed with natural hedging and forward transactions. For derivatives, the currency exposure shows the total currency exposure of the underlying transaction.

The table below presents the foreign exchange exposures of financial assets and liabilities by currency as at the end of 2022 and 2021:

Data in THUF

31 December 2022	HUF	EUR	USD	RON	DKK
Government bonds, discounted T-bills	15 993 536	108 812	-	-	-
Corporate bonds	1 423 971	1 920 364	-	-	-
Shares	1 859 217	218 426	22 796 810	-	-
Investment funds	17 867 310	1 791 612	26 878 624	-	-
Cash	9 763 254	7 717 123	1 685 952	230	28 378

Receivables	4 874 906	1 578 662	237 550		-
Derivative instruments	-	- 1 740 179	-	-	-
Other UL assets	- 1 040 928	- 644 242	- 1 301 085	-	-
Loans and financial reinsurance	-	- 6 704	-	-	-
Insurance and other liabilities	- 3 111 475	- 202 568	-	-	-
Other financial liabilities	- 160 863	- 157 918	-	-	-
Investment contracts	- 4 220 232	- 947 075	-	-	-

Data in THUF

31 December 2021 (restated)	HUF	EUR	USD	RON	DKK
Government bonds, discounted T-bills	26 103 354	-	-	-	-
Corporate bonds	983 196	455 518	-	-	-
Shares	2 755 080	277 139	23 034 977	-	32 070
Investment funds	18 074 811	3 215 749	31 841 162	-	-
Cash	3 648 302	2 296 323	907 495	6 080	884
Receivables	1 837 272	313 581	17 070	- 2	
Derivative instruments	-	- 64 602	-	-	-
Other UL assets	- 398 362	- 107 774	- 56 193	-	-
Loans and financial reinsurance	-	- 37 739	-	-	-
Insurance and other liabilities	- 2 048 407	- 144 761	-	-	-
Other financial liabilities	- 203 762	- 210 556			
Investment contracts	- 4 331 609	- 906 342	-	-	-

The table shows the sensitivity of the Company's profit/loss and equity to foreign exchange risk. Possible fluctuations in exchange rates at the end of 2022 and 2021 would have the following impact on the Company's profit/loss and equity:

Data in THUF

31 December 2022	EUR	USD	RON	DKK
Year-end FX rate	400.25	375.68	80.88	53.83
Possible change (+)	10%	10%	5%	5%
Possible change (-)	10%	10%	5%	5%
The impact of the increase of the FX rate on the profit or loss / shareholders' capital	**68 779**	**-**	**12**	**-**
The impact of the decrease of the FX rate on the profit or loss / shareholders' capital	**- 68 779**	**-**	**- 12**	**-**

Data in THUF

31 December 2021	EUR	USD	RON	DKK
Year-end FX rate	369.00	325.71	74.56	49.61
Possible change (+)	10%	10%	5%	5%
Possible change (-)	10%	10%	5%	5%
The impact of the increase of the FX rate on the profit or loss / shareholders' capital	**70 571**	**-**	**304**	**-**
The impact of the decrease of the FX rate on the profit or loss / shareholders' capital	**- 70 571**	**-**	**- 304**	**-**

The low-level foreign exchange exposure is due to the continuous monitoring of foreign exchange risks and asset-liability matching.

52.4 Interest rate risk

The Company's interest payment liability from financial reinsurance was determined alongside an interest agreement fixed per reinsurance generation. For this reason, the existing reinsured generations carry no interest risk anymore.

The Company determines the value of life insurance premium reserves prospectively using a technical interest rate; under the current reserve-allocation rules the reserves do not revalue on account of a shift in the yield curve. However, a shift in the yield curve can affect the value of assets assigned to the life insurance premium reserves, which is why there is an interest risk for these assets. The Company counters the interest risk by selecting assets which are not overly sensitive to changes in interest rates. Risk management is also supported by the continuous monitoring of asset-liability matching.

The following table presents the Company's interest-bearing assets and liabilities as of 2022 and 2021 year-end:

Data in THUF

	31 December 2022	31 December 2021
Fixed-interest	19 446 684	27 542 068
Floating-interest	-	-
Interest-bearing assets	**19 446 684**	**27 542 068**
Fixed-interest	325 485	452 057
Floating-interest	-	-
Interest-bearing liabilites	**325 485**	**452 057**

In the case of fixed-interest financial assets, the possible change in interest rate (30 basis points for HUF in 2022, 20 basis points for euro investments) would change the Company's equity by HUF -211,771 thousand annually. (In 2021, 30 basis points for forint investments and 20 basis points for euro investments, which would have changed the Company's equity by HUF -339,982 thousand annually.)

The Company's interest-bearing assets and liabilities bore the following interest rates as of the end of 2022 and 2021:

	31 December 2022		31 December 2021	
	HUF	EUR	HUF	EUR
Government bonds	0%-6.75%	1.25%	0.01%-7.0%	0%
Corporate bonds	2%-14%	2.5%-4.5%	3.25%	4.5%
Cash and cash equivalents	12.79%	-	-	-
Loans, and financial reinsurance	n/a	3.38%-7.91%	n/a	3.38% - 7.91%
Lease liabilities	2.65-3%	2.7%-2.8%	2.65%-2.88%	2.7%-2.8%

52.5 Accounting classification and fair values

The carrying values of loans and receivables and other financial liabilities do not differ significantly from their fair values.

The following table presents the Company’s assets and liabilities as classified into financial asset and liability categories:

Data in THUF

31.12.2022	Financial assets at fair value through profit or loss	Loans and receivables	Other financial assets at fair value	Financial liabilities at fair value through profit or loss	Other financial liabilities
Government bonds	3 098 696		12 817 907		
Corporate bonds	525 121		2 787 736		
Shares	22 705 779		807 622		
Investment fund units	43 905 707				
Cash (unit-linked & own)	15 667 005	2 588 805			
Receivables	3 098 366	3 407 024			
Other UL assets	- 2 817 372				
Interest-bearing shares					
Loans, financial reinsurance, other liabilities and provisions, liabilities from insurance, lease liabilities, intercompany liabilities					3 669 781
Investment contracts				5 167 307	
Derivative instruments	56 471				

Total	86 239 774	5 995 829	16 413 265	5 167 307	3 669 781

Data in THUF

31.12.2021	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other financial liabilities
Government bonds	7 155 198	-	18 510 649	-	-
Corporate bonds	-	-	1 438 714	-	-
Shares	23 266 700	-	1 409 917	-	-
Investment fund units	49 930 842	-	147 845	-	-
Cash (unit-linked & own)	5 764 765	741 831	-	-	-
Receivables	136 369	1 973 265	-	-	-
Other UL assets	- 529 976	-	-	-	-
Interest-bearing shares	-	-	-	-	-
Loans, financial reinsurance, other liabilities and provisions, liabilities from insurance, lease liabilities, intercompany liabilities	-	-	-	-	2 645 225
Investment contracts	-	-	-	5 237 951	-
Derivative instruments	- 59 887	-	-	-	-
Total	**85 664 011**	**2 715**	**21 507 125**	**5 237 951**	**2 645 225**

The Company provides details on how fair values are determined under Note 3.18.

The following table presents the hierarchy for fair value measurements in respect of financial instruments measured at fair value:

Data in THUF

31 December 2022	Level 1	Level 2	Level 3	Total
Government bonds	15 807 791		108 812	15 916 603
Corporate bonds			3 312 857	3 312 857
Shares	23 513 401			23 513 401
Investment fund units	43 905 707			43 905 707
Unit-linked cash	15 667 005			15 667 005
Receivables and other unit-linked financial assets	280 994			280 994
Derivative instruments		56 741		90 938
Total assets	**99 174 899**	**56 741**	**3 421 669**	**102 687 506**
Liabilities measured on fair value	5 167 307	-	-	5 167 307

Total Liabilities	5 167 307	-	-	5 167 307

Data in THUF

31 December 2021	Level 1	Level 2	Level 3	Total
Government bonds	25 665 847	-	-	-
Corporate bonds	-	-	1 438 714	1 438 714
Shares	24 676 617	-	-	24 676 617
Investment fund units	50 078 687	-	-	50 078 687
Unit-linked cash	5 764 765	-	-	5 764 765
Receivables and other unit-linked financial assets	- 393 607	-	-	- 393 607
Derivative instruments	-	- 59 887	-	- 59 887
Total assets	**105 792 309**	**- 59 887**	**1 438 714**	**107 171 136**
Liabilities measured on fair value	5 237 951	-	-	5 237 951
Total Liabilities	**5 237 951**	**-**	**-**	**5 237 951**

53 SEGMENT INFORMATIONS

The Company does not examine its activities by segment, as the management treats the company as one portfolio. Furthermore, the management has examined that the Company operates in a geographical segment and does not classify its products under other risk exposures.

54 CONTINGENT LIABILITIES

The Company is subject to insurance solvency regulations and it has complied with all regulatory requirements either in accordance with EU Directives or with Hungarian regulations. The Company has no contingent liabilities in connection with such regulations.

At the end of 2022, the Company had no contingent liabilities.

55 COMMITMENTS FOR CAPITAL EXPENDITURE

As at 31 December 2021 and 31 December 2022, the Company had no commitments for capital expenditure.

56 RELATED PARTY DISCLOSURES

Related party transactions, as defined by the Company, are business events between the Company and operations of the members of the Board of Directors and the Supervisory Board, beside the transactions with the jointly controlled companies and subsidiaries.

56.1 Related party transactions between the Insurer and the members of the Board of Directors and the Supervisory Board

Benefits to the members of the Board of Directors and the Supervisory Board:

The members of the Board of Directors and the Supervisory Board received an honorary fee of HUF 14,300 thousand in 2022 (HUF 18,850 thousand in 2021), of which the part for the life insurer amounted to HUF 7,436 thousand. No advance or loan was paid to them.

56.2 Transactions with subsidiary companies

Pannonia PI-ETA Funeral Services Ltd. charged HUF 10,309 thousand for funeral services to the Company (HUF 19,080 thousand in 2021).

The Company invoiced to CIG Pannónia First Hungarian General Insurance Company (EMABIT) HUF 815,801 thousand for joint employment (HUF 341,835 thousand in 2021) HUF 187,578 thousand for cost transfer (HUF 100,322 thousand in 2021). CIG Pannónia First Hungarian General Insurance Company has invoiced HUF 20,906 thousand in 2022 towards the company.

In addition, the Company carried out a capital increase worth HUF 1,000 million.

In 2022, CIG Pannónia Finance Intermediary Ltd. did not charge any commission to the Company for insurance intermediation, as its liquidation was completed on 6 December 2021. In 2021 it charged a commission of HUF 28,747 thousand for insurance brokerage. Related to its granted loan the Company charged in 2021 an interest of HUF 4,227 thousand, and further invoiced HUF 639 thousand for joint employment, administrative services and telephone use. Receivables were assigned in the amount of HUF 1,248 thousand in 2021, while receivables were written off in the amount of HUF 164,164 thousand. As a result of the closure of the liquidation, no such transactions occurred in 2022.

The Company paid an operating contribution of HUF 5,733 thousand to MRP. In 2021, this amount was HUF 6,806 thousand.

56.3 Transactions with associated companies

MKB Fund Manager Ltd. invoiced the followings to the Company in 2022:

- The unit-linked portfolio management fee[1] was HUF 376,875 thousand (HUF 374,073 thousand in 2021) and net unit-linked fund

[1] The unit-linked portfolio management fee and the fund management fee are charged directly to the net asset value of the unit-linked asset funds.

management fee of HUF 17,495 thousand (HUF 404,986 thousand in 2021).

- Own portfolio management fee was HUF 39,321 thousand, in 2021 portfolio management fee was HUF 38,068 thousand.

Furthermore, CIG Pannónia Life Insurance Plc. invoiced HUF 255 thousand mediated services to MKB Fund Management Ltd. in 2022. (It was HUF 462 thousand in 2021).

56.4 Transactions with other related parties

The Company used mainly insurance intermediation activities from its other related parties in the following annual amounts:

- from Hungarikum Biztosítási Alkusz Kft. in the amount of HUF 305,573 thousand (HUF 160,849 thousand in 2021),
- from HUNBankbiztosítás Kft. in the amount of HUF 58,653 thousand and EUR 566 (HUF 188,635 thousand in 2021),
- from HUNPénzügyi Tervező Kft. in the amount of HUF 142,989 thousand and EUR 10,008 (HUF 200,049 thousand in 2021) and
- from HUNPartner Kft. in the amount of HUF 33,355 thousand (HUF 17,728 thousand in 2021).

All services were provided at market prices.

On 31 December 2022, the Insurer has the following obligations with other related parties (companies related since 2021), which Insurer presented under the line *Liabilities to insurance intermediaries*:

- Towards Hungarikum Biztosítási Alkusz Kft. in the amount of HUF 7,673 thousand (HUF 1,437 thousand in 2021). The Company also recognises a receivable against Hungarikum Biztosítási Alkusz Kft. of HUF 121,628 thousand at the reporting date due to the payment of commission advances.
- Towards HUNBankbiztosítás Kft. in the amount of HUF 1,426 thousand (HUF 7,103 thousand in 2021). The Company also recognises a receivable against HUNBankbiztosítás Kft. in the amount of EUR 544.
- Towards HUNPénzügyi Tervező Kft. in the amount of HUF 12,964 thousand and EUR 3,108 (HUF 8,677 thousand in 2021).
- Towards HUNPartner Kft. in the amount of HUF 1,250 thousand (HUF 1,336 thousand in 2021).

The Company purchased used tangible assets from HUNInsurtech Kft. in the amount of HUF 909 thousand (HUF 5,828 thousand in 2021). The Insurer has no obligations to the partner on the balance sheet date.

In 2021 the Company supported the publication of the Insurance Almanac with HUF 4,445 thousand, which was published by HUNMédia Kft. In 2022, the

Company concluded a marketing agency framework contract with HUNMédia Kft. and in 2022 its turnover amounted to HUF 70 442 thousand. The Insurer has a liability of HUF 19,082 thousand towards the partner on the balance sheet date.

HUNService Kft. provided the Company with customer management, electronic data processing, claims administration, reconciliation and support services related to its group insurance policies in 2022 for a total amount of HUF 92,845 thousand. The Company has a liability of HUF 18,295 thousand towards HUNService Kft. at the balance sheet date.

No transactions occurred with other related parties.

57 EVENTS AFTER THE BALANCE SHEET

On 16 January 2023, the Company gave an immediate information that the employment of CEO Zoltán Polányi in CIG Pannónia Insurers was terminated by mutual agreement, and that the CEO also resigned from his position on the boards of both companies on the same day, as a result of which from that day the position of CEO of the companies is held by Dr. István Fedák acting as the sole CEO. Due to the changes, the Board of Directors of CIG Pannónia Életbiztosító Nyrt. elected a new President in the person of Board member Dr. Péter Bogdánffy[2], and the transformation of the organizational structure adopted by the Board has begun. On 1 February 2023, the Board of Directors of the Company - in order to determine for itself the basic guidelines and system of operation adapted to the changed management structure – entered into force a new organizational structure and, because of this, a new organizational and operational regulation (Regulations) that follows the changes in all respects and determines the levels of management and responsibility for both the Life Insurance Company and EMABIT.

With the entry into force of the Regulations, the senior management levels of the Company's operation and the areas belonging to them were established as follows, adapted to the tasks:

The heads of the Company's work organization: Management		
	CEO	dr. István Fedák
	Deputy CEO responsible for corporate governance and prudential compliance	dr. Gábor Dakó
	Chief Financial Officer	Árpád Szűcs
	Deputy CEO Sales Division	Zoltán Kőrösi
	Deputy CEO Retail Division	Antal Kóka

[2] https://bet.hu/newkibdata/128834222/BP_IG_ELN_HU_20230118.pdf

	Deputy CEO for Legal and Business Support	dr. Dávid Kozma

In its Information the Company stressed, that when defining management responsibilities and forming its own internal organization - according to other expected internal regulations, relevant recommendations, and all requirements of transparency and regulated market presence -, the Company kept in mind the criteria for the implementation of the Company's unified, organic growth strategy containing development directions and goals (Growth Strategy).
In connection with the aforementioned reorganization, the conditions for provisioning already existed on the reporting date, therefore the Company created a provision for the amount of the expected wage payments, which appears among the salary costs.

There was no significant other post-balance sheet event in the life of the Company.

58 STATEMENT

Seperate Financial Statements and Business Report of CIG Pannónia Life Insurance Plc. for the year 2022, prepared according to the international financial reporting standards accepted by the European Union provides a true and fair view of the assets, liabilities, financial position and profit/loss of the Insurer furthermore the business report provides a fair view of the position, development and achievement of the Insurer indicating the main risks and uncertainties. On 28 March 2023 the Company's Board of Directors accepted the submission of the Company's separate financial statement to the shareholder's annual general meeting.

The Board of Directors of CIG Pannónia Life Insurance Plc. made the following decision regarding the dividend policy: after the business year 2022, given the conditions allow, it plans to pay a total dividend of HUF 1,700 million. Thus, the proposal of the Board of Directors for the use of the 2022 after-tax profit is to pay a dividend of HUF 18 per share to the shareholders and to transfer the additional required amount from the profit reserve.

Budapest, 28 March 2023

Dr. István Fedák	Alexandra Tóth	Géza Szabó
Chief Executive Officer	*Chief Accounting Officer*	*Chief Actuary*

CIG PANNÓNIA LIFE INSURANCE PLC .

BUSINESS REPORT FOR THE YEAR 2022

28 March 2023

Report on the development and business performance of the Company

We increased our after-tax profit excluding extra profit tax by 64% from last year's HUF 1,137 million to HUF 1,870 million, despite the economic challenges of 2022 (14.5% inflation, 15% weakening of the forint against the euro). However, our reported result, taking all items into account, has increased from the HUF 1,137 million mentioned above to HUF 1,457 million (28%) in one year.

The extra profit tax was a burden of HUF 413 million over 2022. Despite the fact that our business growth is outstanding, high tax rates have significantly reduced our reported profit.

Another significant item that reduced our result was the annual change in provisions due to international accounting rules, as our result for 2021 was improved by the provisions formed in previous years for the debts of our partners, which was then released due to the successful recovery activity. This HUF 264 million profit-enhancing item did not reappear this year. In addition, in order to provide the necessary financial coverage for some of our projects starting in 2022, laying the foundation of our future, we had to create provisions on the principle of prudence (in the amount of HUF 152 million). We evaluate both effects as one-off items that do not directly affect business growth or the implementation of our strategy.

Our company is following its designated strategy, which is clearly visible in the growth of premiums and new acquisitions. Our insurance premium revenues in 2022 increased by HUF 4.6 billion, thus by 21% when compared to 2021. All of our portfolios participated in this growth. Thanks to unit-linked and our strategic agreement with MBH, the increase in premium revenue from our group life insurance products was more than one-one billion forints each. The group credit coverage portfolio taken over from BNP Paribas Cardif Biztosítók also contributed significantly to the growth of group life insurance products.

The increase in our premium revenue is driven by new sales. New acquisitions of group life products almost doubled in a year, and new acquisitions of traditional products also increased, albeit by a more modest extent. The drastic rise in yields on the market and the increase in inflation in the last quarter of 2022 erased the competitive advantage of unit-linked products, resulting in a small year-on-year decline in their sales.

Our extensive, strong sales network is behind the increase in new sales. Among the performance of our sales channels, the independent sales network stands out. The banking channel continued its growth, which is a significant result of our strategic agreement with Magyar Bankholding and its member companies. The growth of other business development is driven by the group insurances concluded with MVM.

The increase in yields due to rising inflation had a negative impact on the valuation of our securities. According to the relevant International Financial Reporting Standards (IFRS), unrealised exchange losses do not reduce our profit after tax, but they do reduce the sales reserve in equity and thus the value of equity. Consolidated unrealised exchange losses reached HUF 3.7 billion by the end of the year. This loss could affect our profit after tax in two cases: if we sell our securities, or if the Hungarian sovereign rating is downgraded by international credit rating agencies.

Our insurer’s capital position is stable, with a capital adequacy ratio of 207%.

Main risk arising during the Company’s investing activity

In addition to investing technical reserves, the Company invested its own investments held for trading – with particular attention to liquidity and risk aspects – primarily in Hungarian T-bills and state bonds because this ensured the risk management and flexibility that was appropriate for dynamic business growth and stable operation.

In addition to managing insurance risks, the Company pays close attention to financial risk management:

- credit risk exposure primarily arises on premium receivables from insurance policy holders, receivables from reversed commissions, on debt securities and bank deposits, which are managed using both financial and legal means;
- liquidity and cash-flow risk management are based on daily monitoring, to which the updating of the portfolio of easy-to-sell, marketable securities and the management of unforeseeable cash-flow problems are aligned;
- interest risks principally arise with financial reinsurance liabilities, where the level of uncertainty is low given the fixed interest agreements. Risk management is also supported by the continuous monitoring of asset-liability matching;
- in 2022 the Insurer hedged its portfolio in unit-linked investments, and its own investments;
- the Insurer has price risk mainly its own investments; the market value of the securities is continuously monitored by the ALM activity.

Presentation of the Company’s financial situation in 2022

In 2022, the Company’s gross written premium was HUF 26,834 million, which is 121 percent of the revenues generated in 2021, of which HUF 19,366 million is linked life insurance (of which HUF 7,454 million pension insurance), HUF 6,510 million is traditional life insurance (of which HUF 1,263 million in pension insurance), HUF 958 million is health insurance.

Gross premiums from the first-year premiums sold amounted to HUF 4,530 million, an increase of 72% compared to the previous year (HUF 2,636 million). Gross premium income from renewals in 2022 was HUF 15.745 million, compared to HUF 14,466 million in the same period of 2021, i.e. renewal fees increased by 9%. The top-up/single premiums were 28% higher than the top-up/single premium in 2021, amounting to HUF 6,559 million, mainly related to unit-linked life insurance.

The change in unearned premium reserve in 2022 amounted to HUF 54 million, while the reinsured premium was HUF 844 million.

Life insurance policies of unit-linked products sold by the Company that are not classified as insurance under IFRSs are classified as investment contracts by the Company. In connection with investment contracts, the Issuer generated HUF 105 million fee and commission income during the period.

The value of commissions and profit sharing from the Reinsurer was HUF 313 million, in parallel with the increase in reinsurance premiums, primarily as a result of the group credit coverage portfolio takeover.

Other operating income (HUF 876 million) mainly includes the proceeds from the management of the Issuer's assets fund (HUF 480 million), which (by 13%) decreased compared to 2021. In addition, the other significant item is the income from subcontracted services amounting to HUF 185 million.

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 14,718 million), this expenditure is decreased by the recoveries from reinsurers (HUF 124 million).

Changes in net reserves (HUF 2,105 million), mainly due to the following changes in reserves. HUF 541 million relates to the increase in unit-linked life insurance reserves. The mathematical reserve increased by HUF 672 million, the premium reserve independent of profit rose by HUF 72 million. The technical reserves for bonus payments to life insurance clients rose by HUF 440 million. Net claim reserves increased by HUF 125 million, while cancellation reserves increased by HUF 255 million in parallel with the increase in receivables.

The total operating cost of the Issuer was HUF 7,353 million in 2022, of which HUF 4,883 million is related to the fees, commissions and other acquisition costs, and HUF 1,713 million is related to other operating costs and 757 million other expenses. Acquisition costs show an increasing tendency (30%), while the gross premiums earned rose by 21%. This is primarily the result of the increase of other acquisition costs. The other operating costs increased by HUF 5 million compared to the same period of the previous year (HUF 1,708 million in 2021), primarily due to the increase in personnel expenses.

The investment result is a profit of HUF 2,611 million, which is the result of the factors detailed below.

The unit-linked return in 2021 is a loss of HUF 2,481 million.

As stock market investors, 2022 was a sad year. With few exceptions, almost all stock markets closed significantly lower. The highest return in the 2022 calendar year was achieved with the Latin American, Warren Buffet and Metallicum asset funds, other markets ended the year with a loss. Asset funds with a moderate risk and mixed composition had a mixed performance, the Best Select asset fund closed with the best performance. Money market funds came into focus again in 2022 thanks to interest rate hikes by the MNB, the base interest rate is now 13%, but after one-day deposits, the central bank pays up to 18% to prevent the forint from plummeting.

In 2022 the Forint found itself in rain – and it poured. Rising energy prices, budgetary imbalances, high inflation (even in regional comparison), political tensions and the effects of the war, as well as the developments during the negotiations with the EU moved the forint exchange rate and overall weakened it against both the dollar and the euro. The devaluation against the dollar was also supported by the US interest rate hike. Taking these into account, the forint was the fourth (!) worst-performing currency among the currencies of developing market countries globally, with a weakening of more than 13% last year. At the time of the low point in October, 445 forints had to be paid for one dollar on the interbank foreign exchange market, but it closed the year at 375.68 forints. Last year, the forint weakened by 8.2% compared to the euro. The peak against the euro was HUF 432 in October, which fell to HUF 400.25 by the end of the year.

The Insurer's return on its own investments was a profit of HUF 755 million in the year (HUF 379 million in 2021) as a result of the rising yield environment.

CIG Pannónia First Hungarian General Insurer recorded impairment loss of HUF 868 million (HUF 887 million in 2021). The subsidiary is accounted for in the financial statements at the value of equity attributable to the Company.

Earnings from the MKB Fund Management Company to the Company appear on the Return of Associates, which is a profit of HUF 834 million in 2022.

The pre-tax result is a profit of HUF 1,580 million (following a pre-tax profit of HUF 1,233 million in 2021), which was reduced by the HUF 240 million tax liability and increased by the deferred tax income of HUF 117 million. After-tax result was HUF 1,457 million, HUF 320 million higher than the profit after tax for 2021. Other comprehensive income includes a decrease in fair value of financial assets valued at fair value against other comprehensive income of HUF 3,732 million, and total comprehensive result in 2022 is thus a loss of HUF 2,275 million.

The Issuer's balance sheet total is HUF 121,756 million, its financial position is stable, and it has fully complied with its obligations. At 31 December 2022, equity capital amounted to HUF 8,248 million.

Implementation of business policy goals in 2022

For the CIG Pannónia group, the year 2022 was of outstanding importance in the implementation of the Growth Strategy announced in 2021, which included development directions and goals and was narrowed down to organic growth goals, as it was our first full economic year following the relaunch of our non-life insurance products in 2021.

Relaunching our industrial property, fleet casco, and guarantor products and operating them with the demand and specific elements of growth, creating and securing the necessary capital position for this was an important element of our strategy in the past year.

We have become known and even acknowledged in the insurance market, and have managed to achieve substantial market participation in a very short period of time, with annual growth in industrial property and fleet casco premiums of HUF 1.9 billion and HUF 1.8 billion, respectively, during 2022

Our other priority task to achieve our strategic goals was to exploit synergies in the bank-insurer cooperation more fully, through a strategic agreement with Magyar Bankholding (MBH) and its member companies, MKB Bank Nyrt., Takarékbank Zrt. and Budapest Bank Zrt., which on the one hand has been embodied in the bank product sales and related sales support activities, on the other hand in the exclusive insurance sales and related sales support activities of Magyar Bankholding Zrt. and its member banks on the other, contributing to enhancing the customer experience. Thus, we have started to realize our goals, and we are stepping up the pace of implementation, so that we are present with a wide range of products in 2022 in MBH, which implements the first stage of the banking merger. We offer our customers group life insurance, credit coverage insurance, home and travel insurance, regular and single premium savings and accident insurance. We have learned a lot about the possibilities of banking cooperation, and our goal is to further exploit and develop these. We are proud to have entered the home insurance market with our certified consumer-friendly home insurance product in the spring.

We also set the goal of starting agricultural insurance in 2022. Last year was extraordinary not only from the political and security aspect, but also from the climate change aspect. However, the record drought year of 2022 has warned us to be cautious in terms of the development and market introduction of products in this area, but we have not given up on our goal, i.e. our successful market presence in this area, we only want to devote more energy to developing the details of our agricultural insurance product, ensuring the best possible timing for the product launch.

An advanced, modern insurer cannot operate without advanced partner networks. We did a lot to develop our independent network relationships, thus

the number of brokers and agents cooperating with us amounted to nearly 220 partners by the end of the year. Modern operation also includes the use of advanced twenty-first century techniques. We have started planning our Innovation Project, clarifying the requirements to implement a modern, end-to-end system, with the goal to increase our customers' satisfaction.

IFRS 17 has been implemented on schedule and our staff are already working on converting the 2022 numbers to be used for comparison. A huge effort has been made over the past year to get the new system up and running. This year, it will be an important task to convey the rules of the new regime, the features of the system and related knowledge to the owners, our investors, and even the market participants who analyze us. Understanding the transition results will now be essential to interpreting the results of the CIG Pannónia Group and comparing them with its past results, as in reality CIG Pannónia Life Insurance Plc. is currently the only insurance company in Hungary whose reports must be prepared in accordance to this set of rules.

As last year, this year too we believe that our employees are behind many of our successes. The number of our employees reached two hundred by the end of the year, which number requires a structured HR operation. Our aim was to introduce a well-thought-out performance evaluation system, which we are already using when taking stock of personal achievements for the year 2022.

The topic of sustainability is becoming more and more important these days. Our goal was to incorporate this approach into our processes as an insurance company. We are at the beginning of this journey, and we have taken the first steps to be able to report in a transparent way to our customers, shareholders and the whole society on all elements of the environmental, social and governance (ESG) framework that affect our company and impact our operations. Our aim is to incorporate the most modern principles and methodologies from the ESG framework into our daily operations in a scheduled and thus transparent way, so that our operations can be measured and evaluated in an integrated way with our financial data for our investors, and so that we can take a fuller advantage of the benefits the framework provides.

Overall, the year 2022 has been remarkable in that it has brought sharp political, economic, security, and climate changes at the same time. Our keyword was change management once again. We have tried to recognize and take advantage of their inherent potential and thus become an active, proactive player in the process of change. Due to our size, we are able to offer our partners the kind of flexibility and speed that, in our view, has become an expectation, but also our value in the accelerated world of the recent years.

Business policy goals of CIG Pannónia Life Insurance Plc. for 2023

We believe that the impact of the global changes of 2022 will be felt in 2023 as well, and their management, the appropriate restructuring of our operations will be key in this year.

Like all companies, the companies of the CIG Pannónia Group are interested in increasing premium income and profit, maximising shareholder value at the consolidated level, providing better service to their customers and partners, and we could go on and on with listing the goals that will make us better, more efficient, bigger at the corporate and the group level. This year, the focus of this is on our own employees, who we treat as the key to achieving our plans.

At the beginning of this year, we rationalized and shaped the organizational units to the upcoming year's plans, introduced a shorter, even faster response customer relationship structure and risk-taking process. We did all this in order to ensure that the group could meet the expectations of a smaller number of employees both at the organizational level and at the employee level. Our internal objectives in this area are to develop a remuneration structure that is more responsive to the rising expectations and more reflective of individual performance, besides increasing regional and individual responsibility, we launched a mentoring programme for our employees representing the younger generation, we introduced, introduce a program for leadership, coaching and other programs that put the focus on the personal development of employees.

We can’t stress enough the importance of the cooperation launched with Magyar Bankholding and its subsidiaries. After the start of last year and concluding the lessons learnt, our most important task is to support the Bank's sales force in everything, so that in this year – a year full of challenges for the financial sector - it can provide the best possible service to its customers when selling insurance products, both in the retail and the business areas. It is important to highlight our integrated casco product developed for Euroleasing Zrt., the introduction of which this year followed true teamwork.

Our Innovation Project continues; not only are we over the survey, but the ideas are also being concretized, which could finally mean a turn towards the actual implementation of the project this year.

Following the relaunch of EMABIT, it is a priority goal this year to increase our market share in the industrial property and fleet casco sector, to reach as many partners as possible and to serve our cooperating partners better and faster. In the non-life business, this year we aim to further strengthen our retail products - sold through the network of independent intermediaries - and in the

corporate property sector we are working on launching new products that reflect market needs and international trends.

Subsequent events in accordance with supplementary notes

On 16 January 2023, the Company gave an immediate information that the employment of CEO Zoltán Polányi in CIG Pannónia Insurers was terminated by mutual agreement, and that the CEO also resigned from his position on the boards of both companies on the same day, as a result of which from that day the position of CEO of the companies is held by Dr. István Fedák acting as the sole CEO. Due to the changes, the Board of Directors of CIG Pannónia Életbiztosító Nyrt. elected a new President in the person of Board member Dr. Péter Bogdánffy, and the transformation of the organizational structure adopted by the Board has begun. On 1 February 2023, the Board of Directors of the Company - in order to determine for itself the basic guidelines and system of operation adapted to the changed management structure – entered into force a new organizational structure and, because of this, a new organizational and operational regulation (Regulations) that follows the changes in all respects and determines the levels of management and responsibility for both the Life Insurance Company and EMABIT.

With the entry into force of the Regulations, the senior management levels of the Company's operation and the areas belonging to them were established as follows, adapted to the tasks:

The heads of the Company's work organization: Management		
	CEO	dr. István Fedák
	Deputy CEO responsible for corporate governance and prudential compliance	dr. Gábor Dakó
	Chief Financial Officer	Árpád Szűcs
	Deputy CEO Sales Division	Zoltán Kőrösi
	Deputy CEO Retail Division	Antal Kóka
	Deputy CEO for Legal and Business Support	dr. Dávid Kozma

In its Information the Company stressed, that when defining management responsibilities and forming its own internal organization - according to other expected internal regulations, relevant recommendations, and all requirements of transparency and regulated market presence -, the Company kept in mind the criteria for the implementation of the Company's unified, organic growth strategy containing development directions and goals (Growth Strategy).

There was no significant other post-balance sheet event in the life of the Company.

Ownership structure, rights attaching to shares

The ownership structure of CIG Pannónia Life Insurance Plc. (31 December 2022)

Owners description	Nominal value of equities (thousand HUF)	Ownership ratio	Voting right
Domestic private individual	29 723 593	31.47%	31.48%
Domestic institution	63 328 431	67.07%	67.07%
Foreign private individual	137 037	0.15%	0.15%
Foreign institution	22 540	0.02%	0.02%
Nominee, domestic private individual	1 158 518	1.23%	1.23%
Nominee, foreign private individual	18 100	0.02%	0.02%
Nominee, foreign institution	32 726	0.03%	0.03%
Unidentified item	7 315	0.01%	0.01%
Total	**94 428 260**	**100%**	**100%**

The Company engaged KELER Ltd. with keeping the shareholders' register. If, during the ownership verification, an account manager with clients holding CIGPANNONIA shares does not provide data regarding the shareholders, the owners of the unidentified shares are recorded as "unidentified item" in the shareholders' register.

The owners of the Company are private and legal persons residing in Hungary and abroad, as of 31 December 2022 the number of owners is 5,753. Over 10 percent ownership is present at Hungarikum Insurance Broker Ltd., who has a 57.52 percent stake with 54,311,374 shares.

Dr. Gábor Móricz has a total of 3,365,000 (3.56%) CIGPANNONIA ordinary shares. Kaptár Investment Ltd., which is in close contact with Dr. Gábor Móricz, has a total of 3,500,000 (3.71%) ordinary shares.

The Company did not issue any special management rights shares or other preference shares.

The Company does not have any management mechanism in place prescribed by an employee shareholding system.

The Company has no agreements between the Company and its managers or employees that prescribes compensation if the given manager or employee resigns, if the employment of the manager or employee is terminated illegally, or if the employment relationship is terminated on account of a public purchase offer.

The registered capital consists of 94,428,260 dematerialized registered voting series "A" common shares of thirty-three Hungarian Forints of nominal value

each.

There is no right to limit or dispose of shares set by the Articles of Association of CIG Pannónia Life Insurance Plc.

Corporate Governance Report

The purpose of the Corporate Governance Recommendations (Recommendations) issued by the Budapest Stock Exchange Zrt. Is to formulate guidelines to facilitate the operation of publicly traded companies (Issuers) in compliance with internationally recognized rules and standards of good corporate governance. The Annual General Meeting is responsible for accepting the corporate governance report.

The Recommendations can be considered as an addition to Hungarian legislation, which show to what extent and with what deviations each issuer complies with the Recommendations.

The Company should also take relevant legislation into account when evaluating responsible corporate governance practices. Compliance with the Recommendations also requires compliance with the law, as well as ethical, self-responsibility and business practices. The Company hereby declares that the responsible corporate governance practice operated by it complies in all respects with the requirements of the current regulatory environment.

The basis of the Hungarian regulation is Act V of 2013 on the Civil Code. Article 3: 289 (1) of the Civil Code, the board of directors of a public limited liability company shall submit to the annual general meeting a responsible corporate governance report (the Report), prepared in accordance with the corporate governance practices of the public limited company in the manner prescribed for the relevant stock exchange participants. The Company fulfills its obligation in this respect continuously.

According to paragraph 2 of the referred Article, the General Meeting shall decide on the adoption of the Report. The resolution of the General Meeting and the adopted Report shall be published on the website of the Company and other official places of publication. Issuers are expected – and thus it is also expected from the Company – to apply the Recommendations specified by the BSE and, in this context, they must provide information on the extent to which they follow them. The Company's Reports for a given business year are available on the Company's official website in a transparent and retrievable manner.

The Recommendations forming the basis of the Report were significantly amended first on 23 July 2018, then on 08 December 2020 by the Responsible Corporate Governance Committee acting beside the BSE. The amendment was made in relation to remuneration, due to the fact that certain requirements for remuneration, previously included in the Recommendation, have been delegated to legal Acts, therefore the Company hereby also states that its practice complies in all aspects with Act LXVII of 2019 promoting long-term shareholder participation and amending certain acts for legal harmonization.

The amended Recommendations contain, in part, binding recommendations for all issuers and partly non-binding recommendations. Issuers may differ from both binding recommendations and non-binding proposals. In the event of a deviation from the recommendations, the issuers are required to disclose the discrepancy in the corporate governance report and to justify it. This allows issuers to take sector-specific and company-specific needs into account. Accordingly, an issuer other than the recommendations may, where appropriate, meet the requirements of corporate governance. In the case of proposals, issuers should indicate whether or not they apply the Directive and have the possibility to justify deviations from the proposals.

The Company has two ways to declare its responsible corporate governance practices. The Company must report on the responsible corporate governance practices of the business year in question in its Report to be compiled and submitted to the Annual General Meeting on the one hand. In doing so, we must address the corporate governance policy and the description of any special circumstances in terms of the aspects set out in the Recommendations.

These aspects:

Brief description of the board of directors / board of directors, responsibilities and responsibilities of the board of directors and management.

Presentation of the members of the Board of Directors, the Supervisory Board and the Management (including the status of the individual members for the members of the Board), the structure of the committees.

Presentation of the number of meetings of the Managing Body, the Supervisory Board and the Committees held during a given period, giving the participation rate.

Presentation of the aspects taken into account in evaluating the work of the Managing Body, the Supervisory Board, the management and the individual members. Indication of whether the evaluation performed during the given period resulted in any change.

Report on the functioning of each committee, including the professional presentation of committee members, the meetings held and the attendance rate and the main topics discussed at the meetings and the general functioning of the committee. When presenting the functioning of the Audit Committee, it should be noted that the Board of Directors / Board of Directors has decided on a matter contrary to the proposal of the Board (including the reasons for the Managing Body). It is advisable to refer to the company's website, where the tasks delegated to the committees and the time of the appointment of members should be made public. (If this information is not found on the Company's website, they must be included in the Corporate Governance Report.)

Presentation of the system of internal controls, evaluation of the activity of the given period. Report on the effectiveness and efficiency of risk management procedures. (Information on where shareholders can view the report of the Board of Directors / Board of Directors on the operation of internal controls.)

Information on whether the auditor has performed an activity that is not related to the audit.

An overview of the company's publishing policy and insider trading policy. In connection with this requirement, we would like to note that the Company publishes on its website its policy on the management of market abuse, as well as, in a separate document, the trading prohibition periods for persons performing managerial and executive duties.

In addition to the above description, the Corporate Governance Report details the answers to the questions in the recommendation, indicating the points in which the Company is not continuing the recommended practice, indicating the reason for the deviation and the intention to comply with it in the future.

The Company distributes the detailed Report in a separate document to the General Meeting and, if accepted, shall publish it immediately and in full at the official places of publication, i.e. on the website of the BSE, at the place of publication operated by the Magyar Nemzeti Bank, and on the Company's own website.

In order to comply as much as possible – practically in full – with the legal and regulatory obligations, expectations and recommendations within the scope of responsible corporate governance - and thus the Report -, the Company has established a competence center at the level of Deputy CEO, which aims to ensure the coherence of diversified regulations and to create and ensure the development and maintenance of "best practices" tailored at the Company.

In this context, the Company applies guidelines regarding the establishment and composition of the management and supervisory bodies and the selection of key personnel in the work organization. The selection criteria are transparent, accessible to everyone, the personnel selection processes, the competencies, their potential changes, the continuous compliance with them, the compliance with the conditions of professional duty and business reliability are ensured in a documented manner. The guidelines, which also cover the application of diversity policies, have been published on the Company's website, their review and the compliance with them are ensured, a review is performed on an annual basis.

The Company's Articles of Association regulate the rules for the appointment and removal of senior officials, as well as for amending the articles of association. Among other things, the General Meeting has the exclusive competence to elect and recall the members of the Board of Directors and the Supervisory Board (and also the auditor) and determine their remuneration.

The decision requires a qualified majority. The Company has a Board of Directors consisting of at least three and at most seven members, who are elected or recalled by the General Meeting. The list of the members of the Board of Directors is included in Annex 2, an inseparable part of the Articles of Association. The Company has a Supervisory Board consisting of at least three and at most ten members, who are elected (for a maximum period of five years) or recalled by the General Meeting. Members of the Supervisory Board - with the exception of persons representing employees - may not be employed by the Company. The Supervisory Board elects its chairman from among its members.

Establishing and amending the Articles of Association is also the exclusive competence of the General Meeting and also requires a qualified majority decision. According to the Articles of Association, the General Meeting decides (Chapter VIII points g, h, i, j, k):

g) on the conversion of a printed share into a dematerialized share;

(h) on changing the rights attached to certain series of shares, or transforming certain types and classes of shares (if several series, types and/or classes of shares are issued);

(i) on the issuance of a convertible bond or a bond with subscription rights, unless otherwise provided for in the Civil Code;

(j) on the increase of the share capital (with the exceptions provided for in the Articles of Association);

(k) on the reduction of the share capital (qualified majority), unless otherwise provided for in the Civil Code.

The rules for raising and lowering the share capital are regulated in detail in Article XII of the Articles of Association.

(i) the powers of the senior officers, in particular their power to issue and repurchase shares

The rules for issuing shares are based on the principles contained in the Articles of Association. A repurchase - i.e. the purchase of own shares - is possible only and exclusively according to the rules of the Civil Code. Pursuant to Paragraph (1) of Article 3:223 [Decision on the acquisition of own shares] of Act V of 2013 on the Civil Code, the acquisition of own shares is subject to the prior authorization of the Board of Directors to acquire the own shares by the General Meeting, while also determining the shares' type, class, number, nominal value and, in the case of acquisition for consideration, the minimum and maximum amount of the consideration. The authorization is for a period of eighteen months.

The detailed presentation of the items required in points 95/A and 95/B of the Accounting Act is contained in the Responsible Corporate Governance Report published together with these financial statements.

Employment policy

Our colleagues are behind the growth and success of the Company as presented in the report and statements. Our headcount increased significantly in 2022, reaching two hundred people by the end of the year. This number of employees and the complexity of the business processes require an advanced, supportive approach to human resource management.

The first element of this was the finalization of our remuneration system, which was regulated and published in accordance with the relevant regulations. There are three regulatory pillars of the Company's remuneration that are transparent to both the public and employees:

a) the Company's Remuneration Policy with respect to the personnel as defined in the SRD Act[3] Section 2. § (2);
b) regulation adopted by the Board of Directors of the Company containing the principles and rules for determining the general performance-oriented remuneration for all employees of the Company;
c) the Company's MRP Remuneration Policy.

We spent last year putting these key rules into practice. The drawing of lessons and the identification of the necessary changes are currently underway.

The employment policy of our company is, was significantly affected by the exceptionally unique nature of the year 2022. The global economic, security, and climate changes occurred all within a short period of time, simultaneously. As a responsible employer, we perceive the pressure caused by the change in the economic situation on the financial situation of our colleagues. In addition, as a company with a responsibility to shareholders, increasing shareholder value is also at the heart of our decisions.

In order to meet both expectations, we aim to develop a remuneration structure in 2023 that is more responsive to the rising expectations and more reflective of individual performance, besides increasing regional and individual

[3] Act LXVII of 2019 on the promotion of long-term shareholder participation and the amendment of certain laws for the purpose of legal harmonization

responsibility. We launched a mentoring programme for our employees representing the younger generation, we introduced, introduce a program for leadership, coaching and other programs that put the focus on the personal development of employees.

Our company aims to comply with the regulatory environment in all respects. Consideration of the environmental, social and governance (ESG) framework has a direct impact on redefining the role of our workers as employees. Our aim is to incorporate the most modern principles and methodologies into our day-to-day operations in a scheduled and thus transparent way. These changes, process and attitudinal changes also affect our employment policy.

In order to ensure equal opportunities and the protection of human rights, the Company has appropriate rules and regulation in place, compliance with which is an important element of the employment policy.

The Company's risk management policy provides for the handling of fraud and fraud prevention activities, and the application of the compliance policy is an important tool in the fight against corruption and bribery.

The ESG Report published together with these financial statements contains a detailed presentation of the disclosures required by Section 95/C of the Accounting Act.

Other disclosures

In December 2011 the Company established a business location in Debrecen in order to ensure a prominent role for its product innovation development and to be able to improve its activity in Eastern Hungary. Effective from 2015 the Company relocated the branch office to Miskolc.

Environmental protection is not directly linked to the Company’s core activities, nevertheless, in the development of working environment, using paperless processes and outsourcing, the Company contributes to an energy-efficient, healthy and environmentally friendly workplace. Environmental protection is strongly supported by the widespread use of electronic procedures, so the MNB licensing system, in addition to court proceedings, paperless solutions have become decisive in communicating with customers. The Company launched its research and experimental development activities in 2022 in the topic of "Development of personalised insurance products using artificial intelligence", as explained in more detail under Note 45.

The figures and evaluation shown in the statement of financial position, the statement of comprehensive income, the changes in equity, cash-flow statement and the supplementary notes, as well as the supplementary information presented in the business report provided the foundation for developing a true and fair view of the financial position of CIG Pannónia Life Insurance Plc.

Budapest, 28 March 2023

Dr. István Fedák	Alexandra Tóth	Géza Szabó
Chief Executive Officer	*Chief Accounting Officer*	*Chief Actuary*