CIG PANNONIA LIFE INSURANCE PLC.

Quarterly report

On the basis of the consolidated financial statements prepared according to the International Financial Reporting Standards adopted by the EU

Q4 2023

CIG PANNÓNIA
INSURANCE

26 February 2024, Budapest

dr. Fedák István
Chief Executive Officer

PREAMBLE

The Issuer would like to draw the attention of Shareholders and other capital market actors to the fact that this report – similarly to the previous quarterly reports of 2023 – was prepared in accordance with IFRS 17 as expected by regulation, which is based on a different logic and methodology than previous periodic reports, and therefore the understanding and analysis of the facts, data and information in the report published in light of these rules requires knowledge of the regulatory logic.

Our company, as a premium category issuer of the Budapest Stock Exchange, due to this new content, intends to formulate all relevant information in an objective manner in the summary, which helps to assess the Issuer through the eyes of investors, and tries to present the accounting differences caused by the deviation from the previous accounting principles in their full context, and with explanations. In order to fully understand the new assessment – in our opinion – needs to be analyzed for several periods, since the review of the Issuer's business performance at new standards are based upon actual business occurrences.

1. SUMMARY

TARTALOM

1.1. Economic summary

CIG Pannónia Life Insurance Public Limited Company (registered office: 1097 Budapest Könyves Kálmán krt. 11, building „B"; company registration number: 01 10 045857; court of registration: Registry Court of the Metropolitan Court (hereinafter: **Issuer** or **Company**) publishes on this day its fourth quarterly report (hereinafter: **Report**) for 2023. The Issuer publishes in this Report for the fourth quarter of 2023, as required by the legislation, its consolidated, unaudited data in accordance with the International Financial Reporting Standards adopted by the EU (hereinafter: EU IFRS). The Report has been prepared in accordance with the provisions of IAS 34.

1.1.1. Significant results of 2023:

- **Our consolidated after-tax profit increased in one year by HUF 1.9 billion** – by 90% – compared to last year's result according to IFRS 17 – **reaching a record amount of HUF 4,059 million – when we strip off the one-time HUF 498 million** corporate tax effect of the capital increase due to the transition to IFRS 17 and the HUF 687 million tax effect of the extra profit tax introduced from 1 July 2022[1].
- **Our premium income grew by 35%, i.e. more than HUF 11 billion –**
  - Life Insurance premiums by 16%,
  - while EMABIT premiums by 142% –

  in one year compared to 2022, **reaching HUF 43 billion**.

1 The 2023 effect of the extra profit tax is an estimate

1. SUMMARY
(continuation)

- Premium growth was driven by our credit coverage insurance (HUF 4.2 billion growth), corporate property insurance and single premium unit-linked life insurance (latter both with a HUF 2-2 billion annual growth) services.
- **Our premium income surpassed HUF 10 billion in every quarter of 2023.**
- **Our insurer's capital position is stable**, our capital adequacy ratio is **240**%.

Our consolidated Profit After Tax was HUF 4 059 million, which is a 90% increase YoY,

if we don't take into account the one-time IFRS 17 transition effect of HUF 498 million corporate tax, and the HUF 687 million extra profit tax

+66% Record Profit increase

Record Profit increase ITE (IFRS 17)

HUF 951 million ➡ **+ HUF 1 578 million**

Our insurance premium have increased by 35%

+16% Life insurer's premium

+142% EMABIT's premium

The key feature of the increase is the premium income increase of

Credit coverage insurance
by the banking channel of HUF 4,2 billion

Corporate property insurance
by the independent broker channel by HUF 2 billion

The corporate personal insurance by the independent broker channel **increased by 18%** in 2023 compared to pevious year

Increase in sales network (2023 vs 2022)

+162% bank network **+22%** alternative network

240% Consolidated Capital Adequacy

(required rate by the supervisors is 150%)

1.1.2. A short summary for the interpretation of our report

Our 2023 first quarterly report was a milestone in the life of both our Company and the domestic insurance sector. In our previous quarterly reports, we provided our shareholders with a detailed presentation of the new, mandatory IFRS standard and the impact of the transition to this standard on our Company's equity, and gave a detailed explanation of the valuation for FY 2022 under this new methodology. As this flash report just precedes the presentation of our 2023 annual report under the Accounting Act, we have re-examined the results of preceding periods to compare our 2023 results with the corresponding performance data, as required by the relevant regulations. As a result of this, among others, the after-tax result for 2022 under IFRS 17 increased from HUF 1.407 million (as presented in the previous flash reports) to HUF 1.535 million. A detailed description of all the effects can be found in section 3.3.

An important feature of IFRS 17 is the use of three different valuation methodologies. We categorize the types of contracts offered by our company according to the following valuation methodologies for each segment:

Segment / valuation methodology	GMM (typically long-term, multi-annual contracts)	VFA (typically long-term, multi-annual contracts)	PAA (typically short-term, one-year, annually renewable contracts)
Life insurance segment	- traditional (risk) life and accident insurances - permanent group life and permanent accident insurances - group credit coverage insurance with life insurance services	- unit linked life and pension insurances - traditional savings (mixed) life, grace and pension insurances	- annually renewed individual and group life, accident and health insurances
Non-life insurance segment	- technical, suretyship insurances - group credit insurances, non-life insurances		- home insurance - travel insurance - fleet casco - industrial property and liability insurance - group non-life insurances

In order to provide our Shareholders with the most clear and transparent information on our Company's business performance as possible, we have introduced another categorization for our portfolio groups in addition to the assessment along valuation methodologies. The table below summarizes which of our services belong to which portfolio group. No change has occured in this classification compared to the previous quarter

Portfolio group/ segment	Life insurance segment	Non-life insurance segment
Group life, accident and health insurance	- group life, accident and health insurance - group service financing insurance - MVM Accident and Health Insurance packages	
Individual accident and health insurance	- traditional, accident and health insurance	
Single premium UL	- life insurance linked to single-premium investment units in Euro and Forint	
Regular premium UL	- life insurance linked to regular-premium investment units in euro and forint	
Traditional regular premium life savings insurance	- traditional regular-premium grace, savings and pension insurance	
Risk life insurance	- traditional regular-premium risk life insurance	

Segment / valuation methodology	Life insurance segment	Non-life insurance segment
Credit coverage insurance	- credit coverage insurance - MVM account protection insurance	
Fleet CASCO		- fleet casco - integrated casco
Corporate property insurance		- industrial property insurance - liability insurance - technical insurance - D&O - drone insurance
Suretyship insurance		- Hungarian suretyship insurance - Italian suretyship insurance (run-off portfolio)
Retail property insurance		- travel insurance - home insurance

1.1.3. Interpretation of the results for 2023

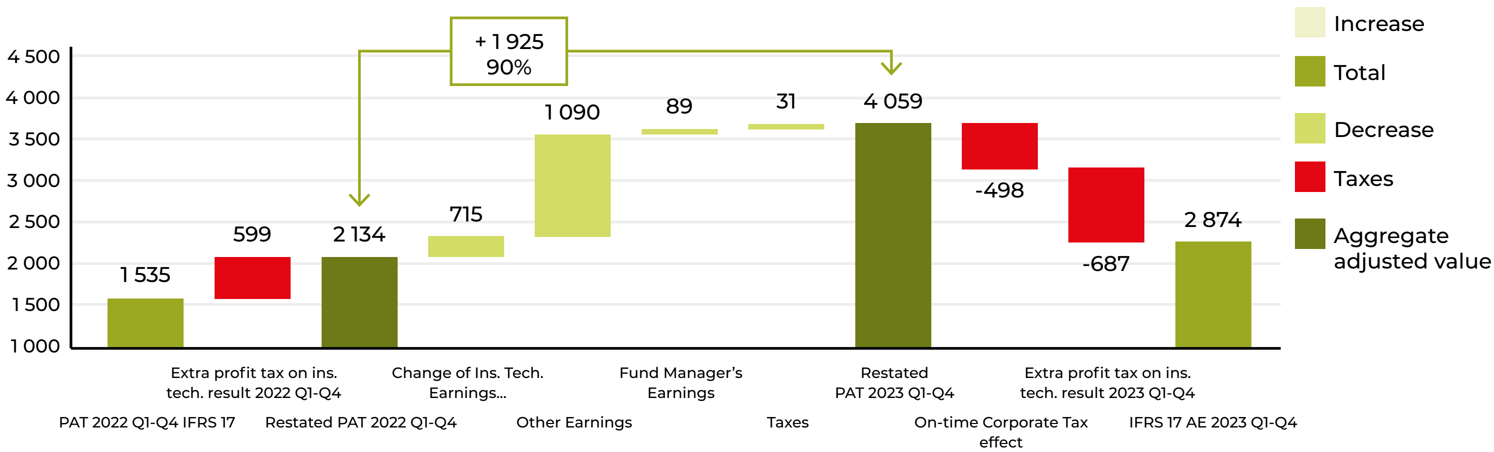
Our consolidated accounting result after tax in 2023 was **a profit of HUF 2.874 million**.

As we have highlighted in previous quarters, we note that there are two significant items affecting the accounting result that need to be taken into account when assessing the Company's performance:

- a non-recurring corporate tax liability incurred as a result of the HUF 7 billion increase in equity due to the transition to IFRS 17, which decreased our profit after tax by HUF 498 million, furthermore
- we also need to separate the effect of the extra profit tax when assessing the result of the ordinary course of business. The exact mathematic calculation of the extra profit tax is limited by the IFRS 17 framework - as the difference between the changes in the terms and conditions of each contract at their issuance and at the preparation of the financial statements would make the analysis too complex – thus according to our best estimate, as also shown in the below table, the amount of the extra profit tax for 2023 was set at HUF 687 million.

The 87% rise in our consolidated accounting profit after tax means that our profit for 2022 under IFRS 17 increased from HUF 1.535 million to HUF 2.874 million. **The biggest contributor to our growth was the income from our investments due to the high yield environment – amounting to HUF 1.1 billion** - as we were able to earn higher interest rates on the amounts invested from our maturing or sold securities this year. **Our technical result also increased significantly: by HUF 715 million, or 66%**, excluding the impact of the surtax. When including the impact of the surtax, our technical result improved by HUF 627 million.

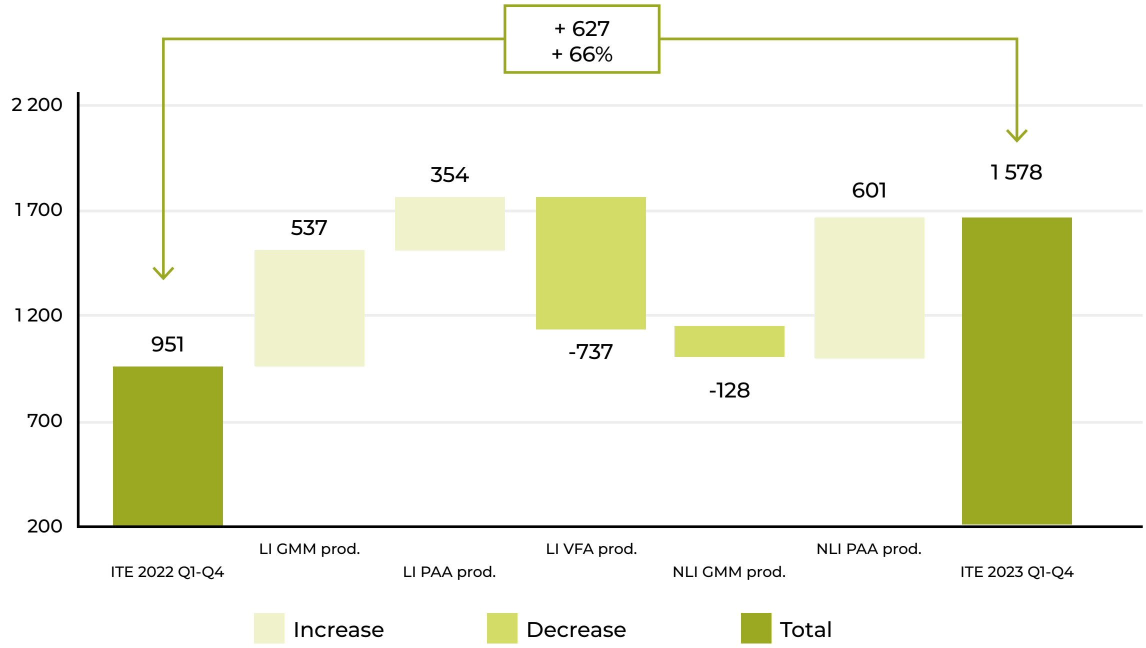
Graph 1
Change of profit after tax 2022 Q1-Q4 vs 2023 Q1-Q4 - (data in million HUF)



If we look at the change in the technical result by valuation methodologies, we see the following:

Graph 2

Yearly change of Insurance Technical Earnings 2022 Q1-Q4 vs 2023 Q1-Q4 - (data in million HUF)



LI GMM prod.	Technical result of life insurance products valuated with the GMM method
LI PAA prod.	Technical result of life insurance products valuated with the PAA method
LI VFA prod.	Technical result of life insurance products valuated with the VFA method
NLI GMM prod.	Technical result of non-life insurance products valuated with the GMM method
NLI PAA prod.	Technical result of non-life insurance products valuated with the PAA method
ITE	Insurance technical result

In the life insurance segment, our technical result increased by a total of HUF 154 million compared to 2022, thanks to the classical (long-term, multiannual) and the annually renewing individual and group life insurance products (products valued using GMM and PAA methodologies). Compared to last year the performance of savings (unit-linked and regular savings) products (products valued using the VFA methodology) deteriorated our result. The decline in performance is mainly due to the relatively high yield curves of 2022, which were followed by a decline in 2023 (however, they are still assessed as high compared to long-term values).

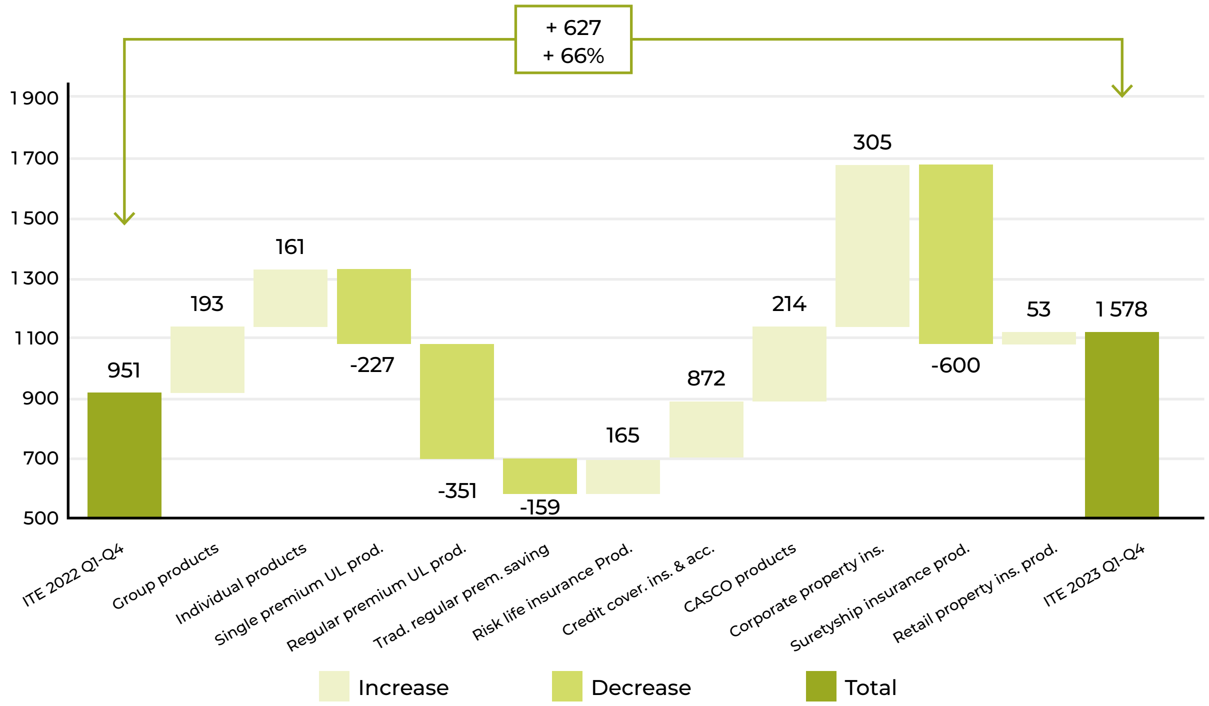
In the non-life insurance segment our technical result increased by HUF 473 million, which is due to two significant effects:

- For typically short-term contracts - PAA valuation method: including therein the corporate property contracts - we achieved a significant increase in profit, mainly due to the stock growth of these portfolios, partly due to the efficiency improvement changes made to improve the result.
- The decrease in the annual result of the contract portfolio valuated using the GMM methodology was due to the significant positive run-off result on the Italian suretyship products in 2022, as a result of the closure of cases still pending at that time, which did not recur in 2023. However, this was partly offset by the credit coverage products' improvement in the results in line with the growing stock.

The improvement of our technical result by HUF 627 million distributes along the portfolio groups as follows:

Graph 3

Change of Insurance Technical Earnings by Portfolio-groups 2022 Q1-Q4 vs 2023 Q1-Q4 - (data in million HUF)



Group life, accident and health products (annual profit improvement: HUF 193 million): The size and revenues of the portfolio group increased compared to the same period last year.

Part of the portfolio group is the group service financing health insurance portfolio where the ratio of claims and services provided compared to the premiums decreased, which increased the results of the portfolio and the portfolio group year-on-year.

Individual life, accident and health insurance products (annual profit improvement: HUF 161 million): The Insurance Company's profitable individual accident insurance portfolio (which includes the Company's 'Bajtárs' products) has grown significantly, and so has the Insurer's result.

This portfolio group also includes our Health Visa product line - which provides a second opinion and, where appropriate, treatment abroad for five dreaded diseases – with decreasing claims totals, improving its performance compared to 2022.

Single premium UL products (annual profit decline: HUF 227 million): Insurance reserves for this portfolio group increased significantly. Part of the reason behind this is the fall in the yield curve compared to last year.

The increase in claims reserves also brings with it an increase in the so-called risk adjustment reserves, the combined effect of which is a deterioration in the result of this portfolio group compared to last year.

Some single premium contract groups turned unprofitable, so we had to recognise their losses for their entire life cycle in 2023.

Regular premium UL products (annual profit decline: HUF 351 million): For the portfolio group, costs in 2022 were significantly lower than forecast at the beginning of the period – at the end of 2021 - which caused a positive experience variance, thus increasing the result. In 2023 we do not see a similar degree of profit-increasing variance, as the Insurer's projections for the end of 2022 already reflected a lower expected cost level, which, paradoxically, worsens the portfolio group's result in the year-on-year comparison. Of course, the lower cost level has a positive impact on the actual result of the Insurer.

The portfolio group has significant claim reserves. The aforementioned decrease in the yield curve has led to an increase in the claim reserves of the Insurer, which reduces the financial result of the portfolio in 2023. For all these reasons, the portfolio group's result declined compared to the comparative period.

Traditional regular premium savings products (annual profit decline: HUF 159 million): For savings-type products, which are valued according to the so-called VFA methodology as mentioned above, the decline in the yield curve causes a reduction in the discounted present value of the expected future cash flows associated with the products (premiums, claims and expenses). This decline erodes the expected profit (CSM: contractual service margin) of the product over its entire remaining lifetime, and thus its result for 2023 as well, i.e. reducing the profitability of the portfolio group.

Here as well we need to mention, that as a result of the yield curve decline the Insurer's loss reserves increased, which will reduce the financial result of the portfolio in 2023 in addition to the above.

Risk life insurance products (annual profit improvement: HUF 165 million): The increase in profit was primarily due to stock growth. Both the traditional regular premium risk portfolio, which is comprised by the Insurer's primary risk product, Pannónia Bárka Life-, Accident- and Health insurance, and the MVM grace and risk portfolios, which is comprised by the risk products sold by MVM, grew significantly, which increased the result of the portfolio group as well. Our company updated the risk assumptions of the products, which resulted in improved mortality estimates for certain portfolios, which had an upward impact on both the contractual service margin (CSM) and the Insurer's result for the year.

Credit coverage insurance and account protection products (annual profit improvement: HUF 872 million): In the third quarter of 2022 the portfolio group was expanded with group credit coverage insurance contracts taken over from BNP Paribas Cardif Insurer. For the group credit coverage insurance contracts taken over, the Insurer formed a loss component in the quarter of takeover (2022Q3), which had a negative effect on the result of 2022. This loss component was formed due to the profit assumptions calculated from the assumed cash flows expected from the portfolio. If everything develops as expected by the Insurer, this portfolio will not cause any further losses for the Insurer. A similar loss component was not needed in 2023, and this effect will significantly improve our result year-on-year. The result also increased due to the growth of the portfolio. In spring 2022, the sale of a wide range of credit insurance products through Magyar Bankholding member companies was launched, which contributes significantly to the continued growth of the portfolio group.

Casco products (annual profit improvement: HUF 214 million): The reason behind the improvement in profit is basically due to the growth of the insurance portfolio, and the decrease in related costs and services – i.e. the claims ratio. The relatively high claims ratio in the same period of the previous financial year (close to 100%) decreased significantly in 2023 (to almost 80%), primarily due to the cleaning of the insurance portfolio.

Despite the fact that the combined ratio of the product group, which includes all expected expenses, was higher than 100% in the same period of the previous year and in the current financial year as well. For this reason, we have to set up a loss component, a kind of financial reserve, for expected losses on the product in accordance with the IFRS 17 standard, but our combined ratio has decreased, which decreased the loss component set up last year and thus improved the result.

Corporate property insurance products (annual profit improvement: HUF 305 million): The annual increase in profit is due to the significant growth in the insurance stock, which offset the increase of related costs and services. The product group is characterized by a low claim ratio. Factors affecting profitability include amongst others, in addition to the acquisition costs linked to the contracts, the reinsurance contracts covering own risks and also their costs, which reduce the profitability of the product group, while significantly reducing the need for solvency capital.

Suretyship insurance products (annual profit decline: HUF 600 million): The year-on-year decrease in result is due to two reasons: (i) the significant level of the operating result on claim reserves of the comparative period has not yet occurred this year, (ii) the deterioration in the result is compounded by the increase in the costs related to claims settlement accounted for in the period.

Retail property insurance products (annual profit improvement: HUF 53 million): The increase in profit is mainly due to the intensive growth of the product group's portfolio and that the level of incurred costs and expenses are in proportion to the premiums.

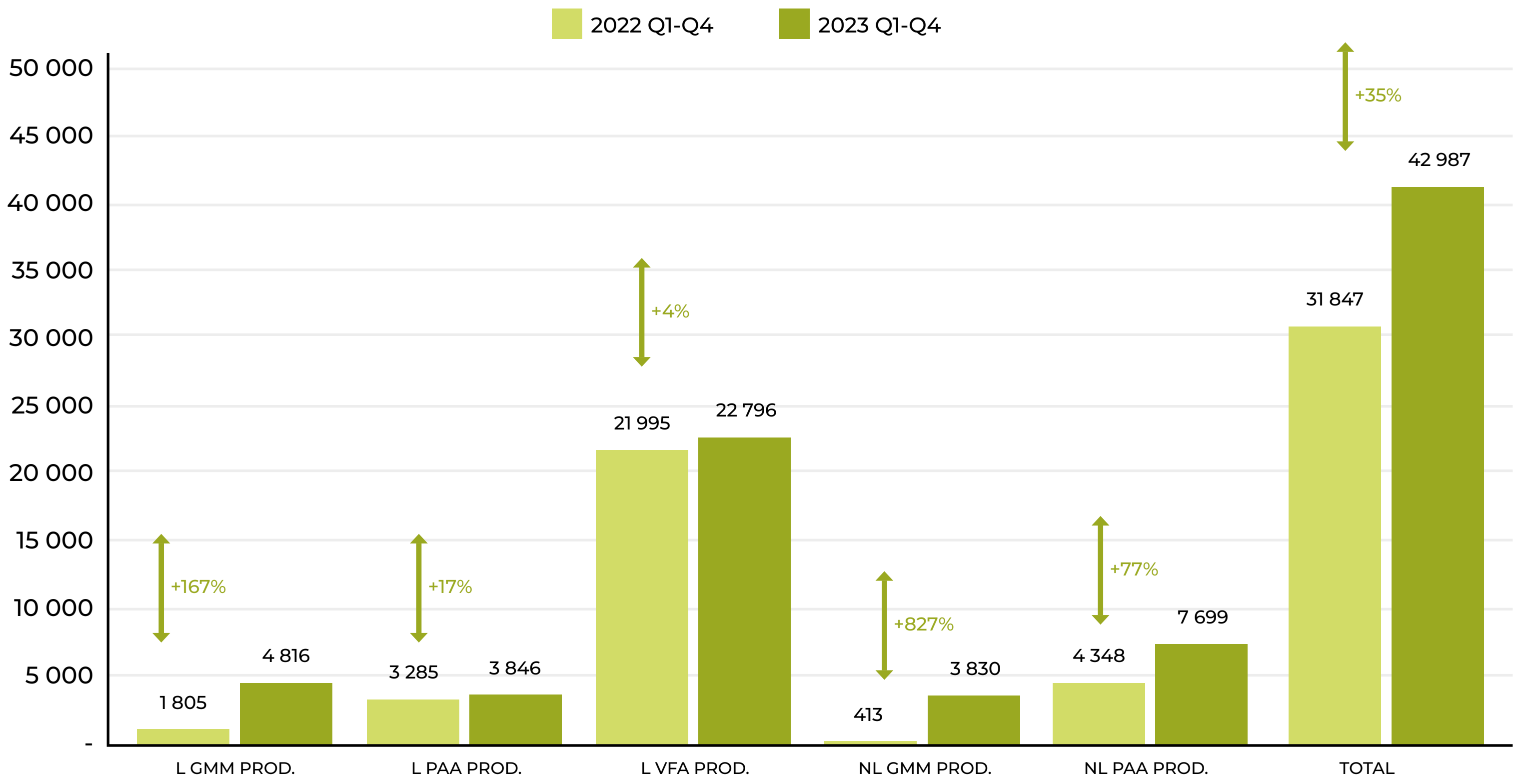
Volume of sales

Behind the increase of our technical result lies the continued dynamic growth in sales, which exceeds the average expansion typical of the insurance sector.

We also analyze the year-on-year change in written premium by segment and valuation type in IFRS 17. The following figure shows our growth along this division:

Graph 4

Change of Written Premium 2022 Q1-Q4 vs 2023 Q1-Q4 - (data in million HUF)



We managed to achieve growth in each insurance group according to evaluation methodology: altogether our premium increased by 35 percent within one year (the Life Insurer increased its premiums by 16%, EMABIT by 142%). Following reasons lie behind this growth:

i. the portfolios of both the life insurance segment and the non-life insurance segment assessed with the GMM method - with an increase of 193% and 827% - are credit insurance policies taken over from BNP Paribas Cardif insurers which are currently processed by our Company;

ii. the short-term contracts of our non-life insurance segment – i.e. corporate property insurance and fleet casco – are showing an increase of more than HUF 3 billion

iii. single-premium unit-linked life insurance (UL), by nearly HUF 2 billion

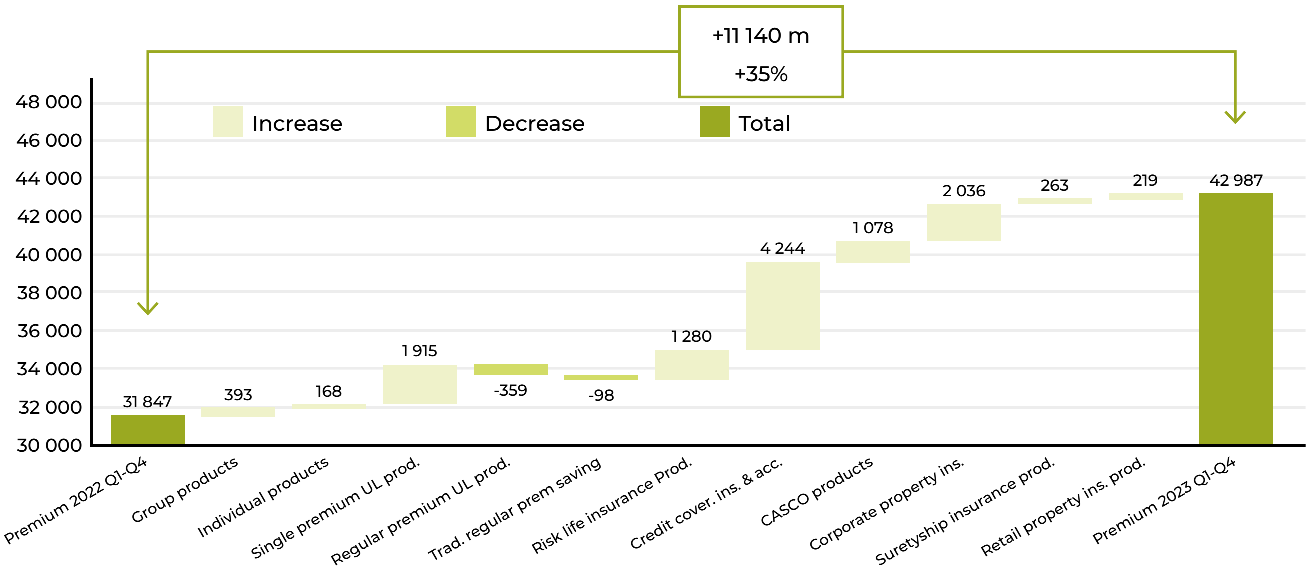
iv. risk life insurance increased by HUF 1.3 billion

The growth of premium income, valuated with the VFA valuation method, shows a more modest results with a 4% increase, which is the result of to two opposite effects: (i) the already mentioned rise in the premium of single premium UL products, and (ii) the decrease in the premium of regular premium UL products. The premium numbers of this latter product group was affected by the drain effect of the decreasing, but still high yield environment, i.e. the government security market generated significant competition for investments products this year – as a result of which a part of our clients kept their savings in other assets.

For an easier understanding we below present the changes in premiums by portfolio group.

Graph 5

Change of Premium by portfolio-group 2022 Q1-Q4 vs 2023 Q1-Q4 - (data in million HUF)



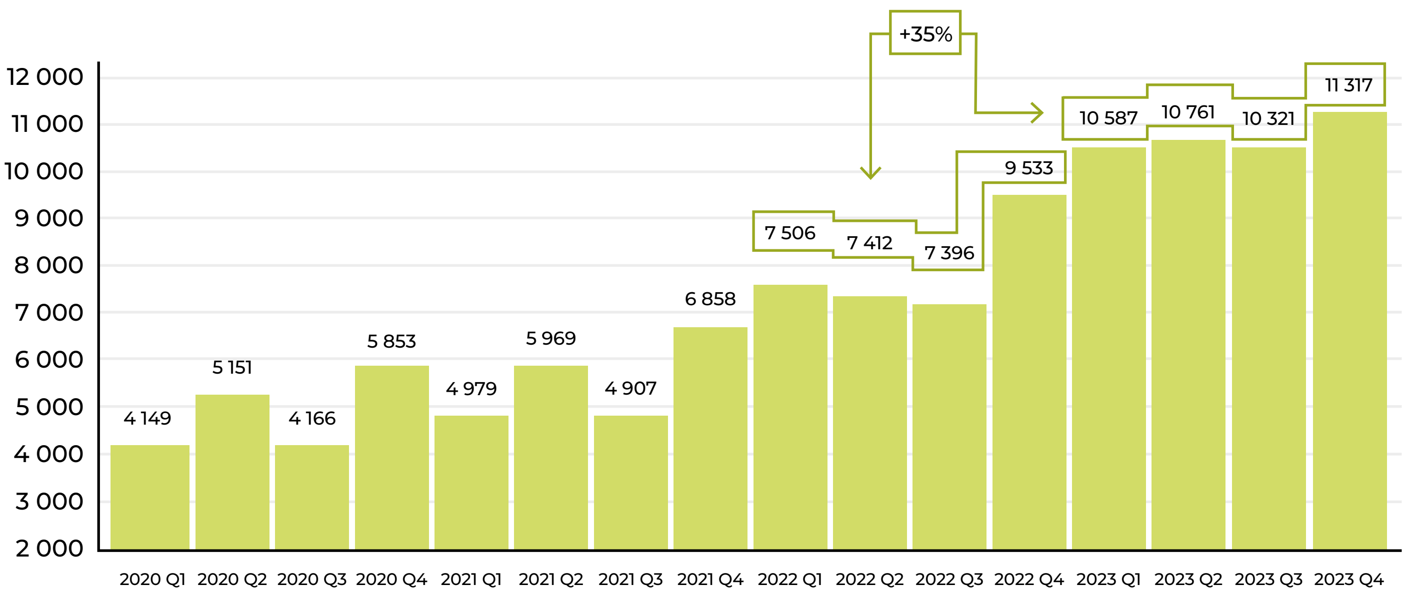
The bulk of the 35% increase in premium income is due to growth in the four main product groups already mentioned. It is our strategic goal, thus worth mentioning, that group life insurance, suretyship products and residential property insurance increased our premiums by almost HUF 1 billion compared to the year 2022. We consider our performance in 2023 as a strengthening of our market presence in all three product groups.

If we analyse our premiums in 2023 by sales channel according to the conclusion of the contract, we see that although the banking channel significantly increased its share compared to last year, the share of the independent broker channel still dominates with its 56% weight. The share of the banking channel was 37%, while that of the alternative channel was 7% in 2023.

It is an important element of our Company's strategy to increase our portfolio, which has a positive impact on our profitability due to economies of scale. One indicator of portfolio growth is the growth of insurance premiums, which is our priority goal. Our individual quarterly premiums exceeded HUF 10 billion in all quarters of 2023.

Graph 6

Premiums in each quater - (data in million HUF)



1.2. MAIN EVENTS AND RESULTS OF THE REPORTING PERIOD (REFERENCE PERIOD, Q4) IN THE TIMELINE OF CAPITAL DISCLOSURES AND PREVIOUS EVENTS

1.2.1. Company and group level events in the period covered by the Report - presentation of our consolidated quarterly report for the third quarter of 2023

As set out in the Company's Corporate Calendar of Events for the current financial year, on 29 November 2023 the Company published its consolidated unaudited financial statements for the third quarter of 2023, prepared in accordance with International Financial Reporting Standards as adopted and issued by the EU[2,3].

1.2.2. Other events

During the period under review, the Company announced two significant developments, which are also indicative of its business activity and supportive of achieving the goal as set out in its Growth Strategy , through the official disclosure channels:

- On the one hand it informed the investors and the public, that after providing the most advantageous offer, the NISZ Nemzeti infokommunikációs Szolgáltató Zrt. (1081 Budapest, Csokonai u. 3., Company Registration Number: 01 10 041633) as the contracting authority, awarded Insurer as the successful tenderer in its open EU tender procedure for the provision of health insurance services for a period of one year, with a 12-month insurance premium of HUF 249,990,580, i.e. two hundred and forty-nine million, nine hundred and ninety thousand, five hundred and eighty forints (Ft / flat portfolio premium / 12 months)[4].
- On the other hand, on 21 December 2023, it announced that the 100% owned CIG Pannónia First Hungarian General Insurance cPlc. (EMABIT) and Magyar Telekom Plc. (registered office: 1097 Budapest, Könyves Kálmán krt. 36., company registration number: 01-10-041928) (Telekom) as contracting parties have concluded a group extended guarantee insurance contract with each other following the acceptance of the offer submitted to the tender of Telekom and according to the terms of the agreement. The Agreement has been concluded for a fixed term of 36 months, with the provision that, unless otherwise stated by either party until 180 (one hundred and eighty) days before the end of the fixed term, the Agreement shall become indefinite after the expiry of the fixed term. The agreement also includes a supplementary insurance brokerage agreement between the parties, under which Telekom will act as an insurance broker for and on behalf of EMABIT in the sale of the group extended guarantee insurance contract[5].

Due to our additional disclosure obligations and in order to fully inform the public, on 29 December 2023, CIG Pannónia Life Insurance Plc. published its Corporate Calendar of Events for 2024, which sets out in an exact manner the planned dates of the most important corporate events of our company, including as a new element the publication date of our Group Sustainability Report, which is aligned with the date of our Annual General Meeting[6].

Events after the balance sheet date

There were no extraordinary disclosure events for the Issuer after the balance sheet date until the publication of this quarterly report.

CIG Pannónia Life Insurance Plc.

2 https://www.bet.hu/newkibdata/128985366/cig_jelentes_2023_Q3_hun_fin.pdf
3 https://www.bet.hu/newkibdata/128587250/CIG_Strat%C3%A9gia_20210719.pdf
4 https://www.bet.hu/newkibdata/128983456/NISZ_P%C3%A1ly%C3%A1zat_20231123_HUN.pdf
5 https://www.bet.hu/newkibdata/128997626/Telekom%20_20231221_HUN.pdf
6 https://www.bet.hu/newkibdata/129000173/CIG_2024_esemenynaptar.pdf

2. FINANCIAL STATEMENTS

Graph 1 Consolidated Statement of Comprehensive Income – cumulated data (data in million HUF)

	2023 Q1-Q4 (A)	2022 Q1-Q4 (B) restated	Change (A)-(B)
Insurance Revenue	21 349	13 671	7 678
Insurance service expenses	-17 856	-13 265	-4 591
Reinsurance expense – allocation of premium	-3 516	-1 540	-1 976
Amount of recoverables from reinsurance	1 890	2 180	-290
Insurance service result	**1 867**	**1 046**	**821**
Interest income calculated using the effective interest method	1 917	1 102	815
Investment income	8 514	954	7 560
Impairment and impairment reversal of financial assets	2	-6	8
Investment expenses	-1 126	-3 060	1 934
Yield on investment accounted for using equity method (profit)	571	482	89
Investment income	**9 878**	**-528**	**10 406**
Insurance financial result	-7 589	1 455	-9 044
Reinsurance financial result	15	-62	77
Change in the fair value of liabilities relating to investment contracts	-403	178	-581
Financial result	**-7 977**	**1 571**	**-9 548**
Premium and commission income from investment contracts	77	105	-28
Other operating costs	-233	-447	214
Other (non-financial) income	197	274	-77
Other (non-financial) expenses	-172	-211	39
Profit/Loss before taxation	**3 637**	**1 810**	**1 827**
Tax income/expenses	-778	-275	-503
Deferred tax income/expenses	15	-	15
Profit/Loss after taxation	**2 874**	**1 535**	**1 339**
OCI from change in fair value of other financial assets at fair value	3 464	-3 091	6 555
OCI from insurance contracts	-1 672	2 135	-3 807
OCI from reinsurance contracts	-257	160	-417
Comprehensive income, would be reclassified to profit or loss in the future	**1 535**	**-796**	**2 331**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	**1 806**	**-602**	**2 408**
Other comprehensive income	**3 341**	**-1 398**	**4 739**
Total comprehensive income	**6 215**	**137**	**6 078**

Consolidated Statement of Comprehensive Income - cumulated data continuation (data in million HUF)

	2023 Q1-Q4 (A)	2022 Q1-Q4 (B) restated	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders	2 874	1 535	
Weighted average number of shares	93 954 254	93 954 254	
EPS (basic)	**30,6**	**16,3**	**14,3**
Profit/loss after taxation attributable to the Company's shareholders	2 874	1 535	
Weighted average number of shares	94 428 260	94 428 260	
EPS (diluted)	**30,4**	**16,3**	**14,1**

Graph 2 Number of average shares used to calculate earnings per share:

Date	Issued ordinary shares (no.)	Treasury shares (no.)	Days	Weighted average number of shares
31.12.2022	94 428 260	474 006	273	93 954 254
31.12.2023	**94 428 260**	**474 006**	**273**	**93 954 254**

The treasury shares transferred to the Company's Employee Shareholder Program (hereinafter: **MRP**) do not legally qualify as treasury shares, however, the MRP is included in the consolidation, therefore the transferred shares reduce the number of ordinary shares outstanding when calculating earnings per share.

Graph 3 Consolidated Statement of Comprehensive Income - individual quarterly data (data in million HUF)

	2023 Q4 (A)	2023 Q3 (B)	2023 Q2 (C)	2023 Q1 (D)	2022 Q4 (E)	Changes (A)-(E)
Insurance Revenue	5 513	5 884	4 790	5 162	4 825	688
Insurance service expenses	-4 744	-4 897	-4 301	-3 914	-3 865	-879
Reinsurance expense – allocation of premium	-672	-1 391	-491	-962	-177	-495
Amount recoverables from reinsurance	713	882	605	-310	507	206
Insurance service result	**810**	**478**	**603**	**-24**	**1 290**	**-480**
Interest income calculated using the effective interest method	560	540	420	397	399	161
Investment income	1 335	5 349	1 504	326	69	1 266
Impairment and impairment reversal of financial assets	-14	20	-5	1	4	-18
Investment expenses	-343	24	1 748	-2 555	-1 182	839
Yield on investment accounted for using equity method (profit) in associates	214	117	125	115	223	-9
Investment income	**1 752**	**6 050**	**3 792**	**-1 716**	**-487**	**2 239**
Insurance financial result	-1 240	-5 286	-2 935	1 872	812	-2 052
Reinsurance financial result	8	31	-69	45	-84	92
Change in the fair value of liabilities relating to investment contracts	-76	-229	-153	55	-64	-12
Financial result	**-1 308**	**-5 484**	**-3 157**	**1 972**	**664**	**-1 972**
Premium and commission income from investment contracts	23	24	18	12	16	7
Other operating costs	-71	-33	-82	-47	-352	281
Other (non-financial) income	141	8	37	11	87	54
Other (non-financial) expenses	298	-218	-162	-81	-157	446
Profit/Loss before taxation	**1 636**	**825**	**1 049**	**127**	**1 061**	**575**
Tax income/expenses	-138	-53	-78	-509	-111	-27
Deferred tax income/expenses	15	-	-	-	-	15
Profit/Loss after taxation	**1 513**	**772**	**971**	**-382**	**950**	**563**
OCI from change in fair value of other financial assets at fair value	1 765	-191	1 331	559	1 166	599
OCI from insurance contracts	-1 016	333	- 1 090	101	-244	-772
OCI from reinsurance contracts	-163	2	108	-204	-46	-117
Comprehensive income, would be reclassified to profit or loss in the future	**586**	**144**	**349**	**456**	**876**	**-290**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	**98**	**1 419**	**296**	**-7**	**-78**	**176**
Other comprehensive income	**684**	**1 563**	**645**	**449**	**798**	**-114**
Total comprehensive income	**2 197**	**2 335**	**1 616**	**67**	**1 748**	**449**

Graph 4 Consolidated Statement of Financial Position (data in million HUF)

ASSETS	31 December 2023 (A)	31 December 2022 restated (B)	31 December 2021 (C) restated	Change (A)-(B)
Intangible Assets	934	992	720	-58
Property, plant and equipment	117	149	179	-32
Right-of use assets	271	409	494	-138
Deferred tax asset	337	591	474	-254
Investment in associates	777	660	1 013	117
Insurance contract assets	1 242	1 106	649	136
Reinsurance contract assets	2 558	1 350	395	1 208
Investments for policyholders of unit-linked life insurance policies	94 424	86 205	85 664	8 219
Financial asset - Investment contracts	4 763	5 167	5 238	-404
Financial asset - derivatives	131	59	1	72
Other financial assets at fair value	35 979	24 432	28 409	11 547
Other assets and prepayments	81	78	62	3
Other receivables	148	241	184	-93
Cash and cash equivalents	2 492	3 093	1 498	-601
Total Assets	**144 254**	**124 532**	**124 980**	**19 722**
LIABILITIES				
Insurance contract liabilities	110 220	96 315	96 433	13 905
Reinsurance contract liabilities	376	553	112	-177
Financial liabilities -Investment contracts	4 763	5 167	5 238	-404
Financial liabilities-derivatives	-	-	12	-
Lease liabilities	314	475	532	-161
Provisions	263	520	323	-257
Other liabilities	5 021	2 732	2 013	2 289
Liabilities to shareholders	33	30	20	3
Total Liabilities	**120 990**	**105 792**	**104 683**	**15 198**
Net Assets	**23 264**	**18 740**	**20 297**	**4 524**
SHAREHOLDERS' EQUITY				
Share capital	3 116	3 116	3 116	-
Capital reserve	1 153	1 153	1 153	-
Treasury shares	-32	-32	-32	-
Other reserves	-940	-4 281	-2 884	3 341
Retained earnings	19 967	18 784	18 944	1 183
Total Shareholder's Equity	**23 264**	**18 740**	**20 297**	**4 524**

Graph 5 Consolidated Changes in Equity Q1-Q4 2023 (data in million HUF)

	Share capital	Capital Reserve	Treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2022 (restated)	**3 116**	**1 153**	**-32**	**-4 281**	**18 784**	**18 740**	**-**	**18 740**
Total Comprehensive income								
Other comprehensive income	-	-	-	3 341	-	3 341	-	3 341
Profit in reporting year	-	-	-	-	2 874	2 874	-	2 874
Transactions with equity holders recognized directly in Equity								
Dividend payments	–	–	–	–	-1 691	-1 691	-	-1 691
Balance on 31 December 2023	**3 116**	**1 153**	**-32**	**-940**	**19 967**	**23 264**	**-**	**23 264**

Graph 6 Consolidated Changes in Equity Q1-Q4 2022 (restated) (data in million HUF)

	Share capital	Capital Reserve	Treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2021 (restated)	**3 116**	**1 153**	**-32**	**-2 884**	**18 944**	**20 297**	**-**	**20 297**
Total comprehensive income (restated)								
Other comprehensive income (restated)	-	-	-	-1 397		-1 397	-	-1 397
Profit in reporting year (restated)	-	-	-	-	1 535	1 535	-	1 535
Transactions with equity holders recognized directly in Equity								
Dividend payments	-	-	-	-	-1 700	-1 700	-	-1 700
Minority share derecognition	-	-	-	-	5	5	-	-
Balance 31 December 2022 (restated)	**3116**	**1 153**	**-32**	**-4 281**	**18 784**	**18 740**	**-**	**18 740**

Graph 7 Consolidated Statement of Cash Flows (data in million HUF)

	2023 Q1-Q4	2022 Q1-Q4 (restated)
Profit/loss after taxation	**2 874**	**1 535**
Modifying items		
Depreciation and amortization	489	410
Booked/reversed impairment, debt cancelled	-2	6
Result of assets sales	122	243
Exchange rate changes	241	54
Share of the profit or loss of associates accounted for using the equity method	-607	-491
Deferred tax	-15	-117
Income taxes	765	275
Income on interest	-1 917	-1 031
Result of derivatives	-678	-166
Provisions	-258	196
Result of minority shares	-	5
Termination of leasing assets	5	16
Interest cost	20	3
Change of active capital items:		
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	-8 219	-541
Increase / decrease of financial assets – investment contracts (-/+)	404	71
Increase / decrease assets resultant of reinsurance (-/+)	-1 465	-794
Increase / decrease of other assets and active accrued and deferred items (-/+)	-387	-143
Increase / decrease of liabilities resultant of reinsurance (-/+)	-177	453
Increase / decrease of insurance contract liabilities (+/-)	12 233	2 017
Increase / decrease of investment contracts (+/-)	-404	-71
Increase / decrease of insurance contracts assets (+/-)	-136	-458
Increase / decrease of other liabilities (+/-)	2 305	752
Increase / decrease capital owner liability (+/-)	3	-
Paid income taxes	-288	-206
Cash flows from operating activities	**4 909**	**2 020**

Consolidated Statement of Cash Flows continuation

Cash flow from investing activities	2023 Q1-Q4	2022 Q1-Q4 (restated)
Purchase of debt instruments (-)	-37 634	-17 633
Sales of debt instruments (+)	31 846	17 525
Purchase of tangible and intangible assets (-)	-242	-496
Sales of tangible and intangible assets (+)	1	1
Result of derivatives	606	96
Interest received	1 352	1 128
Dividend received	491	844
Cash flow from investing activities	**-3 579**	**1 465**

Cash flow from financing activities	2023 Q1-Q4	2022 Q1-Q4 (restated)
Interest paid	-20	-
Lease instalments payment	-166	-143
Lease interest payment	-9	-15
Repayment of loans and their interests	-7	-35
Dividend payment	-1 691	-1 702
Cash flow from financing activities	**-1 894**	**-1 895**

Impacts of exchange rate changes	-37	5

Net increase / decrease of cash and cash equivalents (+/-)	**-601**	**1 595**
Cash and cash equivalents at the beginning of the period	**3 093**	**1 498**
Cash and cash equivalents at the end of the period	**2 492**	**3 093**

3. TRANSITION TO IFRS 17

3.1. Transition to IFRS 17 (effective from 01.01.2023)

Since the Group 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 Group 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 are not the same as the current period data presented in the individual and consolidated (annual and interim) financial statements for the 2022 financial year.

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

During the transition to IFRS 17, the Group 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.

3.1.1. FRA transition approach at the Group

The FRA method means that the Group 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 Group 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 Group 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 Group'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 Group 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 Group 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.

3.1.2. FVA transition approach at the Group

Decisions when applying the FVA method

The FVA transition method is applied by the Group - 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 Group 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 Group uses the option of including contracts issued more than one year apart in the same GIC (grouped cohorts).

The Group 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 Group 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 Group 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 Group defines the yield curve used for the initial recognition (locked-in yield curve) and the yield curve observed at the claim incurrence, 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 occurrence of the claims, those where the Group applies the OCI option.

In the case of GICs affected by the FVA transition method, the Group 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 Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 Group

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 Group 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 Group).
- 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 Group 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 Group's own credit risk (negative number, reduces the value of FV_{GIC}.The Group 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 Group 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 GICs at the Group

In the case of its reinsured GICs, the Group 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

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

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 Group 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 Group 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 Group used the exemption rule for that stock (see also above in the chapter "Decisions when applying the FVA method").

3.2. Summary of IFRS 17 accounting policy

3.2.1. Important issues in IFRS 17

3.2.1.1. Classification of insurance, reinsurance and investment contracts

The contracts under which the Group assumes a significant insurance risk are considered insurance contracts. Reinsurance contracts are those contracts of the Group under which it transfers significant insurance risk of the underlying insurance contracts. Both insurance and reinsurance contracts expose the Group to financial risks. Some contracts concluded by the Group 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 Group 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 Group 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 Group does and did not sell investment contracts containing discretionary profit sharing.

The Group 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.

3.2.1.2. Separation of insurance and reinsurance contracts into components

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

3.2.1.3. 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).

3.2.1.4. Insurance contract portfolios, cohorts, date of initial recognition

For contracts exposed to similar risks and managed together, the Group creates portfolios of contracts, where the individual portfolios are also separated by cohorts (i.e. year of issue). At the Group, 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 Group divides an issued insurance contract portfolio into at least the following portfolios based on profitability:

a. the group of contracts which were disadvantageous at the initial recognition;
b. the group of contracts for which there was no significant probability at the initial recognition to become disadvantageous 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 Group uses the following profitability groups for GMM and VFA evaluation models:

- 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 Group does not use the profitability category designated by the standard, for which there is no significant chance of becoming disadvantageous at the time of initial presentation (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 Group applies a uniform treatment regarding the date of the initial recognition. The Group'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 Group 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).

3.2.1.5. Year to date approach

The Group 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 Group 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).

3.2.1.6. 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 Group - could be repriced and cancelled annually, the Group does not separate these contracts into their components, because

- the additional insurances 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 cancelled 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 Group 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 Group assessed its held reinsurance contracts and found that most of the "legal contracts" can be cancelled 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 cancelled at the end of the calendar year, the limits of the contract are the same as those set out in the contract.

3.2.1.7. Cash flows of insurance/reinsurance contracts in general

When valuating a group of insurance contracts, the Group must take into account all future cash flows within the limits of each contract in the group.
The Group 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 Group's actuaries at the contract level in the modeling tools and the contract level data is aggregated to the GIC level.

The Group 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 Group 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 Group 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 Group prepares monthly cash flow estimates.

3.2.1.8. Insurance acquisition cash flows

The Group 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 Group 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 Group 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 Group.
The Group 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.

3.2.1.9 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 Group 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 modifies the CSM).

3.2.1.10. Mutualization (cash-flow transfers between certain contract groups)

Mutualization is only relevant in the case of the Group, since only the Group has products where mutualization can be considered and the Group 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 Group'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 Group has developed the following systematic allocation method to take mutualization 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 mutualization 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.

3.2.1.11. 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 Group 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. For the non-life insurance contracts EMABIT currently did not identify investment components.

3.2.1.12. Application of yield curves during IFRS 17 calculations

The Group 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

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 Group 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 Group 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 Group 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 Group 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 incurrence 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 incurrence 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").

3.2.1.13. Management of foreign exchange insurances

The Group 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 Group 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 Group classifies those insurance contracts in a single portfolio, in which the premium and/or claim is denominated in the same currency.

The Group 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 Group 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 Group 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 Group 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 reporting date if they are denominated in a currency other than HUF. The Group 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

3.2.2. Insurance contracts - liability for remaining coverage (LRC)

3.2.2.1. General measurement model (GMM)

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

Initial recognition

The Group 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 Group:

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. 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 Group 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 Group 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 variance may 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 Group 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 Group 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 Group 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 Group 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 Group 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 into account the duration of this service. 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 Group.

The Group 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 Group 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 Group 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 Group discounts the planned coverage units. The Group does not discount the factual coverage units in the current period. The Group 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 Group 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 Group 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 Group 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 Group 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).

3.2.2.2. 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.

All contracts, that meet the criteria defined in IFRS 17, must be valuated in the VFA model.

The following are the Group'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 Group 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 Group 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 Group, unlike the GMM valuation model, can choose whether to apply the risk mitigation approach according to paragraph 17.B115 of IFRS. The Group 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 VF.

3.2.2.3. Premium allocation approach (PAA)

The premium allocation approach is 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 Group 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 Group. 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 Group 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 Group'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 Group 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.

3.2.3. Insurance contracts – liabilities for incurred claims (LIC)

3.2.3.1. Claim reserves and claim payment obligations

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

i. the value of future cash flows derived from claim 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.

3.2.3.2. 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 Group does not take advantage of this relief and discounts these cash flows within one year.

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

3.2.3.3. 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). The Group recognizes this interest in the income statement under insurance financial income and expenses.

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

3.2.3.4. 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 Group 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 Group 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 Group 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 Group 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 Group uses a different calculation methodology for annuity and non-annuity claims LICs.

The Group'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 Group 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 Group 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 insurances

In the case of life insurance, the LIC RA is determined by the Group 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 Group identifies the changes in LIC with the 1-year transaction results for the past years.

Calculation of LIC RA for non-life insurances

The RA of the non-life insurance LIC is determined by EMABIT using the quantile approach, applying at many points the logic of the S2 Regulation (2015/35 EU Commission Regulation) and the parameters defined there. Basically, EMABIT assumes that the claim reserve follows a lognormal distribution for non-life insurance contract groups on a given reporting date, with its expected value being approx. the value calculated for the reporting date. The lognormal distribution is determined according to this assumption and the values adjusted to the EMABIT confidence level from the relative standard deviation given in Annex 2 of the S2 Regulation (for the given S2 LoB).

The LIC RA calculated by GIC and claim year breakdown is determined through several steps.

1. step: Generating the S2 LOB level 1-year LIC RA
2. step: Generating the company-level ("diversified") 1-year LIC RA (taking into account correlations between different S2 LoBs)
3. step: Extension of company-level 1-year LIC RA to the estimated contract lifetime
4. step: Separation of company-level LIC RA into S2 LoBs
5. step: Separation of S2 LoB-level LIC RA into GICs and claim years

3.2.4. 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 Group's current direct insurances are presented here.

The Group 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 Group 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 disadvantageous.

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 Group 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 Group 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 Group has no insurance acquisition costs.

Allocated costs
For held reinsurance, the Group has no allocated costs.

Investment component
Unlike direct insurances, held reinsurance contracts have an Investment component. When determining the cash flows, the Group 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 Group 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 disadvantageous or become disadvantageous and the reinsurance contract was not concluded for the disadvantageous contract groups, the Group will create a Loss Recovery component as follows, determining the proportion in which each held reinsurance. Using this loss recovery ratio(s), the Group 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.

3.2.5. 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 Group'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 Group 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 Group 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).

3.2.6. Contract amendments, derecognition of contracts

The Group may derecognize 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

3.2.7. 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 recognized 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 Group 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 Group 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 Group 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 Group 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 Group 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.

3.2.8. Presentation

The Group 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.

3.2.8.1. Presentation in the statement of comprehensive income

When choosing the OCI option, the Group 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".

3.2.8.2. Insurance revenue

Under insurance revenue the Group 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.

3.2.8.3. 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 Group immediately recognizes the loss in the result under "Insurance services expenses".

The Group 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 Group accounts for experience variances (separated from changes in the discount rate and changes due to possible financial risks).

3.2.8.4. Insurance financial result

Under insurance financial income and expense, the Group 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 Group 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 Group 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 Group. In the case of UL contract portfolios, the Group 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 Group 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 Group applies the OCI option, because the Group 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 Group accounts for the same amount of insurance financial expenditure (income) in other comprehensive income.

For contract groups valued in the PAA model, the Group 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 Group 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 Group 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 Group uses locked-in discount rates.

The value calculated in the above manner is recognized by the Group 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 Group 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.

3.2.8.5. Presentation of reinsurance contracts

The Group presents income or expenses from held reinsurance contracts separated from expenses or income from issued insurance contracts. The Group 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 Group 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 Group choses to present the amounts received from reinsurers and the allocation of premiums paid separately.

3.3. Impact of the transition on the financial statements

The effects of the transition to IFRS 17 on the consolidated statement of financial position and the consolidated statement of comprehensive income as at the opening balance sheet date (01.01.2022) and the date of transition (01.01.2023) are presented below.

Graph 8 Consolidated statement of financial position 31.12.2022 - (data in million HUF)

ASSETS		31 December 2022 IFRS 17 + IFRS 9	31 December 2022. IFRS4 + IFRS9	Change
Intangible Assets	Immateriális javak	992	992	-
Property, plant and equipment	Ingatlanok, gépek és berendezések	149	149	-
Right of use assets	Használati jog-eszközök	409	409	-
Deferred tax asset	Halasztott adó követelések	591	591	-
Investment in associates	Tőkemódszerrel elszámolt befektetések	660	660	-
Insurance contract assets	Követelések biztosítási kötvénytulajdonosoktól	1 106	2 865	-4 651
	Követelések biztosításközvetítőktől		1 008	
	Halasztott szerzési költségek		1 884	
Reinsurance contract assets	Viszontbiztosító részesedése a biztosítástechnikai tartalékokból	1 350	1 751	-770
	Viszontbiztosítási ügyletekből származó követelések		369	
Investments for policyholders of unit-linked life insurance policies	Befektetési egységekhez kötött (unit-linked) életbiztosítások szerződői javára végrehajtott befektetések	86 205	86 205	-
Financial assets – investments contracts	Pénzügyi eszközök – befektetési szerződések	5 167	5 167	-
Financial assets – Derivatives	Pénzügyi eszközök - határidős ügyletek	59	59	-
Other financial assets at fair value	Egyéb pénzügyi eszközök valós értéken	24 432	24 432	-
Other assets and prepayments	Egyéb eszközök és elhatárolások	78	124	-46
Other receivables	Egyéb követelések	241	185	56
Cash and cash equivalents	Pénzeszközök és pénzeszköz-egyenértékesek	3 093	3 093	-
TOTAL ASSETS		**124 532**	**129 943**	**-5 411**

Consolidated statement of financial position 31.12.2022 - continuation (data in million HUF)

LIABILITIES				
Insurance contract liabilities	Technical reserves	96 315	22 247	-13 789
	Technival reserves for policyholders of unit-linked of life insurance policies		86 205	
	Liabilities to insurance policy holders		923	
	Liabilities to insurance intermediaries		729	
Reinsurance contract liabilities	Liabilities from reinsurance	553	1 500	-947
Financial Liabilities – Investement contracts	Investment contracts	5 167	5 167	-
Financial liabilities - Derivatives	Financial liabilities - Derivatives	-	-	-
Lease liabilities	Lease liabilities	475	475	-
Provisions	Provisions	520	520	-
Other liabilities	Other liabilities	2 732	3 268	-543
	Loans and financial reinsurance		7	
Liabilities towards shareholders	Liabilities towards shareholders	30	30	-
Total Liabilities		**105 792**	**121 071**	**-15 279**
NET ASSETS		**18 740**	**8 872**	**9 868**

SHAREHOLDERS' EQUITY				
Share Capital	Share Capital	3 116	3 116	-
Capital Reserve	Capital Reserve	1 153	1 153	-
Treasury shares	Treasury shares	-32	-32	-
Other reserves	Other reserves	-4 281	-6 891	2 610
Retained earnings	Retained earnings	18 784	11 526	7 258
TOTAL SHAREHOLDER'S EQUITY		**18 740**	**8 872**	**9 868**

Graph 9 Consolidated statement of comprehensive income 2022 (data in million HUF)

Consolidated statement of comprehensive income 2022		2022 Q1- Q4 IFRS17 + IFRS9	2022Q1-Q4 IFRS4+IFRS9	Change
Insurance revenue	Gross written premium	13 671	32 346	-18 576
Insurance service expenses	Net changes in value of the life technical reserves and unit-linked life insurance reserves	-13 265	-1987	15 176
	Fees, commissions and other acquisition costs		-7 040	
	Other operating expenses		-2 551	
	Claim payments and benefits, claim settlement costs		-16 129	
	Changes in unearned premiums reserve		-734	
Reinsurance expense-allocation of premium	Ceded reinsurance premiums	-1 540	-3 847	2 307
Amount recoverables from reinsurance	Recoveries, reinsurer's share	2 180	750	-124
	Commission and profit sharing due from reinsurers		1 554	
Insurance service result		**1 046**	**2 362**	**-1 316**
Interest income calculated using the effective interest method	Interest income calculated using the effective interest method	1 102	1 102	-
Investment income	Investment income	954	483	471
Impairment and impairment reversal of financial assets	Impairment and impairment reversal of financial assets	-6	-6	-
Investment expenses	Investment expenses	-3 060	-3 060	-
Yield on investment accounted for using equity method (profit)	Yield on investment accounted for using equity method (profit)	482	482	-
Investment income		**-528**	**-999**	**471**
Insurance financial result	-	1 455	-	1 455
Reinsurance financial result	-	-62	-	-62
Change in the fair value of liabilities relating to investment contracts	Change in the fair value of liabilities relating to investment contracts	178	178	-
Financial results		**1 571**	**178**	**1 393**
Premium and commission income from investment contracts	Premium and commission income from investment contracts	105	105	-
Other operating costs	-	-447	-	-447
Other (non-financial) income	Other operating income	274	803	-529
Other (non-financial) expenses	Other epxenses	-211	-1 083	872
Profit/loss before taxation		**1 810**	**1 366**	**444**

Consolidated statement of comprehensive income 2022 - continuation (data in million HUF)

Consolidated statement of comprehensive income 2022		2022 Q1- Q4 IFRS17 + IFRS9	2022Q1-Q4 IFRS4+IFRS9	Change
Tax expenses / (expenses)	Tax income / (expenses)	-275	-275	-
Deferred tax expenses / (expenses)	Deferred tax expeses / (expenses)	-	117	-117
Profit/loss after taxation		**1 535**	**1 208**	**327**
OCI from change in fair value of other financial assets at fair value	Other comprehensive income	-3 090	-3 207	117
OCI from insurance contracts	-	2 134	-	2 134
OCI from reinsurance contracts	-	160	-	160
Comprehensive income, would be reclassified to profit or loss in the future		**-796**	**-3 207**	**2 411**
Comprehensive income, wouldn't be reclassified to profit or loss in the future		**-602**	**-602**	**-**
Other comprehensive income		**-1 398**	**-3 809**	**2 411**
Total comprehensive income		**137**	**-2 601**	**2 738**

Graph 10 Consolidated statement of financial position 31.12.2021

ASSETS		31 December 2021. IFRS 17 + IFRS 9	31 December 2021. IFRS4 + IFRS9	Change
Intangible Assets	Intangible Assets	720	720	-
Property, plant and equipment	Property, plant and equipment	179	179	-
Right of use assets	Right of use assets	494	494	-
Deferred tax asset	Deferred tax asset	474	474	-
Deferred tax asset	Investments accounted for using the equity method	1 013	1 013	-
Insurance contract assets	Receivables from insurance policy holders	649	1 958	-2 693
	Receivables from insurance intermediaries		56	
	Deferred acquisition costs		1 328	
Reinsurance contract assets	Reinsurer's share of technical reserves	395	453	-146
	Receivables from reinsurance		88	
Investments for policyholders of unit-linked life insurance policies	Investments for policyholders of unit-linked life insurance policies	85 664	85 664	-
Financial assets – investments contracts	Financial assets – investments contracts	5 238	5 238	-
Financial asset - Derivatives	Financial asset - Derivatives	1	1	-

Graph 10 Consolidated statement of financial position 31.12.2021 - continuation (data in million HUF)

ASSETS		31 December 2021. IFRS 17 + IFRS 9	31 December 2021. IFRS4 + IFRS9	Change
Other financial assets at fair value	Other financial assets at fair value	28 409	-	-
	Available-for-sale financial assets	-	28 409	
Other assets and prepayments	Other assets and prepayments	62	76	-14
Other receivables	Other receivables	184	183	1
Cash and cash equivalents	Cash and cash equivalents	1 498	1 498	-
TOTAL ASSETS		**124 980**	**127 832**	**-2 852**

LIABILITIES				
Insurance contract liabilities	Technical reserves	96 433	19 320	-9 677
	Technival reserves for policyholders of unit-linked of life insurance policies		85 664	
	Liabilities to insurance policy holders		882	
	Liabilities to insurance intermediaries		244	
Reinsurance contract liabilities	Liabilities from reinsurance	112	279	-167
Financial Liabilities – Investement contracts	Financial liabilities -Investment contracts	5 238	5 238	-
Financial liabilities - Derivatives	Financial liabilities - Derivatives	12	12	-
Lease liabilities	Lease liabilities	532	532	-
Provisions	Provisions	323	323	-
Other liabilities	Other liabilities	2 013	2 112	-137
	Loans and financial reinsurance		38	
Liabilities to shareholders	Liabilities to shareholders	20	20	-
Total Liabilities		**104 683**	**114 664**	**-9 981**
NET ASSETS		**20 297**	**13 168**	**7 129**

SHAREHOLDERS' EQUITY				
Share Capital	Share Capital	3 116	3 116	-
Capital Reserve	Capital Reserve	1 153	1 153	-
Treasury shares	Treasury shares	-32	-32	-
Other reserves	Other reserves	-2 884	-1 472	-1 412
Retained earnings	Retained earnings	18 944	10 403	8 541
TOTAL SHAREHOLDER'S EQUITY		**20 297**	**13 168**	**7 129**

4. CHANGES OF ACCOUNTING POLICY

For the financial year beginning on 1 January 2023, the following new mandatory standards became effective, whose impact - except for IFRS 17 - is not material on the financial statements:

- Standard amendments to IAS 1 Presentation of Financial Statements: Amendments to the Classification of Liabilities and Current Assets and Presentation of Accounting Policies
- IAS 8: Definition of Accounting Estimates
- Standard amendments to IAS 12 Income Taxes: The Deferred Tax Effect of Assets and Liabilities Arising on a Transaction

5. OPERATING SEGMENTS

Graph 11 Segment informations Q1-Q4 2023 (data in HUF millions)

ASSETS	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Intangible Assets	661	273	-	-	934
Property, plant and equipment	105	12	-	-	117
Right-of-use assets	175	96	-	-	271
Deferred tax assets	337	-	-	-	337
Subsidiaries	6 698	-	-	-6 698	-
Associated companies	52	-	-	725	777
Insurance contract assets	1 058	184	-	-	1 242
Reinsurance contract assets	659	1 899	-	-	2 558
Investments for policyholders of unit-linked life insurance policies	94 424	-	-	-	94 424
Financial assets – investments contracts	4 763	-	-	-	4 763
Financial asset - Derivatives	110	21	-	-	131
Other financial assets at fair value	24 498	11 481	-	-	35 979
Other assets and prepayments	67	14	-	-	81
Other receivables	62	82	1	3	148
Treasury share	-	-	139	-139	-
Receivables from associates	119	67	413	-599	-
Cash and cash equivalents	1 709	756	27	-	2 492
Total Assets	**135 497**	**14 885**	**580**	**-6 708**	**144 254**
LIABILITIES					
Insurance contract liabilities	106 134	4 086	-	-	110 220
Reinsurance contract liabilities	91	285	-	-	376
Financial liabilities – Investement contracts	4 763	-	-	-	4 763
Financial liabilities - Derivatives	-	-	-	-	-
Lease liabilities	203	111	-	-	314
Provisions	127	136	-	-	263
Other liabilities	1 545	3 455	1	-	5 021
Intercompany payables	67	118	-	-185	-
Liabilities to shareholders	33	-	-	-	33
Total Liabilities	**112 983**	**8 191**	**1**	**-185**	**120 990**
NET ASSETS	**22 514**	**6 694**	**579**	**-6 523**	**23 264**

Segment informations Q1-Q4 2023 (data in HUF millions) - continuation (data in million HUF)

Shareholder's Equity	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Registered capital	3 116	1 090	243	-1 333	3 116
Capital reserve	4 019	9 105	-	-11 971	1 153
Treasury shares	-32	-	-	-	-32
Other reserve	-955	15	-	-	-940
Retained earnings	16 366	-3 516	336	6 781	19 967
Total shareholder's equity	**22 514**	**6 694**	**579**	**-6 523**	**23 264**

Consolidated statement of comprehensive income	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Insurance revenue	11 815	9 534	-	-	21 349
Insurance service expenses	-10 066	-7 790	-	-	-17 856
Reinsurance expense- allocation of premium	-683	-2 833	-	-	-3 516
Amount recoverables from reinsurance	973	917	-	-	1 890
Insurance service result	**2 039**	**-172**	**-**	**-**	**1 867**
Interest income calculated using the effective interest method	1 252	665	-	-	1 917
Investment income	7 976	538	149	-149	8 514
Impairment and reversed impairment of Financial assets	4	-2	-	-	2
Investment expenses	109	-280	-70	-885	-1 126
Yield on investment accounted for using equity method (profit)	454	-	9	108	571
Investment income	**9 795**	**921**	**88**	**-926**	**9 878**
Insurance financial result	-7 541	-48	-	-	-7 589
Reinsurance financial result	-54	69	-	-	15
Change in the fair value of liabilities relating to investment contracts	-403	-	-	-	-403
Financial results	**-7 998**	**21**	**-**	**-**	**-7 977**
Premium and commission income from investment contracts	77	-	-	-	77
Other operating costs	-181	-47	-15	10	-233
Other (non-financial) income	318	124	15	-260	197
Other (non-financial) expenses	-381	-41	-	250	-172
Profit/loss before taxation	**3 669**	**806**	**88**	**-926**	**3 637**

Segment informations Q1-Q4 2023 (data in HUF millions) - continuation (data in million HUF)

Consolidated statement of comprehensive income	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Tax income / (expenses)	-747	-31	-	-	-778
Deferred tax income / (expenses)	15	-	-	-	15
Total profit/loss after taxation	**2 937**	**775**	**88**	**-926**	**2 874**
OCI from change in fair value of other financial assets at fair value	3 100	364	-	-	3 464
OCI from insurance contracts	-1 588	-84	-	-	-1 672
OCI from reinsurance contracts	-157	-100	-	-	-257
Comprehensive income, would be reclassified to profit or loss in the future	**1 355**	**180**	**-**	**-**	**1 535**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	**1 806**	**-**	**-**	**-**	**1 806**
Other comprehensive income	**3 161**	**180**	**-**	**-**	**3 341**
Total comprehensive income	**6 098**	**955**	**88**	**-926**	**6 215**

Graph 12 Segment information 2022 Q1-Q4 (data in million HUF)

ASSETS	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Intangible Assets	731	261	-	-	992
Property, plant and equipment	133	16	-	-	149
Right-of-use assets	276	133	-	-	409
Deferred tax assets	591	-	-	-	591
Subsidiaries	4 243	-	-	-4 243	-
Associated companies	51	-	-	609	660
Insurance contract assets	1 017	89	-	-	1 106
Reinsurance contract assets	280	1 070	-	-	1 350
Investments for policyholders of unit-linked life insurance policies	86 205	-	-	-	86 205
Financial assets – Investments contracts	5 167	-	-	-	5 167
Financial assets - Derivatives	35	24	-	-	59
Other financial assets at fair value	16 413	8 019	-	-	24 432
Other assets and prepayments	64	14	–	-	78
Other receivables	101	137	-	3	241
Treasury share	-	-	112	-112	-
Receivables from associates	111	30	359	-500	-
Cash and cash equivalents	2 589	486	18	-	3 093
Total Assets	**118 007**	**10 279**	**489**	**-4 243**	**124 532**

Segment information 2022 Q1-Q4 - continuation (data in million HUF)

LIABILITIES	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Insurance contract liabilities	92 720	3 595	-	-	96 315
Reinsurance contract liabilities	491	62	-	-	553
Financial Liabilities – Investement contracts	5 167	-	-	-	5 167
Financial liabilities - Futures	-	-	-	-	-
Lease liabilities	319	156	-	-	475
Provisions	196	324	-	-	520
Other liabilities	938	1 792	2	-	2 732
Intercompany payables	31	111	-	-142	-
Liabilities to shareholders	30	-	-	-	30
TOTAL LIABILITES	**99 892**	**6 040**	**2**	**- 142**	**105 792**
NET ASSETS	**18 115**	**4 239**	**487**	**-4 101**	**18 740**

Shareholder's Equity					
Registered capital	3 116	1 075	276	-1 351	3 116
Capital reserve	4 019	7 620	-	-10 486	1 153
Own shares	-32	-	-	-	- 32
Share based benefit	-	-	-	-	-
Other reserves	-4 116	-165	-	-	-4 281
Retained earnings	15 128	-4 291	211	7 736	18 784
Total Shareholder's equity	**18 115**	**4 239**	**487**	**-4 101**	**18 740**

Segment information 2022 Q1-Q4 - continuation (data in million HUF)

Consolidated statement of comprehensive income	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Insurance revenue	9 280	4 391	-	-	13 671
Insurance service expenses	-8 154	-5 111	-	-	-13 265
Reinsurance expense- allocation of premium	-536	-1 004	-	-	-1 540
Amount recoverables from reinsurance	825	1 355	-	-	2 180
Insurance service result	**1 415**	**-369**	**-**	**-**	**1 046**
Interest income calculated using the effective interest method	770	332	-	-	1 102
Investment income	706	224	388	-364	954
Impairment and reversed impairment of Financial assets	-7	1	-	-	-6
Investment expenses	-3 194	-316	-758	1 208	-3 060
Yield on investment accounted for using equity method (profit)	834	-	9	-361	482
Inverstment income	**-891**	**241**	**-361**	**483**	**-528**
Insurance financial result	1 696	-241	-	-	1 455
Reinsurance financial result	-48	-14	-	-	-62
Change in the fair value of liabilities relating to investment contracts	178	-	-	-	178
Financial results	**1 826**	**-255**	**-**	**-**	**1 571**
Premium and commission income from investment contracts	105	-	-	-	105
Other operating costs	-318	-125	-16	12	-447
Other (non-financial) income	356	106	17	-205	274
Other (non-financial) expenses	-367	-37	-	193	-211
Profit/loss before taxation	**2 126**	**-439**	**-360**	**483**	**1 810**
Tax income / (expenses)	-240	-35	-	-	-275
Deferred tax income / (expenses)	-	-	-	-	-
Total profit/loss after taxation	**1 886**	**-474**	**-360**	**483**	**1 535**
Fair value through Other comprehensive income change of net fair value investments	-3 013	-78	-	-	-3 091
Financial comprehensive income of insurance hedges	2 050	85	-	-	2 135
Financial comprehensive income of reinsurance hedges	143	17	-	-	160
Other comprehensive income reclassable as earning later on	**-820**	**24**	**-**	**-**	**-796**
Other comprehensive income not reclassable as earning later on	**-602**	**-**	**-**	**-**	**-602**
Other comprehensive income	**-1 422**	**24**	**-**	**-**	**-1 398**
Total comprehensive income	**464**	**-450**	**-360**	**483**	**137**

6. NUMBER OF EMPLOYEES, OWNERSHIP STRUCTURE

The number of employees at the members of the Group was 190 on 31 December 2023.

Graph 13 Composition of the Issuer's share capital (31 December 2023)

Series of shares	Nominal value (HUF/ each)	Issued number of shares	Total nominal value (HUF)
Series „A"	33	94 428 260	3 116 132 580
of this treasury share	-	-	-
Amount of share capital	**-**	**-**	**3 116 132 580**

Graph 14 Number of voting rights connected to the shares (31 December 2023)

Series of shares	Number of shares issued	Number of voting shares	Voting rights per share	Total voting rights	Number of treasury shares
„A" series	94 428 260	94 428 260	1	94 428 260	-

Graph 16 The Issurer's ownership structure (31 December 2023)

Owners	Number of shares	Ownership stake	Voting rights
Domestic private individual	8 234	0,01%	0,01%
Domestic institution	28 371 921	30,05%	30,05%
Foreign private individual	64 671 491	68,49%	68,49%
Foreign institution	144 837	0,15%	0,15%
Nominee, domestic private individual	22 533	0,02%	0,02%
Nominee, foreign private individual	1 158 518	1,23%	1,23%
Nominee, foreign institution	18 000	0,02%	0,02%
Unidentified item	32 726	0,03%	0,03%
Total	**94 428 260**	**100%**	**100%**

The Issuer 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.

Graph 16 Issuer's investments on 31 December 2023

Name	Registered seat	The Issuer's share
CIG Pannonia First Hungarian General Insurance Company cPlc.	1097 Budapest, Könyves Kálmán krt. 11.	100,0%
Pannonia PI-ETA Funeral Service Limited Liability Company	1097 Budapest, Könyves Kálmán krt. 11.	100,0%
MBH Investment Fund Manager cPlc.*	1068, Budapest, Benczúr utca 11.	7,67%
OPUS GLOBAL Plc.	1062 Budapest, Andrássy út 59.	1%

7. INFORMATION PUBLISHED IN THE PERIOD

Date	Title, short content
2 October 2023	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc. - 30 September 2023
31 October 2023	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc. - 31 October2023
23 November 2023	EXTRAORDINARY INFORMATION the provision of health insurance services to NISZ Nemzeti Infokommunikációs Szolgáltató Zrt.
1 December 2023	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc. - 30 November 2023
21 December 2023	EXTRAORDINARY INFORMATION on the extended guarantee service provided to Magyar Telekom Plc.
1 January 2024	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc. - 31 December 2023
5 February 2024	EXTRAORDINARY INFORMATION on the resignation of a senior person
7 February 2024	EXTRAORDINARY INFORMATION On the decision made by the Central Bank of Hungary in the consumer protection procedure conducted on request
12 February 2024	OTHER INFORMATION provision of accident insurance services for child and youth to the Ministry of Economic Development

These announcements can be found on the websites of the (www.cigpannonia.hu) and the Budapest Stock Exchange Ltd. (www.bet.hu), as well as on the website of the Hungarian National Bank (www.kozzetetelek.hu).

8. DISCLAIMER

The Issuer declares that the report for the fourth quarter of 2023 was not reviewed by an auditor, the report for the fourth quarter of 2023 presents a true and fair view of the assets, liabilities and financial position, as well as the profit and loss of the Issuer and the enterprises consolidated in the financial statements. The consolidated management report provides a reliable presentation of the position, development and performance of the Issuer and the companies consolidated in its accounts.

26 February 2024, Budapest

Dr István Fedák **Chief Executive Officer**	**Alexandra Tóth** **financial director and head of accounting**