CIG PANNÓNIA
INSURANCE

CIG PANNÓNIA LIFE INSURANCE PUBLIC LIMITED

SEPARATE FINANCIAL STATEMENTS AND BUSINESS REPORT FOR THE YEAR 2021, PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCEPTED BY THE EUROPEAN UNION

28 MARCH 2022

CONTENTS

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021, PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCEPTED BY THE EUROPEAN UNION

STATEMENT OF COMPREHENSIVE INCOME

DATA IN THUF

	NOTES	2021	2020
Gross written premium		22 080 068	19 103 878
Changes in unearned premiums reserve		-70 210	-6 196
Earned premiums, gross		22 009 858	19 097 682
Ceded reinsurance premiums		-276 241	-260 862
Earned premiums, net	**8**	**21 733 617**	**18 836 820**
Premium and commission income from investment contracts	9	223 060	159 078
Commission and profit sharing due from reinsurers	10	2 381	1 257
Investment income	11	12 030 788	4 357 922
Yield on investment of associates	11	448 109	360 659
Other operating income	12	937 423	818 145
Other income		**13 641 761**	**5 697 061**
Total income		**35 375 378**	**24 533 881**
Claim payments and benefits, claim settlement costs	13	-14 541 872	-12 598 130
Recoveries, reinsurer's share	13	64 082	40 151
Net changes in value of the life technical reserves and unit-linked life insurance reserves	14	-12 197 828	-4 363 322
Investment expenses	11	-1 066 162	-922 129
Change in the fair value of liabilities relating to investment contracts	39	-597 619	-273 975
Investment expenses, changes in reserves and benefits, net		**-28 339 399**	**-18 117 405**
Fees, commissions and other acquisition costs	15	-3 763 253	-3 396 826
Other operating costs	16	-1 707 839	-1 451 211
Other expenses	17	-307 792	-633 685
Operating costs		**-5 778 884**	**-5 481 722**
Profit/Loss before taxation		**1 257 095**	**934 754**
Tax income/expenses	18	-184 215	-187 231
Deferred tax income/expenses	18	87 797	-29 255
Profit/Loss after taxation		**1 160 677**	**718 268**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	19	-	-
Comprehensive income, would be reclassified to profit or loss in the future	19	-2 191 604	-333 292
Other comprehensive income		**- 2 191 604**	**-333 292**
Total comprehensive income		**-1 030 927**	**384 976**

EARNINGS PER SHARE (CONSOLIDATED)			
Basic earnings per share (HUF)	20	17,8	7,1
Diluted earnings per share (HUF)	20	17,7	7,1

STATEMENT OF FINANCIAL POSITION

DATA IN THUF

ASSETS	NOTES	DECEMBER 31, 2021	DECEMBER 31, 2020
Intangible Assets	21	615 125	539 878
Property, plant and equipment	22	159 822	52 233
Right of use assets	23	385 461	53 019
Deferred tax asset	18	473 820	386 022
Deferred acquisition costs	24	1 251 601	1 136 074
Reinsurer’s share of technical reserves	36	178 930	467 763
Subsidiaries	25	4 068 923	1 456 191
Associates	25	51 753	51 753
Available-for-sale financial assets	26	21 507 125	22 991 881
Investments for policyholders of unit-linked life insurance policies	27	84 532 896	74 121 735
Financial assets – investment contracts	28	6 369 064	4 230 068
Financial assets – derivatives		937	11 106
Receivables from insurance policy holders	29	1 784 677	1 763 771
Receivables from insurance intermediaries	30	32 481	40 251
Receivables from reinsurance	31	15 663	11 312
Other assets and prepayments	32	43 796	11 143
Other receivables	33	69 827	149 203
Intercompany receivables	34	880 720	850 780
Cash and cash equivalents	35	741 831	449 401
Total Assets		**123 164 452**	**108 773 584**

LIABILITIES	NOTES	DECEMBER 31, 2021	DECEMBER 31, 2020
Technical reserves	36	16 611 452	14 393 864
Technical reserves for policyholders of unit-linked life insurance policies	38	84 532 896	74 121 735
Investment contracts	39	6 369 064	4 230 068
Financial liabilities-derivatives	CF	-	-
Loans and financial reinsurance	40	37 739	149 901
Liabilities from reinsurance	41	85 013	94 600
Liabilities to insurance policy holders	42	833 437	642 098
Liabilities to insurance intermediaries	43	156 728	176 460
Lease liabilities	44	414 318	53 400
Other liabilities and provisions	45	1 060 279	769 514
Intercompany liabilities	46	638 003	686 498
Liabilities to shareholders	CF	19 929	19 929
Total Liabilities		**110 758 858**	**95 338 067**
NET ASSETS		**12 405 594**	**13 435 517**

SHAREHOLDERS' EQUITY			
Share capital	47	3 116 133	3 116 133
Capital reserve	47	4 019 111	4 019 111
Share-based payment	48	-	8 838
Other reserves	49	-2 971 871	-780 267
Retained earnings		8 242 221	7 071 702
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**12 405 594**	**13 435 517**

CHANGES IN EQUITY 2021

DATA IN THUF

	NOTES	REGISTERED CAPITAL	CAPITAL RESERVE	TREASURY SHARES	SHARE BASED PAYMENT	OTHER RESERVES	RETAINED EARNINGS	EQUITY IN TOTAL
Balance on 31 December 2020		**3 116 133**	**4 019 111**	**-**	**8 838**	**-780 267**	**7 071 702**	**13 435 517**
Total comprehensive income								
Other comprehensive income	19	-	-	-	-	-2 191 604	-	-2 191 604
Profit after tax in reporting year		-	-	-	-	-	1 160 677	1 160 677
Transactions with equity holders, recognized in equity								
Derecognition of share based payments	3.11	-	-	-	-8 838	-	8 838	-
Purchase of treasury shares	48	-	-	31 996	-	-	-	31 996
Sales of treasury shares	48	-	-	-31 996	-	-	1 004	-30 992
Balance on 31 December 2021		**3 116 133**	**4 019 111**	**-**	**-**	**-2 971 871**	**8 242 221**	**12 405 594**

CHANGES IN EQUITY 2020

DATA IN THUF

	NOTES	REGISTERED CAPITAL	CAPITAL RESERVE	SHARE BASED PAYMENT	OTHER RESERVES	RETAINED EARNINGS	EQUITY IN TOTAL
Balance on 31 December 2019		**3 116 133**	**10 345 805**	**11 182**	**-446 975**	**15 558**	**13 041 703**
Total comprehensive income							
Other comprehensive income	19	-	-	-	-333 292	-	-333 292
Profit in reporting year		-	-	-	-	718 268	718 268
Transactions with equity holders, recognized in equity							
Recognition / derecognition of share based payments	3.11	-	-	-2 344		11 182	8 838
Capital increase	47	6 326 694	- 6 326 694	-	-	-	-
Capital decrease	47	-6 326 694	-	-	-	6 326 694	-
Balance on 31 December 2020		**3 116 133**	**4 019 111**	**8 838**	**-780 267**	**7 071 702**	**13 435 517**

CIG PANNÓNIA
INSURANCE

STATEMENT OF CASH FLOWS

DATA IN THUF

	NOTES	2021	2020
Profit/loss after taxation		1 160 677	718 268
Modifying items			
Depreciation and amortization	16	338 379	283 129
Extraordinary depreciation	17	- 7 083	488
Booked impairment	11	897 515	833 687
Result of assets sales	11	18 303	-3 986
Share based payments	3.11	-6 780	3 717
Exchange rate changes	11	-24 252	-64 084
Result of associates	11	-436 156	-360 659
Dividend from subsidiaries	11	-11 953	-
Income taxes	18	184 215	187 231
Deferred tax	18	-87 797	29 253
Interest received	11	-429 994	-358 383
Result of derivatives	11	7 502	-56 950
Provisions	45	-264 154	95 718
Derecognition of leasing assets		290	-
Interest cost	11	6 630	9 201
Change of active capital items:			-
Increase / decrease of deferred acquisition costs (-/+)	24	-115 527	237 587
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	27	-10 411 161	-3 574 028
Increase / decrease of financial assets – investment contracts (-/+)	28	-2 138 996	-245 665
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	29, 30,33	49 625	193 818
Increase / decrease of reinsurer's share from technical reserves (-/+)	36	288 832	-224 376
Increase / decrease of intercompany receivables (-/+)	34	-29 940	-611 273
Increase /decrease of other assets and active accrued and deferred items (-/+)	32	-32 653	10 612
Increase / decrease of technical reserves (+/-)	36	3 192 785	1 024 073
Increase / decrease of liabilities from insurance (-/+)	41, 42, 43	162 019	147 119
Increase / decrease of investment contracts (+/-)	39	2 138 996	245 665
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	36	10 411 161	3 574 028
Increase / decrease of intercompany payables (+/-)	46	-48 495	536 047
Increase / decrease of other liabilities (+/-)	45	561 704	-11 901
Increase / decrease in liability to equity holders (+/-)		-	-5 566
Paid Income Taxes	18	-158 751	-144 252
IFRS 2 difference in equity	Eqity	-	8 838
Cash flows from operating activities		**5 214 941**	**2 477 356**

CASH FLOW FROM INVESTING ACTIVITIES	NOTES	2021	2020
Purchase of debt instruments (-)	26	-16 494 820	-13 524 268
Sales of debt instruments (+)	26	14 596 673	9 973 468
Purchase of tangible and intangible assets (-)	21, 22	-454 924	-167 824
Sales of tangible and intangible assets (+)	21, 22	25 666	12 447
Result of derivatives	47	2 666	41 317
Equity increase in subsidiaries (cost assumption)	25	-3 500 000	-296 326
Interest received	11	627 794	434 646
Dividend received	11	448 109	360 659
Cash flow from investing activities		**-4 748 836**	**-3 165 881**

CASH FLOW FROM FINANCING ACTIVITIES			
Lease repayment	44	-53 533	-53 182
Lease interest	44	-8 458	-2 954
Repayment of loans and their interests	41	-117 862	-319 587
Purchase / sales of treasury shares		1 004	-
CASH FLOW FROM FINANCING ACTIVITIES		**-178 849**	**-375 723**
Impacts of exchange rate changes		5 174	73 174
Net increase / decrease of cash and cash equivalents (+/-)		**292 430**	**-991 074**
Cash and cash equivalents at the beginning of the period		**449 401**	**1 440 475**
Cash and cash equivalents at the end of the period		**741 831**	**449 401**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

On 4 November 2009, the General Meeting decided on a conditional (future) change of the Insurer's operating form a Private Limited Company to a Public Limited Company and authorized the Board of Directors to take into force this decision in due time (but no later than 31 December 2010). After several months of preparation of the Insurer's public disclosure, the Board of Directors has enacted the said resolution of the General Meeting with effect from 1 September 2010, since then the Insurer has been operating as a Public Limited Company. The public sale of CIGPANNONIA shares lasted from October 11, 2010 to October 22, 2010, during which the total amount of new publicly traded shares (10,850,000 shares) was registered and the Insurer received a total of HUF 9.3 billion new capital.

Following the creation of the new shares by KELER, the Insurer initiated the introduction of it's shares into the Class B of the Budapest Stock Exchange (BSE). Following the successful introduction, the first trading day was November 8, 2010. Since 12 April 2012 the Securities of the Insurer are traded in the BSE Shares Class "A" and after in the "premium" category and the shares are included in the BUX basket.

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

The parties signed the contract on 7 October 2016 according to which the Company acquired 98.97% ownership interest in MKB Life Insurance cPlc. while its subsidiary, CIG Pannónia First Hungarian General Insurance Ltd. acquired 98.98% ownership interest in MKB General Insurance cPlc from Versicherungskammer Bayern. The Competition Council of the Hungarian Competition Authority authorized the Company to get direct sole control over MKB Life Insurance cPlc., and its subsidiary - CIG Pannónia First Hungarian General Insurance Ltd. – to get direct sole control over MKB General Insurance cPlc. The acquisitions were authorised also by the Central Bank of Hungary on 22 December 2016. According to the contract between the Company, its subsidiary, CIG Pannónia First Hungarian General Insurance Company Ltd. and VKB, the closing conditions of the contract of purchasing MKB General Insurance cPlc and MKB Life Insurance cPlc were fulfilled on 1 January 2017.

The acquisition was registered by the Registry Court in case of the Issuer on 18 January 2017 and in case of the Issuer's subsidiary on 25 January 2017 and thus the CIG Group acquired 98.98% of MKB General Insurance cPlc and 98.97% of MKB Life Insurance cPlc as at 1 January 2017.

The General Meetings of MKB Insurance Companies decided on 24 March 2017 to change the name of the companies. The name of MKB Life Insurance cPlc. was changed to Pannónia Life Insurance cPlc. and the name of MKB General Insurance cPlc. to Pannónia General Insurance cPlc.

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

On 30 June 2017, the Court of Registration of Budapest registered the merge of Pannónia Life Insurance cPlc. into CIG Pannónia Life Insurance Plc. and the merge of Pannónia General Insurance cPlc. into the CIG Pannónia First Hungarian General Insurance Ltd. The date of the merge was 30 June 2017. With the merge, Pannónia Life Insurance cPlc. have been terminated, the property of the company is transfered to CIG Pannónia Life Insurance Plc. as successor. CIG Pannónia Life Insurance Plc. was operating in an unchanged corporate form, as a public limited company.

Parallel with the legal merger, the change of IT systems and the migration of policies into the insurance registration systems of CIG Pannónia started in the 2nd quarter of 2017 and was finished by the end of 2017. In line with the IT migration the harmonisation of the operation and the merger of the operating areas were finished also by the end of 2017.

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

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

On 29 November 2018, the Board of Directors of the Company decided to establish the Employee Stock Option Program (hereinafter referred to as "MRP"). The establishment of the MRP took place in order to implement the Remuneration Directives adopted by the Company's General Meeting. Based on the decision of the Board of Directors on April

5, the Company transferred to the CIG Pannonia MRP a total of 374,006 CIGPANNONIA ordinary shares held by the Company as non-cash contributions to cover performance rewards through the MRP. Following the transfer of shares, the Company does not hold CIGPANNONIA shares anymore.

The Annual General Meeting of the Company held on April 17, 2019 with decree of 8/2019. (04.17.) decided to reduce the share capital of the Company, as a result of which the share capital decreased from HUF 3,777,130,400 to HUF 3,116,132,580. The Company implemented the capital reduction by reducing the nominal value of the registered "A" series ordinary registered shares (94,428,260 pieces) of HUF 40 in the amount of 33 HUF per share, the way of carrying out the reduction was to reduce the nominal value of the shares. This change is subject to the Company Court Registry with decision of Cg.01-10-045857 / 395. The Company's share capital consisted of 94,428,260 ordinary registered shares ("A" series) with a nominal value of HUF 33 each. All rights and obligations relating to the new shares are in accordance with the rights and obligations attached to the former shares in accordance with the provisions of the Company's Articles of Association and Act V of 2013 on the Civil Code. The share exchange date was September 26, 2019. The capital reduction represented 17.5 percent of the Company's equity as of December 31, 2018, based on which the total amount of the payment was HUF 3 billion, HUF 31.96 per share. The Company fulfilled the payment in September 2019.

The Company's Board of Directors held an Extraordinary General Meeting on 21 December 2019. The General Meeting authorised the Board of Directors to acquire 23,607,065 dematerialised "A" series ordinary shares in order to decrease the Company's equity. The acquisition of the treasury shares cannot hinder the compliance with the SII requirements. The authorisation was valid for 18 months starting from the 2019 annual General Meeting's resolution.

The General Meeting authorised the Board of Directors to revise the registered capital of the Company in order to ensure the necessary cover for the treasury share purchase. The authorisation extended to increasing and decreasing the registered capital under the condition that the final registered capital allows for the Company to pay the offset needed for the treasury share purchase from the amount which can be paid as a dividend. The General Meeting at the same time authorised the Board of Directors to amend the affected provisions within the Articles of Association in accordance with the revision of the registered capital.

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

On 27 November 2020, the Board of Directors of the Company amended its dividend policy. According to the Company's new dividend policy, after realistic provisioning to take advantage of acquisition and non-organic growth opportunities is a primary goal. Dividends should be paid taken into account the Solvency Capital Requirement and the Company's liabilities, financial and management plans. The funds available above this, which can be paid as forms of dividends, may be paid as dividends to the stakeholders.

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

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

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

The Board of Directors of the Company (with the no. 19/2020. (IV.24.) authorized by a resolution of the Board of Directors within the competence of the General Meeting) for the purpose of providing benefits to the MRP organization, with the help of MKB Bank Plc., on 29 March 2021, purchased 100,000 treasury shares at an average price of HUF 319 (no payment was made from the MRP Organization during the concerned period). The shares provided covers future payments subject to the terms and conditions of the MRP Organization, which are conditional and deferred, as well as maintenance obligations. As a result of the transaction the Company's treasury shares inventory has increased from 0 pieces to 100,000 pieces, which was 0.10 % of the amount of issued shares. The treasury shares were transferred to the MRP Organization on 6 May 2021.

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

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

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

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

Based on the notification made by VINTON Vagyonkezelő Kft. to the Company on 18 October 2021, VINTON sold 11,140,311 CIGPANNONIA shares, representing 11.79% of the Company's shares - it was the subject of the public takeover bid, during and under the conditions set out therein. As a result of the transaction on 18 October 2021, the number of voting shares directly owned by VINTON decreased from 11,140,311 to 0 and thus represents 0% of the total number of shares issued.

Kaptár Befektetési Zrt. (registered office: 1055 Budapest, Honvéd tér 10 / a., company registration nr: 01-10-042644), as a shareholder of the Company, complying with the relevant provisions of Act CXX of 2001 on the Capital Markets, sold on 22 October 2021 CIGPANNONIA shares (ISIN: HU0000180112) in an over-the-counter transaction, and as a result of this transaction the number of shares held decreased to 3,150,000, representing 3.33% of the voting shares.

On 22 October 2021, the natural person shareholder of the Company, Dr. Gábor Móricz, sold CIG Pannónia shares in an over-the-counter transaction. The number of shares directly owned by Dr. Gábor Móricz decreased to 3,000,000, which corresponds to 3.17% of the voting shares.

In addition, due to the fact that Dr. Gábor Móricz owns 22.5% of Kaptár Befektetési Zrt., he also indirectly owns 708,750 ordinary shares of CIG Pannónia Nyrt. Based on this, the proportion of his shares conferring direct and indirect voting rights in the Company – falling below the threshold determined in Section 61 (1) and (3) of the Act CXX of 2001 on the Capital Market – was amended to 3.92%.

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

In the period under review, after the above announcement, Hungarikum Biztosítási Alkusz Kft. further increased its ownership share through shares acquired on the stock exchange, by notifying the Company in a transparent manner of certain acquisitions of ownership in the stock exchange – even those that do not reach the limit value. Thus, the proportion of voting shares increased to 56.99%, 57.04% and 57.18%. Finally, according to the information published on 3 January 2022, it changed to 54,082,693 shares, bringing the proportion of its voting shares to 57.27%.

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

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

The Company decided on 23 December 2021 to increase the share capital of EMABIT by an additional HUF 5,000,000, as a result of which the new share capital of EMABIT increased to HUF 1,070,000,000. The share capital increase has taken place through the private placement of 5 new dematerialized registered ordinary shares with a nominal value of HUF 1,000,000 and an issue value of HUF 400,000,000, with the payment of a cash contribution - having the same rights as the shares previously issued. The full share capital increase has been performed by the Company as the sole owner of EMABIT. Simultaneously with the share capital increase, the Company placed the difference between the issue and the nominal value of the shares, i.e. HUF 1,995,000,000, in the capital reserve of EMABIT. According to the information published by the Company on 30 December 2021, increase of the share capital took place by issuing new shares in accordance with the Company's new strategic vision, financing the operation of the business units restarted by EMABIT and the growth of the portfolio.

EMABIT entered into a partnership agreement with UNION Vienna Insurance Group Biztosító Zrt. (registered office: 1082 Budapest, Baross u. 1., company registration number: 01-10-041566) on 11 November 2021. Thanks to the agreement it will further expand its range of non-life insurance as an integral part of the implementation of the Growth Strategy and will offer travel insurance to its retail customers from April 2022. At the same time, EMABIT is expected to introduce besides the new, traditional home insurance product in the first half of 2022 in an outsourcing cooperation a Certified Consumer Friendly Home Insurance Product, with which the CIG Pannonia Group further expands its range of non-life insurances.

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

1.1. Owners

The owners of the Company are Hungarian and foreign private individuals and legal entities, the number of shareholders is 5,806 at 31 December 2021. A share of above 10% is owned by Hungarikum Biztosítási Alkusz Ltd., who has a 57.21% share through owning 54,018,523 shares. According to the information published on 3 January 2022, this changed to 54,082,693 shares, bringing the proportion of its voting shares to 57.27%.

Dr. Gábor Móricz has a total of 3,000,000 (3.18%) CIGPANNONIA ordinary shares. Kaptár Befektetési Zrt., which is in close contact with Dr. Gábor Móricz, has a total of 3,100,000 (3.28%) ordinary shares. Based on the information provided by the shareholder, the number of shares owned by Kaptár Befektetési Zrt. decreased to 708,750 thousand after the balance sheet date.

The ownership structure:

OWNERS DESCRIPTION	NUMBER OF SHARES	OWNERSHIP RATIO	VOTING RIGHT
Domestic private individual	29 906 281	31.67%	31.67%
Domestic institution	62 958 013	66.67%	66.67%
Foreign private individual	152 339	0.16%	0.16%
Foreign institution	75 566	0.08%	0.08%
Nominee, domestic private individual	1 174 961	1.24%	1.24%
Nominee, foreign private individual	118 400	0.13%	0.13%
Nominee, foreign institution	32 512	0.03%	0.03%
Unidentified item	10 188	0.01%	0.01%
Total	**94 428 260**	**100%**	**100%**

The Insurer 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.

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

1.2. Supervisory Board

Chairman: **János Tima**

Members: **Erika Vada**

Ákos Veisz

1.3. Audit Committee

Chairman:	**Erika Vada**
Members:	**János Tima**
	Ákos Veisz

1.4. Remuneration and Nomination Board

István János Fedák dr.

Péter Bogdánffy dr.

Zsuzsanna Ódorné Angyal

1.5. Board of Directors

Chairman:	**Zoltán Polányi** (from 3 May 2021)
Members:	**Péter Bogdánffy dr.**
	Zsuzsanna Ódorné Angyal
	István János Fedák dr.

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

1.6. Management

Primary CEO, Chief Executive Officer:	**Zoltán Polányi**
Chief Executive Officer:	**István János Fedák dr.**
Deputy Chief Financial Officer:	**Árpád Szűcs**
Deputy CEO responsible for corporate governance:	**Gábor Dakó dr.**
Deputy Chief Sales Officer of Bank Insurance:	**Zoltán Kőrösi** (from 1 December 2021)
Chief Accounting Officer:	**Alexandra Tóth**
Chief lawyer:	**Dávid Kozma dr.** (from 21 September 2021)
	Antal Csevár dr. (until 20 September 2021)

Data protection officer:	**Antal Csevár dr.**
Chief actuary:	**Géza Szabó**
Responsible for actuarial function:	**Melinda Márton**
	Gábor Varga (from 21 June 2021)
Chief Risk Officer:	**Pál Búzás dr.** (until 30 November 2021)
Responsible for risk management:	**Máté Komoróczki** (until 30 June 2021[1])
Head of internal audit:	**Erika Marczi dr.**
Head of compliance:	**Katalin Déri dr.**
Responsible for consumer protection:	**Zsuzsanna Faránkiné Nagy**
Senior doctor:	**Katalin Halász dr.**
Investment relations:	**Emese Stodulka** (from 3 May 2021)
	Antal Csevár dr. (until 2 May 2021)

1.7. Data of the signatories of the annual report

Zoltán Polányi
Primary Chief Executive Officer
2040 Budaörs, Bányász street 18.

Géza Szabó
Chief actuary
1123 Budapest, Csörsz street 13.

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

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

[1]The position is unoccupied since 01/07/2021

1.8. External auditor

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

Data of the auditor:

Mazars Kft.

1139 Budapest, Fiastyúk utca 4-8., 2nd floor
Registration number: 000220

Molnár Andrea Kinga,
registered auditor (from 19 April 2021)
Chamber membership number: 007145

Ernst & Young Könyvvizsgáló Kft.
1132 Budapest, Váci street 20.
Registration number: 001165

Zsuzsanna Nagyváradiné Szépfalvi,
registered auditor (until 16 April 2021)
Chamber membership number: 005313

The fees charged by the registered auditor for services for the 2021 business year were as follows:

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

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

2.1. Compliance with the International Financial Reporting Standards

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

2.2. First Application

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

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

2.3. Basis for measurement

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

2.4. Functional and presentation currency

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

2.5. Use of estimates and assumptions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Shares in separate financial statements

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

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

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

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

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

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

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

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

As the Insurer decided, at the time of transition, to measure interests at cost determined in accordance with IAS 27, it should perform an impairment test for shares on the basis of IAS

36. If there is an indication that the share is impaired, the recoverable amount of the share shall be determined. The recoverable amount is the higher of the value in use (typically the value determined by the discounted cash flow method) or the fair value less cost to sell. If the recoverable amount is lower than the cost of the asset, impairment is recognised.

3.2. Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange prevailing at the end of reporting period. Items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences on trade receivables and payables and on borrowings are recorded as investment income or expense. The impacts of period-end translations are accounted in the profit for the period, expect for non-monetary items available for sale, where the impact of the translation is recorded under other comprehensive income.

3.3. Policy classification – separation of insurance and investment contracts

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

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

The Company considers risks that reach 5 percent to be significant. Policies with significant insurance risks are accounted as insurance policies; for policies not meeting this condition, and if there is a top-up premium payment at the start, the components related to single/regular and top-up premium payments are initially separated; the latter are accounted as investment contracts. The Company carries out again the test outlined above for components related to single/regular premium payments. If the test reveals that the insurance risk is significant, the component is accounted as an insurance policy, otherwise as an investment contract.

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

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

3.4. Insurance policies

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

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

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

b. *its reinsurance contracts.*

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

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

The insurer has the opportunity to continue the following

- valuation of insurance liabilities without discounting;
- presenting contractual rights for future investment management fees at a value that exceeds their fair value as compared to current fees charged by other market participants for similar services. Most likely the initial fair value of these contractual

rights equals the acquisition costs paid for them, unless future investment management fees and related costs are not consistent with market comparative information;

- the use of non-uniform accounting policies for affiliates' insurance contracts (and related deferred acquisition costs and related intangible assets, if any). If the accounting policy applied is not unified, the insurer may change it if the change does not make the policies applied even more diversified and complies with the other requirements of IFRS.

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

3.4.1. Gross written premium

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

3.4.2. Claims and benefits

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

3.4.3. Acquisition costs

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

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

The Company deffers all commissions of annually renewed products and supplementary covers and the deferred acquisition costs are resolved proportionally over time.

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

3.4.4. Measurement of technical liabilities

a) Unearned premium reserve

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

b) Actuarial reserves

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

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

c) Claim reserves

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

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

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

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

d) Reserve for premium refunds dependent on profit

If the investment return on the assets behind the actuarial reserve exceeds the yield that is priced according to the product plan, then the excess yield repayment policy should be followed in determining the portion of the surplus yield that the policyholders have. In the case of traditional savings products, policyholders usually have at least 80 percent of the surplus yield, but at least the amount of the insurance contract terms. Crediting to the actuarial reserves are made once every calendar year. If this surplus yield has not yet been settled at the reporting date the Company is obliged to increase the reserve for premium refunds dependent on profit according to the Hungarian regulations. The reserve is calculated on an accumulative, retrospective basis.

If an available-for-sale security serves as cover for the actuarial reserve, the Company will also allocate a reserve for premium refunds dependent on profit also for the bonus on such security. If the return is negative, the reserve is not reduced.

e) Reserve for premium refunds independent of profit

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

f) Cancellation reserve

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

g) Unit-linked life insurance reserves

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

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

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

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

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

h) Other technical reserves

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

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

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

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

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

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

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

i) Reserve on probable future losses

Probable future losses are covered by the Insurer under a separate reserve accounted within other technical reserves. At the reserve allocation the Company takes into account the past results of the line of business, the losses may arise in the future and the active policies in the portfolio at the date of examination. The level of the reserve is equal to the probable future loss.

j) Liability adequacy test

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

3.5. Investment contracts

3.5.1. Premiums paid

Amounts paid on investment contracts or on components, which primarily involve the transfer of financial risk such as long-term savings policies, are settled using deposit accounting methods, under which the amounts received reduced by the cost coverage specified in policy terms are recognized directly in the statement of financial position as liabilities to the investor.

3.5.2. Services

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

3.5.3. Acquisition costs

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

3.5.4. Liabilities

All investment contract liabilities are designated on initial recognition as held at fair value through profit or loss. The financial liability in respect of investment contracts is measured based on the underlying net asset value of the unitized investment funds on the reporting date.

3.5.5. Premium and commission income from investment contracts

Premium income includes various premiums charged on investment and insurance policies. Fees charged for investment management services provided are recognized as revenue in the period when the services are provided. Annual investment fees and policy administration fees are recognized as revenue on an accrual basis. Costs of claims paid are recognized when benefits are paid.

3.6. Income and expenses relating investments

Income and expenses relating investments comprise dividend and interest income, interest expenses, gains and losses from exchange rate differences, and gains and losses (both unrealized and realized) arising from net fair value changes of financial assets measured at fair value through profit or loss. The realized exchange difference on the sale of available-for-sale financial assets is the difference between the cost and the selling price. Interest received in respect of interest-bearing financial assets measured at fair value through profit or loss is included in net gains and losses arising from fair value changes. Interest income, and expenses from loans, receivables and funds is accounted using the effective interest rate method.

3.7. Other operating income

3.7.1. Income from the fund management

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

3.7.2. Income of pending charges

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

3.7.3. Recognition of other income related to the acquisition of stock

In parallel with the acquisition of the insurance portfolio of the Dimenzió Insurance Association, the Company is entitled to income from its consortium partner, which is expected to be realized financially within four years. As the Company is entitled to this revenue in connection with the transfer of the portfolio, the two transactions cannot be separated according to the principle of offsetting and matching. As IFRS 4 does not establish a specific set of rules for the recognition of portfolio acquisition income, the Company determines the recognition of other income related to portfolio acquisition in accordance with the principles of matching and IFRS 15 as follows. Revenue recognition is separated from financial realization and the share from the total expected revenue in the given period is resolved into profit or loss parallel to the incurring and expiring of the estimated services related to the acquired stock. The Company recalculates the estimated run-off of the service on a quarterly basis.

3.8. Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

3.9. Determining operating costs and expenses

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

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

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

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

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

3.10. Income from state subsidies

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

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

3.11. Employee benefits

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

Grouping employee benefits:

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

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

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

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

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

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

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

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

As these options of MRP and the CIGPANNONIA shares transferred to MRP are presented at their fair value (which is required by the Hungarian accounting regulation in the case of MRP), the Company likewise presents its receivables from MRP in fair value. The receivables from MRP are valued against the Company's results in fair value, because IAS 39.9 11A states, that the FVPTL can be chosen if the accounting mismatch can be decreased by this. In this case, as the valuation of the option and the shares in the MRP organisation is done in fair value according to the Hungarian accounting regulation, this accounting mismatch can be decreased within the Life Insurance Company also by using fair value valuation of the MRP receivable.

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

The main attributes of the benefit are as follows. The date the benefit is granted is the date on which the parties mutually understood the terms of the benefit. This is the date when the parties sign the bonus agreement. The bonus vesting period is the business year to which the bonus agreement applies; the performance criteria must be evaluated for this period. A further three-year deferred performance criterion needs to be applied for the payment of the additional 10-10-10%. IFRS 2 does not lay down specific rules for the valuation of the benefit, but according to IFRS 2 BC106-118 the valuation of a payment principally defined in a fixed amount should not differ because the form of its payment (i.e. whether it is paid in cash or in shares). Based on the above, the Company presents with regards to this benefit the fixed amount's discounted present value against the equity, accounted for continuously over the year of the benefit. In the course of valuation, the Company considers expected changes in performance criteria and vesting conditions using historical data of the previous periods. After valuation at grant, the value of the benefit remains unchanged even if it expires without payment because the criteria were not met. In this case, the share-based benefit equity may be reconciled against retained earnings in the following year. There was no mutual agreement between the parties in 2021 regarding the bonus to be paid through the MRP organization, therefore the 2021 financial statements do not include a share-based payment under IFRS 2.

3.12. Income taxes

Tax expense includes actual and deferred taxes for the current year. Actual and deferred tax is recognized in profit or loss unless it relates to an item that is accounted for in equity or other comprehensive income because it is recognized in equity or other comprehensive income with the related item.

The effective tax is the tax that is expected to be payable on the taxable profit for the year in question at the effective or substantially effective tax rates at the balance sheet date.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities recognized in the statement of financial position and recognized for taxation purposes. Deferred tax assets are recognized for deferred tax when it is probable that sufficient future taxable profit will be available against the deferred tax asset. The amount to be set as deferred tax receivable is expected to be recoverable from the tax losses in the medium term (6 years), that is the tax expected to be deductible according to the Company's business plans and the effective tax rate. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which the temporary differences are reversed. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.13. Intangible assets

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

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

3.14. Property, plant and equipment

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

Depreciation is recorded from the date of first use and is calculated using the straight-line method over the estimated useful lives. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is earlier. The following depreciation rates are applied:

TYPE OF ASSET	DEPRECIATION RATE
Investment on rented property	50%
Motor vehicles	20%
Office and IT equipment	33%
Furniture and other fittings	14,5%

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

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

Property, plant and equipment include computers, office equipment, fixtures and vehicles at cost less accumulated depreciation and impairment losses. Acquisitions below HUF 100 thousand are written off in the year of acquisition.

3.15. Impairment of non-financial assets

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

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

3.16. Financial assets

All financial assets are recognized and derecognized on the trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. All financial assets are initially measured at fair value plus, in the case of financial assets not classified as at fair value through profit or loss, transaction costs.

Financial assets are derecognized when policy rights to receive cash flows from the financial assets expire, or the financial assets have been transferred together with substantially all the risks and rewards of ownership.

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

Financial assets are classified into different categories depending on the type of asset and the purpose for which it is acquired. Currently three different categories of financial assets are used: 'financial assets at fair value through profit or loss', 'loans and receivables' and 'available for sale (AFS)'.

3.16.1. Financial instruments measured at fair value through profit or loss

The financial instruments measured at fair value through profit or loss, include assets designated as such on initial recognition. The Insurer has no financial assets held for trading purposes.

All financial assets connected to unit-linked life insurance are designated as at fair value through profit or loss on initial recognition since they are managed, and their performance is evaluated, on a fair value basis. This designation is also applied to the Company's investment contracts, since the investment contract liabilities are managed together with the investment assets on a fair value basis. Among the other items, financial assets and derivatives are also presented in the line.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at their fair value without any deduction for transaction costs that may be incurred on their disposal.

In the case of registered instruments, the fair value of financial instruments measured at fair value through profit or loss is determined using the closing market price on the reporting date, while in the case of non-registered instruments it is determined using a valuation technique (expected cash flow discounting). Such assessment is carried out by the custodian and the Company enters the market value in its financial statements on the basis of this.

3.16.2. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are assessed at amortized cost using the effective interest method, less any impairment losses, as this is the adequate approximation of the market value.

Loans and receivables comprise: receivables from policyholders, receivables from insurance intermediaries, receivables from reinsurers other and intercompany receivables.

3.16.3. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity instruments and certain debt instruments are classified as available-for-sale financial assets.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within the equity in the other reserves. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

In the case of registered instruments, the fair value of available-for-sale financial assets is determined using the closing market price on the reporting date, while in the case of non-registered instruments it is determined using a valuation technique (expected cash flow discounting). Such assessment is carried out by the custodian and the Company enters the market value in its financial statements on the basis of this.

3.16.4. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant (10 percent, at least over HUF 1 million) or permanent decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

In the case of available-for-sale government bonds, a difference of more than 10% between the adjusted book value and the market value is considered to be a significant negative difference. The difference must also be permanent in the opinion of the Company, which is interpreted as meaning that the negative difference must have existed for at least 1 year.

With respect to strategic interest, the Company applied the “designation” option under IFRS 1 in connection with paragraph 5.7.5 of IFRS 9 when transitioning to individual IFRSs, which allows for the irrevocable decision of equity-type investments to be measured against equity. Thus, any change in the fair value of the strategic interest is recognized in other comprehensive income and no impairment loss is recognized in respect of the strategic interest.

For all other financial assets, objective evidence of impairment may be the following:

- significant financial difficulties of the Company
- default or delinquency in interest or capital payments
- it is very likely that the Company will undergo bankruptcy or other financial restructuring

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Impairment is recognized in profit or loss. The Company does not record any impairment on receivables from active insurance brokers, as in the case of such partners it is probable that receivables can be recovered during the continuous business relationship. It determines the expected recovery of the receivables from non-active insurance brokers by estimation, on the basis of the available information. For the purpose of assessment, the Company classifies its receivables from insurance brokers into two main groups: receivables assessed in groups (below HUF 500 thousand) and receivables assessed on an individual basis. After the receivables have been classified into the above groups the Company determines the expected value of the non-recoverable receivables and the amount of impairment on the basis of the professional opinion of the debt management companies and the individually available information.

Impairment losses on available-for-sale securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in other reserves within the equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent increase in the fair value of an impaired available-for-sale equity instrument is recognized in other comprehensive income.

3.16.5. Determination of fair values

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

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

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

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

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

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

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

- Shares:
  - the shares traded at the stock exchange have to be valued according to the closing price on the date of financial statements;
  - if there was no trading on that day, the last closing price shall be used if this price is not older than 30 days from the date of the financial statements;
  - in the case of a non-listed share, the valuation price of the asset shall be determined on the basis of the officially published last weighted average OTC price if it is not older than 30 days
  - if none of the methods can be applied, regardless of its antiquity, the lower of the last stock exchange price, the absence thereof the last OTC price and the purchase price should be used.
- • Derivative instruments:
  - T day earnings on futures on the Budapest Stock Exchange on the basis of the relevant stock exchange futures regulations if the transactions were opened on T day using the binding price and the T day settlement price if the transactions were closed on T day by the binding price and T-1 daily in the case of transactions opened earlier than T day, using the settlement rate T day and T-1 daily settlement price.
  - Foreign exchange futures contracts are evaluated at forward rate calculated on the basis of the T-day spot rate and interbank rates quoted in the relevant currencies. The interest rates to be used for the calculation are inter-bank interest rates that are closest to the remaining maturity of the forward bond.

3.17. Cash and cash equivalents

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

3.18. Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

3.19. Financial liabilities

The Company recognizes its financial liabilities in the financial statements from the date the policy obligation arises. Financial liabilities are derecognized from the date the policy obligation is discharged, expires or is terminated.

The Company classifies its liabilities in the following categories:

3.19.1. Liabilities at fair value through profit or loss

The Company initially recognizes all liabilities from unit-linked life insurance policies as liabilities at fair value through profit or loss which do not comply with the criteria for inclusion as insurance policies. (cf. Notes 3.3 Policy classification, 3.5 Investment contracts). The Insurer has no financial liabilities held for trading purposes. Among the liabilities at fair value through profit or loss, financial liabilities and derivatives are also presented in the line.

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

3.19.2. Other financial liabilities

Under other financial liabilities the Company includes all financial liabilities which were not considered liabilities at fair value through profit or loss when first recognized. The initial recognition of other financial liabilities is at fair value including transaction costs. Subsequent measurements ensue at amortized cost with the effective interest rate method.

Loans received, liabilities from reinsurance, liabilities against policyholders, liabilities against insurance intermediaries, other, intercompany and shareholder liabilities as well as liabilities from financial reinsurance are considered to be other financial liabilities.

3.19.3. Liabilities from direct insurance and investment transactions and other liabilities

Insurance and investment contract liabilities and other liabilities are recognized in the period when incurred and are measured upon initial recognition at the fair value of the consideration paid. Subsequent to initial recognition, liabilities are measured at amortized cost using the effective interest rate method.

3.19.4. Liabilities from financial reinsurance

The Insurer has liabilities arising from financial reinsurance, which is accounted for in accordance with IAS 39 on the recognition of other financial liabilities.

After the foundation of the Company, a financial reinsurance agreement was concluded with the purpose of financing the acquisition costs of unit-linked contracts in the initial period of operation of the Company. The reinsurers from the beginning of the contract (Hannover Re, Mapfre Re) expanded with two new partners (VIG Re, Partner Re) in 2012, and since 2012, Mapfre Re was no longer involved in connection with new policy generations. The two new partners, who joined in 2012, did not renew the reinsurance contract in 2015, their part was taken over by Mapfre Re, which re-entered the contract from 2015. The agreement covers periodically paid unit-linked products sold between 2008 and 2018; the territorial scope is Hungary, Romania and Slovakia from 2011. Reinsurance companies finance the commissions paid by the Company, adjusted for reimbursed commissions. The amount available is determined on the basis of the number and value of the policies sold. Settlement between the parties is to be done quarterly, by policy generations. The Company did not renew the financial reinsurance contracts from 2019, ie it did not use financing from 2019 for new generations. In the following years, the earlier obligation will be repaid.

As the repayment of the loan is covered by the cash flow of insurance policies, the repayments were scheduled in accordance with the insurance premiums. In the contract, from 2012 onwards, the ratio of the portfolio reinsured was adjusted from 60 percent to 85 percent of the portfolio's regular premiums regarding new generations. From 2012 the Company receives a liquidity surplus of 50-52 percentage of annual premiums (before 2012 this was 35-37 percent) in the first year, which is used to finance 38 percentage of acquisition commissions (before 2012 this ratio was 27 percentage). In the second year 40 percent of the received premium (in case of generation before 2012 27.6 percentage), in the next years 3-6 percentage of received premium (for generations before 2012 3.6 percentage) is due until full repayment. The outstanding balance bears a fixed interest rate of 3.38-7.91% depending on the given policy generation. For the 2018 generation, the percentage set for the regular premiums of the portfolio reinsured has been reduced to 40%. From the beginning of 2019, the Company will not use financial reinsurance to finance the initial costs of new acquisition.

3.20. Share capital and capital reserve

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

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

3.21. Other reserves

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

3.22. Treasury shares

According to IAS 32, paragraphs 33 and 34, when a company repurchases its own shares, any paid consideration should be presented directly as an equity decreasing item. No gains or losses can be recognized in the comprehensive income in connection with the purchase, sale, issue or termination of treasury shares, the consideration for the purchase or sale is recognized directly in equity. The amount of repurchased treasury shares as specified in IAS 1 is stated separately by the Company in both the statement of financial position and the notes.

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

3.23. Equity Correlation Table

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

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

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

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

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

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

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

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

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

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

The equity correlation table shall also contain:

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

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

3.24. Earnings per share

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

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

- the net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares, and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.25. Contingent liabilities

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

3.26. Releated parties

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

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

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

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

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

a. *the spouse and children of the individual;*

b. *the children of the individual's spouse; as well as*

c. *dependents of the individual or the spouse of the individual.*

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

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

- Joint control: contractual sharing of control over an economic activity
- Significant influence: the ability to participate in the financial and operational policy decisions of the company, but not the control of these policies. Significant influence can be obtained through share ownership, by law or by contract

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

a. *short-term employee benefits;*

b. *post-employment benefits;*

c. *other long-term benefits;*

d. *severance payments; as well as*

e. *share-based payments.*

Publication of related party transactions (IAS 24 paragraph 17)

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

The information published must include at least:

a. *the amount of transactions;*

b. *the amount of open balances;*

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

    ii. *details of the guarantees provided or received;*

c. *provisions for doubtful debts to the amount of open balances; as well as*

d. *the expense recognized in the period for bad or doubtful receivables from related parties*

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

3.27. Cash-flow statement

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

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

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

Cash flow from operating activities

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

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

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

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

Cash flow from investing activities

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

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

Cash flow from financing activities

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

Financing cash flows include:

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

3.28. Introduction of IFRS 9

An insurer that complies with the criteria in paragraph 20B provides for the granting of temporary exemption by IFRS 4 allowing an insurer to apply IAS 39 Financial Instruments: Recognition and Measurement Standard for annual periods instead of IFRS 9 for the annual periods beginning before 1 January 2023.

An Insurer with a temporary exemption from IFRS 9 is obliged to:

a. *comply with IFRS 9 requirements about disclosures required by 39B-39J of this Standard; and*

b. *apply all other financial instruments standards except those in paragraphs 20A-20Q, 39B-39J and 46-47.*

An insurer can be the only benefit from the temporary exemption from IFRS 9 if:

a. *did not apply any previously published IFRS 9 except for the recognition of gains and losses on financial liabilities designated at fair value through profit or loss that is consistent with IFRS 9 standard 5.7.1 (c), 5.7.7-5.7.9, 7.2.14 and B5.7.5 to B5.7.20;*

b. *as described in section 20D, its activity is predominantly insurance related to the date of its annual report before 1 April 2016 or the date of its subsequent annual report, as provided for in paragraph 20G.*

The activity of the insurer is primarily and exclusively related to insurance if and only if:

a. *the carrying amount of its liabilities arising from contracts falling within the scope of IFRS 4, as compared with the total carrying amount of all its liabilities, including the provisions of this Standard 7-12. as well as embedded derivative products separated by insurance contracts, are significant; and*

b. *the percentage of the total book value of insurance liabilities (see paragraph 20E) relative to the total book value of all its liabilities:*

   i. *higher than 90%, or*

   ii. *less than or equal to 90% but higher than 80% and the insurer does not carry out significant activities not related to insurance*

These criteria are met by the Insurer because it has not previously applied any of the IFRS

9 releases and more than 90% (94%) of all its liabilities are related to the insurance business and therefore decided to postpone the introduction of IFRS 9 until 1 January 2023.

3.29. IFRS 15 – Accounting for Revenue from Contracts with Customers

The IFRS 15 standard applicable from 1 January 2018 excludes insurance contracts from its scope, so the introduction did not have a significant impact on the Insurer's result. Due to the standard exclusions, most of the Company's activities are not covered by the standard, as they are governed by IFRS 4 and IFRS 9 / IAS 36. Relevant transactions from the standpoint of the standard are other non-insurance activities, typically the reinvoicing of services and the sale of tangible assets.

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

The five-step model is the following:

Step 1: Recognising contracts with customers
Contracts entered into by the Insurer may be verbal or written agreements of business content, but normal business practices may also create a contract. It is also a condition for the contract to create enforceable rights and obligations that cannot be canceled without consequences.

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

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

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

Step 2: Determine separate obligations related to the performance of the contract
In this step, it is necessary to determine which promised goods or services or a combination of them under the contract can be treated as a separate performance obligation. In the performance of the contract, the supplier may also determine different incentives. A contract may contain several obligations. All separate, separable goods, services or combinations of services are considered as separate performance obligations. If the performance obligation cannot be determined from the contract, revenue cannot be accounted for.

Step 3: Determine the transaction price
The price of the transaction is the amount that the supplier expects to be eligible for the price of the goods or services provided to the buyer. The goal is to keep the revenue steady.

Various factors, such as performance incentives over a certain period of time, must be taken into account for the accounting of sales. The amount of these should be deducted as sales revenue during the incentive period. Revenue from a transaction (which may differ from the invoiced amount) must be estimated.

Step 4: Assign the transaction price to your individual obligations
The seller must share the transaction price between the individual obligations. If individual prices are not available for each obligation, an estimate should be used for sharing.

Step 5: Accounting the income at completion
Revenue can be recognized when the control over the asset or service purchased is transferred from the seller to the buyer. This can happen over a specified period of time or at a specific time. The transfer of control occurs when it enables the customer to control the use of the device and is entitled to benefit from the asset.

E.g.:

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

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

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

The Insurer has examined the transactions that are within the scope of IFRS 15 and has determined that these are primarily derived from the reinvoicing of services, for which the terms of the five-step model described above are met. The Company determines the prices of transactions based on observable market prices, the income is shown when the performance obligation is fulfilled, when the goods or services promised are transferred. As a result of the above, the adoption of IFRS 15 did not necessitate a change in accounting policy, and the introduction was not subject to retrospective amendment.

4. ESTIMATES AND ASSUMPTIONS

4.1. Estimates of future benefit payments arising from insurance policies

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

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

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

4.2. Liability adequacy test

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

4.2.1. Estimates and assumptions relating to the model

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

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

The Company defined the duration of the model for 20 years for UL products that were originally wholelife, at the end of which it considers all contracts to be terminated, repurchased. This is a more prudent assumption than the best estimate. Regarding grace policies lasting a lifetime, the mentioned simplifications aren't applied, because leaving the guaranteed death payments after the expected payout period would reduce the amount of reserves required to cover liabilities. Cash flow projections are made for fixed-term contracts until maturity.

4.2.2. Estimates and assumptions relating to the parameters

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

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

Distinguished client-options:

Likelihood of non-payment

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

Cancellation requested by the client, surrender

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

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

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

The operating cost used for LAT is based on the budgeted operating cost in the official short term and midterm budget approved by the Company, which is modified by the Insurer also with a safety margin during the LAT calculations. Those elements of the model, which aren't related to the acquisitions, allocated monthly to the portfolio of the accepted policies according to the Company's cost allocation policy.

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

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

5. CHANGES IN ACCOUNTING POLICIES

5.1. The effects of the mandatory used standards – from 1 January 2021 – on the financial statements

The Company has examined the mandatory standards listed below as 1 January 2021, and found that their impact on the financial statement is not signinficant.

- Amendments to IAS 1 and IAS 8: Revision of materiality's definition
- IFRS 3: amendments to the notes and amendments to the examples
- Changes in the Conceptual Framework: minor changes in the definitions of assets and liabilities
- Revisions to IFRS 9, IAS 39, IFRS 7: IBOR Reform
- IFRS 16: Exemption of Covid-19-related rental discounts from leasing change rules
- IFRS 9, IAS 39, IFRS 7, IFRS 4 Interest rate reference reform – Stage 2 - use of alterative interest rates

5.2. The effects of the mandatory used standards – from 1 January 2022 – on the financial statements

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

- IFRS 16: Lease Concessions Related to COVID-19
- Annual improvements to IFRSs 2018–2020
- IAS 16 Property, Plant and Equipment: Revenue Before Intended Use
- Amendment to IFRS 3 Reference to Framework Principles
- Amendments to IAS 1 Presentation of Financial Statements: Amendments to the short- or long-term classification of liabilities and to the presentation of accounting policies
- IAS 8: Definition of Accounting Estimates
- IAS 37 Loss-making Contracts - Cost of Performing a Contract
- Amendments to IAS 12 Income Taxes: The Deferred Tax Effect of Assets and Liabilities Arising on a Transaction

IFRS 17 insurance contracts (expected to be applied as of January 1, 2023) - The Insurer performed a gap analysis on IFRS 17 implementation in 2018 and prepared a detailed IFRS

17 project plan in 2019, with the project's implementation having started in 2020. At the end of 2020, after approval by the Board of Directors, by involving external experts the Company accelerated its preparation to comply with IFRS 17, which - similar to the expectations of other players in the sector - will result in a significant change in the Company's accounting results and comparisons with similar companies. The implementation project was ongoing throughout 2021.

IFRS 17 will have a significant effect on the earnings of all product portfolios, and also the operating processes of the Insurer. The aim of IFRS 17 to harmonise the evaluation of insurance policies and insurance liablilites, as the insurance technical result among countries according to standardised principles instead of the own evaluation method of the diferent countries. The main component of the insurer's performance will be CSM, the not yet realised future contractual service margin, which can be realised agains the profit or loss in parallel with the performed insurance services of the given product portfolio.

6. MANAGEMENT OF INSURANCE RISK

6.1. Introduction and overview

The Company accepts insurance risk by underwriting insurance policies (and policies including such components), and management thereof is an important part of the business. In the case of the life insurance company, insurance risk generally relates to life and health risks. The death risk of individuals in Hungary represents the highest exposure to insurance risk for the Insurer. Uncertainty surrounding the timing, frequency and extent of claims under the related policies are risk factors affecting the Insurer.

The Insurer sells the following products:

Life insurances

a. *unit-linked policies*

b. *term life insurance policies*

c. *whole-life insurance policies*

d. *endowment life insurance policies*

e. *term-fix endowment life insurance policies*

f. *traditional pension insurance policies*

g. *accident insurance*

h. *accident and medical benefit rider*

i. *waiver of premium rider in case of death*

j. *grouped life- and accident insurance*

k. *credit insurance.*

Health insurance

l. *health insurance and health insurance with claim exemption bonus*

m. *health insurance rider*

Risk management strategy constitutes a key element of the Company’s insurance system, part of which includes the reinsurance strategy dealing with one of its main assets, reinsurance.

6.2. General principles and tools of Risk Management

In order to function effectively the Insurer provides all information on the significant risk for the management for decision making proposes. The risk management activity includes the risk identification, measurement, establishing the required action plan and monitoring of the effectiveness and results of these actions.

The goal of the establishment of the risk management system is to integrate the aspect of the risk management into the decision making process. The Risk Management Committee of the Company received a special role in identifying the risks. The members of the Risk Management Committee are those persons, who understood the aspects of Company's business, management and risks and able to propose to reduce the risk effectively.

The Company creates a risk map, where it continously monitors the effectiveness of the actions to reduce the risk.

The risk management system covers to take insurance risk, to creater reservers, to handle liquidity and concentration risks and to handle operational and compliance risks. The operation of reinsurance and other risk mitigation techniques are integrated part of the system.

6.3. Underwriting strategy

The purpose of the underwriting strategy is to prevent the Company from exceeding pre-defined underwriting limits during the procedures for accepting risk exposures.

Elements of underwriting strategy:

- definition of underwriting limits,
- continuous controlling and monitoring of limit compliance,
- rules on underwriting procedure, including the continuous monitoring of partner risk
- pricing of options and guarantees embedded in products and regular pricing reviews,
- reinsurance policy.

6.3.1. Definition of underwriting limits

The Company establishes appropriate risk pools for risks so as to ensure that the risk fluctuation level applied by the Insurer remains below a level deemed acceptable by the Company.

In addition to establishing risk pools, the Company continuously monitors the estimates of expected payments.

6.3.2. Continuous monitoring of limit compliance

The Insurer regularly evaluates the quality of risks based on the indicators outlined above. If compliance with the set limits is not ensured for a particular risk, then appropriate risk appetite can be restored in several ways:

- Redefining the risk pool to segregate outlying risks above the maximum limit and manage them separately.
- Increase the size of the risk pool, either with new policies or by including additional, existing risk pools.
- Lower the sum insured with selected reinsurance policies, or by scaling back benefits with administrative means, such as by modifying product terms and conditions.
- Increase the limits by making changes to the reinsurance policies.

6.3.3. Rules on underwriting procedure

In the case of life insurances, underwriting is managed through a dedicated independent underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks, and also establishing decision points and procedures to be followed.

Assessment of health risks is part of the Company's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the future insured. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Policies including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

6.3.4. Pricing of products and regular pricing reviews

Products are priced based on the benefits provided to customers and their expected value. If necessary, instead of higher prices the Company treats the risk exposure incorporated into products with administrative tools. Such may include:

- stipulating rational waiting periods,
- rational exclusions of risks.

Both product design specialists and the actuaries monitor and check that these are complied with.

The Company continuously monitors the products profitability. Analyses are performed on earnings and changes in liabilities to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

6.3.5. Reinsurance policy

The Insurer has a written reinsurance policy which sets forth the rules that must be applied for atomizing risks or if a risk is underwritten that exceeds the risk tolerance level outlined above; of all the opportunities, the reinsurance of risks seems to be the most optimal solution.

The Insurer deemed the following criteria important when selecting reinsurers:

The reinsurer must be rated by one of the main international rating institutions. The Company choose a reinsurance partner which has a rating from a large international ratings agency, and said rating must be acceptable. In case of national - typically unrated - reinsurer the Company makes a credit rating assessment based on public financial indicators or considers the parent classification in case of a branch. The detailed rules are included in the reinsurance policy of the Company.

6.4. Concentration of insurance risks

The Insurer is exposed to risk if insured events do not occur as calculated and independently of one another, but connected, based on a common trend or attributable to a common cause. Risks primarily arise from the fact it is assumed with the majority of premium calculations that events will occur independently, and although all of the Company's premiums implicitly or explicitly comprise a premium for this purpose, whether this is sufficient or not under extreme circumstances has to be examined.

Risks can be connected for the following reasons:

6.4.1. Geographical diversification

The Company primarily underwrites insurance risks in the territory of the Hungary, but its operations also cover other countries in the region (Slovakia, Romania) Geographical concentration risk can be managed by extending the area of operations and by balancing the ratios between the areas somewhat (in terms of underwritten risk and premium income).

In addition, the Company strives to exclude from the general and specific conditions of individual products the risks which, if they occur, tend to violate the independence assumption used for the calculation and cause a concentration of insured events in a given geographical area. These exclusions comply with the general standards on the market (e.g. ionizing radiation, epidemics, terrorism, war).

6.4.2. Profession group, risk profile ratios out of kilter

Risk concentration can be caused by certain groups of professions or risk profiles becoming over-represented within the portfolio, since in this case, external changes systematically affecting the exposure of a given sub-group can cause major differences in assumptions used for premium calculations.

The Insurer manages this risk by conditionally excluding certain groups of professions (and certain insured events within the profession segment) and by monitoring the composition of the portfolio.

6.4.3. Demographic risks

Concentration risk in a wider sense is caused by demographic processes and trends affecting the whole population (and thus all insureds), which cause systematic changes in the probability of occurrence of insured events. The most important of such processes currently underway is the increase in life expectancy, which represents a longevity risk for insurance companies.

There is a significant longevity risk in the case of the HNY annuity product taken over from the Dimenzió Insurance Association. The Company establishes other technical reserves to manage this risk and monitors the mortality rates of the insured.

However, only very few of the Company's other current products contain benefits affected by longevity risk. The impact of this process must be contemplated in the future before accepting any longevity risk.

The Company monitors the demographic outcome of the COVID-19 outbreak which started in 2020, and -with regards to the Company- its direct impact on surplus mortality and surplus morbidity.

6.4.4. Customer options

The Insurer is exposed to risk if, prompted by the same reason, many customers use options embedded in products at the same time, principally options to cancel or modify policies. Such a scenario would be a large volume of policy cancellations on account of a reputation risk or a general downturn in the economic environment.

The Insurer takes the opportunity of a mass exercise of options into account when pricing customer options, setting the prices for the options in a way that compensates for the costs of a mass exercise of options. The Company makes sure the premiums are sufficient by carrying out stress tests and ex post calculations, whilst dedicating most resources to motivation activities related to customer conduct that is at the core of the risk. The customer option that represents the most significant risk is the opportunity of policies where no premiums need to be paid, and the early cancellation of policies.

With the declaration of the emergency situation due to the COVID-19 epidemic, the Company immediately started monitoring repurchases on a weekly basis, and based on the decision of the Hungarian National Bank (MNB) submits data to the authorities on a weekly basis (in 2021 and continuously since).

6.4.5. Personnel concentration

Concentration risk can arise in the portfolio if its insufficient size means that the risk equalization within the risk pool is inadequate. Such a situation can arise if an insured is named as such in more than one life insurance policy, and therefore this is considered a key risk which cannot be spread efficiently across the given risk pool. The Company records several such key risks in the portfolio.

The Insurer's risk management strategy defines indicators to determine when the risk equalization capacity of a risk pool is sufficient, and these indicators are constantly monitored. If risk equalization within a risk pool is inadequate, then the Company reduces the risk exposure by means of reinsurance agreements or with administrative restrictions to benefits (at the level of policies).

6.5. Terms and conditions of insurance policies and key factors affecting future cash flows

This part provides an overview of the terms and conditions of insurance products within the technical portfolio of the Company, indicating the countries where such products are available, as well as the key factors affecting the timing and uncertainty of future cash flows.

6.5.1. Unit-linked policies (Hungary, Romania and Slovakia)

Terms and conditions:
The unit-linked policies issued by the Company are whole-life or sustainable, regular or single premium policies primarily for savings purposes – through premiums paid and investment return realized thereon. The current account value and surrender value of the policy depend on the price performance of investment units made in investment unit-linked funds for the premiums paid, and on the costs levied by the Company (as consideration for risks, investment services and administration).

The benefit payable in the event of death is the higher of the current value of the account and the guaranteed death benefit.

Key factors affecting future cash flows:
Financial risk is borne by the policyholder as investment performance directly affects the value of the unit fund and hence the benefits payable. The Insurer is exposed to insurance risk insofar as the current value of the fund policy is lower than the guaranteed minimum death benefit.

If the account value of the policyholder is lower than the guaranteed death benefit, then the Company is entitled to deduct a risk premium on a monthly basis, thus covering its mortality risks. Other factors affecting future cash flows received by the policyholders are the level of costs levied on these unit-linked funds (unit-linked fund management fees, other management fees).

The costs actually incurred and adverse trends in cost coverage that can be withdrawn based on policy terms and conditions are cost risks. There is also the indirect effect of the investment risk, as if the investment climate takes a turn for the worse and the value of assets recorded for customers falls, there is the opportunity that the cost coverage defined as a percentage (fund management cost) will not provide sufficient cover for the costs actually incurred.

There is also the risk of defaulting on the expected return on investment on mathematical reserves from regular fees paid.

6.5.2. Term life insurance (Hungary)

Terms and conditions:
The Company's portfolio includes a regular premium risk insurance product that pays a fixed amount at the time of death. For most contracts, the amount of the fees is fixed for the entire duration of the contract, while maintaining the possibility of indexing. Contracts do not have a repurchase value. The new version of risk insurance also allows for the possibility of permanent functional impairment (lump sum and annuity) and the choice of dreaded disease services diagnosed within the time period.

Key factors affecting future cash flows:
Actual mortality as compared to assumptions, cancellations and costs incurred. There is also the risk that permanent functional impairment and dreaded disease services morbidity will differ from those expected.

There is also the risk of defaulting on the expected return on investment on mathematical reserves from regular fees paid.

6.5.3. *Whole-life insurance (Hungary)*

Terms and conditions:
The system is a guaranteed service for the entire life of the product in the event of death. The value of the service is 3% per year, the fee paid by the client. Death incidents during the waiting period – which are not accidental – result in a reduced payment by the Company. The product's two lifetime versions also include a payout service, ie there is no additional fee for any of the deaths of the two insurers, if the death occurred after a waiting period or as a result of an accident. Contracts can only be terminated after two years of insurance coverage. Occasional payment is possible.

Key factors affecting future cash flows:
actual mortality compared to assumed mortality, cancellation trends and costs incurred. There is also the risk that the investment return on the actuarial reserves allocated from regular premiums will be lower than expected.

Due to the limited payment period and the indexation of the sum insured (while the fee is constant), the product also has an inflation risk.

6.5.4. *Endowment Insurance (Hungary & Romania)*

Terms and conditions:
Periodic mixed life insurance contracts with regular premiums provide services during the duration of the insurance in the event of death or at the end of the insurance if the insured is still alive.

The risk coverage is optionally normal (event of death in the course of time) or extended (event of intra-term death, lasting damage to function due to an accident in the course of time, dreaded disease diagnosed within a period). There may be occasional payments for the contract. The contract can be repurchased.

Key factors affecting future cash flows:
the actual rates of mortality compared to the assumed, the rate of cancellations and the costs incurred, as well as the collateral for permanent impairment of accidents due to accidents, have led to the development of experienced and suspected morbidity.

There is also a risk of default on investment returns on mathematical reserves earned from regular premiums paid.

6.5.5. *Term-Fix Endowment Insuarance (Hungary)*

Terms and conditions:
For life insurance contracts with regular premiums, the Insurer pays the maturity insurance sum at the end of the term, regardless of whether the insured is alive or not. In the event of the death of the insured within the term, beneficiary receives a pre-defined death service, which is selected from a list when concluding the contract.

There may be occasional payments for the contract. The contract can be repurchased.

Key factors affecting future cash flows:
the actual rates of mortality compared to the assumed, the rate of cancellations and the costs incurred, as well as the collateral for permanent impairment of accidents due to accidents, have led to the development of experienced and suspected morbidity.

There is also a risk of default on investment returns on mathematical reserves earned from regular premiums paid.

6.5.6. Traditional Pension Insurance (Hungary)

Terms and Conditions:
Regular paid pension life insurance contracts provide services for the duration of the insurance, or for the life of the insured at the end of life.

Insured event is the death of the insured person during the term and the permanent damage to health of at least 40%, or if the Insured becomes eligible to receive a pension. The contract can be repurchased.

Key factors affecting future cash flows:
the risk of cancellations and costs incurred, and the risk of default on investment returns on mathematical reserves earned from regular fees.

Due to the nature of the construction, the actual development of mortality is not a significant risk as compared to the assumed and the sustained damage to health due to the permanent morbidity of the disease compared to the assumed.

6.5.7. Accident insurance (Hungary)

Terms and conditions:
Accident insurance makes payment to the beneficiary(ies) based on the insured events that occurred during the risk bearing of the insurance in accordance with the chosen coverage.

Insurance services include accidental death, accidental disability, bone fracture, accidental surgical compensation, accidental hospital daily compensation and burn injuries. The insurance does not offer a repurchase option.

Key factors affecting future cash flows:
Actual accidental mortality compared to assumed mortality, cancellation trends and costs incurred, and the progression of experienced and assumed morbidity due to other services of accidental origin.

6.5.8. Accident insurance rider (Hungary and Romania)

Terms and conditions:
An accident insurance rider policy can be taken out alongside unit-linked, risk and endowment life insurance products as the main insurance. In line with the chosen cover, the accident insurance makes payments to the beneficiary(ies) based on insured events that occur over the term of the insurance risk exposure. The basic package covers the risks of accidental death and disability; optional elements include copayments for accident-related surgery or an accident-related hospital stay. The insurance offers no surrender option.

Key factors affecting future cash flows:
actual accident mortality compared to assumed mortality, cancellation trends and costs incurred, as well as actual and assumed morbidity due to coverage extended for permanent impairment to health cause by accidents.

6.5.9. *Waiver of premium rider in the event of death (Hungary)*

Terms and conditions:
Waiver of premium rider insurance in the event of death can be taken out alongside unit-linked and risk life insurance as the main insurance. In the event the person insured by the insurance rider dies during the term, the Insurer agrees to pay the remaining premium payment obligations for the main insurance.

Key factors affecting future cash flows:
actual mortality as compared to assumptions, cancellations and costs incurred.

The following parts provides an overview of the terms and conditions of life insurance products sold by the Insurer indicating the countries where such products are available, as well as of key factors affecting the timing and uncertainty of future cash flows.

6.5.10. *Group Life, Accident and Health Insurance (Hungary)*

Terms and conditions:
Group life, accident insurance contracts make payments to the beneficiary (s) based on the insurance events occurring under the risk coverage of the insurance contract. Elements of coverage may include: death, dreaded illness, disability, hospital daily allowance, surgical reimbursement, and accident services: accident-related death, disability, hospital daily allowance, surgical reimbursement, burn injury, bone fracture and reimbursement (and their transport and workplace variations). An important segment of accident insurance is the group-managed but individual-based (typically public utility) insurance. Health insurance based on group service-financing is also an insurance managed in a group, but based on individual entry, in which, in addition to payments made on the basis of insured events, the organization and financing of certain medical services are also part of the insurance services. Group insurance does not offer a repurchase option.

Key factors affecting future cash flows:
the actual evolution of mortality, accident mortality and mobility compared to the assumption, the evolution of cancellations and the costs incurred.

6.5.11. *Credit insurance (Hungary)*

Terms and conditions:
Credit insurance in the case of certain risks pays the installments in accordance with the chosen collateral, and in the case of certain risks reimburses the principal debt existing at the time of the insured event. Insurance services are death, disability and incapacity for work.

Key factors affecting future cash flows:
Actual mortality and morbidity compared to the assumed, the evolution of cancellations and the costs incurred.

6.5.12. *Health insurance and health insurance with claim exemption bonus (Hungary)*

Terms and conditions:
The regular premium payment product is a health insurance policy, which provides customers, under an agreement with an international healthcare service provider (Best

Doctors, Further), with second medical opinions and abroad medical treatment services in the event of predefined insurance events.

In certain cases, the product also includes a death service (up to the amount of the fees paid) and, in the case of no arising claims, at the end of the term a refund of a predefined percentage of the fees paid during the term of the insurance. The contract including the claim exemption bonus offers a repurchase option.

Key factors affecting future cash flows:
Actual mortality and morbidity compared to the assumed, the evolution of cancellations and the fair value of costs incurred (medical-, and other costs).

6.5.13. Health insurance rider (Hungary)

Terms and conditions:
Health insurance rider can be taken out alongside unit-linked-, and endowment life insurance products as the main insurance. In accordance with the agreement made with an international health service provider the clients (of the health insurance rider) could get second medical opinion, beside a high level medical treatment, if the definied insured events were occured. No surrender option (resulting from the rider) is existing

Key factors affecting future cash flows:
Actual mortality as compared to assumptions, cancellations and fair value of costs incurred (medical-, and other costs).

7. CAPITAL ADEQUACY

The Insurer's objective is to maintain a strong capital base to protect policyholders' and creditors' interests and to comply with regulatory requirements, whilst maintaining shareholder value. This is achieved through:

- maintaining the Insurer's ability to continue as a going concern so return generation for shareholders and providing benefits to other stakeholders,
- providing an adequate return to shareholders by pricing insurance and investment contracts in proportion to risk, and
- complying with capital requirements established by regulators of the insurance markets where the Insure operates.

The Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) entered into force on 1 January 2016, which introduced a complex, risk-based solvency requirement, risk-based supervisory regulations in Europe, so a risk-based approach is applied in the whole sets of requirements. The risk-based approach is integrated in the risk-sensitive calculation of the solvency capital requirement as well as in the business planning and in the evaluation of the financial position. The insurance companies within the own risk-and solvency evaluation (ORSA) regularly assess their solvency capital requirements according to the business plans including the risks not covered by the first pillar and the long-term risks, too.

In order to meet the capital adequacy requirements under the Solvency II Insurance Act, the Insurer places great emphasis on and continuously meets them. As of 31 December 2021, the Insurer's available solvency margin is more than 250% of the required solvency margin, thus significantly exceeding the 150 per cent level of the 50 per cent volatility buffer expected by the HFSA.

DATA IN THUF

	31.12.2021	31.12.2020
Available solvency capital for SCR	17 617 836	17 090 540
Available solvency capital for MCR	17 617 836	17 067 322
Solvency capital requirement (SCR)	7 079 722	5 138 514
Minimum capital requirement (MCR)	2 168 000	2 011 000
Capital adequacy (compared to SCR)	249%	333%
Capital adequacy (compared to MCR)	813%	849%

The value of "Solvency Capital that can be taken into account to cover the Solvency Capital Requirement" as of 31.12.2020 comprises the amount established in the annual Solvency II report, which has changed slightly compared to the published report.

8. EARNED PREMIUM

DATA IN THUF

	2021	2020
Regular premiums written	16 879 997	16 032 583
Top-up payments and single premiums	5 200 071	3 071 295
Gross written premiums	**22 080 068**	**19 103 878**
Change in unearned premiums reserve	-70 210	-6 196
Earned premium, gross	**22 009 858**	**19 097 682**
Ceded reinsurance premiums	-276 241	-260 862
Earned premium, net	**21 733 617**	**18 836 820**

The Insurer transfers a part of its insurance contracts to reinsurance and has several reinsurance partners, resulting in the obligation to pay reinsurance fees.

Breakdown of gross written premiums by insurance line of businesses:

DATA IN THUF

	2021	2020
Unit-linked insurance product	16 581 684	14 698 332
Traditional life insurance	4 675 748	3 707 756
Health insurance	822 636	697 790
Total	**22 080 068**	**19 103 878**

In 2021, the premium income of the pension insurance products appears in the value of HUF 6,815,111 thousand between unit-linked insurance. Revenues from traditional pension insurance in 2021 amounted to HUF 1,263,474 thousand. In 2020, HUF 8,078,586 thousand was the premium earned on pension insurance.

Gross premium income breaks down as follows for insurance sold by the Company in Hungary, and as part of cross-border services in Romania, Slovakia:

DATA IN THUF

	2021	2020
Hungary	21 924 436	18 927 589
Romania	4 305	4 523
Slovakia	151 327	171 766
Total	**22 080 068**	**19 103 878**

9. PREMIUM AND COMMISSION INCOME, INVESTMENT CONTRACTS

DATA IN THUF

	2021	2020
Policy-based premiums	142 380	99 309
Fund management fees	78 972	58 583
Premiums related to services	1 708	1 186
Total premium and commission income	**223 060**	**159 078**

10. COMISSION AND PROFIT SHARE DUE TO REINSURANCE

DATA IN THUF

	2021	2020
Commission and profit share due to reinsurance	2 381	1 257
Commission and profit share due to reinsurance	**2 381**	**1 257**

In 2021 and 2020, commissions and profit sharing are entirely related to financial reinsurance.

11. INCOME FROM AND EXPENSES ON INVESTMENTS

DATA IN THUF

	2021	2020
Effective Interest Income	430 005	358 383
Gains on investment sales	72 657	16 306
Realised gains on derivatives	2 666	41 317
Non-realised gains on derivatives	568	15 633
Foreign currency gains	32 263	87 858
Fair value change gain	11 465 810	3 781 651
Fair value change of MRP receivables	23 819	56 774
Income from investments	**12 030 788**	**4 357 922**
Dividend from associate	**448 109**	**360 659**
Operation expenses on investments	58 873	50 856
Financial reinsurance interest	1 938	6 979
Realised losses on derivatives	10 737	-
Foreign currency losses	3 028	31 521
Losses on investment sales	89 604	12 320
Impairment of investments	6 258	-
Interest on lease liabilities	8 459	1 360
Impairment of shares in subsidiaries	887 265	819 093
Expense on investments	**1 066 162**	**922 129**
Total income from (expenses on) investments	**11 412 735**	**3 796 452**

Fair value change gain is the 2021 return on customers' unit-linked investments. The unit-linked yield in 2021 is a gain of HUF 11 466 million. As an investor, the highest returns were achieved with North American, Warren Buffett and global advanced market asset funds, as well as the Indian and Russian stock markets. Among the moderate risk and mixed asset funds, the winners of the year are the Active Mixed, International Mixed and Oraculum Pro asset funds.

The market events of 2021 were fundamentally determined by the abundance of global liquidity. The effects of central bank money printing accelerating in 2020 and continuing this year have spread to almost all asset classes, and capital has flowed heavily into popular asset classes such as U.S. technology stocks or commodities, but cryptocurrencies have also attracted many sources. The coronavirus is still part of our everyday lives: the fourth wave caused by the delta variant began in the fall, followed by the omicron mutation. 2021 showed a mixed picture in the markets: developed countries achieved fundamentally good returns, but we were able to see a decline in key emerging markets, while in the Central and Eastern European region, indices performed positively throughout the calendar year. The inflationary environment has changed significantly, with moderate risks intensifying at the beginning of the year as a result of rising commodity prices, growing shortages of parts, fragmentation of transport routes and further stimulus measures. Another factor of uncertainty was the fear of a slowdown in the Chinese economy.

Developed markets were mostly optimistic in 2021. The U.S. S&P500 index hit new highs by the end of the year, closing the year up 28.7%. The STOXX 600 index, which brings together the 600 largest companies in Europe, peaked in mid-November, closing slightly below its seasonal high but ending the year up 25.8%. The Japanese market was slightly behind last year at 7.3%. Emerging markets performed mixed in 2021: Central and Eastern European indices and the Russian market showed growth of 15-33%. At the same time, Chinese stocks traded internationally on the Hong Kong market showed a devaluation of 21.2% and the South American stock market fell 7.7%.

You can see one of the worst years of the Hungarian bond market in terms of market performance. Year-on-year, ZMAX was able to increase 0.4 percent, while RMAX was down 0.6 percent. The MAX and CMAX indices fell 11.5 and 11 percentage points, respectively, during the year. The fall in domestic bond indices was triggered by a steady rise in yields during the year, which even accelerated significantly in the fourth quarter.

In the light of the inflation trajectory and the continuously deteriorating outlook, the MNB raised the key interest rate several times in 2021. By the end of the fourth quarter, the base rate had reached 2.4%, while the level of the relevant one-week central bank deposit had reached a significantly higher level, reaching 4% by the end of the year.

After the first 10 months to break the record, the Hungarian stock exchange was able to perform worse for the last two months of the year. The rise at the beginning of the period stopped at the beginning of November, and then the large-cap companies of the BSE started to fall. Nevertheless, the BUX index was able to perform very well in 2021: it rose by more than 20%.

In 2021, the forint also weakened against the euro and the dollar. The forint appreciated significantly during the year, but by November the EURHUF pair had approached 372, while the USDHUF had risen above 330. Finally, we closed the year at 369.0 euros and 325.71 dollars. Overall, this represents a depreciation of 1.8% and 9.3%, respectively, compared to the leading currencies.

The impairment of shares in subsidiaries refers to the impairment recognized for CIG Pannónia Első Magyar Általános Biztosító Társaság Ltd. (and CIG Pannonia Pénzügyi Közvetítő Ltd. in 2020), as detailed in Note 25.

12. OTHER OPERATING INCOME

DATA IN THUF

	2021	2020
Portfolio management income	554 302	578 423
Other technical income	45 892	52 328
Reinvoiced services	92 567	105 090
Release of provisions	187 105	32 447
Other income	57 557	49 857
Other operating income	**937 423**	**818 145**

The portfolio management income is the realised fund management fee of unit-linked portfolio.

Release of provisions is detailed under Note 45.

13. NET CLAIM PAYMENTS AND BENEFITS

DATA IN THUF

	2021	2020
Claim payments and benefits for insurance policy holders	14 365 217	12 472 359
Claim adjustment costs	176 655	125 771
Claim refunds from reinsurance	-64 082	-40 151
Total net claim payments and benefits	**14 477 790**	**12 557 979**

In 2021, 83.2 percent of claims and services included partial and full surrender of life insurance contracts (78.8 percent in 2020), 6.9 percent of deaths (6.8 percent in 2020), maturity 6.7 percent (12.2 percent in 2020) and other claims payments explain 3.2 percent (likewise 2.3 percent in 2020).

Claim payments and benefits for insurance policy holders was reduced by the amount of the claim refunds on reinsured policies which is HUF 64 million (in 2020 HUF 40 million) received from reinsurance.

14. CHANGES ON RESERVES

DATA IN THUF

	2021	2020
Net unit-linked reserves increase/(decrease)	10 355 775	3 574 034
Net RBNS increase/(decrease)	385 551	-77 004
Net mathematical reserve increase/(decrease)	1 216 559	883 038
Other net technical reserves increase/(decrease)	239 943	-16 749
Total	**12 197 828**	**4 363 322**

Following 2020, unit-linked life insurance reserves increased significantly also in 2021 primarily due to the positive returns, having a significant impact on the change in reserves.

The net increase / (decrease) in contingent claim reserves also includes the change in the reinsured part of claim reserves.

The net increase / (decrease) in mathematical reserve also includes the change in the reserves of premium refunds dependent on profit (excluding the shadow reserve).

In the case of the portfolio taken over from the Dimenzió Insurance Association, the change in reserves shown in the table includes the change between 1 October 2021 and 31 December 2021.

The change in further technical provisions includes the changes in the shadow reserve of the reserves of premium refunds dependent on profit, the change in the reserves independent of profit, the other reserves and the cancellation reserves. The shadow reserve part of the reserves of premium refunds dependent on profit - the portion of the unrealized exchange rate difference of available-for-sale financial assets to policyholders - is shown against other comprehensive income. As the unrealized exchange rate difference of available-for-sale financial assets is a loss at the end of 2021, no portion of it will accrue to policyholders, i.e. the reserve at the end of the year is 0.

15. COMMISSIONS AND OTHER ACQUISITION COSTS

DATA IN THUF

	2021	2020
Commissions and fees	3 241 922	2 606 958
Changes in deferred acquisition costs	-115 527	237 586
Other acquisition costs	636 858	552 282
Total fees, commissions and other acquisition costs	**3 763 253**	**3 396 826**

Other acquisition costs include costs related to the operation of sales networks (salaries, IT, office, operating costs, etc.) the costs of sales promotions and the amount of impairment losses on commission receivables in the current year, in 2021 amounting to HUF 4 million (2020: HUF 15 million). Acquisition costs generally showed an increasing trend (111%), while gross earned premiums increased by 15%. This is mainly due to the change in the product mix, with a significant increase in premiums earned in group and one-time premium contracts, however, their commission ratio is lower compared to other products.

16. OTHER OPERATING COSTS

	2021	2020
Salaries	578 255	485 790
Salary contributions and other personal costs	164 375	137 761
Advisory and consultancy services	147 478	110 395
Training costs	3 035	4 259
Marketing and PR costs	5 242	37
Administration costs	10 693	13 395
IT services	255 162	235 163
Office rental and operation	62 269	56 549
Travelling, and car expenses	17 335	4 067
Office supplies, phone, bank costs	81 139	79 324
Depreciation and amortisation	224 788	216 794
Other administration costs	158 068	107 677
Other operating costs total	**1 707 839**	**1 451 211**

Other operating expenses increased by HUF 257 million compared to the last year. This increase is largely due to an increase in salary expenses, caused by the significant inrease in the number of staff.

A significant increase was also experienced in advisory and consultancy services costs, one of the main reasons for which was the emergence of new costs related to the IFRS 17 project.

According to the remuneration report of the Company, in 2021, HUF 123,018 thousand was related to salary payments of the Company's directors employed under the SRD Act.

The significant leasing contract of the Insurer is the office lease agreement of the office, effective until 31 January 2026. In addition, in 2021 car leasing contracts with a significant value emerged, with various maturities, averaging 36 months. In 2021, the Company paid for short-term office leasing contracts HUF 7,880 thousand (HUF 11,565 thousand in 2020); while the expenses of low value leasing contracts (water dispenser, printers, dirt carpets) totalled HUF 1,304 thousand (HUF 1,229 thousand in 2020).

17. OTHER EXPENSES

DATA IN THUF

	2021	2020
Net expenditure on pending charges	107 700	128 699
Extraordinary depreciation	12 783	1 508
Insurance tax	48 124	23 853
Other expenses	46 708	43 596
Final transferred funds	-	20 350
Reinvoiced expenses	92 477	105 164
Impairment of PPK receivables	-	136 627
Losses due to the expected termination of contracts related to exited intermediaries	-	173 888
Total other expenses	**307 792**	**633 685**

Final transferred funds refer to financing to CIG Pannónia Financial Intermediary Ltd. (PPK) in connection to the further development of the sales channel.

The recognition of losses in 2020 arising from the expected termination of contracts related to exited intermediaries is due to the creation of provisions for these contracts. No further provisions were made in 2021, a part of the provisions formed in 2020 (HUF 60,276 thousand) reduced impairment in 2021, and a significant part (HUF 96,087 thousand) was released against income.

18. TAX INCOME (EXPENSES)

Regarding the activities of the Insurer, the corporate tax rate is uniformly 9% regardless of the tax base from 2017 onwards.

The Company accrued losses before 2014 (and in 2019), which can be used against future taxable income. In 2021 the Company increased deferred tax asset by HUF 88 million as the expected recoverable portion of the accrued loss has increased. In the course of the corporate tax calculation, the accrued loss accumulated in previous years decreased (in the amount of HUF 205 million) against the taxable profit. Losses accumulated until 2015 can be used up to 2030 at most.

CIG Pannónia Life Insurance Plc. became profitable in 2013 based on its separate financial statements. According to the strategic plans adopted by the Insurer, profitable operations will continue to be provided in the future, so the profits that will be made in the foreseeable future will allow the use of accrued losses as it has been applied. The amount set as deferred tax receivable at the end of 2021 (HUF 474 million) is expected to be recovered from the accrued loss in the medium term, ie the tax savings expected to be realized on the basis of the Insurer's business plans and tax rate.

The following table shows the corporation tax and deferred tax expenses and incomes recognized in profit or loss and in other comprehensive income:

DATA IN THUF

	2021	2020
Local business tax, innovation contribution	-165 804	-152 184
Corporation tax expenses in reporting year	-18 411	-35 049
Deferred tax expenses/gains	87 797	-29 253
Total tax income/(expenses) realised in profit or loss	**-96 418**	**-216 486**
Deferred tax liabilities arising from available-for-sale financial assets	-	-
Total tax income/(expenses) realised in other comprehensive income	**-**	**-**

In 2021 and 2020, the following receivables-related differences have arisen for the benefit of profit or loss and other comprehensive income, but their tax effects have not been recognized in the financial statements, as it is unlikely that future gains will allow their use.

Changes in unrecognized deferred tax

DATA IN THUF

	31.12.2021	CHANGE	31.12.2020
Deductible temporary differences	2 796 789	1 906 636	890 154
Loss carried forward	7 072 619	-1 180 092	8 252 712
Total	**9 869 409**	**726 543**	**9 142 865**

Of the unrecognized deductible temporary differences, an asset item of HUF 265,309 thousand would have arisen against other comprehensive income. (In 2020 this amount was HUF 67,205 thousand.)

Reconciliation of tax income/expenses and amounts assessed by applying prevailing tax rates to profit or loss before taxation:

DATA IN THUF

PRESENTATION OF EFFECTIVE TAX RATE	2021	2020
Profit/loss before taxation	1 257 095	934 754
Calculated tax income/(expenses) (9%)	-98 216	-70 431
Recognition of the unrecognized deferred tax assets relating to the losses of prior years	87 797	-29 253
Unrecognized deferred tax assets relating to the loss of the actual financial year	-	-
Differences from loss carry forward (unpresented in the prior years, utilized in the actual year)	18 411	35 655
Other unrecognized temporary differences	-171 597	-41 055
Permanent differences	232 992	40 783
Local business tax, innovation contribution	-165 804	-152 184
Total tax income (expenses)	**-96 418**	**-216 486**

19. OTHER COMPREHENSIVE INCOME

DATA IN THUF

	2021	2020
Comprehensive income, wouldn't be reclassified to profit or loss in the future	-	-
Comprehensive income, would be reclassified to profit or loss in the future	-2 191 604	-333 292
Total other comprehensive income	**-2 191 604**	**-333 292**

Other comprehensive income includes (among the income, which would be reclassified to profit or loss in the future) changes in the fair value of available-for-sale financial assets less such changes of the fair value of available-for-sale financial assets, underlying the actuarial reserve in 2020, which are due to the policy holders and which are recognized in the reserves for premium refunds dependent on profit. In 2021 no such reduction item arose.

20. EARNINGS PER SHARE

DATA IN THUF

	2021	2020
Consolidated Profit/loss after taxation attributable to the Company's shareholders (HUF thousand)	1 675 065	667 799
Weighted average number of ordinary shares (thousand)	93 978 364	94 054 254
Earnings per share (basic) (HUF) - consolidated	**17.8**	**7.1**
Modified consolidated profit/loss after taxation attributable to the Company's shareholders (HUF thousand)	1 675 065	667 799
Weighted average number of ordinary shares (thousand)	94 428 260	94 428 260
Calculated earnings per share (diluted) (HUF) - consolidated	17.7	7.1
Earnings per share (diluted) (HUF) - consolidated	**17.7**	**7.1**

The treasury shares should not be treated as ordinary shares in point of the EPS calculation, therefore they cannot be taken into account in the calculation of the weighted average number of ordinary shares.

In accordance with IAS 33.4, the Company's earnings per share are equal to the earnings per share of the Group included in the consolidation. In accordance with this interpretation, the earnings per share presented above are based on consolidated after-tax profit.

Earnings per share was HUF 17.8. According to IFRS, the maximum value of calculated diluted EPS (HUF 17.7) can be maximum equivalent with the amount of the basic EPS.

The weighted average number of ordinary shares (according to the above) was calculated as follows:

2021

DATE	ISSUED ORDINARY SHARE (ITEM)	TREASURY SHARES (ITEM)	NUMBER OF SHARES OUTSTANDING (ITEM)	NUMBER OF DAYS*	WEIGHTED AVERAGE
31.12.2020	94 428 260	374 006	94 054 254	88	22 676 094
29.03.2021	94 428 260	474 006	93 954 254	277	71 302 269
31.12.2021	**94 428 260**	**474 006**	**93 954 254**	**365**	**93 978 364**

2020

DATE	ISSUED ORDINARY SHARE (ITEM)	TREASURY SHARES (ITEM)	NUMBER OF SHARES OUTSTANDING (ITEM)	NUMBER OF DAYS*	WEIGHTED AVERAGE
31.12.2019	94 428 260	374 006	94 054 254	366	94 054 254
31.12.2020	**94 428 260**	**374 006**	**94 054 254**	**366**	**94 054 254**

21. INTANGIBLE ASSETS

Intellectual products include software that is supported by operating and software development partners. The growth of intellectual products is primarily related to the development of technical accounting systems. The decrease in intellectual property is related to intangible assets that the Company no longer uses.

DATA IN THUF

31.12.2021	INTELLECTUAL PROPERTY, ASSETS VALUE RIGHTS	TOTAL INTANGIBLE ASSETS
Cost		
01.01.2021	2 367 797	2 367 797
Increase	283 553	283 553
Decrease	-2 467	-2 467
31.12.2021	2 648 883	2 648 883
Accumulated amortization, impairment		
01.01.2021	-1 827 919	-1 827 919
Increase	-206 975	-206 975
Decrease	1 136	1 136
31.12.2021	-2 033 758	-2 033 758
Net book value	**615 125**	**615 125**

DATA IN THUF

31.12.2020	INTELLECTUAL PROPERTY, ASSETS VALUE RIGHTS	TOTAL INTANGIBLE ASSETS
Cost		
01.01.2020	2 495 012	2 495 012
Increase	146 103	146 103
Decrease	-273 318	-273 318
31.12.2020	2 367 797	2 367 797
Accumulated amortization, impairment		
01.01.2020	-1 885 622	-1 885 622
Increase	-215 615	-215 615
Decrease	273 318	273 318
31.12.2020	-1 827 919	-1 827 919
Net book value	**539 878**	**539 878**

22. PROPERTY, PLANT AND EQUIPMENT

DATA IN THUF

31.12.2021	MOTOR VEHICLES	OFFICE FURNITURE, EQUIPMENT	REAL ESTATES	WORK IN PROGRESS	TOTAL
Cost					
01.01.2021	36 095	132 572	78 604	2 919	250 190
Increase	-	54 857	116 514	5 523	176 894
Decrease	-36 095	-10 946	-75 051	-	-122 092
13.12.2021	-	176 483	120 067	8 442	304 992
Accumulated amortization					
01.01.2021	- 14 504	-105 032	-78 421	-	-197 957
Increase	-1 434	-27 946	-17 152	-	-46 532
Decrease	15 938	8 330	75 051	-	99 319
13.12.2021	-	-124 648	-20 522	-	-145 170
Net book value	**-**	**51 835**	**99 545**	**8 442**	**159 822**

DATA IN THUF

31.12.2020	MOTOR VEHICLES	OFFICE FURNITURE, EQUIPMENT	REAL ESTATES	WORK IN PROGRESS	TOTAL
Cost					
01.01.2020	46 583	151 007	78 404	4 492	280 486
Increase	10 484	11 037	200	-	21 721
Decrease	-20 972	-29 472	-	-1 573	-52 017
13.12.2020	36 095	132 572	78 604	2 919	250 190
Accumulated amortization					
01.01.2020	-16 366	-120 947	-77 896	-	-215 209
Increase	-8 776	-12 530	-525	-	-21 831
Decrease	10 638	28 445	-	-	39 083
13.12.2020	-14 504	-105 032	-78 421	-	-197 957
Net book value	**21 591**	**27 540**	**183**	**2 919**	**52 233**

Among the Insurer's property plant and equipment there are no properties, machines or equipment which are not in use, because those are derecognized from the books.

Among the properties, machinery and equipment, the Insurer no longer registers its own vehicles, as it has sold them and replaced them with long-term leas contracts from 2021 onwards.

23. RIGHT OF USE ASSETS

DATA IN THUF

31 DECEMBER 2021	OFFICE LEASING	CAR LEASING	TOTAL
Cost			
01.01.2021	146 391	25 729	172 120
Increase	223 039	208 067	431 106
Decrease	- 133 106	-	-133 106
31.12.2021	236 324	233 796	470 120
Accumulated amortization			
01.01.2021	-118 413	-688	-119 101
Increase	-52 547	-32 330	-84 877
Decrease	119 319	-	119 319
31.12.2021	- 51 641	-33 018	-84 659
Net book value	**184 683**	**200 778**	**385 461**

DATA IN THUF

31 DECEMBER 2020	OFFICE LEASING	CAR LEASING	TOTAL
Cost			
01.01.2020	115 710	-	115 710
Increase	30 681	25 729	56 410
Decrease	-	-	-
31.12.2020	146 391	25 729	172 120
Accumulated amortization			
01.01.2020	-73 418	-	-73 418
Increase	-44 995	-688	-45 683
Decrease	-	-	-
31.12.2020	-118 413	-688	-119 101
Net book value	**27 978**	**25 041**	**53 019**

The leased assets are constituted by the property rental of the Company's headquarter building and starting from the end of 2020 by the rental of cars. In connection with the change of the registered office, the former office leasing asset was derecognised in early 2021.

The Insurer does not have leasing contracts with variable fees, residual value guarantees, or extension and cancellation options; neither does it have lease contracts to which the lessee has committed but which have not yet begun.

24. DEFERRED ACQUISITION COSTS

DATA IN THUF

DEFERRED ACQUISITION COSTS	31 DECEMBER 2021	31 DECEMBER 2020
Balance on 1 January	1 136 074	1 373 661
Net change in deferred acquisition costs	115 527	237 587
Balance on 31 December	**1 251 601**	**1 136 074**

25. SUBSIDIARIES AND ASSOCIATES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
MKB-Pannónia Fund Manager Ltd.	51 753	51 753
Associated Company	**51 753**	**51 753**

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
CIG Pannónia First Hungarian General Insurance Company Ltd.	4 065 123	1 452 391
Pannónia PI-ETA Funeral Service Limited Liability Company	3 800	3 800
CIG Pannónia Financial Intermediary Ltd. "v.a." (under liquidation)	-	-
Subsidiaries	**4 068 923**	**1 456 191**

The Company has investments in the following affiliated companies:

CIG Pannónia First Hungarian General Insurance Company / CIG Pannónia Első Magyar Általános Biztosító Társaság (EMABIT)

1097 Budapest Könyves Kálmán krt. 11, B

Ownership:	100%
Cost of equity:	HUF 9,081,326 thousand
Accrued impairment:	HUF 5,016,203 thousand
Share book value:	HUF 4,065,123 thousand
Registered capital:	HUF 1,070,000 thousand
Equity:	HUF 4,065,123 thousand
Capital reserve:	HUF 6,625,236 thousand
Profit after tax:	HUF - 703,474 thousand

The capital was increased at the insurer's subsidiary in 2021 twice, which increased the cost of equity to HUF 9,081,326 and its registered capital changed to HUF 1,070,000.

In accordance with its accounting policies, the Company uses the cost method for the valuation of interests in the separate financial statements for its subsidiaries in the insurance sector, its other subsidiaries and other interests.

For its subsidiaries in the insurance sector, the Company has chosen to use fair value as its deemed cost when transitioning to IFRSs. In this respect the Company carried out a discounted cash flow valuation of its subsidiaries in the insurance sector for the date of transition and the valuation based on the discounted cash flow method was used as a basis for historical cost.

As at the time of transition the Company chose to value its interests based on the costs as accounted for along IAS 27 in the individual IFRS financial statements, it needs to perform an impairment test on these interests according to IAS 36. If there is an indication that the interest is impaired, the recoverable amount of the interest needs to be determined. The recoverable amount refers to the higher amount of either the value in use (typically determined through the discounted cash flow method) or the fair value less the costs to sell. If the recoverable amount is lower than the asset's cost, an impairment loss needs to be recognized.

In the course of 2019, concerning EMABIT several events occurred which affected the valuation of the interest.

CIG Pannónia First Hungarian General Insurance Company Ltd. (”EMABIT”) has provided suretyship insurance for registered companies and individuals in Italy since 2014 with BONDSOL Kft. as its sole agent.

As of 31 December 2019, these commitments – when suming up the limits by contracts – resulted in an exposure slightly above EUR 383 million, against 3,598 (HUF 127 billion) contractual customers and 494 beneficiaries. Most of the beneficiaries were certain entities of the Italian State (agencies, municipalities, etc.)

EMABIT intended to manage the risks of its most exposed product types – i.e. the products ”Public Concessions”, ”Performance” and ”Gorvernment Grants” – with a significant level of reinsurance. In the case of the other product types this was not considered necessary based on their risk profiles. For the portfolio to be reinsured, EMABIT has had a presumed reinsurance contract with Africa Re since August 2015, of which at the end of September 2019 Africa Re confirmed that it was a forgery (other details of the case are presented below).

Approximately 33% (EUR 124 million) of Italian exposures on the above products have already expired on 31 December 2019, and by the end of 2020, 83% of total exposures were matured. However, some contracts allow claims to be filed even after the contract expired, for up to 1 year.

Among the suretyship insurances, at the end of 2018 and in early 2019 the beneficiary Customs and Monopoly Agency (agency responsible for the supervision of gambling in Italy, ADM) has submitted a request for drawdown of insurance promissory notes (related to products Gaming and Public Concessions) issued to four large clients. The total value of the contractual obligations was approx. EUR 12 million. However, these drawbacks did not provide adequate justification and the primary opinion of Italian experts was that the claim lacks legal basis. During the conciliation negotiations in 2019, the beneficiary reduced its claim to almost one quarter of the original amount and provided adequate justification for this remaining amount. Further expert opinion requested in the case proposed the settlement of claims amounting to approx. EUR 3.167 million and estimated the recoverable amount from regress and commission reversals at HUF 537 million. EMABIT settled the claim amounting to HUF 1,054 million by the end of November 2019

In parallel with the claims settlement process it became evident, that, with regard to Italian suretyship insurance activities, EMABIT's reinsurance contract was a forgery and thus EMABIT's entire respective exposure lacked reinsurance.

The reinsurance contract between EMABIT and Africa RE was brokered with the intermediation of a Lloyds broker through a broker licensed in Switzerland. Africa RE is a stable, 'A-' rated reinsurance company that complied with the requirements of the EMABIT Reinsurance Code of Conduct. The signed contract was received by the Company on 27 August 27 2015, with subsequent reinsurance financial settlements (reinsurance premium, reinsurance reimbursement, etc.) all settled through the Swiss intermediary. To clarify the existence of the coverage, EMABIT contacted Africa RE directly. In a letter dated 16 September 2019, Africa RE informed EMABIT that it had no contact with the intermediaries represented in the submitted documents, that the cover assurance documents were a forgery, and that they did not originate from Africa RE.

As a result, EMABIT was left without reinsurance coverage for an exposure of EUR 379 million (about HUF 125 billion) with respect to the Italian business line, of which it had previously assumed an approx. 95-99% quota share coverage through the Africa RE contract. By the end of 2019 the exposure to this presumably non-reinsured portfolio decreased to EUR 256 million by the end of the year. EMABIT filed a demand for the prosecution of the reinsurance brokers involved in concluding the contract in 2019 and reported the fraud to the respective Hungarian courts. Legal proceedings are underway since.

The above two events had a significant negative impact on EMABIT's solvency capital during 2019, as a result of which on 5 November 2019, EMABIT notified the Hungarian National Bank (MNB), pursuant to Section 267 (1) (c) of the Act on Insurance Activities, that its solvency adequacy fell to 102% of the required rate, and that there was a risk that during the next three months it will fall below the statutory level.

In addition to the ADM claims related to the gaming concessions, another significant claim has been received by EMABIT. In the fourth quarter of 2019, ADM claimed damage to bonds issued by EMABIT, related to the excise duty debt of a fuel trading company. The claims for the two EUR 5 million bonds in subject amount to EUR 10 million in total. The two bonds belong to the portfolio for which the alleged reinsurance was to be covered by Africa Re.

After investigating the circumstances of the claim, EMABIT declined to launch claim payments, filed a demand for prosecution on fraudulent contracts in Italy, and sought legal redress from the courts for ADM initiating the claim payment.

In connection with the guarantee contracts, ADM forwarded a claim for EUR 5 million in bonds in the second quarter of 2020. The insurer found that the claim was outside the maturity of the policy and that the deadline had not been extended by the rules laid down for the Italian COVID situation, and therefore rejected the claim. The Authority's contrary decision was challenged by EMABIT in an Italian court.

In connection with the presented events, MNB, as part of a targeted investigation, applied temporary measures to the Company on 22 October 2019. For a maximum period of one year, MNB prohibited the Company in its Italian cross-border activity to enter into new insurance contracts in the guarantee sector and to extend its existing contracts there. Also, MNB obligated the Company to immediately launch prudent and reliable risk management and control measures regarding its insurance business, not endangering the Company's financial position.

As a result of the events, MNB obliged EMABIT to submit a financial recovery plan ("Recovery Plan") to MNB for approval by 4 January 2020 at the latest. The primary objective of the Recovery Plan is for the Company to present specific measures which ensure that the Company's Solvency Capital Requirement (SCR) exceeds 100%, with respect to the guidelines of Section 309 (2) of the Act on Insurance Activities.

The Company prepared the Recovery Plan by the due date, detailing the events related to the Italian Business Line, and analyzing the company's historical activities. The Company then presented the various potential measures available to restore solvency adequacy, as well as their advantages and disadvantages. In addition to these possible alternatives, the Recovery Plan outlined the specific steps of the action plan adopted by the Board of Directors, which aim to address the legal situation in Italy and to repair the damages through a 12-point action plan, and also helped to raise the Company's capital adequacy to the expected level. To restore the solvency adequacy within half a year, EMABIT assessed the possibility of disposing individual portfolio items.

The Company assessed the scenario, if the operation of the Hungarian portfolios continues while the Italian guarantee portfolio is run off. In this scenario the Company's capital adequacy was expected to be restored beyond the legal minimum by 2020, however, due to the significant uncertainty in the existing portfolio and the RBNS and IBNR claims, this level could not be guaranteed until the Italian portfolio runs out.

Therefore, EMABIT examined the possible effects of the scenario where the Italian portfolio is run off and the profitable Hungarian and Polish portfolio segments are sold in Q2 2020.

As part of the Recovery Plan, EMABIT commissioned an international consulting firm to prepare the sale of certain portfolio segments.

Pursuant to the decision of the Board of Directors of 7 April 2020 EMABIT sold its hungarian property, liability, forwarding, transportation and motor insurance branches within the framework of a portfolio transfer. The portfolio exceeding 100,000 contracts with a portfolio fee of almost HUF 6 billion was sold within the scope of the subsidiary's own funds recovery plan on 31 May 2020.

Based on the above events, CIG Pannónia Life Insurance, the parent company of EMABIT, has performed the impairment test on its subsidiary and considered it justified to account impairment in the 2019 annual report. EMABIT's fair value less the transaction costs proved to be higher than its value in use (DCF), therefore this recoverable amount was considered when determining the value of the investment's impairment.

The Management's best expectations for the fair value was EMABIT's separate equity value at 31 December 2019. The value of equity reflected the fair value of the portfolios expected to be sold (assets held for sale) which the Company did not value on a going concern principle.

The best estimate of the value of portfolios held for sale was the offer (sum of the expected purchase price) less the legal, transactional consultancy and data room maintenance costs associated with the sale. Expected operating costs stemming from the completion of loss-making portfolios were also taken into account in the valuation of the discontinued operations. As a result, the parent company recognized an impairment loss of HUF 3,330 million on the value of this interest at the end of 2019.

In its #1 targeted Italian inspection in 2019, the Hungarian National Bank (hereinafter: HFSA) set for EMABIT 30 June 2020 as the deadline for the elimination of the identified deficiencies. At the same time, by resolution 15/2020, the HFSA rejected (on 30 March 2020) the Recovery Plan submitted by EMABIT on 6 January 2020 and supplemented on 28 February 2020, and ordered the Subsidiary to submit a new Recovery Plan by – not later than - 15 April 2020. The new Recovery Plan was requested to be appropriate – by 4 May 2020 at the latest – to restore the margin of the solvency capital recovering the solvency capital requirement, or to reduce the risk profile to meet the solvency capital requirement (which deadline was extended to 4 August 2020). In addition the mentioned resolution -for until the ban is lifted- suspended the payment of dividends of EMABIT, and -until the restorement of the solvency capital, but no longer than one year- prohibited the conclusion of new insurance contracts and the extension of already concluded insurance contracts.

On 22 June 2020 the Company's Board of Directors committed to take over the operating costs of EMABIT from 1 August 2020 to ensure the solvency of their subsidiary. The maximum amount of the operating cost taken over was HUF 519 million, for a period of three years, as set out in the recovery plan in parallel with the run-off of the portfolio. Out of this amount, by the end of 2020, the parent company fulfilled a total of HUF 296 million in favor of EMABIT, which accounts as a transaction recognized directly in equity with the owner in accordance with IFRS specifications. In addition, the Company commited HUF 500 million of capital increase should EMABIT's solvency capital fall below the statutory capital adequacy of 120%. At the same time, the Company's Board of Directors authorized the Board of Directors of EMABIT to increase the share capital in its own competence in the event of a call. The authorization to increase the share capital is for a period of 5 years.

The HFSA, with its resolution No. H-JÉ-II-39/2020, approved the EMABIT recovery plan with the condition of an additional capital requirement for the subsidiary with an amount of HUF 500 million. The resolution did not require extra capital from the Company in addition to the above.

As a result of all these recovery measures, by 30 June 2020 EMABIT's solvency capital adequacy increased to 147%, including considering the additional capital requirement, and its capital position has been restored.

Considering the restored capital adequacy, on 7 September 2020, with its resolution No. H-EN-II-15/2020, the HFSA lifted the ban imposed on EMABIT regarding conclusion of new insurance contracts and the extension of existing contracts in all of its sectors of activity in Hungary, while for its cross-border activities in Italy HFSA decided to maintain the restrictions for another year.

For these reasons the Company's Board of Directors asked István Fedák dr. to handle the unchanged risks in EMABIT's Italian claims and to change the strategy for ongoing and related legal matters. The Solvency ratio of EMABIT fell to 114% at the end of 2020, mainly due to an increase in the claim reserves of the Italian cases. In connection with the change of strategy, the review of existing claim reserves and regression reserves have finished, and the Insurer increased the outstanding claims reserve by HUF 579 million, compared to the end of 2019.

In 2020, the total net claims expenditure on the Italian portfolio was HUF 1,321 million, which was improved by the earned premium of previously concluded contracts in 2020 by HUF 339 million, whereas other technical results decreased it by HUF 63 million. The technical result of the Italian guarantee product in 2020 was a total loss of HUF 1,044 million.

In the fourth quarter of 2020 the Group took steps at the operational level to ensure opportunities for the relaunch of operations -parallel to the intent of insuring guarantee elements at the Group-level as required- after EMABIT implemented the provisions of the recovery plan set by the HFSA, and its solvency position has stabilized, with the aim to strengthen its sales, internal defence lines and capital position following the adoption of EMABIT's strategy. To implement all these objectives, the parent company undertook to carry out the necessary capital increases, enabling EMABIT to continue operating in the long term. Thus, in addition to the non-life segment and the remaining stocks, the operational planning also plans with the development and sale of new products from 2021 onwards.

On 8 February 2021, the Board of Directors of the company decided to strengthen the capital position of EMABIT, considering the plans and the ORSA report to relaunch EMABIT for the future. In order to relaunch EMABIT's activities in a prudent manner as set out in the plans and in the ORSA report, the company has decided on guarantees to ensure that the conditions for relaunch are met. In addition to the completed business plans and the support of the Company, the operation was ensured for at least the next 12 months, therefore at the end of 2020 the principle of going concern became sustainable also for EMABIT based on the opinion of the management.

In accordance with the Life Insurer's commitment it increased the capital in EMABIT twice in 2021. It increased its share capital by a total of HUF 10 million in March and December, and also placed a total of HUF 3,490 million in EMABIT's capital reserve. According to the information published by the Company on 30 December 2021, the share capital was increased by issuing new shares in accordance with the Company's new strategic vision, considering the financing of the restarted business units of EMABIT and the growth of the portfolio.

From the second quarter of 2021, EMABIT has focused on the development and finalization of a new organizational structure in line with the Growth Strategy, including filling at the group level the launched units of assets and liabilities with experienced professionals and with these professionals to review and revise, and in some cases form products and product groups, as well as to create an operational model tailored to the size of the organization, that accurately reflects responsibilities and tasks within the organization. This work has been successfully completed for the corporate products.

In the autumn, we relaunched our non-life insurance business, entered the market with large enterprise liability insurance, property insurance and motor vehicle fleet casco. We also needed to strengthen our product development, claims management, IT, HR support and marketing capacities.

Following this EMABIT entered into a partnership agreement with UNION Vienna Insurance Group Biztosító Zrt. (registered office: 1082 Budapest, Baross u. 1., company registration number: 01-10-041566) on 11 November 2021. Thanks to the agreement it will further expand its range of non-life insurance as an integral part of the implementation of the Growth Strategy and will offer travel and home insurance to its retail customers from 2022.

In possession of the above information, the Company again performed an impairment test of its subsidiary interest at the end of 2021. Based on available information, EMABIT's fair value less transaction costs is for now higher than the value in use (DCF), therefore this recoverable amount was taken into account by the Company when determining the impairment of the investment. Thus, the total recognized impairment at the end of 2021 was HUF 5,016,203 thousand, the book value of the share equals the individual equity of EMABIT: HUF 4,065,123 thousand.

Pannonia PI-ETA Funeral Services Ltd. (hereinafter: Pieta)

1097 Budapest Könyves Kálmán krt. 11, B

Ownership:	100%
Value of the share:	HUF 3,800 thousands
Registered capital:	HUF 3,000 thousands
Equity:	HUF 5,360 thousands
After-tax profit:	HUF 368 thousands

Founded in April 2008, PI-ETA provides funeral services to the Insurer for the provision of grace, in conjunction with the “Alkony” product. The Insurer has owned 100% of Pannónia PI-ETA Savings Service Ltd. since 2011. In 2015, the Insurer raised the share capital of Pannonia PI-ETA in the value of 2,500,000 HUF to comply with the new Civil Code provisions. The year 2021 was closed with a profit of HUF 368 thousand by PI-ETA.

CIG Pannónia Finance Intermediary Ltd. “v.a.” (under liquidation) (hereinafter: PPK)

1097 Budapest Könyves Kálmán krt. 11, B

Property Ratio:	95%
Value of share:	HUF 95,000 thousands
Registered capital:	HUF 20,000 thousands
Equity:	HUF -2,473 thousands
Capital reserve:	HUF 80,000 thousands
After-tax loss:	HUF -136,188 thousands

CIG Pannónia Finance Intermediary Ltd. (PPK), the subsidiary established on 29 November 2018, in which the Group holds a 95% share, started its insurance and financial intermediary activities as a dependent agent in the beginning of 2019. On 23 May 2019 MNB authorised its financial services brokerage activity as a financial market multi-agent. The authorisation also covered mortgage brokerage activities.

In 2019 CIG Pannónia Finance Intermediary Ltd. sold insurance policies worth HUF 443 million, in 2020 HUF 140 million.

The Insurer closely monitored the activities of the intermediary and found several times that the insurance policies sold by the subsidiary have a significantly higher premium non-payment rate than the average market benchmark. The high non-payment rate caused a high commission write-off. The decreasing coverage did not meet the operating expenses, therefore the pre-tax profit of CIG Pannónia Finance Intermediary Ltd. became negative in the 2019 business year. The unprofitable operation continued in 2020, causing the Group a loss of HUF 154 million. According to the Company’s repeated analysis, it was not possible to make the operation of the subsidiary profitable in the long run. After reviewing the analyses, on 9 September 2020, the Board of Directors of the Company initiated the liquidation of its qualified majority-owned subsidiary. In line with this decision the General Meeting of CIG Pannónia Finance Intermediary Ltd., on its meeting held on 30 September 2020, decided to initiate the liquidation. The commencement date of the liquidation was 1 January 2021.

CIG Pannónia Pénzügyi Közvetítő Zrt. did not engage in intermediary activities in 2021, and realized negative income in 2021 as a result of commission reversals. CIG Pannónia Pénzügyi Közvetítő Zrt. passes on the reversals to its former dealers in a certain proportion. The Company assigned its receivables from the dealers arising from the reversals to the parent company on 31 July 2021, therefore it derecognized these receivables from the books. The simplified annual report closing the liquidation process was prepared by CIG Pannónia Pénzügyi Közvetítő Zrt. on 3 January 2021.

Shareholders' equity as of 31 December 2021 is HUF 2.5 million. The share of CIG Pannónia Life Insurance Company is 95%, thus amounts to HUF 2.3 million of the equity, therefore the parent company decreased the net value of its share in PPK to 0, recognizing an impairment of HUF 95 million already in 2020, which it did not change in 2021. The value of the PPK share is considered as a non-continuing operation under IFRS.

MKB-Pannónia Fund Management Ltd.

(formerly: Pannonia CIG Fund Management Ltd.)

1068 Budapest, Benczúr utca 11.

Ownership:	16%
Value of share:	HUF 51,753 thousands
Registered capital:	HUF 306,120 thousands
Equity:	HUF 7,290,443 thousands
Profit after tax:	HUF 6,026,825 thousands

The turnover of MKB-Pannónia Fund Management Ltd. in 2021 was HUF 8,702 million, after-tax profit was HUF 6,027 million, of which HUF 808 million was the share of the Insurer.

The Articles of Association of MKB-Pannónia Fund Management Ltd. determine the rights of the holders of preference shares, which is embodied in the rights of the owners to control and manage the Company. Based on the preference shares, CIG Pannónia Life Insurance Plc. Delegates 1 to 1 members to the Board of Directors of MKB-Pannónia Fund Management Ltd. and the Supervisory Board.

The distribution of the profits of MKB-Pannónia Fund Management Ltd. among the owners is not in proportion to their ownership interest but to the extent of their contribution to the Fund Manager's result. The Fund Manager has more profit centers, for which the allocation of the result is the so-called Profitcentrum Allocation Rules. The profit earned by the Company from 2015 onwards is the result of the "Insurance profit center". In 2021, 13.41 percent of the Fund Manager's earnings were allocated to the Company.

The Company received a dividend of HUF 361 million in 2020 and HUF 436 million in 2021 from its associated company.

The Insurer’s part of the capital of the MKB-Pannónia Fund Manager in 2021 and in 2020:

DATA IN THUF

2021	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	PROFIT/LOSS AFTER TAXATION	SHAREHOLDERS’ EQUITY
Fund Manager	306 120	957 498	6 026 826	7 290 444
Insurer’s share	16%	16.32%	13.41%	
Capital per Insurer	**48 980**	**156 235**	**808 074**	**1 013 289**

DATA IN THUF

2020	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	PROFIT/LOSS AFTER TAXATION	SHAREHOLDERS’ EQUITY
Fund Manager	306 120	957 498	4 252 498	5 516 116
Insurer’s share	16%	16,32%	10,26%	
Capital per Insurer	**48 980**	**156 235**	**436 156**	**641 371**

DATA IN THUF

BALANCE SHEET	31 DECEMBER 2021	31 DECEMBER 2020
Current assets	7 862 383	5 794 296
• *of which cash*	755 288	257 360
• *of which securities*	2 406 066	3 286 664
Investments	279 247	267 912
Total Assets	**8 141 630**	**6 062 208**
Short-term liabilities	414 318	141 836
Other liabilities and provisions	436 869	404 256
Provisions	-	0
Total Liabilities	**8 141 630**	**6 062 208**
Net assets	**7 290 443**	**5 516 116**
Share capital	306 120	306 120
Retained earnings	6 984 323	5 209 996
Total Shareholder's Equity	**7 290 443**	**5 516 116**

DATA IN THUF

INCOME STATEMENT	31 DECEMBER 2021	31 DECEMBER 2020
Net sales revenue	**8 702 193**	**5 810 312**
Other incomes	9 338	64 279
Material expenses	842 036	649 141
Personal expenses	859 373	391 760
Amortisation and depreciation	71 894	44 517
Costs of (intermediated) services sold	-	-
Other costs	234 774	165 391
Operating profit	**6 703 454**	**4 623 782**
Financial incomes	86 958	105 608
• *of which interest income*	70 129	91 215
Financial expenses	167 681	61 006
Financial result	**-80 723**	**44 602**
Profit before tax	**6 622 731**	**4 668 384**
Corporate tax	595 906	415 886
Profit after tax	**6 026 825**	**4 252 498**

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Corporate bonds	1 438 714	-
Equities	1 409 917	1 984 833
Investment funds	147 845	146 052
Government bonds, discounted T-bills	18 510 649	20 860 996
Total available-for-sale financial assets	**21 507 125**	**22 991 881**

Under Equities the Company lists its share in OPUS GLOBAL Plc.

27. INVESTMENTS FOR POLICYHOLDERS OF UNIT-LINKED LIFE INSURANCE POLICIES

Investments executed for policyholders of unit-linked life insurance policies ensue in separate the Insurer unit-linked funds in accordance with policy terms and conditions. At the end of 2020 the Insurer had 79 segregated unit-linked funds, which changed to 92 funds by the end of 2021. The executed investments are invested into various financial instruments depending on the investment policy of the unit-linked funds. Cash on account that is not invested – but is part of the unit-linked fund – is recognized within the unit-linked fund as cash. The derivative instruments are currency forward transactions in the unit-linked funds.

Other investments line contains the transit instruments, and the premium liabilities of fund.

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Equities	22 959 479	15 082 652
Government bonds, discounted T-bills	7 060 721	7 319 828
Corporate bonds	-	-
Investment funds	49 271 556	48 836 527
Derivative instruments	-60 946	30 419
Cash, and cash equivalent	5 688 647	2 992 216
Other investments	-386 560	-139 907
Total investments for policyholders of unit-linked life insurance policies	**84 532 896**	**74 121 735**

28. FINANCIAL ASSETS – INVESTMENT CONTRACTS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Equities	1 729 864	860 755
Government bonds, discounted T-bills	531 984	417 737
Corporate bonds	-	-
Investment funds	3 712 326	2 787 061
Derivative instruments	-4 592	1 736
Cash and cash equivalents	428 607	170 763
Other investments	-29 125	-7 984
Total financial assets – investment contracts	**6 369 064**	**4 230 068**

Investments for policyholders of unit-linked life insurance policies and Financial assets – investment contracts contain investment funds investing in closed investment funds managed by MKB-Pannónia Fund Manager Ltd. the associate company of the Insurer. Determinative part of these funds (Pannónia CIG Oraculum Alap, Pannónia CIG Hazai Részvény Indexkövető Alap, Magyar Állampapír Alap, MKB Bonus Közép-Európiai Részvény Alap) were owned by the Company at the end of 2020.

The following table shows the asset composition of these funds:

DATA IN THUF

PANNÓNIA CIG FUNDS INVESTMENTS	31 DECEMBER 2021	31 DECEMBER 2020
Equities	5 988 746	4 781 091
Government bonds, discounted T-bills	2 051 053	384 511
Corporate bonds	590 017	790 048
Investment funds	1 205 364	1 648 517
Cash and cash equivalents	1 281 144	397 565
Other investments	1 051 913	551 622
Total	**12 168 237**	**8 553 354**

29. INSURANCE RECEIVABLES FROM POLICY HOLDERS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Insurance receivables from policy holders	1 605 062	1 476 456
Pending charge receivables	179 615	287 315
Total of insurance receivables policy holders	**1 784 677**	**1 763 771**

Most of the receivables from insurance policy holders are premium receivables due within 90 days. The age and structure of receivables remained the same.

30. RECEIVABLES FROM INSURANCE INTERMEDIARIES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Insurance receivables from policy holders	254 726	310 981
Pending charge receivables	-222 245	-270 730
Total of insurance receivables policy holders	**32 481**	**40 251**

Receivables on insurance intermediaries mainly include receivables arising from the repayment of commission to non-active (discontinued) brokers, which have not changed in net value significantly compared to 2020.

The decrease in gross receivables is primarily due to the increase in receivables written off due to bad debts.

31. RECEIVABLES FROM REINSURERS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Receivables from reinsurers	15 663	11 312
Total of receivables from reinsurers	**15 663**	**11 312**

32. OTHER ASSETS AND PREPAYMENTS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Prepaid expenses and accrued income	27 360	8 142
Interest rental premium, and other premium related prepayment	13 442	694
Inventories	2 994	2 307
Total of other assets and prepaid expenses and accrued income	**43 796**	**11 143**

A significant part of other accrued income is due to the recognition of income related to the acquisition of stock as explained in Note 3.7.3.

33. OTHER RECEIVABLES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Customer receivables	495	2 461
Loans granted	1 179	27 725
Receivables from investment fund fee	44 262	48 138
Advance payments to suppliers and state	23 891	45 879
Prepayment of acquisition	-	25 000
Total of other receivables	**69 827**	**149 203**

Parallel to the portfolio transfer of the Dimenzió Insurance Association, the advance payment for the share purchase was repaid to the Insurer.

34. INTERCOMPANY RECEIVABLES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Receivables against EMABIT	69 826	80 801
Receivables against the Employee Stock Option Program (MRP)	810 603	769 979
Receivables against Pieta	20	-
Receivables against CIG Pannónia Finance Intermediary Ltd.	271	-
Intercompany receivables	**880 720**	**850 780**

35. CASH AND CASH EQUIVALENTS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Deposits	741 831	449 401
Total cash and cash equivalents	**741 831**	**449 401**

36. TECHNICAL RESERVES AND RE-INSURER'S SHARE THEREOF

DATA IN THUF

GROSS VALUE OF TECHNICAL RESERVES	31 DECEMBER 2021	31 DECEMBER 2020
Unearned premium reserve	741 173	670 622
Actuarial reserves	10 733 569	8 732 596
Reserve for premium refunds dependent on profit	103 363	1 024 379
Reserve for premium refunds independent of profit	139 538	57 442
Claim reserves:	1 320 263	1 218 089
• of which RBNS	1 084 580	1 022 697
• of which IBNR	235 683	195 392
Cancellation reserve	1 081 568	1 100 767
Other reserve	2 491 978	1 589 969
• reserve for policyholder's loyalty bonuses	1 797 253	1 589 969
• reserve for other reasons	694 725	-
Total technical reserves	**16 611 452**	**14 393 864**

DATA IN THUF

REINSURER'S SHARE OF TECHNICAL RESERVES	31 DECEMBER 2021	31 DECEMBER 2020
Unearned premium reserve	51 769	57 225
Claim reserves:	127 161	410 538
• of which RBNS	75 558	358 808
• of which IBNR	51 603	51 730
Reinsurer's total share of technical reserves	**178 930**	**467 763**

Technical provisions also include the amount of expected services related to investment contracts under the claim reserves and the reserve for policyholder's loyalty bonuses lines.

The reserves by line of business are shown in the following tables:

DATA IN THUF

RESERVES ALLOCATION AS PER MAIN LINE OF BUSINESS (2021)	UNIT-LINKED	TRADITIONAL	TOTAL
Unearned premium reserve	33 079	708 094	741 173
Actuarial reserves (premium reserve of life insurance)	-	10 733 569	10 733 569
Outstanding claim reserves (RBNS, IBNR)	635 076	685 188	1 320 263
Reserve for premium refunds	1 238	241 662	242 900
of which: dependent on profit	1 238	102 124	103 363
of which: independent of profit	-	139 538	139 538
Gross cancellation reserves	1 038 984	42 583	1 081 568
Other technical reserves	1 660 055	831 924	2 491 979
Total reserves	**3 368 432**	**13 243 020**	**16 611 452**

DATA IN THUF

RESERVES ALLOCATION AS PER MAIN LINE OF BUSINESS (2020)	UNIT-LINKED	TRADITIONAL	TOTAL
Unearned premium reserve	32 239	638 383	670 622
Actuarial reserves (premium reserve of life insurance)	-	8 732 596	8 732 596
Outstanding claim reserves (RBNS, IBNR)	367 018	851 071	1 218 089
Reserve for premium refunds	-	1 081 821	1 081 821
of which: reserve for result-dependent premium refunds	-	1 024 379	1 024 379
of which: reserve for premium refunds independent of profit	-	57 442	57 442
Gross cancellation reserves	1 066 448	34 320	1 100 767
Other technical reserves	1 476 222	113 747	1 589 969
Total reserves	**2 941 927**	**11 451 937**	**14 393 864**

The result of the Company's passive reinsurance in 2021 was a loss of HUF 283,376 thousand, while in 2020 it was a loss of HUF 224,376 thousand.

In the case of outstanding claims reserves, the Company does not expect a significant delay in settling claims. The Company expects to settle most of the claims within one year.

In the life segment, we experienced a significant performance result in the case of the traditional portfolio itemized outstanding reserve, which was partly caused by the rejection of reported damages or the clarification of the amount of previous damage estimates.

On the claims of the Best Doctors product group's contracts the positive result is 82% (HUF 317 million). In the case of insurance services related to the Best Doctors product group, 90% of the risk is borne by the Company's reinsurance partners, thus the net effect of the positive result on the results is HUF 31.7 million. The positive result for claims of the group contracts is 24% (HUF 16 million).

37. RESULTS OF LIABILITY ADEQUACY TEST (LAT)

The results of the model presented by product groups (unit-linked, traditional and Best Doctors products) and by currency (HUF, and EUR based products) in the schedule below. The analysis covered both the risks relating to unit-linked products, traditional and Best Doctors insurance products, and the individual life insurance of the acquired portfolio.

DATA IN MILLION HUF, AND THOUSAND EURO

	2021				2020			
DATA IN MILLION HUF, AND THOUSAND EURO	HUF UL (MILLION HUF)	EUR UL (MILLION HUF)	HUF TRAD (MILLION HUF)	BD* TRAD (MILLION HUF)	HUF UL (MILLION HUF)	EUR UL (MILLION HUF)	HUF TRAD (MILLION HUF)	BD* TRAD (MILLION HUF)
+ Written premium	51 771	3 961	15 896	277	50 452	4 559	15 597	294
- Death insurance benefits	-3 565	-647	-5 549	-180	-3 073	-537	-1 670	- 8
- Surrender	-86 783	-16 487	-2 006	-9	-79 164	-15 324	-6 083	-165
- Endowment	-25 768	-1 742	-11 589	-62	-23 050	-1 064	-11 254	-52
- Sickness service	-	-	-798	-63	-	-	-715	-69
- Costs	-6 411	-675	-2 056	-42	-7 202	-1 148	-1 098	-35
- First-year commission	-175	- 6	-24	-1	-138	-3	-13	-2
- Renewal commission	-1 198	-112	-1 336	-10	-1 007	- 114	-899	-10
+ Commission reversal	94	9	57	0	80	9	61	1
Total CF	**-72 034**	**-15 699**	**-7 405**	**-90**	**-63 102**	**-13 623**	**-6 073**	**-46**
+ Accounting technical reserves	75 770	16 714	11 150	249	65 289	14 183	8 734	236
+ Actuarial reserve	-774	-31	-426	-14	-628	-32	-457	-13
Net reserves	**74 995**	**16 682**	**10 724**	**235**	**64 661**	**14 151**	**8 277**	**222**
Surplus / deficit	**2 962**	**983**	**3 320**	**145**	**1 559**	**528**	**2 204**	**176**

** BD TRAD means Best Doctors products of the Insurer*

At the end of 2021 each product had a positive result, i.e. the reserves –reduced by the amount of DAC- exceed the present value of the projected cash-flows in all cases, therefore no impairment of deferred acquisition costs had to be booked because of the examination (however, the run-off results relating to deferred acquisition costs influenced the value of these acquisition costs at the end of the year).

The LAT surplus of the Company increased significantly compared to the end of the previous year. The main reasons for the increase are the increase in managed unit-linked assets (due to returns) and the increase in the risk-free yield curve. Due to the already achieved returns, the Company's expected profits (resulting from the fund management deduction) increase. Due to the increase in risk-free return, future liabilities are taken into account at a higher discount rate (which reduces the discounted present value of liabilities). In addition, due to the increase in risk-free return, the Company's profit accounted for in proportion to its expected assets also increases.

The result of the liability adequacy test is sensitive to the assumptions applied for forecasting future cash flows to varying degrees.

In the LAT calculations, the Company assumed a 16% higher value than the non-payment and cancellation rates used for the calculation of technical reserves, and a 5% higher value than the mortality rates used for the calculation of technical reserves.

The basic presumption related to the cost was 5% higher cost-level than the non-acquisition cost in the budget accepted by the management of the Company. The planned cost per policy is mostly determined by the absolute costs. Moreover, the presumption about the future sales have a significant effect on the planned cost per policy, because a higher planned new sales decrease the future operating cost related to the current portfolio.

The decline in the volume of new contracts expected for the coming years will have a negative impact on the size of the surplus, as, unlike any other, unchanged stock will have to bear higher costs. In the event of a 20 per cent decrease in the volume of the future new business compared to the plan approved by the management of the Company, the portfolio level surplus will decrease by 11 percent.

Due to the above sensitivity levels, the Company monitors the fulfillment of cost and sales plans.

38. TECHNICAL RESERVES OF POLICYHOLDERS OF UNIT-LINKED LIFE INSURANCE POLICIES

The following table presents changes in unit-linked reserves in the reporting year:

DATA IN THUF

	2021	2020
Opening balance on 1 January	74 121 735	70 547 706
Written premium	16 562 188	14 790 573
Fees deducted	-4 114 170	-3 869 153
Release of reserves due to claim payments and benefits	-13 244 513	- 11 080 700
Investment result	10 872 119	3 566 204
Reclassification between deemed and real initial units	-27 690	-34 272
Portfolio acquisition	55 391	-
Other changes	307 838	201 376
Balance on 31 December	**84 532 896**	**74 121 735**

39. INVESTMENT CONTRACTS

The following table shows the changes in liabilities related to investment contracts in the reporting year:

DATA IN THUF

	2021	2020
Opening balance on 1 January	4 230 068	3 984 403
Written premium	2 745 830	1 197 766
Fees deducted	-308 461	-255 297
Release of reserves due to claim payments and benefits	-895 382	-970 061
Investment result	596 054	251 693
Reclassification between deemed and real initial units	-615	-724
Other changes	1 570	22 288
Balance on 31 December	**6 369 064**	**4 230 068**

Investment contracts are unit-linked policies which do not include significant insurance risk based on the Company's accounting policy relating to policy classification (see Note 3.5.).

40. BORROWINGS AND FINANCIAL REINSURANCE

The Company, at the beginning of its business operation, entered a financial reinsurance agreement with the purpose of obtaining finance for the acquisition costs of its unit-linked policies during the start-up period of the Company. At the beginning of the operations, the Company contracted with two reinsurer companies (Hannover Re, Mapfre Re). In 2012 two additional reinsurer companies were involved (VIG Re, Partner), and in case of the new generation of policies Mapfre Re isn't affected. From 2015 the two new reinsurance partners entered in 2012 did not renewed the reinsurance contract, their share is covered by Mapfre rejoining in 2015. The agreement covers unit-linked policies with regular premium payments sold between 2008 and 2018; its territorial scope includes Hungary and Romania and from 2011, Slovakia as well. Reinsurers provide financing for the first year commissions paid by the Company and adjusted for reversed commissions. The available amount is determined based on the number and value of policies sold. Settlements between the parties are carried out on a quarterly basis by generations of policies.

Since the repayment of the loan is covered by the cash-flow of the insurance policies, therefore the timing of the repayments is in accordance with the premiums received. The percentage specified for the regular insurance premium of the reinsured portfolio has changed several times during the lifetime of the contract; in 2012 it increased from the previous 60% to 85%, and changed to 40% in 2018 with respect to the new business. From 2018 in the first year the Company obtained liquidity surplus amounting to 23-25% of the gross premium written (50-52% between 2012-17, 35-37% before 2012), which financed 18% of the acquisition costs (38% between 2012-17, 27% before 2012). In the second year, 19% of the gross written premiums is repayable (for generations between 2012-17 40%, for generations before 2012, 27.6%), in the further years – until the full repayments – yearly 1.4-3.1% of the gross written premiums is repayable (for generations between 2012-2017 3-6%, for generations before 2012 3.6%). The outstanding balance bears interest at a fixed rate of between 3.38% and 7.91% depending on the given generation of policies. In 2018, the Company decided not to renew its financial reinsurance contract in respect to the generations starting in 2019, i.e. it will repay the financing and interest accumulated so far in the following years.

Changes in 2021 and 2020 are presented below:

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Opening balance of loans and financial reinsurance	149 901	435 613
Loan received	-	-
Repayments (capital and capitalized interest)	-117 861	-319 587
Other changes	5 699	33 875
Closing balance of loans and financial reinsurance	**37 739**	**149 901**

From the other changes of the balance in 2021 HUF -901 thousand (HUF 24,674 thousand in 2020) is related to exchange rate differences, HUF 6,630 thousands to capitalized interest in 2021. (In 2021 the capitalized interest was HUF 9,201 thousand.)

Financing cash flow in accordance with IFRS 7

DATA IN THUF

	01.01.2021	CASH FLOWS	TRANSFER	CURRENCY DIFFER-ENCES	FAIR VALUE CHANGE	OTHER	31.12.2021
Loans and financial reinsurance	149 901	-117 862	-	-931	-	6 631	37 739
Lease payment and interest	53 400	-61 991	417 610	5 299	-	-	414 318
Payables to shareholders	19 929	-	-	-	-	-	19 929
Treasury shares	-	1 004	-1 004	-	-	-	-
Total financing liabilities	**223 230**	**-178 849**	**416 606**	**4 368**	**-**	**6 631**	**471 986**

DATA IN THUF

	01.01.2020	CASH FLOWS	TRANSFER	CURRENCY DIFFER-ENCES	FAIR VALUE CHANGE	OTHER	31.12.2020
Financial liablilities - derivatives	4 528	-	-	-	-4 528	-	-
Loans and financial reinsurance	435 613	-319 587	-	24 674	-	9 201	149 901
Lease payment and interest	46 406	-56 136	56 410	6 720	-	-	53 4006
Payables to shareholders	25 495	-	-5 566		-	-	19 929
Total financing liabilities	**512 042**	**-375 723**	**50 844**	**31 394**	**-4 528**	**9 201**	**223 230**

41. LIABILITIES TO REINSURERS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Liabilities to reinsurers	85 013	94 600
Total liabilities related to reinsurers	**85 013**	**94 600**

The Insurer presents the traditional - non-financial - reinsurance obligations to the reinsurer on this account

42. LIABILITIES TO POLICY HOLDERS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Liabilities from services	61 476	41 698
Liabilities from premiums	771 961	600 400
Total liabilities to policy holders	**833 437**	**642 098**

Liabilities against insurance policyholders include mainly premium paid for insurance contracts that were still in offer status at the reporting date, or which amounts were paid in advance to deposit accounts of live contracts. If the offer is bonded after the closing date, the related premium (in the life segment) will be invested and included in the books as premium income or investment contract liability. If the offer is rejected, the amount paid will be returned to the policyholder. The Company settles the due premium at the next due day from the amounts of the deposit accounts.

43. LIABILITIES RELATED TO INSURANCE INTERMEDIARIES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Liabilities to insurance intermediaries	156 728	176 460
Total liabilities related to insurance intermediaries	**156 728**	**176 460**

Liabilities to insurance intermediaries include such commission liabilities which were invoiced by the brokers in December, however the Company paid them only in January, furthermore commission which shall fall due in December according to the accounting, nevertheless the invoicing took place in the next year.

44. LEASE LIABILITIES

DATA IN THUF

	2021	2020
Opening balance on 1 January	53 400	46 406
Increase	431 106	56 410
Derecognition	-13 497	-
Paid leasing fees	70 451	54 543
Of which: interest	8 459	1 976
Decrease of liabilities	61 992	52 567
Difference due to exchange rate	5 301	3 151
Balance on 31 December	**414 318**	**53 400**

45. OTHER LIABILITIES AND PROVISIONS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Trade payables	64 577	94 428
Liabilities to fund managers	109 798	35 727
Liabilities to employees	83 227	34 602
Social contribution and taxes	108 336	84 726
Other liabilities	833	286
Accrued expenses and deferred income	412 377	231 286
Provisions	17 525	281 679
Share based payment program	-	6 780
Advance payments of subsidies	263 606	-
Other liabilities and provision total	**1 060 279**	**769 514**

Liabilities to fund managers represent amounts relating to unit-linked investments settled with the respective fund managers subsequent to the reporting date. Also on this line are the obligations arising from securities purchased before the end of the year but financially settled only after the balance sheet date. Accrued expenses include costs due before but not invoiced by the reporting date.

On 13 February 2021, the Company reported in an extraordinary report that the National Office for Research, Development and Innovation has issued an eligible professional opinion, based on which the Company and EMABIT receive HUF 799,977,189 in support in the field of "Development of personalizable insurance products with the help of artificial intelligence". The first installment of the subsidy (HUF 512,248 thousand) was called by the end of 2021.

For our project 2020-1.1.2-PIACI-KFI-2021-00267 the implementation period is 01.12.2021. - 30.11.2024. After the completion of the Project, we are obliged to maintain and operate the capacities, products and services developed within the framework of the Project until 31 December 2027 (maintenance period). Mandatory commitment until the end of the maintenance period: business utilisation in the amount of HUF 275,182 thousand.

In respect of provisions, the following changes were made during 2021:

	31 DECEMBER 2021	31 DECEMBER 2020
Provision on 1 January	281 679	185 961
Provision release	-265 717	-193 522
Provision allocation	1 563	289 240
Provision on 31 December	**17 525**	**281 679**

The Company made provisions for the following items in 2021 and 2020:

PROVISION FOR EXPECTED LIABILITIES	EXPECTED PAYMENT PERIOD	31 DECEMBER 2021	31 DECEMBER 2020
Provision for litigations	1-2 years	-	23 571
Provision for expected obligations	within 1 year	-	18 000
Provisions for losses related to the termination of contracts	2 years	17 525	173 888
Provisions for expected other costs	within 1 year	-	66 220
Total provisions		**17 525**	**281 679**

Amounts set as provisions are prepared along the best estimate made by the Company on the basis of available information.

The passive lawsuit against the Company has been closed, the opening provision of HUF 23,571 thousand has been released. In addition, we do not expect payments for any previous provisions of other expected liabilities, this amount was also released by the Insurer against other income.

The provision for losses related to the termination of contracts is due to the expected loss on contracts sold by exited insurance intermediaries, where the Company expects that a significant portion of life insurance contracts previously entered into by the insurance intermediary will be canceled. One of the insurance intermediaries involved is Pannónia Financial Intermediary Ltd. “v.a.” (under liquidiation), a subsidiary of the Company, where the Company set aside a provision of HUF 94 million to cover losses at the end of 2020, in 2021, however, the reversed commission was significantly lower than previously expected due to strict monitoring and increased contact with customers. By the end of 2021, the amount of the provision for the portfolio brokered by Pannónia Biztosításközvetítő Kft. decreased to HUF 9,777 thousand. Provisions to other partners also decreased to HUF 7,748 thousand by the end of 2021.

The provision for expected other costs, which was an obligation arising from an already terminated IT service contract, where the consideration of the performance is contested by the Company. When estimating the amount set as the provision, the Company has taken the level of fees paid in previous years as a basis. At the end of 2021, the Company no longer expects any payments, therefore the provision created under this item has been released against other income.

46. INTERCOMPANY LIABILITIES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Liabilities against EMABIT	10 777	43 808
Liabilities against the Employee Stock Option Program (MRP)	626 426	642 690
Liabilities against Piéta Ltd.	800	-
Intercompany liabilities	**638 003**	**686 498**

To secure remuneration from MRP, in addition to the transferred treasury shares, the Company has offered stock options. Out of the intercompany liabilities HUF 626,426 thousand are option liabilities against MRP.

47. SHARE CAPITAL AND CAPITAL RESERVE

As of December 31, 2021, the nominal value and the number of shares issued were as follows:

ISSUED ORDINAY SHARES (NR)	ISSUED INTEREST BEARING SHARES (NR)	ORDINAY SHARES OUTSTANDING (NR)	DESCRIPTION
94 428 260		94 428 260	"A" series ordinary shares
94 428 260	**-**	**94 428 260**	

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

Summary of nominal value of issued shares in 2021 and 2020:

SHARE SERIES 2021	NOMINAL VALUE (HUF/SHARE)	ISSUED SHARES	TOTAL NOMINAL VALUE (THUF)
"A" series	33	94 428 260	3 116 133
"A" series	33	94 428 260	3 116 133

48. TREASURY SHARES

DESCRIPTION	DATE OF AQUIRING	NUMBER OF OWN SHARES	PAR VALUE OF TREASURY SHARES (THUF)	COST OF TREASURY SHARES (THUF)
"A" series shares - as a gift for free	22.05.2014	1 196 750	47 870	-
Transfer of "A" series ordinary shares to MKB Bank as consideration for a minority interest	06.07.2017	-92 744	-3 710	-
of which: sales in employee share-based payment program	15.10.2018	-230 000	-9 200	-
of which: sales in employee share-based payment program	07.11.2018	-160 000	-6 400	-
of which employee share based-payment program calls	05.04.2019	-340 000	-13 600	-
of which transfer of trasury shares to MRP	05.04.2019	-374 006	-14 960	-
Purchase of "A" series shares	30.03.2021	100 000	3 300	31 996
Transferring treasury shares to MRP	06.05.2021	-100 000	-3 300	-31 996
31.12.2020		**-**	**-**	**-**

Based on the decision of the Board of Directors on 5 April 2019, the Company transferred to the CIG Pannonia MRP a total of 374,006 CIGPANNONIA ordinary shares held by the Company as non-cash contributions to cover performance rewards through the MRP.

The Board of Directors of the Company (with the no. 19/2020. (IV.24.) authorized by a resolution of the Board of Directors within the competence of the General Meeting) for the purpose of providing benefits to the MRP organization, with the help of MKB Bank Plc., on 29 March 2021, purchased 100,000 treasury shares at an average price of HUF 319. The shares provided will cover future payments subject to the terms and conditions of the MRP Organization, which are conditional and deferred, as well as maintenance obligations. As a result of the transaction the Company's treasury shares inventory has increased from 0 pieces to 100,000 pieces, which was 0,10 % of the amount of issued shares. The treasury shares were transferred to the MRP Organization on 6 May 2021.

Following the transfer of shares, the Company did not hold CIGPANNONIA shares anymore.

The Company recognizes its treasury shares as an equity item that decreases equity as a separate item within equity.

49. OTHER RESERVES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Difference in fair value of available-for-sale financial assets	-2 971 871	-780 267
Other reserves	**-2 971 871**	**-780 267**

Other reserves include the difference between the fair value of available-for-sale financial assets recognized directly in equity, of which the negative evaluation difference of OPUS explain HUF -1,640 million, while the negative evalutation difference of government bond portfolios explain HUF 1,332 million.

50. EQUITY CORRELATION TABLE

Equity correlation table reconciliation 2021

DATA IN THUF

IFRS STATEMENT OF FINANCIAL POSITION ITEMS	NOTES	REGISTERED CAPITAL*	CAPITAL RESERVE	TREA-SURY SHARES	OTHER RESERVES	SHARE BASED PAYMENT	RETAINED EARNINGS**		EQUITY IN TOTAL
Accounting Act. 114/B § items		Registered capital	Capital reserve		Revaluation reserve		Retained earnings	Profit/loss after taxation	Equity in total
Balance on 31 December 2020		**3 116 133**	**4 019 111**	**-**	**8 838**	**-780 267**	**7 071 702**	**-**	**13 435 517**
Total comprehensive income									
Other comprehensive income	19	-	-	-	-	-2 191 604	-	-	-2 191 604
Profit in reporting year		-	-	-	-	-	-	1 160 677	1 160 677
Transactions with equity holders recognized directly in Equity									
Purchase of treasury shares	48	-	-	31 996	-	-	-	-	31 996
Sales of treasury shares	48	-	-	-31 996	-	-	1 004	-	-30 992
Derecognition of share based payments		-	-	-	-8 838	-	8 838	-	-
Balance on 31 December 2020		**3 116 133**	**4 019 111**	**-**	**-**	**-2 971 871**	**7 081 544**	**1 160 677**	**12 405 594**

Hungarian Accounting Act 114/B 4 paragraph's a); b); c); d); e); f); g) and h) items are not relevant at the Insurer

** Ther registered capital at Court Registration is equal to IFRS registered capital.*

*** Free retained earnings to pay dividend is HUF 8,242,221 thousands.*

Equity correlation table reconciliation 2020

DATA IN THUF

IFRS STATEMENT OF FINANCIAL POSITION ITEMS	NOTES	REGISTERED CAPITAL*	CAPITAL RESERVE	TREA-SURY SHARES	OTHER RESERVES	SHARE BASED PAYMENT	RETAINED EARNINGS**		EQUITY IN TOTAL
Accounting Act. 114/B § items		Registered capital	Capital reserve		Revaluation reserve		Retained earnings	Profit/loss after taxation	Equity in total
Balance on 31 December 2019		**3 116 133**	**10 345 805**	**-**	**111 852**	**-446 975**	**15 558**	**0**	**13 041 703**
Total comprehensive income									
Other comprehensive income	19	-	-	-	-	-333 292	-	-	-333 292
Profit in reporting year		-	-	-	-	-	-	718 268	718 268
Transactions with equity holders recognized directly in Equity									
Reecognition of share based payments		-	-	-	8 838	-	-	-	8 838
Derecognition of share based payments					-11 182		11 182		-
Capital increase	CF	6 326 694	-6 326 694	-	-	-	-	-	-
Capital decrease		-6 326 694		-	-	-	6 326 694	-	-
Balance on 31 December 2020		**3 116 133**	**4 019 111**	**-**	**8 838**	**-780 267**	**6 353 434**	**718 268**	**13 435 517**

According to Hungarian Accounting Act 114/B 4 paragraph a); b); c); d); e); f); g) and h) items are not relevant at the Company

**Ther registered capital at Court Registration is equal to IFRS registered capital.*

*** Free retained earnings to pay dividend is HUF 7,071,702 thousands.*

51. FINANCIAL RISK

Financial instruments presented in the statement of financial position include investments and receivables connected to investment and insurance policies, other receivables, cash and cash equivalents, borrowings, trade and other liabilities.

The main insurance risks and the risk management policy are presented in Note 6.

Under the current reserve-allocation rules the unit-linked insurance reserve of the Company and the assigned asset coverage response to an interest shock in the same way, i.e. an asset revaluation caused by a shift in the yield curve means the reserve is revalued to the same extent and at the same time. Similarly, the Company's reserves change to the same degree in the case of currency fluctuations as when changing due to asset revaluations; consequently, the unit-linked insurance reserve, the liabilities from investment policies and the associated asset coverage overall carry no direct interest, currency or lending risk for the Company; changes in interest rates and exchange rates have no direct impact on the Company's results and equity. An indirect effect may occur on the financial risks of unit-linked life insurances through costs deducted from the reserve (asset fund management fee and management fee). This rate is a maximum of 1.95% of the net asset value, i.e. significantly limited.

Financial assets are classified into different categories depending on the type of asset and the purpose for which it is acquired. Currently three asset and two liability categories are used, which are the following: financial assets measured at fair value through profit or loss, loans and receivables, and available-for-sale financial instruments; and financial liabilities measured at fair value through profit or loss and other financial liabilities.

The Company is exposed to many financial risks through its financial assets and financial liabilities (investment contracts and borrowings). The most important components of financial risks include interest risk, liquidity risk, foreign exchange risk and credit risk. In the Insurer's opinion the concentration risk of financial assets is not significant – it can only affects government securities and corporate bonds.

The risks arise from open positions in interest rate, currency and securities products, all of which are exposed to general and specific market movements.

The Company manages these positions as part of Assets-Liability Management, with the objective of achieving returns on its financial assets which in the long run exceed liabilities from investment and insurance policies. The basic technical method of the Company's Assets-Liability Management is matching insurance and investment contracts from an asset and liability side based on their nature.

The financial risks affecting the Insurer are assessed independently of each other, as their combined effect, according to Solvency II analyses and calculations, is in all cases smaller than the sum of the individual effects. Due to the diversification effect between risks, the sum of the individual risks results in an upper estimate compared to the aggregate financial risk.

The risks are presented below.

51.1. Credit risk exposure

The Company's credit risk exposure arises primarily on premium receivables from insurance policy holders, receivables from insurance brokers due to commission clawbacks, bank deposits, given loans and on debt securities. The Company allocates a cancellation reserve under local accounting rules for the part of receivables from policyholders, that is not expected to be recovered (cf. note 3.4.4 (iv)).

Some of the commission receivables are from active insurance brokers, others are from former brokers no longer in contact with the Company. The Company recorded impairment on receivables not likely to be recovered.

The book value of financial assets, due to these factors, adequately represents the maximum credit exposure of the Insurer. The maximum exposure to credit risk at the reporting date was as follows:

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Government bonds	26 103 355	28 598 560
Corporate bonds	1 438 714	-
Equity	26 099 260	17 928 240
Investment notes	53 131 727	51 769 640
Cash	6 859 084	3 612 380
Receivables	2 930 012	2 918 511
Other financial assets	-626 930	-207 824
Reinsurer's share of technical reserves	178 930	467 763

In case of the government bonds, which are the most significant financial assets, the credit risk exposure is not significant, due to this bonds are guaranteed by the state. Credit risk exposure of reinsurance share from reserves is not significant, due to the fact, that credit risk ratings of reinsurance partners are A- at least.

Impairment

Of the receivables from direct insurance and other receivables the Company allocated impairment in respect of the receivables from insurance brokers. Ageing of receivables from direct insurance transactions, other receivables and booked impairment is presented below:

DATA IN THUF

	2021.	2020.
Opening balance on 1 January	407 357	405 782
Derecognition of impairment on irrecoverable receivables	-165 816	-135 052
Impairment of assigned receivables	41 517	-
Impairment recognized against the release of provision	-64 597	-
Impairment booked to income statement	5 353	136 627
Closing balance on 31 December	**223 814**	**407 357**

The change of impairment in the receivables from direct insurance and other receivables was as follows:

DATA IN THUF

	31 DECEMBER 2021		31 DECEMBER 2020	
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Not overdue	1 326 093	-	1 395 389	-
between 0 and 30 days overdue	823 084	-	730 348	-
between 31 and 120 days overdue	376 819	-	528 855	-
between 121 and 360 days overdue	61 500	-	52 988	-
Overdue by more than a year	419 686	-223 814	378 467	-270 730
Total	**3 007 182**	**-223 814**	**3 086 047**	**-270 730**

On 31 December 2021, the Company does not have any overdue or impaired receivables whose outcome is uncertain or its return may be a problem. 100% of non-impaired receivables maturing between 121 and 360 days and overdue by more than a year are receivables from policyholders for which the Company forms a cancellation reserve.

51.2. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of reveivables of policyholders, contract commitments or other cash outflows. Such outflows would deplete available cash for operating and investment activities. In extreme circumstances, lack of liquidity could result in sales of assets or potentially an inability to fulfil contract commitments. The risk that the Company will be unable to meet the above obligations is inherent in all insurance operations and can be affected by a range of institution-specific and market events.

The Company's liquidity management process, as carried out and monitored by management, includes day-to-day funding, managed by monitoring future cash flows to ensure the requirements can be met; maintaining a portfolio of easily marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow, and monitoring the liquidity ratios calculated based on the consolidated financial statements to ensure compliance with internal and regulatory requirements.

Monitoring and reporting take on the form of cash flow projections and measurements for future periods that are key to liquidity management. The table below presents policy cash flows payable and receivable by the Company as at the reporting date of the statement of financial position:

DATA IN THUF

31.12.2021	BOOK VALUE	CONTRAC-TUAL CASH FLOW	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Liabilities *	**9 614 510**	**9 616 932**	**9 204 671**	**59 743**	**137 010**	**215 508**	**-**
From Lease liabilities	**414 318**	**414 318**	**59 743**	**59 743**	**119 485**	**175 347**	**-**
Government bonds	6 380 180	6 601 619	1 504 765	2 646 554	1 313 248	974 543	162 510
Corporate bonds	301 169	374 904	-	13 284	13 284	39 852	308 484
Shares	3 139 781	-	-	-	-	-	-
Investment funds	3 860 171	-	-	-	-	-	-
Cash	1 135 696	1 135 696	1 135 696	-	-	-	-
Receivables	2 793 643	2 793 643	2 792 803	339	501	-	-
Other financial assets	-43 992	-43 992	-43 992	-	-	-	-
Total assets * *	**17 566 648**	**10 861 870**	**5 389 272**	**2 660 177**	**1 327 033**	**1 014 395**	**470 994**

** Loans, financial reinsurance, other liabilities and provisions, investment contracts, liabilities from direct insurance*

*** As neither unit-linked reserves nor investments behind other reserves are available to settle financial liabilities, their amounts are not included in the table.*

DATA IN THUF

31.12.2020	BOOK VALUE	CONTRACTUAL CASH FLOW	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Liabilities *	**6 822 468**	**6 826 725**	**6 617 970**	**12 363**	**133 970**	**62 421**	**-**
From Lease liabilities	**53 400**	**53 400**	**5 583**	**5 583**	**22 334**	**19 899**	**-**
Government bonds	8 647 074	8 603 690	1 664 337	1 124 162	1 264 384	4 363 482	187 325
Corporate bonds	-	-	-	-	-	-	-
Shares	2 845 588	-	-	-	-	-	-
Investment funds	2 933 113	-	-	-	-	-	-
Cash	599 159	599 159	599 156	-	-	-	-
Receivables	2 820 888	2 820 888	2 819 405	339	678	466	-
Other financial assets	-11 820	-11 820	-11 820	-	-	-	-
Total assets * *	**17 834 000**	**12 011 915**	**5 071 079**	**1 124 501**	**1 265 062**	**4 363 948**	**187 325**

** Loans, financial reinsurance, other liabilities and provisions, investment contracts, liabilities from direct insurance*

*** As neither unit-linked reserves nor investments behind other reserves are available to settle financial liabilities, their amounts are not included in the table.*

51.3. Foreign exchange risk

The Company underwrites insurance and investment contracts denominated in euro and forint. The Company invests in assets denominated in the same currencies as their related liabilities, which reduces foreign currency exchange risks. Another factor reducing the risk is that the acquisition costs related to the policies generally arise in the currency that the income arises in.

The Company is exposed to foreign currency exchange risk by the fact that financing including interest received as part of financial reinsurance and not yet repaid, is determined in Euros, and the annual repayment amount is defined one year in advance at a set exchange rate.

Since the cash flows from the technical reserve that cover the repayments generally arise in forints, any change in the EUR/HUF exchange rate constitutes a risk both for the coverage of the repayment instalments due based on the policy and from the perspective of a revaluation of the existing debt.

However, this risk is mitigated by the average remaining term expected for a policy in a reinsured generation being less than two years.

The Company constantly monitors its positions with reinsurers, and it believes that the foreign currency risk of all reinsured generations is manageable. In case of the treatment of foreign exchange risk, the Company applies forwards.

The table below presents the foreign exchange exposures of financial assets and liabilities by currency as at the end of 2021 and 2020:

DATA IN THUF

31 DECEMBER 2021	HUF	EUR	USD	RON	DKK
Government bonds, discounted T-bills	26 103 355	-	-	-	-
Corporate bonds	983 196	455 518	-	-	-
Shares	2 755 080	277 139	23 034 971	-	32 070
Investment funds	18 074 811	3 215 749	31 841 167	-	-
Cash	3 648 302	2 296 323	907 495	6 080	884
Receivables	2 599 363	313 581	17 070	-2	
Derivative instruments	-	-64 602	-	-	-
Other UL assets	-398 362	-107 774	-56 193	-	-
Loans and financial reinsurance	-	-37 739	-	-	-
Insurance and other liabilities	-2 648 628	-144 761	-	-	-
Other financial liabilities	-203 762	-210 556			
Investment contracts	-5 303 211	-1 065 854	-	-	-

DATA IN THUF

31 DECEMBER 2020	HUF	EUR	USD	RON	DKK
Government bonds, discounted T-bills	28 598 560	-	-	-	-
Shares	2 428 969	465 685	14 954 184	-	79 402
Investment funds	15 556 509	5 174 531	31 038 600	-	-
Cash	1 737 964	1 668 041	199 586	6 092	697
Receivables	2 487 596	427 878	3 039	-2	
Derivative instruments	-	43 261	-	-	-
Other UL assets	-174 413	-62 364	-14 308	-	-
Loans and financial reinsurance	-	-149 901	-	-	-
Insurance and other liabilities	-2 324 887	-64 212	-	-	-
Other financial liabilities	-25 324	-28 076			
Investment contracts	-3 488 731	-741 337	-	-	-

The table shows the sensitivity of the Company's profit/loss and equity to foreign exchange risk. Possible fluctuations in exchange rates at the end of 2021 and 2020 would have the following impact on the Company's profit/loss and equity:

DATA IN THUF

31 DECEMBER 2021	EUR	USD	RON	DKK
Year-end FX rate	369.00	325.71	74.56	49.61
Possible change (+)	10%	10%	5%	5%
Possible change (-)	10%	10%	5%	5%
The impact of the increase of the FX rate on the profit or loss/shareholders' capital	**70 571**	**-**	**304**	**-**
The impact of the decrease of the FX rate on the profit or loss/shareholders' capital	**-70 571**	**-**	**-304**	**-**

DATA IN THUF

31 DECEMBER 2020	EUR	USD	RON	DKK
Year-end FX rate	365.13	297.36	74.99	49.08
Possible change (+)	10%	10%	5%	5%
Possible change (-)	10%	10%	5%	5%
The impact of the increase of the FX rate on the profit or loss/shareholders' capital	**54 788**	**-**	**304**	**-**
The impact of the decrease of the FX rate on the profit or loss/shareholders' capital	**-54 788**	**-**	**-304**	**-**

The low-level foreign exchange exposure is due to the continuous monitoring of foreign exchange risks and asset-liability matching.

51.4. Interest rate risk

The Company's interest payment liability from financial reinsurance was determined alongside an interest agreement fixed per reinsurance generation. For this reason, the existing reinsured generations carry no interest risk anymore.

The Company determines the value of life insurance premium reserves prospectively using a technical interest rate; under the current reserve-allocation rules the reserves do not revalue on account of a shift in the yield curve. However, a shift in the yield curve can affect the value of assets assigned to the life insurance premium reserves, which is why there is an interest risk for these assets. The Company counters the interest risk by selecting assets which are not overly sensitive to changes in interest rates. Risk management is also supported by the continuous monitoring of asset-liability matching.

The following table presents the Company's interest-bearing assets and liabilities as of 2021 and 2020 year-end:

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Fixed-interest	27 542 068	28 552 232
Floating-interest	-	46 327
Interest-bearing assets	**27 542 068**	**28 598 559**
Fixed-interest	452 057	203 301
Floating-interest	-	-
Interest-bearing liabilites	**452 057**	**203 301**

In the case of fixed-interest financial assets available for sale, the possible change in interest rate (30 basis points for HUF in 2021, 20 basis points for euro investments) would change the Company's equity by HUF -339,982 thousand annually. (In 2020, 30 basis points for forint investments and 20 basis points for euro investments, which would have changed the Company's equity by HUF -339,563 thousand annually.)

The Company's interest-bearing assets and liabilities bore the following interest rates as of the end of 2021 and 2020:

	31 DECEMBER 2021		31 DECEMBER 2020	
	HUF	EUR	HUF	EUR
Government bonds	0.01%-7.0%	0%	0.01%-7.0%	-
Corporate bonds	3.25%	4.5%	n/a	n/a
Cash and cash equivalents	-	-	-	-
Loans, and financial reinsurance	n/a	3.38% - 7.91%	n/a	3.38% - 7.91%
Interest bearing shares	2.65%-2.88%	2.7%-2.8%	2.83%-2.88%	3.42%

51.5. Accounting classification and fair values

The carrying values of loans and receivables, available-for-sale financial instruments and other financial liabilities do not differ significantly from their fair values.

The following table presents the Company's assets and liabilities as classified into financial asset and liability categories:

DATA IN THUF

31.12.2021	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES
Government bonds	7 060 721	-	18 510 649	-	-
Corporate bonds	-	-	1 438 714	-	-
Shares	22 959 479	-	1 409 917	-	-
Investment fund units	49 271 556	-	147 845	-	-
Cash (unit-linked & own)	5 688 647	741 831	-	-	-
Receivables	136 369	2 783 368	-	-	-
Other UL assets	-522 929	-	-	-	-
Interest-bearing shares	-	-	-	-	-
Loans, financial reinsurance, other liabilities and provisions, liabilities from insurance, lease liabilities, intercompany liabilities	-	-	-	-	3 245 446
Investment contracts	-	-	-	6 369 064	-
Derivative instruments	-60 009	-	-	-	-
Total	**84 533 833**	**3 525 199**	**21 507 125**	**6 369 064**	**3 245 446**

DATA IN THUF

31.12.2020	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES
Government bonds	7 319 828	-	20 860 996	-	-
Corporate bonds	-	-	-	-	-
Shares	15 082 652	-	1 984 833	-	-
Investment fund units	48 836 527	-	146 052	-	-
Cash (unit-linked & own)	2 992 216	449 401	-	-	-
Receivables	97 623	2 815 317	-	-	-
Other UL assets	-237 529	-	-	-	-
Interest-bearing shares	-	-	-	-	-
Loans, financial reinsurance, other liabilities and provisions, liabilities from insurance, lease liabilities, intercompany liabilities	-	-	-	-	2 592 400
Investment contracts	-	-	-	4 230 068	-
Derivative instruments	41 525	-	-	-	-
Total	**74 132 841**	**3 264 718**	**22 991 881**	**4 230 068**	**2 592 400**

The Company applies the following three measurement levels when determining the fair value of assets and liabilities:

- Level 1: price quoted on active market for asset/liability
- Level 2: Based on input information that differs from level 1, which can be directly or indirectly observed for the given asset/liability
- Level 3: Inputs for assets and liabilities which are not based on observable market data

In the case of loans and receivables, the Company estimates that the book value approximates the fair value of assets and therefore no separate presentation of the fair value is required.

In case of the various financial instruments, the fair value of the assets determined by the following methods:

- Debt securities
    - except the government bonds, and discounted T-bills issued into the primary dealership system, the last net exchange price of the evaluation period shall be used with the accumulated interest until the reporting date added (in case of the determination of the fair value);
    - the fair value in the case of the T-bills and government bonds (both with fixed and floating interest payments), which: mandatory quoted, have more than 3 months remaining maturity and issued into the primary dealership system, is determined by the average of the best net bid/ask price (published by ÁKK - Government Debt Management Agency, at the reporting date, and the last workday before the reporting date) plus the accumulated interest at the reporting date;
    - the fair value in case of the T-bills and government bonds (only the securities with fixed interest payments), including securities guaranteed by the state, which: non-mandatory quoted in the primary dealership system, have less than 3 months remaining maturity, is determined by the net exchange rate published by ÁKK at the reporting date, and the last workday before the reporting date, calculated based on 3 monthly benchmark yield, plus the accumulated interest;
    - in the case of non-mandatory residual maturities of less than 3 months in the primary distribution system, fixed rate and discount government securities, including government-guaranteed securities, using the 3-month reference yield published by the GTC on the reporting date or the last business day preceding that date; the market value calculated as the sum of the calculated net exchange rate and the interest accrued by the reporting date
    - if there is no more recent information than 30 days about the price of the debt security, which listed on the stock exchange (excluded the securities issued into the primary dealership system), then the fair value of the asset shall be determined by the published, average net price of the registered OTC trade, weighted with turnover, plus the accumulated interest at the reporting date, unless this price is older than 30 days. The validity of the registered prices of the OTC trading is the marked period in the publication, in other words, it shall be calculated from the last day of the reference period even if it isn't a workday. The same method shall be applied in case of the unlisted debt securities.

- Shares:
    - shares listed on the stock exchange shall be evaluated on the closing price of the reporting date;
    - if no trading was occurred at the reporting date, then the last closing price of the share shall be used, unless this price is older than 30 days;
    - in case of the unlisted share, the valuation price shall base on the OTC trading price and the last weighted average price, unless the last weighted average price is older than 30 days;
    - if none of the mentioned valuation method is applicable, then the lower of the last exchange price or the purchase price shall be used, independently from the date of the data.
- Derivative instruments:
    - according to the Regulation of the T-daily results of the forward transactions of the Budapest Stock Exchange, if the transactions opened at „T day" than by using the strike price and the stock exchange settlement price of „T day", if the transactions closed at „T-day" than by using the strike price and the stock exchange settlement price of „T-1 day, and in case of the transactions opened before „T day", then by using stock exchange settlement price of „T day" and „T-1 day";
    - in case of the foreign currency forward transactions over the counter, the valuation based on the prompt exchange rate and forward exchange rate based on the interbank interest rates denominated in the relating foreign currencies. The interest rates applied in the calculation, are the interbank interest rates, with the closest term to the remaining maturity of the future contract;
    - the valuation of the options relating to the issue of the interest-bearing share is according to Note 4.3.

The following table presents the hierarchy for fair value measurements in respect of financial instruments measured at fair value:

DATA IN THUF

31 DECEMBER 2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government bonds	25 571 370	-	-	25 571 370
Corporate bonds	-	-	1 438 714	1 438 714
Shares	24 369 396	-		24 369 396
Investment fund units	49 419 401	-	-	49 419 401
Unit-linked cash	5 688 647	-	-	5 688 647
Receivables and other unit-linked financial assets	-386 560	-	-	-386 560
Derivative instruments	-	-60 009	-	-60 009
Total assets	**104 662 254**	**-60 009**	**1 438 714**	**106 040 958**
Liabilities measured on fair value	6 369 064	-	-	6 369 064
Total Liabilities	**6 369 064**	**-**	**-**	**6 369 064**

DATA IN THUF

31 DECEMBER 2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government bonds	28 180 824	-	-	28 180 824
Corporate bonds	-	-	-	-
Shares	17 067 485	-	-	17 067 485
Investment fund units	48 982 579	-	-	48 982 579
Unit-linked cash	2 992 216	-	-	2 992 216
Receivables and other unit-linked financial assets	-139 907	-	-	-139 907
Derivative instruments	-	41 525	-	41 525
Total assets	**97 083 197**	**41 525**	**-**	**97 124 722**
Liabilities measured on fair value	4 230 068	-	-	4 230 068
Total Liabilities	**4 230 068**	**-**	**-**	**4 230 068**

52. SEGMENT INFORMATIONS

The Company does not examine its activities by segment, as the management treats the company as one portfolio. Furthermore, the management has examined that the Company operates in a geographical segment and does not classify its products under other risk exposures.

53. CONTINGENT LIABILITIES

The Company is subject to insurance solvency regulations and it has complied with all regulatory requirements either in accordance with EU Directives or with Hungarian regulations. The Company has no contingent liabilities in connection with such regulations.

On 22 June 2020 the Company's Board of Directors committed to take over the operating costs of EMABIT from 1 August 2020 to ensure the solvency of their subsidiary. The maximum amount of the operating cost taken over was HUF 519 million, for a period of three years, as set out in the recovery plan in parallel with the run-off of the portfolio; out of this amount, by the end of 2020, a total of HUF 296 million was fulfilled. In addition, the Company commited HUF 500 million of capital increase should EMABIT's solvency capital fall below the statutory capital adequacy of 120%. At the same time, the Company authorized the Board of Directors of EMABIT to increase the share capital in its own competence in the event of a call. The authorization to increase the share capital was for a period of 5 years. The above two commitments were subject to EMABIT's solvency capital adequacy and were therefore presented as a contingent liability by the Company at the end of 2020. During 2021, the Company raised capital in EMABIT twice, as the result of which the previous cost assumption and guarantee agreements lost their effect.

At the end of 2021, the Company had no contingent liabilities.

54. COMMITMENTS FOR CAPITAL EXPENDITURE

As at 31 December 2021 and 31 December 2020, the Company had no commitments for capital expenditure.

55. RELATED PARTY DISCLOSURES

Related party transactions, as defined by the Company, are business events between the Company and operations of the members of the Board of Directors and the Supervisory Board, beside the transactions with the jointly controlled companies and subsidiaries.

55.1. Related party transactions between the Insurer and the members of the Board of Directors and the Supervisory Board

Benefits to the members of the Board of Directors and the Supervisory Board:

The members of the Board of Directors and the Supervisory Board received an honorary fee of HUF 18,850 thousand in 2021 (HUF 27,550 thousand in 2020), of which the part for the life insurer amounted to HUF 13,850 thousand. No advance or loan was paid to them.

55.2. Transactions with subsidiary companies

Pannonia PI-ETA Funeral Services Ltd. charged HUF 19,080 thousand for funeral services to the Company (HUF 21,062 thousand in 2020).

The Company invoiced to CIG Pannónia First Hungarian General Insurance Company (EMABIT) in 2021 HUF 341,835 thousand for joint employment (HUF 267,541 thousand in 2020) HUF 100,322 thousand for cost transfer (HUF 105,703 thousand in 2020).

In addition, the Company carried out a capital increase worth HUF 3,500 million.

In 2021, CIG Pannónia Finance Intermediary Ltd. charged a commission of HUF 28,747 thousand for insurance brokerage (HUF 24,540 thousand in 2020) and HUF 0 thousand for the sale of tangible assets (HUF 7,275 thousand in 2020).

Related to its granted loan the Company charged an interest of HUF 4,227 thousand (in 2020 HUF 1,127 thousand), and further invoiced HUF 639 thousand for joint employment, administrative services and telephone use (HUF 6,459 thousand in 2020).

Receivables were assigned in the amount of HUF 1,248 thousand, while receivables were written off in the amount of HUF 164,164 thousand.

The Company paid an operating contribution of HUF 6,806 thousand to MRP. In 2020, this amount was HUF 7,135 thousand.

55.3. Transactions with other related parties

MKB-Pannónia Fund Manager Ltd. invoiced the followings to the Company in 2021:

- The unit-linked portfolio management fee was HUF 374,073 thousand (HUF 374,953 thousand in 2020) and net unit-linked fund management fee of HUF 404,986 thousand (HUF 111,220 thousand in 2020).
- Own portfolio management fee was HUF 38,068 thousand, in 2020 portfolio management fee was HUF 34,145 thousand.

Furthermore, CIG Pannónia Life Insurance Plc. invoiced HUF 462 thousand mediated services to MKB-Pannónia Fund Management Ltd. in 2021. (It was HUF 948 thousand in 2020).

55.4. Transactions with other related parties

The Company used mainly insurance intermediation activities from its other related parties in the following annual amounts:

- from Hungarikum Biztosítási Alkusz Kft. in the amount of HUF 160,849 thousand,
- from HUNBankbiztosítás Kft. in the amount of HUF 188,635 thousand,
- from HUNPénzügyi Tervező Kft. in the amount of HUF 200,049 thousand and from HUNPartner Kft. in the amount of HUF 17,728 thousand.

All services were provided at market prices.

On 31 December 2021, the Insurer has the following obligations with other related parties (companies related since 2021), which Insurer presented under the line Liabilities to insurance intermediaries:

- towards Hungarikum Biztosítási Alkusz Kft. in the amount of HUF 1,437 thousand,
- towards HUNBankbiztosítás Kft. in the amount of HUF 7,103 thousand,
- towards HUNPénzügyi Tervező Kft. in the amount of HUF 8,677 thousand,
- towards HUNPartner Kft. in the amount of HUF 1,336 thousand.

The Company purchased used tangible assets from HUNInsurtech Kft. in the amount of HUF 5,828 thousand. The Insurer has no obligations to the partner on the balance sheet date.

The Company supported the publication of the Insurance Almanac with HUF 4,445 thousand, which was published by HUNMédia Kft. The Insurer has no obligations to the partner on the balance sheet date.

No transactions occurred with other related parties.

[2]The unit-linked portfolio management fee and the fund management fee are charged directly to the net asset value of the unit-linked asset funds.

56. EVENTS AFTER THE BALANCE SHEET

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

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

One of the base pillars of the Company's Growth Strategy, announced in July 2021, was to become a reliable, significant and stable composite insurer with a portfolio of life and non-life products over the next five years, and a key element in achieving this goal is the long-term cooperation stemming from the now published framework agreement.

Due to the impact of the war in Ukraine on the capital market, from 1 March 2022 the Company suspended to market the asset funds listed below in its unit-linked life insurance products (i.e. to sell and purchase investment units of the following asset funds) due to the developed situation and the circumstances beyond the control of the Company based on Act LXXXVIII of 2014 (hereinafter: "Bit.") Section 127 (1):

- Urál Oroszországi Részvény Eszközalap
- Urál Oroszországi Pro Részvény Eszközalap
- Euró Alapú Urál Oroszországi Részvény Eszközalap
- Euró Alapú Urál Oroszországi Pro Részvény Eszközalap

(hereafter referring to these asset funds together as: "**Affected Asset Funds**").

The net asset value of the Affected Asset Funds and, at the same time, the price of the investment units cannot be determined because the underlying financial assets of the Affected Asset Funds have become partially or completely illiquid, i.e. non-marketable assets.

Due to the armed conflict between Russia and Ukraine, the Moscow Stock Exchange suspended trading in all of its markets indefinitely starting 28 February 2022. As a result, the Amundi Russia investment fund (ISIN code: LU1883868579), which is part of the underlying assets of the Affected Asset Funds and purchases investment instruments on the Moscow Stock Exchange, has become illiquid and therefore untradeable; the manager of the foreign investment fund does not disclose a price, as a result of which the price of the Affected Asset Funds cannot be calculated either.

From 1 March 2022, CIG will not calculate or publish prices and net asset values for the Affected Asset Funds. As a result, the transactions in units of the Affected Asset Funds (e.g. payments, exchange of assets, repurchases, provisions of death and maturity services) for whose fulfillment price applicable under the terms of the insurance contract falls on or after 28 February 2022, CIG did not fulfil, or did not fulfil according to the standard procedure.

All costs specified in the special contractual terms and conditions, which are enforced before the investment of the insurance premium according to the rules set out therein (in particular the contract and maintenance fee, the administration fee, the allocation fee and, in some cases, the risk premium), will be deducted also during the suspension. The insurer also applies the risk premium to products for which it is deducted by reducing the number of investment units.

In addition to the risk premium referred to in the previous paragraph, the insurer shall not charge the costs and fees for the period of suspension of the asset fund and for the units registered in the suspended asset fund, which are charged under the special contractual terms and conditions after the investment of the premiums by reducing the number of investment units (in particular the part of the initial costs and the management fees falling on the investment units of the suspended asset funds). Furthermore, the insurer waives the deduction of the asset management fee to be applied to the net asset value of the suspended asset funds.

The portfolio manager of the asset funds will not deduct the portfolio management fee applicable to the net asset value of the suspended asset funds for the period of suspension. The depositary of the asset funds will continue to deduct the custody fee applicable to the net asset value of the suspended asset funds for the period of suspension.

If the event triggering the suspension of the asset funds no longer exists within 30 days from the start date of the suspension (i.e. the underlying assets of the suspended asset funds become liquid, marketable again), the insurer shall terminate the suspension of the funds and following the termination of the suspension convert the premiums or a part of the premiums flowing in and recorded separately during the suspension immediately, at the first price published after the suspension into investment units in the once again liquid asset funds.

If the duration of the suspension of the asset funds exceeds 30 days, the insurer shall notify the relevant policyholder in writing by the 35th day of the suspension as into which other, non-suspended asset funds the premiums or a part of the premiums of the suspended asset funds (flowing in and recorded separately) will be diverted to starting from the 45th day of the suspension (unless the client orders the contrary).

Following the termination of the asset fund suspension, CIG will comply with the customer orders initiated during the period of suspension (and not fulfilled during the period of suspension according to the described above) if the counterparty repeatedly orders the fulfillment of the order after the termination of the asset fund suspension.

There was no significant other post-balance sheet event in the life of the Company..

57. STATEMENT

Seperate Financial Statements and Business Report of CIG Pannónia Life Insurance Plc. for the year 2021, prepared according to the international financial reporting standards accepted by the European Union provides a true and fair view of the assets, liabilities, financial position and profit/loss of the Insurer furthermore the business report provides a fair view of the position, development and achievement of the Insurer indicating the main risks and uncertainties. On 28 March 2022 the Company's Board of Directors accepted the submission of the Company's separate financial statement to the shareholder's annual general meeting.

The Board of Directors of CIG Pannónia Life Insurance Plc. made the following decision regarding the dividend policy: after the business year 2021, given the conditions allow, it plans to pay a total dividend of HUF 1,700 million. Thus, the proposal of the Board of Directors for the use of the 2021 after-tax profit is to pay a dividend of HUF 18 per share to the shareholders and to transfer the additional required amount from the profit reserve.

Budapest, 28 March 2022

Zoltán Polányi	Alexandra Tóth	Géza Szabó
Primary Chief Executive Officer	*Chief Accounting Officer*	*Chief Actuary*

CIG PANNÓNIA
INSURANCE

CIG PANNÓNIA LIFE INSURANCE PUBLIC LIMITED

BUSINESS REPORT FOR THE YEAR 2021

28 MARCH 2022

REPORT ON THE DEVELOPMENT AND BUSINESS PERFORMANCE OF THE COMPANY

Insurance premium revenue rose by 16 percent to HUF 22,080 million, sales increased by 26 percent, and earnings per share rose to HUF 17.8 from 2020's HUF 7.1. In 2021 the Company's result after taxation was HUF 1,161 million profit.

The Company's equity decreased by 8% from HUF 13,436 million at the end of 2020 to HUF 12,406 million in 2021. In addition to the profit after tax of HUF 1,161 million, the other comprehensive income was a loss of HUF 2,192 million due to the extraordinary increase in yields on the government securities market in 2021, especially in the last quarter, which had a depressing effect on exchange rates. Equity thus decreased by HUF 1,031 million due to the overall comprehensive result, while the purchase of treasury shares and their transfer to MRP increased it by HUF 1 million.

The Solvency II capital adequacy of the Company at the end of 2021 was 249 percent, thus significantly exceeding the 150 per cent level expected by the HFSA, including a 50 per cent volatility buffer.

MAIN RISK ARISING DURING THE COMPANY'S INVESTING ACTIVITY

In addition to investing technical reserves, the Company invested its own investments held for trading – with particular attention to liquidity and risk aspects – primarily in Hungarian T-bills and state bonds because this ensured the risk management and flexibility that was appropriate for dynamic business growth and stable operation.

In addition to managing insurance risks, the Company pays close attention to financial risk management:

- credit risk exposure primarily arises on premium receivables from insurance policy holders, receivables from reversed commissions, on debt securities and bank deposits, which are managed using both financial and legal means;
- liquidity and cash-flow risk management are based on daily monitoring, to which the updating of the portfolio of easy-to-sell, marketable securities and the management of unforeseeable cash-flow problems are aligned;
- interest risks principally arise with financial reinsurance liabilities, where the level of uncertainty is low given the fixed interest agreements. Risk management is also supported by the continuous monitoring of asset-liability matching;
- the Insurer hedged its portfolio in unit-linked investments, and its own investments;
- the Insurer has price risk mainly its own investments; the market value of the securities is continuously monitored by the ALM activity.

PRESENTATION OF THE COMPANY'S FINANCIAL SITUATION IN 2021

In 2021, the Company's gross written premium was HUF 22,080 million, which is 116 percent of the revenues generated in 2020, of which HUF 16,582 million is linked life insurance (of which HUF 6,809 million pension insurance), HUF 4,675 million is traditional life insurance (of which HUF 1,263 million in pension insurance), HUF 823 million is health insurance.

Gross premiums from the first-year premiums sold amounted to HUF 2,567 million, an increase of 1% compared to the previous year (HUF 2,531 million). Gross premium income from renewals in 2021 was HUF 14,313 million, compared to HUF 12,756 million in the same period of 2020, i.e. renewal fees increased by 12%. The top-up/single premiums were 36% higher than the top-up/single premium in 2020, amounting to HUF 5,200 million, mainly related to unit-linked life insurance.

The change in unearned premium reserve in 2021 amounted to HUF 70 million, while the reinsured premium was HUF 276 million.

Life insurance policies of unit-linked products sold by the Company that are not classified as insurance under IFRSs are classified as investment contracts by the Company. In connection with investment contracts, the Issuer generated HUF 223 million fee and commission income during the period.

The value of commissions and profit sharing from the Reinsurer was HUF 2 million.

Other operating income (HUF 937 million) mainly includes the proceeds from the management of the Issuer's assets fund (HUF 554 million), which (by 4%) decreased compared to 2020. In addition, the other significant item is the release of provisions in the amount of HUF 187 million formed by the Insurer at the end of the previous year for lawsuits, fines, disputed liabilities and losses arising from expected commission reversal, which are no longer likely to arise in the future.

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 14,542 million), this expenditure is decreased by the recoveries from reinsurers (HUF 64 million).

Changes in net reserves (HUF 12,198 million), mainly due to the following changes in reserves. HUF 10,356 million relates to the increase in unit-linked life insurance reserves. The mathematical reserve increased by HUF 1,165 million, the premium reserve independent of profit rose by HUF 82 million, and the premium-reserve dependent of profit increased by HUF 52 million. The technical provisions for bonus payments to life insurance clients rose by HUF 177 million. Net claim reserves increased by HUF 386 million, while cancellation reserves decreased by HUF 25 million in parallel with the increase in receivables.

The total operating cost of the Issuer was HUF 5,779 million in 2021, of which HUF 3,763 million is related to the fees, commissions and other acquisition costs, and HUF 1,708 million is related to other operating costs and 308 million other expenses. Acquisition costs show an increasing tendency (11%), while the gross premiums earned rose by 15%. This is primarily due to the change in the product mix; the earned premium growth of group and one-time contracts is significant, however, their commission ratio is lower compared to other products. The other operating costs increased by HUF 257 million compared to the same period of the previous year (HUF 1,451 million in 2020), primarily due to the increase in personnel expenses.

The investment result is a profit of HUF 10,965 million, which is the result of the factors detailed below.

The unit-linked return is a profit of HUF 11,466 million during the four quarters. As an investor, the highest returns were achieved with North American, Warren Buffett and global advanced market asset funds, as well as the Indian and Russian stock markets. Among the moderate risk and mixed asset funds, the winners of the year are the Active Mixed, the International Mixed and the Oraculum Pro Asset Funds.

The market events of 2021 were fundamentally determined by the abundance of global liquidity. The effects of central bank money printing accelerating in 2020 and continuing this year have spread to almost all asset classes, and capital has flowed heavily into popular asset classes such as U.S. technology stocks or commodities, but cryptocurrencies have also attracted many sources. The coronavirus is still part of our everyday lives: the fourth wave caused by the delta variant began in the fall, followed by the omicron mutation. 2021 showed a mixed picture in the markets: developed countries achieved fundamentally good returns, but we were able to see a decline in key emerging markets, while in the Central and Eastern European region, indices performed positively throughout the calendar year. The inflationary environment has changed significantly, with moderate risks intensifying at the beginning of the year as a result of rising commodity prices, growing shortages of parts, fragmentation of transport routes and further stimulus measures. Another factor of uncertainty was the fear of a slowdown in the Chinese economy.

Developed markets were mostly optimistic in 2021. The U.S. S & P500 index hit new highs by the end of the year, closing the year up 28.7%. The STOXX 600 index, which brings together the 600 largest companies in Europe, peaked in mid-November, closing slightly below its seasonal high but ending the year up 25.8%. The Japanese market was slightly behind last year at 7.3%. Emerging markets performed mixed in 2021: Central and Eastern European indices and the Russian market showed growth of 15-33%. At the same time, Chinese stocks traded internationally on the Hong Kong market showed a devaluation of 21.2% and the South American stock market fell 7.7%.

You can see one of the worst years of the Hungarian bond market in terms of market performance. Year-on-year, ZMAX was able to increase 0.4 percent, while RMAX was down 0.6 percent. The MAX and CMAX indices fell 11.5 and 11 percentage points, respectively, during the year. The fall in domestic bond indices was triggered by a steady rise in yields during the year, which even accelerated significantly in the fourth quarter.

In the light of the inflation trajectory and the continuously deteriorating outlook, the Hungarian National Bank raised the key interest rate several times in 2021. By the end of the fourth quarter, the base rate had reached 2.4%, while the level of the relevant one-week central bank deposit had reached a significantly higher level: 4% by the end of the year.

After the first 10 months to break the record, the Hungarian stock exchange was able to perform worse for the last two months of the year. The rise at the beginning of the period stopped at the beginning of November, and then the large-cap companies of the BSE started to fall. Nevertheless, the BUX index was able to perform very well in 2021: it rose by more than 20%.

In 2021, the forint also weakened against the euro and the dollar. The forint appreciated significantly during the year, but by November the EURHUF pair had approached 372, while the USDHUF had risen above 330. Finally, we closed the year at 369.0 euros and 325.71

dollars. Overall, this represents a depreciation of 1.8% and 9.3%, respectively, compared to the leading currencies.

The investment result was negatively impacted by the financial reinsurance interest expense (HUF -2 million). The Insurer's return on its own investments was a profit of HUF 379 million in the year.

CIG Pannónia First Hungarian General Insurer recorded impairment loss of HUF 887 million. The subsidiary is accounted for in the financial statements at the value of equity attributable to the Company.

Earnings from the MKB-Pannónia Fund Management Company to the Company appear on the Return of Associates, which is a profit of HUF 448 million in 2021.

The pre-tax result is a profit of HUF 1,257 million (following a pre-tax profit of HUF 935 million in 2020), which was reduced by the HUF 184 million tax liability and increased by the deferred tax income of HUF 88 million. After-tax result was HUF 1,161 million, HUF 442 million higher than the profit after tax for 2020. Other comprehensive income includes a decrease in fair value of available-for-sale financial assets of HUF 2,192 million, and total comprehensive result in 2021 is a loss of HUF 1,031 million.

The Issuer's balance sheet total is HUF 123,164 million, its financial position is stable, and it has fully complied with its obligations. At 31 December 2021, equity capital amounted to HUF 12,406 million.

IMPLEMENTATION OF BUSINESS POLICY GOALS IN 2021

The evaluation of the year 2021 is about the implementation of the Company's new strategy - the Growth Strategy presented in July 2021 - and the results of its first year.

Our Growth Strategy in a nutshell:

- intensive increase in gross premiums written and the technical result, and
- in addition to growth, focusing on profitability, which it aims to achieve through new insurance products and the best possible utilization of the sales channels.

The goals for 2021 included to double the members of the sales chain in order to significantly increase the volume of products sold. In line with this goal and our strategy, we have increased the number of employees in the independent sales network fivefold. Due to the increase in the number of consultants in our own network, we have divided the country into two regions, and the number of managers has increased with a new regional head. We strengthened our bank sales channel – to which we assign a key role in the implementation of the Growth Strategy's elements - with a new senior colleague, Zoltán Kőrösi, who is the Deputy Chief Sales Officer of Bank Insurance, a strengthened and highlighted organizational unit, from 1 December 2021. His task is to strengthen the bank sales area and, as part of the strategic concept, to support an operating model adapted and optimized to the organization. At the same time, the field of alternative sales will operate as a separate area, with the task of mapping and developing affinity, B2B sales opportunities and channels.

In addition to the above, our goal was to launch a multi-year project integrating artificial intelligence into the sales process in order to strengthen our digital footprint. We have launched this multi-year project, and preparatory and design work is underway to make the growth of the customer experience spectacular and productive in more and more of our processes.

A further goal of ours was to transform our organizational structure in 2021. To this end, we have focused on the development and finalization of a new organizational structure. This work, the "customization" of the organization, was completed in the case of the Company, the Board of Directors adopted and enacted it with its Resolution 76/2021.10.04. and entered into force the Organizational and Operating Regulations, which contains principal provisions to the Company's operation, organization and management system, and thus serves as the Company's internal basic document, which reflects management expectations in line with the renewed strategy and prudential requirements.

A key project in 2021 was the introduction of IFRS 17 and the preparation for its successful implementation in due course. We used the help of external consultants and IT developers. Due to the complexity of the project, it has not been completed yet, however, the developments, calculations and build-up of the necessary models are underway in close control of the Company's management. According to our plans, the financial planning for the next business year will be implemented in accordance with the new standards in the autumn of 2022. We consider it necessary and plan to inform and broaden the knowledge of investors and the general public on the new rules, once the transitions results are available, as we believe that the valuation method of insurance companies will change radically.

We set ourselves the goal of creating a fact-based strategy with fixed goals, which strategy we already mentioned, and the above results can be evaluated as steps of this strategy's implementation.

BUSINESS POLICY GOALS OF CIG PANNÓNIA LIFE INSURANCE PLC. FOR 2022

In 2022, our goal is to maintain the unbroken momentum we wrote about in the previous chapter.

After a long and thorough preparatory work, as one of the main pillars of our growth strategy, we are launching a long-term strategic partnership with Magyar Bankholding and its member companies, MKB Bank Plc., Takarékbank Ltd. and Budapest Bank Ltd. to provide the greatest possible customer experience to our consumers. The strategic goal of the CIG Pannónia Group is to develop, as a domestic company, a portfolio of innovative products and services, which are simple and easy to sell, as well as tailored to the real needs of the Hungarian market, all this complemented by a focused product portfolio in the banking insurance market and a professional service to the banking network holding the largest branch network and in parallel the highest customer access. To this end, we plan to strengthen our retail and corporate market presence and, at the same time, our banking partnerships.The agreement covers, inter alia, property-, accident-, pension-, life-, liability-, freight-, surety-, construction-, credit coverage- and account protection insurances, as well as health insurance services, which latter's portfolio is divided to retail (private) customers and corporate customers. The above underlines that we will be present in this market basically with our entire portfolio. In line with our Growth Strategy, we aim to cover the entire insurance market and respond to all arising needs with our products and services.

The focus of our Company is on the customers and their needs in all cases, consequently, we will continue to regularly monitor in the future the quality of our services and product development processes, and we will place even greater emphasis on customer experience and measuring customer satisfaction, to be able to operate even more efficient considering the feedback of our customers and partners.

Our sales teams started as planned last year; in the case of the brokerage network, we can already provide full nationwide coverage to the independent network partners - therefore we do not calculate with direct growth in this area; and on the dependent agency line, we plan with a consolidated recruitment this year.

It is very important to emphasize, that our countless successes are owed to our employees; we all agree that both professionally and humanly, our employees form an exceptionally professional team. The unity of the team is of utmost importance to us, therefore both the performance evaluation and the employer branding will play an important role this year. By today the number of our employees already exceeds 170, with which we can cover all needs to the maximum – even as this number is still below the Hungarian insurance market's average employee count. Staff headcount efficiency is an important aspect, and we do not plan to recruit a significantly larger team. For us, it is paramount to maintain motivation and to provide ongoing support, uninterrupted working conditions, and flexible home office working opportunities; last but not least, to provide ongoing professional challenges to our employees. For all of this to work properly, a well-thought-through performance evaluation system is essential, which we intend to introduce with our HR team at the end of the first quarter of this year.

Sustainability is still at our heart, and we believe that sustainability is our common cause and as an insurance company, being present in virtually all areas of life, we strive to effectively incorporate this sentiment into our processes.

Thus we have a number of ambitious plans, and we can rightfully say, that the year 2022 will not be uneventful either. We will follow our goals as set out in the strategy and are continuously developing, entering new markets, providing our customers and partners with the widest possible range of services, while also placing large emphasis on keeping the unity of our professional team.

SUBSEQUENT EVENTS IN ACCORDANCE WITH SUPPLEMENTARY NOTES

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

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

One of the base pillars of the Company's Growth Strategy, announced in July 2021, was to become a reliable, significant and stable composite insurer with a portfolio of life and non-life products over the next five years, and a key element in achieving this goal is the long-term cooperation stemming from the now published framework agreement.

Due to the impact of the war in Ukraine on the capital market, from 1 March 2022 the Company suspended to market the asset funds listed below in its unit-linked life insurance products (i.e. to sell and purchase investment units of the following asset funds) due to the developed situation and the circumstances beyond the control of the Company based on Act LXXXVIII of 2014 (hereinafter: "Bit.") Section 127 (1):

- Urál Oroszországi Részvény Eszközalap
- Urál Oroszországi Pro Részvény Eszközalap
- Euró Alapú Urál Oroszországi Részvény Eszközalap
- Euró Alapú Urál Oroszországi Pro Részvény Eszközalap

(hereafter referring to these asset funds together as: "Affected Asset Funds").

The net asset value of the Affected Asset Funds and, at the same time, the price of the investment units cannot be determined because the underlying financial assets of the Affected Asset Funds have become partially or completely illiquid, i.e. non-marketable assets.

Due to the armed conflict between Russia and Ukraine, the Moscow Stock Exchange suspended trading in all of its markets indefinitely starting 28 February 2022. As a result, the Amundi Russia investment fund (ISIN code: LU1883868579), which is part of the underlying assets of the Affected Asset Funds and purchases investment instruments on the Moscow Stock Exchange, has become illiquid and therefore untradeable; the manager of the foreign investment fund does not disclose a price, as a result of which the price of the Affected Asset Funds cannot be calculated either.

From 1 March 2022, CIG will not calculate or publish prices and net asset values for the Affected Asset Funds. As a result, the transactions in units of the Affected Asset Funds (e.g. payments, exchange of assets, repurchases, provisions of death and maturity services) for whose fulfillment the price applicable under the terms of the insurance contract falls on or after 28 February 2022, CIG did not fulfil, or did not fulfil according to the standard procedure.

All costs specified in the special contractual terms and conditions, which are enforced before the investment of the insurance premium according to the rules set out therein (in particular the contract and maintenance fee, the administration fee, the allocation fee and, in some cases, the risk premium), will be deducted also during the suspension. The insurer also applies the risk premium to products for which it is deducted by reducing the number of investment units.

In addition to the risk premium referred to in the previous paragraph, the insurer shall not charge the costs and fees for the period of suspension of the asset fund and for the units registered in the suspended asset fund, which are charged under the special contractual terms and conditions after the investment of the premiums by reducing the number of investment units (in particular the part of the initial costs and the management fees falling on the investment units of the suspended asset funds). Furthermore, the insurer waives the deduction of the asset management fee to be applied to the net asset value of the suspended asset funds.

The portfolio manager of the asset funds will not deduct the portfolio management fee applicable to the net asset value of the suspended asset funds for the period of suspension. The depositary of the asset funds will continue to deduct the custody fee applicable to the net asset value of the suspended asset funds for the period of suspension.

If the event triggering the suspension of the asset funds no longer exists within 30 days from the start date of the suspension (i.e. the underlying assets of the suspended asset funds become liquid, marketable again), the insurer shall terminate the suspension of the funds and following the termination of the suspension convert the premiums or a part of the premiums flowing in and recorded separately during the suspension immediately, at the first price published after the suspension into investment units in the once again liquid asset funds.

If the duration of the suspension of the asset funds exceeds 30 days, the insurer shall notify the relevant policyholder in writing by the 35th day of the suspension as into which other, non-suspended asset funds the premiums or a part of the premiums of the suspended asset funds (flowing in and recorded separately) will be diverted to starting from the 45th day of the suspension (unless the client orders the contrary).

Following the termination of the asset fund suspension, CIG will comply with the customer orders initiated during the period of suspension (and not fulfilled during the period of suspension according to the described above) if the counterparty repeatedly orders the fulfillment of the order after the termination of the asset fund suspension.

There was no significant other post-balance sheet event in the life of the Company.

OWNERSHIP STRUCTURE, RIGHTS ATTACHING TO SHARES

The ownership structure of CIG Pannónia Life Insurance Plc. (31 December 2021)

OWNERS DESCRIPTION	NOMINAL VALUE OF EQUITIES (THOUSAND HUF)	OWNERSHIP RATIO	VOTING RIGHT
Domestic private individual	29 906 281	31.67%	31.67%
Domestic institution	62 958 013	66.67%	66.67%
Foreign private individual	152 339	0.16%	0.16%
Foreign institution	75 566	0.08%	0.08%
Nominee, domestic private individual	1 174 961	1.24%	1.24%
Nominee, foreign private individual	118 400	0.13%	0.13%
Nominee, foreign institution	32 512	0.03%	0.03%
Unidentified item	10 188	0.01%	0.01%
Total	**94 428 260**	**100%**	**100%**

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

The owners of the Company are private and legal persons residing in Hungary and abroad, as of 31 December 2021 the number of owners is 5,806. Over 10 percent ownership is present at Hungarikum Insurance Broker Ltd., who has a 57.21 percent stake with 54,018,523 shares.

Dr. Gábor Móricz has a total of 3,000,000 (3.18%) CIGPANNONIA ordinary shares. Kaptár Investment Ltd., which is in close contact with Dr. Gábor Móricz, has a total of 3,100,000 (3.28%) ordinary shares.

The Company did not issue any special management rights shares or other preference shares.

The Company does not have any management mechanism in place prescribed by an employee shareholding system.

The Company has no agreements between the Company and its managers or employees that prescribes compensation if the given manager or employee resigns, if the employment of the manager or employee is terminated illegally, or if the employment relationship is terminated on account of a public purchase offer.

The registered capital consists of 94.428.260 dematerialized registered voting series "A" common shares of thirty-three Hungarian Forints of nominal value each.

There is no right to limit or dispose of shares set out in the Articles of Association of CIG Pannónia Life Insurance Plc.

CORPORATE GOVERNANCE REPORT

The purpose of the Corporate Governance Recommendations (Recommendations) issued by the Budapest Stock Exchange Zrt. Is to formulate guidelines to facilitate the operation of publicly traded companies (Issuers) in compliance with internationally recognized rules and standards of good corporate governance. The Annual General Meeting is responsible for accepting the corporate governance report.

The Recommendations can be considered as an addition to Hungarian legislation, which show to what extent and with what deviations each issuer complies with the Recommendations.

The Company should also take into account relevant legislation when evaluating responsible corporate governance practices. Compliance with the Recommendations also requires compliance with the law, as well as ethical, self-responsibility and business practices. The Company hereby declares that the responsible corporate governance practice operated by it complies in all respects with the requirements of the current regulatory environment.

The basis of the Hungarian regulation is Act V of 2013 on the Civil Code. Article 3: 289 (1) of the Civil Code, the board of directors of a public limited liability company shall submit to the annual general meeting a responsible corporate governance report (the Report), prepared in accordance with the corporate governance practices of the public limited company in the manner prescribed for the relevant stock exchange participants. The Company fulfills its obligation in this respect continuously.

According to paragraph 2 of the referred Article, the General Meeting shall decide on the adoption of the Report. The resolution of the General Meeting and the adopted Report shall be published on the website of the Company and other official places of publication. Issuers are expected – and thus it is also expected from the Company – to apply the Recommendations specified by the BSE and, in this context, they must provide information on the extent to which they follow them. The Company's Reports for a given business year are available on the Company's official website in a transparent and retrievable manner.

The Recommendations forming the basis of the Report were significantly amended first on 23 July 2018, then on 08 December 2020 by the Responsible Corporate Governance Committee acting beside the BSE. The amendment was made in relation to remuneration, due to the fact that certain requirements for remuneration, previously included in the Recommendation, have been delegated to legal Acts, therefore the Company hereby also states that its practice complies in all aspects with Act LXVII of 2019 promoting long-term shareholder participation and amending certain acts for legal harmonization. The amended Recommendations contain, in part, binding recommendations for all issuers and partly non-binding recommendations. Issuers may differ from both binding recommendations and non-binding proposals. In the event of a deviation from the recommendations, the issuers are required to disclose the discrepancy in the corporate governance report and to justify it. This allows issuers to take into account sector-specific and company-specific needs. Accordingly, an issuer other than the recommendations may, where appropriate, meet the requirements of corporate governance. In the case of proposals, issuers should indicate whether or not they apply the Directive and have the possibility to justify deviations from the proposals.

The Company has two ways to declare its responsible corporate governance practices. The Company must report on the responsible corporate governance practices of the business year in question in its Report to be compiled and submitted to the Annual General Meeting on the one hand. In doing so, we must address the corporate governance policy and the description of any special circumstances in terms of the aspects set out in the Recommendations.

These aspects:

Brief description of the board of directors / board of directors, responsibilities and responsibilities of the board of directors and management.

Presentation of the members of the Board of Directors, the Supervisory Board and the Management (including the status of the individual members for the members of the Board), the structure of the committees.

Presentation of the number of meetings of the Managing Body, the Supervisory Board and the Committees held during a given period, giving the participation rate.

Presentation of the aspects taken into account in evaluating the work of the Managing Body, the Supervisory Board, the management and the individual members. Indication of whether the evaluation performed during the given period resulted in any change.

Report on the functioning of each committee, including the professional presentation of committee members, the meetings held and the attendance rate and the main topics discussed at the meetings and the general functioning of the committee. When presenting the functioning of the Audit Committee, it should be noted that the Board of Directors / Board of Directors has decided on a matter contrary to the proposal of the Board (including the reasons for the Managing Body). It is advisable to refer to the company's website, where the tasks delegated to the committees and the time of the appointment of members should be made public. (If this information is not found on the Company's website, they must be included in the Corporate Governance Report.)

Presentation of the system of internal controls, evaluation of the activity of the given period. Report on the effectiveness and efficiency of risk management procedures. (Information on where shareholders can view the report of the Board of Directors / Board of Directors on the operation of internal controls.)

Information on whether the auditor has performed an activity that is not related to the audit.

An overview of the company's publishing policy and insider trading policy. In connection with this requirement, we would like to note that the Company publishes on its website its policy on the management of market abuse, as well as, in a separate document, the trading prohibition periods for persons performing managerial and executive duties.

In addition to the above description, the Corporate Governance Report details the answers to the questions in the recommendation, indicating the points in which the Company is not continuing the recommended practice, indicating the reason for the deviation and the intention to comply with it in the future.

The Company distributes the detailed Report in a separate document to the General Meeting and, if accepted, shall publish it immediately and in full at the official places of publication, i.e. on the website of the BSE, at the place of publication operated by the Magyar Nemzeti Bank, and on the Company's own website.

In order to comply as much as possible – practically in full – with the legal and regulatory obligations, expectations and recommendations within the scope of responsible corporate governance - and thus the Report -, the Company has established a competence center at the level of Deputy CEO, which aims to ensure the coherence of diversified regulations and to create and ensure the development and maintenance of "best practices" tailored at the Company.

In this context, the Company applies guidelines regarding the establishment and composition of the management and supervisory bodies and the selection of key personnel in the work organization. The selection criteria are transparent, accessible to everyone, the personnel selection processes, the competencies, their potential changes, the continuous compliance with them, the compliance with the conditions of professional duty and business reliability are ensured in a documented manner. The guidelines, which also cover the application of diversity policies, have been published on the Company's website, their review and the compliance with them are ensured, a review is performed on an annual basis.

EMPLOYMENT POLICY

On the road of the Group's Growth Strategy implementation, human resources, the existence of our colleagues and the efficient implementation of their organizational tasks are essential. For this reason, we place great emphasis on the development of an organization adapted to the growing tasks and on the training, career building and motivation of our colleagues already working at us.

In the framework of organizational development, it is worth emphasizing that the CIG Pannónia Group is interested in creating an organizational environment in which the outstanding customer management of the colleagues is guaranteed by the fact that they perform their tasks in a motivated manner, giving the best of their professional knowledge. The company's management is committed to ensure all this through an open, transparent communication and mutual trust. To this end, a strategic motivational map has been prepared for the entire organization, which contributes to the consolidation of the corporate culture by mapping the individual motivational concepts, preferences and levels.

Market positioning of salaries for each job is regularly carried out by the Company and any corrections are made to this effect. The policy of remuneration has been published by the Insurer on its website. This states that remuneration must be proportional to performance and all payments should encourage performance over the longer term. The incentive and thus the Company's remuneration system was adapted to the present's challenges, with the goal to support our Growth Strategy: There are three regulatory pillars of the Company's remuneration that are transparent to both the public and employees:

a. *the Company's Remuneration Policy with respect to the personnel as defined in the SRD Act Section 2.§ (2);*

b. *regulation adopted by the Board of Directors of the Company containing the principles and rules for determining the general performance-oriented remuneration for all employees of the Company;*

c. *the Company's MRP Remuneration Policy.*

The purpose of the remuneration system is to ensure that the Company has a sufficiently detailed remuneration system which, given the Company's presence on the regulated market, takes into consideration the regulatory environment's impositions in all aspects - its relevant remuneration principles, rules and recommendations -, and which is in line with the Remuneration Regulation of the Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

[2]Act LXVII of 2019 on the promotion of long-term shareholder participation and the amendment of certain laws for the purpose of legal harmonization

The Company is convinced that workforce needs continuous motivation, therefore -taking into account the framework described above- it supports and initiates programs, which improve the employees' commitment and professionalism. We have formulated seven basic principles that we want to make the basic pillars of our culture and joint work. It is important for us to live by the principles set out here in our daily work. These pillars and principles are as follows:

- expertise
- reliability
- performance
- innovation
- strategy
- commitment
- quality

In order to ensure equal opportunities and the protection of human rights, the Company adopted a code that is an important element of employment policy.

The Company's risk management policy provides for the handling of fraud and fraud prevention activities, and the application of the compliance policy is an important tool in the fight against corruption and bribery.

OTHER DISCLOSURES

In December 2011 the Company established a business location in Debrecen in order to ensure a prominent role for its product innovation development and to be able to improve its activity in Eastern Hungary. Effective from 2015 the Company relocated the branch office to Miskolc.

Environmental protection is not directly linked to the Company's core activities, nevertheless, in the development of working environment, using paperless processes and outsourcing, the Company contributes to an energy-efficient, healthy and environmentally friendly workplace. Environmental protection is strongly supported by the widespread use of electronic procedures, so the MNB licensing system, in addition to court proceedings, paperless solutions have become decisive in communicating with customers. The Company did not engage in research and experimental development activities in 2021.

The figures and evaluation shown in the statement of financial position, the statement of comprehensive income, the changes in equity, cash-flow statement and the supplementary notes, as well as the supplementary information presented in the business report provided the foundation for developing a true and fair view of the financial position of CIG Pannónia Life Insurance Plc.

Budapest, 28 March 2022

Zoltán Polányi	Alexandra Tóth	Géza Szabó
Primary Chief Executive Officer	*Chief Accounting Officer*	*Chief Actuary*