



**CIG PANNÓNIA**  
INSURANCE

CIG PANNONIA LIFE INSURANCE PLC.

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**SEPARATE FINANCIAL  
STATEMENTS AND  
BUSINESS REPORT  
FOR THE YEAR 2023,**  
PREPARED ACCORDING  
TO THE INTERNATIONAL  
FINANCIAL REPORTING  
STANDARDS ACCEPTED BY  
THE EUROPEAN UNION

27 MARCH 2024



## I. FINANCIAL STATEMENTS

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2. Statement of Financial Position
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## II. BUSINESS REPORT





**SEPARATE  
FINANCIAL  
STATEMENTS  
FOR THE YEAR  
2023**, PREPARED  
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INTERNATIONAL  
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EUROPEAN UNION





# STATEMENT OF COMPREHENSIVE INCOME



DATA IN THUF

	NOTES	2023	2022 (RESTATEd)
Insurance revenue	10	11 814 684	9 280 091
Insurance service expenses	11	-10 067 386	-8 154 622
Reinsurance expense – allocation of premium	12	-682 199	-536 650
Amount of recoverables from reinsurance	12	973 766	825 427
<b>Insurance service result</b>		<b>2 038 865</b>	<b>1 414 246</b>
Interest income calculated using the effective interest method	13	1 251 844	770 141
Investment income	13	7 976 177	705 671
Impairment and impairment reversal of financial assets	13	3 271	-7 072
Investment expenses	13	110 148	-3 193 733
Yield on investment accounted for using equity method (profit)	13	454 329	834 500
<b>Investment income</b>		<b>9 795 769</b>	<b>-890 493</b>
Insurance financial result	14	-7 540 674	1 696 385
Reinsurance financial result	14	-54 672	-48 591
Change in the fair value of liabilities relating to investment contracts	15	-402 894	178 470
<b>Financial result</b>		<b>-7 998 240</b>	<b>1 826 264</b>
Premium and commission income from investment contracts	15	76 621	105 045
Other operating costs	16	-180 920	-317 272
Other (non-financial) income	17	317 602	356 104
Other (non-financial) expenses	17	-380 404	-368 122
<b>Profit/Loss before taxation</b>		<b>3 669 293</b>	<b>2 125 772</b>
Tax income/expenses	18	-746 723	-240 028
Deferred tax income/expenses	18	14 780	-
<b>Profit/Loss after taxation</b>		<b>2 937 350</b>	<b>1 885 744</b>
OCI from change in fair value of other financial assets at fair value	19	3 099 067	-3 012 264
OCI from insurance contracts	19	-1 587 190	2 049 817
OCI from reinsurance contracts	19	-157 059	143 528
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>19</b>	<b>1 354 818</b>	<b>-818 919</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>	<b>19</b>	<b>1 806 883</b>	<b>-602 294</b>
<b>Other comprehensive income</b>		<b>3 161 701</b>	<b>-1 421 213</b>
<b>Total comprehensive income</b>		<b>6 099 051</b>	<b>464 531</b>



# STATEMENT OF COMPREHENSIVE INCOME



DATA IN THUF

	NOTES	2023	2022 (RESTATED)
Profit/loss after taxation attributable to the Company's shareholders	20	2 873 539	1 534 851
Weighted average number of shares	20	93 954 254	93 954 254
<b>EPS (basic)</b>		<b>30,6</b>	<b>16,3</b>

	NOTES	2023	2022 (RESTATED)
Profit/loss after taxation attributable to the Company's shareholders	20	2 873 539	1 534 851
Weighted average number of shares (diluted)	20	94 428 260	94 428 260
<b>EPS (diluted)</b>		<b>30,4</b>	<b>16,3</b>



# STATEMENT OF FINANCIAL POSITION



DATA IN THUF

ASSETS	NOTES	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Intangible Assets	21	661 888	730 572	615 125
Property, plant and equipment	22	104 306	132 659	159 822
Right of use assets	23	175 155	276 578	385 461
Deferred tax asset	18	336 871	590 836	473 820
Subsidiaries	24	6 698 411	4 243 003	3 692 413
Associates	25	51 753	51 753	51 753
Insurance contract assets	34	1 058 131	1 017 460	648 971
Reinsurance contract assets	35	659 405	280 200	200 505
Investments for policyholders of unit-linked life insurance policies	26	94 424 412	86 205 307	85 664 010
Financial assets – investment contracts	27	4 763 115	5 167 307	5 237 951
Financial assets – derivatives	28	109 418	34 467	937
Other financial assets at fair value	29	24 497 671	16 413 265	21 507 125
Other assets and prepayments	30	65 434	65 374	44 463
Other receivables	31	62 985	100 254	69 827
Intercompany receivables	32	118 288	111 972	70 617
Cash and cash equivalents	33	1 709 364	2 588 805	741 831
<b>Total Assets</b>		<b>135 496 607</b>	<b>118 009 812</b>	<b>119 564 631</b>
<b>LIABILITIES</b>				
Insurance contract liabilities	34	106 134 479	92 720 887	93 483 022
Reinsurance contract liabilities	35	91 214	491 127	112 266
Financial liabilities -Investment contracts	36	4 763 115	5 167 307	5 237 951
Lease liabilities	37	203 488	318 781	414 318
Provisions	38	126 072	196 134	43 728
Other liabilities	39	1 563 025	939 712	891 423
Intercompany liabilities	40	67 226	30 371	11 577
Liabilities to shareholders	CF	33 407	30 253	19 929
<b>Total Liabilities</b>		<b>112 982 026</b>	<b>99 894 572</b>	<b>100 214 214</b>
<b>NET ASSETS</b>		<b>22 514 581</b>	<b>18 115 240</b>	<b>19 350 417</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	41	3 116 133	3 116 133	3 116 133
Capital reserve	41	4 019 111	4 019 111	4 019 111
Treasury shares	42	-31 996	-31 996	-31 996
Other reserves	43	-955 030	-4 116 731	-2 695 518
Retained earnings		16 366 363	15 128 723	14 942 687
<b>Total SHAREHOLDERS' EQUITY</b>		<b>22 514 581</b>	<b>18 115 240</b>	<b>19 350 417</b>



## CHANGES IN EQUITY 2023



DATA IN THUF

	NOTES	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TOTAL EQUITY
<b>Balance on 31 December 2022 (restated)</b>		<b>3 116 133</b>	<b>4 019 111</b>	<b>-31 996</b>	<b>-4 116 731</b>	<b>15 128 723</b>	<b>18 115 240</b>
<b>Total comprehensive income</b>							
Other comprehensive income	19	-	-	-	3 161 701	-	3 161 701
Profit after tax in reporting year		-	-	-	-	2 937 350	2 937 350
<b>Transactions with equity holders, recognized in equity</b>							
Payment of dividend		-	-	-	-	-1 699 710	-1 699 710
<b>Balance on 31 December 2023</b>		<b>3 116 133</b>	<b>4 019 111</b>	<b>-31 996</b>	<b>-955 030</b>	<b>16 366 363</b>	<b>22 514 581</b>

## CHANGES IN EQUITY 2022 (RESTATED)



DATA IN THUF

	NOTES	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TOTAL EQUITY
<b>Balance on 31 December 2021 (restated)</b>		<b>3 116 133</b>	<b>4 019 111</b>	<b>-31 996</b>	<b>-2 695 518</b>	<b>14 942 687</b>	<b>19 350 417</b>
<b>Total comprehensive income</b>							
Other comprehensive income (restated)	19	-	-	-	-1 421 213		-1 421 213
Profit after tax in reporting year (restated)		-	-	-	-	1 885 744	1 885 744
<b>Transactions with equity holders, recognized in equity</b>							
Payment of dividend		-	-	-	-	-1 699 708	-1 699 708
<b>Balance on 31 December 2022 (restated)</b>		<b>3 116 133</b>	<b>4 019 111</b>	<b>-31 996</b>	<b>-4 116 731</b>	<b>15 128 723</b>	<b>18 115 240</b>



# STATEMENT OF CASH FLOWS



DATA IN THUF

	NOTES	2023.	2022 (RESTATED)
<b>Profit/loss after taxation</b>		<b>2 937 350</b>	<b>1 885 744</b>
<b>Modifying items</b>			
Depreciation and amortization	16	376 758	343 545
Derecognised asset	17	-3	-345
Booked/reversed impairment, debt cancelled	14	-958 680	456 481
Result of assets sales	14	299 478	48 228
Exchange rate changes	14	136 264	61 157
Share of the profit or loss of associates accounted for using the equity method	14	-490 817	-843 661
Deferred tax	18	-14 780	-117 016
Income taxes expenditure	18	746 723	240 044
Income on interest	14	-1 251 844	-731 319
Result of derivatives	14	-450 321	-23 161
Provisions	38	-70 062	152 406
Termination of leasing assets	37	4 804	8 358
Interest cost	14	18 866	3 203
<b>Change of active capital items:</b>			
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	27	-8 219 105	-541 297
Increase / decrease of financial assets – investment contracts (-/+)	27	404 192	70 644
Increase / decrease assets resultant of insurance (-/+)	25	-40 671	-368 489
Increase / decrease assets resultant of reinsurance (-/+)	26	-536 264	63 832
Increase / decrease of intercompany receivables (-/+)	32	-6 316	-41 355
Increase /decrease of other assets and active accrued and deferred items (-/+)	30	-979 676	-85 093
Increase / decrease of reinsurance contract liabilities (+/-)	35	-399 913	378 862
Increase / decrease of insurance contract liabilities (+/-)	34	11 826 402	1 287 683
Increase / decrease of investment contracts (+/-)	36	-404 193	-70 643
Increase / decrease of other liabilities (+/-)	39	624 801	79 741
Increase / decrease of intercompany liabilities (+/-)	40	36 855	18 795
Increase / decrease in liability to equity holders (+/-)		3 154	-
Paid Income Taxes	18	270 162	-206 244
<b>Cash flows from operating activities</b>		<b>3 863 164</b>	<b>2 070 100</b>



DATA IN THUF

<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>NOTES</b>	<b>2023.</b>	<b>2022. (RESTATED)</b>
Purchase of debt instruments (-)	29	-18 783 731	-8 918 985
Sales of debt instruments (+)	29	15 719 917	10 227 462
Sales and purchases of capital intruments (+/-)	29	-	12 413
Purchase of tangible and intangible assets (-)	21, 22	-172 701	-328 838
Sales of tangible and intangible assets (+)	21, 22	561	998
Result of derivatives	14	375 370	-10 369
Interest received	14	1 004 848	791 735
Dividend received	14	490 817	843 661
Equity increase in subsidiaries (cost assumption)	24	-1 500 000	-1 000 000
<b>Cash flow from investing activities</b>		<b>-2 864 919</b>	<b>1 618 077</b>

<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>NOTES</b>	<b>2023.</b>	<b>2022. (RESTATED)</b>
Interest paid	14	-18 866	-
Lease repayment payment	37	-114 631	-98 212
Lease interest payment	37	-5 866	-10 329
Repayment of loans and their interests		-6 704	-34 656
Dividend payment	CF	-1 699 709	-1 701 797
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-1 845 776</b>	<b>-1 844 994</b>

Impacts of exchange rate changes		-31 910	3 791
<b>Net increase / decrease of cash and cash equivalents (+/-)</b>		<b>-879 441</b>	<b>1 846 973</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2 588 805</b>	<b>741 831</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1 709 364</b>	<b>2 588 805</b>

# 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.

Since 12 April 2012 the Securities of the Insurer can be traded in the BSE Shares Class “A” and – as the Company continuously meets the high requirements of the “premium” category – in the premium category. The shares are included in the basket of the BUX index, which summarizes the prices of shares with the largest capitalization that can be traded on the BSE.

The Insurer is operating actively in Hungary. However, in Romania and Slovakia the existing portfolio is managed. The Company did not have foreign assets and liabilities related to cross-border services.

Hungarikum Insurance Broker cPlc.'s (registered office: 8086 Felcsút, Fő utca 65.; company reg. no.: 07-10-001617) predecessor Hungarikum Insurance Broker Ltd. (furthermore: Hungarikum Broker) announced that it had made a conditional (with the official authorization) agreement with OPUS GLOBAL Plc. (registered office: 1062 Budapest, Andrásy út 59.; Company reg. no.: 01-10-042533), as the general legal successor of KONZUM 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 Broker 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 Broker 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 Broker 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 Broker direct share at the end of 2020 is 32.86%, the number of its ordinary shares amounted to a total of 31,025,072.



HUNGARIKUM Broker (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 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. 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.

Following the above share acquisitions, until the end of 2023, Hungarikum Broker further increased its ownership share through shares acquired on the stock exchange, by notifying the Company in a transparent manner of certain acquisitions of ownership in the stock exchange – even those that do not reach the limit value. Thus, the proportion of voting shares changed finally to 55,460,487 shares, bringing the proportion of its voting shares to 58.7%.

In connection with the unified strategy containing the development directions and objectives, narrowed down to organic growth targets (Growth Strategy) –published by the Company on 19 July 2021 in the official publication places<sup>1</sup> –, it should be emphasized that the Company intends to focus on intensive growth of the gross premium income and the technical result, and besides growth to focus on profitability, which it intends to achieve through new insurance products and by making fuller utilization of the distribution channels.

In the second quarter of 2021, the Company has already focused on the development and finalization of the new organisational structure aligned with the Growth Strategy, including the staffing of the launched asset and responsibility areas with professional specialists at the Group level and the review, revision and, where appropriate, development of the products and product groups with these specialists, as well as the creation of an operating model that precisely reflects the responsibilities and tasks in the organization, adapted to the size of the organization.

In the autumn of 2021, EMABIT relaunched its non-life insurance sector, entering the market with large corporate liability insurance, property insurance and fleet casco. It has also strengthened its product development, claims settlement, IT, support HR and marketing capabilities.

The CIG Pannónia insurers entered into a cooperation agreement with BNP Paribas Cardif insurers on 18 October 2021. Based on the referred agreement - after the supervisory authorisation process - BNP Paribas Cardif insurer's contract portfolio containing all group life and non-life insurance contracts (insurance contracts belonging to the risk group of group credit coverage insurance) and to which the insurance contracts are contracted by MKB Bank Nyrt., as the legal successor of BUDAPEST Hitel- és Fejlesztési Bank Zrt., are transferred to CIG Pannónia insurers with the effect of 1 September 2022.

<sup>1</sup>[https://www.bet.hu/site/newkib/hu/2021.07./Strategia\\_megalkotasa\\_es\\_elfogadasa\\_128587250](https://www.bet.hu/site/newkib/hu/2021.07./Strategia_megalkotasa_es_elfogadasa_128587250)



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

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

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

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

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

On 18 July 2023 CIG Pannónia Group and VISTA Travel Agencies Ltd. signed a 3+3-year strategic cooperation framework agreement, according to which the travel agency will sell exclusively the customer-oriented travel and cancellation insurance products of CIG Pannónia First Hungarian General Insurance cPlc., the property insurance member of the insurer, to its customers.

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](http://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 5,486 at 31 December 2023. A share of above 10% is owned by Hungarikum Broker, who has a 58.73% share through owning 55,460,487 shares.

The ownership structure:

OWNERS DESCRIPTION	NUMBER OF SHARES	OWNERSHIP RATIO	VOTING RIGHT
Domestic private individual	28 371 921	30,05%	30,05%
Domestic institution	64 671 491	68,49%	68,49%
Foreign private individual	144 837	0,15%	0,15%
Foreign institution	22 533	0,02%	0,02%
Nominee, domestic private individual	1 158 518	1,23%	1,23%
Nominee, foreign private individual	18 000	0,02%	0,02%
Nominee, foreign institution	32 726	0,03%	0,03%
Unidentified item	8 234	0,01%	0,01%
<b>Total</b>	<b>94 428 260</b>	<b>100%</b>	<b>100%</b>

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

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



## 1.2. Supervisory Board

Chairman: **János Tima**

Members: **Erika Vada**  
**Ildikó Ginzer**

## 1.3. Audit Committee

Chairman: **Erika Vada**

Members: **János Tima**  
**Ildikó Ginzer**

## 1.4. Remuneration and Nomination Board

**István János Fedák dr.**  
**Péter Bogdánffy dr.**  
**Zsuzsanna Ódorné Angyal** (until 02.02.2024)<sup>2</sup>

## 1.5. Board of Directors

Chairman: **Péter Bogdánffy dr.** (from 16.01.2023)  
**Zoltán Polányi** (until 16.01.2023)

Members: **István János Fedák dr.**  
**Zsuzsanna Ódorné Angyal**  
(from 10.08.2023 until 02.02.2024)  
**Gábor Dakó Miklós 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.

<sup>2</sup>Regarding the termination of Zsuzsanna Ódorné Angyal the supervisory board of the company elected dr. Gábor Miklós Dakó as the member of the remuneration committee.

## 1.6. Management

Primary CEO, Chief Executive Officer:	<b>István János Fedák dr.</b> (from 16.01.2023) <b>Zoltán Polányi</b> (until 16.01.2023)
Chief Financial Officer:	<b>Árpád Szűcs</b>
Deputy CEO responsible for corporate governance and prudential compliance:	<b>Gábor Miklós Dakó dr.</b>
Deputy Chief Sales Officer:	<b>Zoltán Kőrösi</b> (from 01.02.2023)
Deputy CEO Retail Division:	<b>Antal Kóka</b> (from 01.02.2023)
Deputy CEO for Legal and Business Support:	<b>Dávid Kozma dr.</b> (from 01.02.2023)
Chief Accounting Officer:	<b>Alexandra Tóth</b>
Chief lawyer and Data protection officer:	<b>Dávid Kozma dr.</b>
Chief actuary:	<b>Géza Szabó</b>
Responsible for actuarial function:	<b>Melinda Márton</b> <b>Gábor Varga</b>
Chief Risk Officer and Responsible for risk management:	<b>Norbert Kozma</b>
Head of internal audit:	<b>Erika Marczi dr.</b>
Head of compliance:	<b>Katalin Déri dr.</b>
Responsible for consumer protection:	<b>Dóra Rákosfalvi</b> (from 14.08.2023 until 31.12.2023) <b>Dávid Kozma dr.</b> (from 01.01.2024) <b>Anna Sternóczky dr.</b> (from 03.10.2022 until 29.01.2023) <b>Krisztina Hollósy-Papp</b> (from 29.01.2023 until 14.08.2023)
Senior doctor:	<b>Katalin Halász dr.</b>
Investment relations:	<b>Gábor Miklós Dakó dr.</b>



## 1.7. Data of the signatories of the annual report

István János Fedák dr.  
Primary Chief Executive Officer  
1026 Budapest, Küküllő street 6.

Géza Szabó  
Chief actuary  
1123 Budapest, Csörsz street 13.

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

Alexandra Tóth  
Chief Accounting Officer  
1132 Budapest, Csanády str. 4/a.  
Registration number: 206 012

## 1.8. External auditor

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

Data of the auditor:

Mazars Kft.

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

Molnár Andrea Kinga, registered auditor  
Chamber membership number: 007145

The fees charged by the registered auditor for services for the 2023 business year were as follows:

Review of the consolidated and standalone financial statements prepared by the Insurer in accordance with International Financial Reporting Standards ("IFRS") and the issuance of an audit report (together with the related Solvency II Review of the Annual Report), and the preparation of a supplementary report in accordance with Article 71 (4) - (7) (Insurance Act) for (for individual supervisory report) and in addition, the verification of the information contained in the remuneration report under the SRD Act, altogether: HUF 26,500 thousand +2% plus VAT. The fee for the IFRS 17 transition audit was HUF 8,575 thousand + 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 according to the IFRS for the first time, however the company prepared earlier consolidated financial statements in which it expressed unrestrictedly that those complied with IFRSs. The Company as mother company became later a first-time adopter in its separate financial statements than in the consolidated financial statements. Therefore, in the separate financial statements the assets and liabilities are recognized at their value of the consolidated financial statements without the consolidating entries.

### **2.3. Basis for measurement**

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



## **2.4. Functional and presentation currency**

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

## **2.5. Use of estimates and assumptions**

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

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



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1. Shares in separate financial statements**

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

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

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

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

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

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

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

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

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



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

### **3.2. Foreign currency translation**

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

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

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

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

### **3.3. Policy classification – separation of insurance and investment contracts**

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

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



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

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

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

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

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

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

### **3.4. Investment contracts**

#### **3.4.1. *Division of investment contracts, premiums paid***

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

- to a financial liability, which is accounted for in accordance with IFRS 9, and



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

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

Amounts repayable to the investor are accounted for using deposit accounting methods, under which the amounts received reduced by the cost coverage specified in policy terms are recognized directly in the statement of financial position as financial liabilities to the investor. For the settlement of liabilities, see point 3.4.4.

For the accounting of fees charged in the framework of investment contracts as income, see point 3.4.5.

#### **3.4.2. 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.

#### **3.4.3. Acquisition and overhead costs**

Acquisition and overhead 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 and overhead 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 Insurer. The Insurer assesses the probability of recovery of deferred acquisition costs on an individual basis. If the coverage is not likely to be received for the deferred costs, or if the investment contract is cancelled, the Company cancels the deferral and accounts the cost to profit or loss (under Other (non-financial) expenses).

#### **3.4.4. Liabilities**

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

Other accounting insurance technical reserves related to investment contracts (other than unit-linked reserves) are formed under the provisions balance sheet line against other (non-financial) expenses.

#### **3.4.5. Premium and commission income from investment contracts**

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

Fees charged for investment management services provided are recognized as revenue in the period when the services are provided, for single premium contracts, the



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

### **3.5. Transition to IFRS 17 (effective from 01.01.2023)**

Since the Company did not take advantage of the option of preliminary application of IFRS 17, it applies IFRS 17 for the first time for the business year starting on 1 January 2023. The date of the first application of IFRS 17 was therefore 1 January 2023, and the date of transition to IFRS 17 - the beginning of the annual reporting period immediately preceding the date of the first application of IFRS 17, hereinafter referred to as "Transition Date" or "Date of Transition" - is 1 January 2022. The Company must already present the 2022 business year, as the comparative year to be included in the 2023 financial year, in accordance with IFRS 17. This means that the comparative data in the current financial statements will not be the same as the data presented in the individual and consolidated (annual and interim) financial statements for the 2022 financial year.

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

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

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

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

#### **3.5.1. FRA transition approach at the Company**

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

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

The reason for the above is that for the periods before the Solvency II regulation (2016), the Company does not have, or would only at a disproportionate cost and effort have access to the essential data required for the full retrospective application of IFRS 17 (e.g. cash-flow runs, risk adjustment, commission and other facts in appropriate breakdowns, etc.). In the case of acquired stocks, the mentioned data are only available for periods after the migration of these stocks to the Company's systems.



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

<b>INSURANCE CONTRACT PORTFOLIO (DIRECT INSURANCES)</b>	<b>FIRST APPLICATION OF THE FRA METHOD FOR THE YEAR (*)</b>
Traditional regular premium pension savings (ex-MKB Portfolio)	2018
Traditional regular premium savings (ex-MKB Portfolio)	2018

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

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

### **3.5.2. FVA transition approach at the Company**

Decisions when applying the FVA method

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

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

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

The Company grouped the cohorts as follows:

- in the case of stocks acquired through the acquisition of the MKB Groups in 2017 (ex-MKB portfolios), the grouped cohort affected by the FVA transition lasts until 31.12.2017;
- in the case of stocks acquired from Dimenzió (ex-Dimenzió portfolio), the grouped cohort affected by the FVA transition lasts until 31.12.2021;
- in all other cases, the grouped cohort affected by the FVA transition lasts until 31.12.2015.

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

In the case of GICs affected by the FVA method, the Company determines the valuation model based on the insurance contract portfolio - based on the information available on

the Transition Date - to which the affected GIC belongs. Accordingly, it identified in the case of direct GICs those valued in the GMM and VFA valuation models after the Transition Date, and in the case of reinsurance GICs those valued in the GMM valuation model after the Transition Date.

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

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

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

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

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

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

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

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

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

$$\text{CSM(LC)} = \text{FV}_{\text{GIC}} - \text{FCF}_{\text{GIC}} = \text{FV}_{\text{GIC}} - (\text{PVCF}_{\text{IFRS 17}} + \text{RA}_{\text{IFRS 17}})$$

where

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

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

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

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

$PVCF_{IFRS 13}$ : the present value of future current cash flows in accordance with IFRS 13 discounted with a risk-free return on the Transition Date. Cash flows according to IFRS 13 differ from IFRS 17 cash flows mainly in the costs to be taken into account. Typically, the range of cash flows to be taken into account in IFRS 13 is wider than in IFRS 17. For example, in IFRS 13 it may include costs that cannot be assigned to GIC in IFRS 17 and are therefore not part of the performance cash flows, but appear as expected costs in the expectations of a market actor. The discounting was done with the EIOPA yield curve published on 31.12.2021 without volatility adjustment.

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

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

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

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

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

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

and

$$FVRA_{VB} = RA_{VB}$$



In the above formulas

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

#### *Acquisition and transition of insurance portfolios*

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

1. *Insurance contracts acquired in a business combination before the first application date of IFRS 17 (1 January 2023) are classified as insurance contracts, contrary to the above, on the basis of the contractual terms and conditions existing at the beginning of the contract or at the time of their subsequent amendment (and not at the time of acquisition) (see also the chapter discussing the transition to IFRS 17)*
2. *For (direct) insurance contracts acquired in a business combination or portfolio acquisition before the Transition Date (1 January 2022), it is possible for the Company to recognize the liability for the settlement of claims incurred before the acquisition as LIC (and not as LRC), in which way the CSM/loss component does not need to be quantified/accounted for.*

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

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

## **3.6. IFRS 17 Insurance contracts**

### **3.6.1. Important issues in IFRS 17**

#### **3.6.1.1 Classification of insurance, reinsurance and investment contract**

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

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

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

Contracts that the Company initially recognizes as investment contracts may later become insurance contracts, for example because the insurance risk in the contract becomes significant. With the date when investment contracts that have become insurance contracts are initially recognized in accordance with IFRS 17, the Company derecognizes from the books all previously recognized assets and liabilities related to the investment contract. In cases where the insurance contract has a CSM at the initial recognition, the net effect of said derecognitions will modify this CSM.

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

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

### **3.6.1.2 Separation of insurance and reinsurance contracts into components**

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

The principles and order of separation are as follows:

1. Separating embedded derivatives (IFRS 9)
2. Separation of distinct investment components, i.e. investment components for which it is true that
  - a. *the investment component and the insurance component are not closely linked; and*
  - b. *insurance policy issuers or other parties separately sell or could sell policies under equivalent terms in the same market or jurisdiction.*

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

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

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



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

- on the one hand, their pricing and risk assessment is not done at an individual level,
- on the other hand, the products are not available on group pricing at the individual level

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

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

### **3.6.1.3 Valuation models**

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

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

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

### **3.6.1.4 Insurance contract portfolios, cohorts, date of initial recognition**

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

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

- a. the group of contracts which were oneorus at the initial recognition;*
- b. the group of contracts for which there was no significant probability at the initial recognition to become oneorus later; and*
- c. the group of remaining contracts in the portfolio.*

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

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



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

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

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

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

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

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

#### **3.6.1.5 Year to date approach**

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

#### **3.6.1.6 Contract limits (direct and reinsurance)**

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

Cash flows are within the limit of the insurance contract if they arise from actual rights and obligations existing in the reporting period in which the entity can require the policyholder to pay premiums or in which the entity has an actual obligation to provide insurance contract services to the policyholder.



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

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

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

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

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

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

### **3.6.1.7 Cash flows of insurance/reinsurance contracts in general**

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

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

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

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

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

- direct acquisition costs
- other acquisition costs
- claim settlement costs
- investment and management costs
- administrative and maintenance costs
- other costs charged to the insured/policyholder



- costs related to the provision of services in kind.

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

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

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

The timing of the projected cash flow:

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

The Company prepares monthly cash flow estimates.

### **3.6.1.8 Insurance acquisition cash flows**

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

The Company divides acquisition costs into two groups

- direct acquisition costs
- other acquisition costs

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

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

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



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

### **3.6.1.9 Management of insurance tax and insurance surtax**

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

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

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

### **3.6.1.10 Mutualisation (cash-flow transfers between certain contract groups)**

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

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

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

In the case of relevant life insurance contracts, the cash flow that is to be allocated from the existing GICs to the newly recognized GICs due to mutualisation is determined for each newly recognized GIC upon its initial recognition. This cash-flow is calculated as the difference in the present value of the various cash-flow runs at the initial recognition of the new GIC.

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



### **3.6.1.11 Investment component**

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

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

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

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

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

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

### **3.6.1.12 Application of yield curves during IFRS 17 calculations**

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

The types of yield curves used are:

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



- yield curve observed at the time of when the claims incur (in the PAA model, to determine the part of insurance financial income/expenses to be recognized in the result if the OCI option is chosen)

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

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

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

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

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

The yield curve used for the initial recognition changes during the year of the GIC's build-up and is then locked in ("locked-in yield curve"). Likewise, if the yield curve observed *at the time of claim incurrence* changes in the claim year to which it belongs, it will get locked in at the end of the claim year ("locked-in yield curve").

### **3.6.1.13 Management of foreign exchange insurances**

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

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

- a. which is the functional currency of one of the contracting parties; or*
- b. in which the price of the relevant product or service obtained or delivered is usually determined in international trade, or*



- c. *which is a currency that is generally used in contracts for the sale of non-financial items in the economic environment where the transaction takes place.*

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

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

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

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

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

Liability arising from insurance contracts, including CSM, is a monetary item. As a result, they must be revalued on the repotring date if they are denominated in a currency other than HUF. The Company converts the insurance liability denominated in the currency of the given contract group, as well as the transactions of the current period affecting them, into HUF by applying IAS 21.

### **3.6.2 Insurance contracts - liability for remaining coverage (LRC)**

#### **3.6.2.1 General measurement model (GMM)**

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

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

#### **Initial recognition**

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



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

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

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

### **Follow-up valuation**

#### **Movements of the LRC**

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

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

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

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

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

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



any experience variance related to premiums and insurance acquisition cash-flows that is not related to a future service, therefore it currently treats all as related to future service.

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

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

The mentioned reversals can be in the following directions:

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

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

### **CSM release and coverage units**

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

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

CSM release is done as follows

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

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

The Company determines the release of its foreign currency GIC CSM in foreign currency, converting the amount of the release into HUF at the average exchange rate for the period.



Then, the closing CSM converted to forints at the closing exchange rate is determined, and the exchange rate difference is calculated and accounted for in the profit or loss.

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

The Company produces the estimated (planned) values of the cover units every month as part of the cash-flow runs of the plan, estimating the maximum insurance service amount at the end of each month. The Company discounts the planned coverage units. The Company does not discount the factual coverage units in the current period. The Company determines the amount of factual coverage units for the relevant period by multiplying the (factual) maximum insurance service amount determined for the last day of the current period by the number of months of the current period. The reason for the determination in this way is to ensure that the factual coverage units of the current period can be compared with the planned coverage units.

### **Loss component release**

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

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

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

- a. *estimates of the present value of future cash flows related to claims and expenses that are released from the liabilities of the remaining coverage due to incurred insurance service costs;*
- b. *the changes of the risk adjustment for non-financial risk recognized in profit or loss due to exemption from the risk (RA release)*
- c. *financial income or expenditure on insurance.*

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

### **Determination of end-of-period risk adjustment**

For all GICs valued according to the GMM and VFA valuation models, it is necessary to calculate the risk adjustment (RA) due to non-financial risks at the end of the period,



which the Company establishes using the "provision for adverse deviation" method, as the difference in the present value of cash-flow runs.

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

#### ***Release of risk adjustment in the period***

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

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

#### **3.6.2.2 Variable fee approach (VFA)**

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

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

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

#### ***Initial recognition***

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

#### ***Subsequent valuation***

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

All contracts are to (must) be valued in the VFA model, which meet the criteria defined in IFRS17.

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



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

### **3.6.2.3 Premium allocation approach (PAA)**

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

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



### ***Initial recognition***

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

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

### ***Financing component***

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

### ***Insurance acquisition costs***

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

### ***Determination of insurance revenue and the logic of acquisition cost release***

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

### ***Unprofitable contracts***

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

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

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



### **3.6.3. Insurance contracts – liabilities for incurred claims (LIC)**

#### **3.6.3.1 Claim reserves and claim payment obligations**

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

- i. the value of future cash flows derived from claims reserves (RBNS and IBNR) and claim cost reserves discounted with the current yield curve on the reporting date and from the related risk adjustment for non-financial risks and*
- ii. liabilities related to claims and claim costs that have already been approved for payment, but the financial settlement has not yet taken place by the reporting date.*

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

#### **3.6.3.2 Initial recognition**

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

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

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

#### **3.6.3.3 Interest**

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

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

#### **3.6.3.4 Experience variances and risk adjustment change management**

Experience variances affecting LIC can be grouped as follows:

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



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

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

### ***Risk adjustment for non-financial risks on LIC***

#### ***General***

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

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

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

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

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

#### ***3.6.4 Reinsurance contracts held - asset for remaining coverage (ARC) of reinsurance***

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



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

#### *Classification into contract groups*

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

#### *Absence of oneorus contract groups*

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

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

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

#### *Recognition of amounts received from and paid to the reinsurer*

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

#### *Acquisition costs*

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

#### *Allocated costs*

For held reinsurance, the Company has no allocated costs.

#### *Investment component*

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

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

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

On the other hand, after the allocation of the individual commission items (especially, but not exclusively, the sliding scale, the profit commission), a part of the fee-reducing items



is considered an investment component. Both decisions "remove" the item from both the revenue and the expenditure.

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

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

#### *Partner risk*

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

#### *Loss recovery component*

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

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

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

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

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

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

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

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

### **3.6.5 Reinsurance contracts held – assets for incurred claims (AIC)**

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

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

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

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

### **3.6.6 Contract amendments, derecognition of contracts**

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

- a. it ceases, i.e. when the obligation defined in the insurance contract expires, is fulfilled or canceled; or
- b. the contract is amended in such a way that it results in derecognition based on IFRS 17 (see below)

If an insurance contract is amended, it must be decided whether it should be derecognized from the books or whether the amendment should be accounted for as a change in the cash-flow estimate (see point b) above)

An amendment to a contract can be any change in the contractual condition (e.g. modification of duration, optionality in the contract) or a change required by the regulator (e.g. MNB or legislator).

It is not to be treated as a contract amendment if the contracting party exercises an option already existing in the original conditions.

Derecognition of the contract and recognition of a new contract into the books is necessary in the following cases:

if the modified contract conditions were agreed upon when the contract was concluded,

- then the contract would not have been within the scope of IFRS 17; or
- then other components would have been separated from the contract, and the remaining insurance contract subject to IFRS 17 would therefore have been different



- the contract limit of the amended contract would have been essentially different from the contract limit of the contract before the amendment
- the amended contract should have been classified in a different GIC than the one before the amendment

In all other cases, the contract amendment does not result in derecognition, and it must be accounted for as a cash-flow estimate

### **3.6.7 Insurance contracts acquired in a business combination or portfolio transfer**

Insurance contracts acquired in a business combination under IFRS 3 or portfolio transfer that does not qualify as a business combination are recognised on the acquisition date.

Insurance contracts acquired in the above ways are classified and valued on the basis of the terms, conditions and information of the contracts existing at the time of acquisition, not on the basis of the conditions, conditions and information existing at the time of the original inception of the contracts.

For the exception rules applicable/to be applied to the portfolio acquisition in the context of the transition, see the chapter discussing the transition to IFRS 17.

For insurance contracts acquired in a business combination under IFRS 3 or portfolio transfer that does not qualify as a business combination, the CSM to be recognised on the recognition of the contracts is calculated - for contracts valued in the GMM and VFA models - in accordance with the general rules (IFRS 17.38 for direct insurance contracts and IFRS 17.65 for reinsurance contracts held), with the consideration received or paid for the contracts to be considered as the premium received or paid on initial recognition.

The consideration received or paid for contracts must not include consideration paid by the Company in the same transaction but for other assets (e.g. related investments) or liabilities.

If the contracts were acquired in a business combination according to IFRS 3, the above-mentioned consideration received or paid for the contracts must be considered equal to the fair value of the contracts (according to IFRS 13) at the time of acquisition.

If in the transaction the consideration received for the direct insurance contracts and the performance cash flows together show a net cash outflow, the contract group acquired is unprofitable.

With the amount of this loss (net cash outflow), the Company at the time of the acquisition

- in the case of a contract group acquired in a business combination according to IFRS 3 increases the goodwill or reduces the profit achieved on a beneficial purchase (no loss may arise on the business combination);
- in the case of direct insurance contracts acquired during a portfolio transfer that does not qualify as a business combination, it reduces the result.

In the aforementioned case of loss, the Company identifies a loss component, regardless of whether the direct insurance contracts were acquired in a business combination or a portfolio transfer that does not qualify as such, and later releases it according to the general rules.

If in the transaction the Company acquires held reinsurance GICs that also cover adverse direct GICs, the reinsurance CSM established as above must be adjusted with the loss recovery component, which is determined as follows:

- the loss component of the underlying adverse direct GICs at the time of acquisition, multiplied by
- the percentage of losses of the underlying adverse direct GICs, which the Company is expected to receive as a return from the acquired reinsurance contracts

The Loss recovery component

- is recognized in the result in the case of reinsurance GIC acquired in a portfolio transfer that is not considered a business combination (as income), or
- is recognized as an item that reduces goodwill or increases the profit due to a beneficial purchase in the case of a reinsurance GIC acquired in a business combination.

The Company identifies, records and later accounts for the Loss recovery component on the day of acquisition in the same way as it does in the case of its concluded held reinsurance contracts.

### **3.6.8 Presentation**

The Company presents the following book values separately for the financial position:

- the portfolios of issued insurance contracts that are assets,
- the portfolios of issued insurance contracts that are liabilities,
- the portfolios of held reinsurance contracts that are assets,
- the portfolios of held reinsurance contracts that are liabilities.

Individual components of liabilities and assets arising from insurance contracts (e.g. CSM, loss component, RA) are not included in the balance sheet, they are presented as part of the reconciliation tables required by IFRS 17. In the case of a loss component, the amount of the LRC without the loss component and the amount of the loss component are published separately in the reconciliation tables.

#### **3.6.8.1 Presentation in the statement of comprehensive income**

When choosing the OCI option, the Company presents the part of the insurance financial result accounted for in OCI under the following:

- for insurance contracts under "Financial result from insurance transactions"
- for reinsurance contracts under "Financial result from reinsurance".

#### **3.6.8.2 Insurance revenue**

Under insurance revenue the company recognizes following:



- the release of Risk Adjustment based on the expectations at the beginning of the relevant period,
- the release of CSM,
- the release of claims and costs expected for the period at the beginning of the period (except for their amounts allocated to the loss component),
- experience variance related to the premium (if related to non-future services),
- the part of the premiums related to the reimbursement of insurance acquisition cash-flows, allocated to the relevant period.

The insurance revenue cannot include amounts related to an investment component.

### **3.6.8.3 Insurance service result (income and expense)**

In the case of the GMM and VFA valuation models, if the contract group is unprofitable when it is initially recognized, the Company immediately recognizes the loss in the result under "Insurance services expenses".

The Company accounts for the change in Risk Adjustment in the insurance service result under "Expenses for insurance services" because, in accordance with point 17.81 of IFRS, it does not separate the change in Risk Adjustment between insurance financial income and expense and insurance services result.

This is also where the Company accounts for experience variances (separated from changes in the discount rate and changes due to possible financial risks).

### **3.6.8.4 Insurance financial result**

Under insurance financial income and expense, the Company accounts for the effect of interest settlement and changes in exchange rate differences (except in the case of the OCI option), changes in the discount rate and changes due to possible financial risks.

In all cases, the Company accounts for the exchange rate difference in the income statement in accordance with the IAS 21 standard. In the case of insurance contracts under "Financial result from insurance transactions", in the case of reinsurance contracts under "Financial result from reinsurance", except for the cases when the given group of contracts is valued in the GMM valuation model and the OCI option is applied.

Based on the requirements of the standard, the Company decides for each insurance contract portfolio whether to account for the periodic insurance financial income/expenditure in the result or divided between the result and other comprehensive income (hereafter: OCI option).

In the case of unit-linked contract groups valued in the VFA model, the underlying assets behind the LRC are valued at FVTPL by the Company. In the case of UL contract portfolios, the Company does not apply the OCI option.

In the case of choosing the OCI option for insurance contract groups valued with the GMM valuation model, the Company values the effect of the time value of money and its changes, as well as the effect of financial risk and its changes, with the discount rate at



the time of initial recognition (at locked in rate) for both LRC and LIC. and also discounts it with the current discount rate.

The value discounted at the locked in rate is accounted for in the result as follows:

- for insurance contracts under "Financial result from insurance transactions"
- for reinsurance contracts under "Financial result from reinsurance"

The difference between the value discounted at the current rate and the value discounted at the locked in rate is accounted for in the other comprehensive income as follows:

- for insurance contracts under "Financial result from insurance transactions"
- for reinsurance contracts under "Financial result from reinsurance"

For portfolios of contracts valued in the VFA model to which the Company applies the OCI option, because the Company holds the underlying items in each case, it must recognize in profit or loss an amount by allocating the periodic insurance finance income or expense that eliminates the accounting mismatch related to the income or expense recognized in profit or loss for the underlying items held.

If the return allocated to the given GIC affected by the OCI option on the underlying items and accounted for in other comprehensive income is a profit (loss), the Company accounts for the same amount of insurance financial expenditure (income) in other comprehensive income.

For contract groups valued in the PAA model, the Company uses for OCI calculations the discount rates applied at the time of the incurrance of the incurred claim (LIC). The logic of the PAA LIC OCI calculation is otherwise identical to the logic used for the GMM LIC OCI.

When applying the OCI option, the Company divides the exchange rate difference into parts to be recognized in profit or loss and in other comprehensive income. The division is made by the Company calculating the following value:

- a. period closing balance converted from the currency of the contract group into forints at the period closing exchange rate, where for the calculation of the closing balance, discounting is performed using the discount rates determined at the time of the initial recognition of the contract group (locked-in discount rates); less
- b. the closing balance of the period in forints, calculated from the currency of the contract group converted into forints at the previous period's closing exchange rate, and from the movements of the contract group's currency converted into forints using the exchange rates in the accounting policy. For the calculation of the period opening balance and for the calculation of all period movements, where discounting can be interpreted, the Company uses locked-in discount rates.

The value calculated in the above manner is recognized by the Company in the income statement under Financial result from insurance transactions in the case of insurance contracts and under Financial result from reinsurance in the case of reinsurance contracts.

The difference between the total foreign exchange rate difference and the foreign exchange rate difference accounted for in the result is accounted for by the Company

in other comprehensive income, in the case of insurances under Financial result from insurance transactions, in the case of reinsurance under Financial result from reinsurance.

#### **3.6.8.5 Presentation of reinsurance contracts**

The Company presents income or expenses from held reinsurance contracts separated from expenses or income from issued insurance contracts. The Company has no active reinsurance.

In the case of reinsurance, the release of the risk adjustment is not an income, but an expense.

Expected reinsurance service returns at the beginning of the period appear under "Claims returns, commission and profit sharing from reinsurer" (not as an item reducing insurance income)

The Company recognizes the premiums paid to reinsurers under "Expenditure due to premiums transferred to reinsurers" among the result of insurance services.

Based on paragraph 86 of IFRS 17, the Company chooses to present the amounts received from reinsurers and the allocation of premiums paid separately.

### **3.7. Income and expenses relating investments**

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

### **3.8. Other operating income**

#### **3.8.1. 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 17 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 and IFRS 17 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.



### 3.9. Leases

According to IFRS 16 the contract is a lease or contains a lease, if it transfers the right to control the use of an identified asset for a period of time in exchange for a fee. One asset can be identified, if the lessee has the right to obtain substantially all the economic benefits of the use, and the lessee controls the use of the asset. 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 identified 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 January 2026, the length of car rental contracts is between 22-60 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 will equal 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.

### 3.10. Income from state subsidies

When presenting state subsidies, the Company 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.

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 April 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 liability, decreased by the option fee paid by MRP.

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

As 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 outlined in employment contracts, to be partially deferred. If after 2021 the bonus targets are met, 70% of the payments are due in cash to the employees, while 10-10-10% of the bonus is due in shares in the following years through the MRP. In this case, 70% of the bonus is an employee benefit accounted for under IAS 19. Regardless of the position of the parties, the remaining 30% is, as defined in the remuneration policy, executed in the form of shares and is therefore a share-based payment under IFRS 2.

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

With regard to the years 2022 and 2023, based on the decision of the supervisory board, taking into account the primary goals defined in the Company's Growth Strategy – to meet the shareholder's expectation of a predictable, conservative dividend payment model for the Company in the medium and long term, as well as bearing in parallel the obligations of the public burdens that counteract this, and its effect on the Company's indicators - the conditions for payment under the MRP Remuneration are not met overall, that is, the 2022 and 2023 reports do not contain any share-based benefits.

In the Group's consolidated financial statements, the shares transferred to MRP are shown as own shares, as an item reducing equity. Transactions related to own shares are accounted for in the equity in accordance with the IAS 32 standard, and no profit or loss item arises in connection with them in the consolidated financial statements. Dividends paid on shares in the MRP are not recognized as dividend payments in the consolidated financial statements.

### **3.12. Income taxes**

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

or other comprehensive income because it is recognized in equity or other comprehensive income with the related item.

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

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities recognized in the statement of financial position and recognized for taxation purposes. Deferred tax assets are recognized for deferred tax when it is probable that sufficient future taxable profit will be available against the deferred tax asset. The amount to be set as deferred tax receivable is expected to be recoverable from the tax losses in the medium term, that is the tax expected to be deductible according to the Company's business plans and the effective tax rate. The Company previously defined 'medium term' as 6 years, which was reduced to 4 years in 2022 due to the volatile economic environment. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which the temporary differences are reversed. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **3.13. Intangible assets**

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

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

### **3.14. Property, plant and equipment**

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



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

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

Residual values and useful lives are reviewed, and adjusted, if necessary, at the end of each reporting period. The carrying amount is written down immediately to the asset's recoverable amount if it is higher than the estimated recoverable amount. (see note 3.14.)

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

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

### **3.15. Impairment of non-financial assets**

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

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

### **3.16. Financial assets**

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

#### **3.16.1 Initial recognition**

All financial assets are initially displayed and derecognized on the trade date when the Insurer becomes a party to the contract creating the financial asset, including when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned (regular way trade). All financial assets are initially measured at fair value plus, in the case of financial

assets not classified as at fair value through profit or loss, transaction costs which are directly attributable to the acquisition of the financial asset.

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

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

### **3.16.2 Classification and valuation of financial assets**

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

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

#### **3.16.2.1 Equity instruments**

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

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

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

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

#### **3.16.2.2 Debt instruments**

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

- the business model used to manage the financial assets, and



- the contractual cash flow characteristics of the financial instrument.

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

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

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

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

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

### **3.16.3 Business model test**

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

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

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

- a. how it evaluates the performance of the business model and the financial assets held under the business model, and how it needs to report these to its key management personnel;*
- b. risks affecting the performance of the business model (and the financial assets held under the model) and, in particular, how these risks are managed;*

- c. *how business managers are remunerated (for example, whether the remuneration depends on the fair value of the assets under management or on the contractual cash flows collected).*

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

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

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

The Insurer defined the following business models for its portfolio:

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

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

- Financial assets related to life insurance linked to investment units accounted for as insurance contracts
- Financial assets related to investment contracts
- Financial assets serving as collateral for reserves of traditional (non-unit-linked) life insurance contracts
- Own investments (multiple portfolios)



- Derivatives
- Cash accounts and bank deposits
- Other financial receivables (these include: trade receivables, loans granted, income-type accruals, asset management fee receivables, other financial receivables not mentioned above)

The Insurer manages the portfolios of financial assets related to life insurance linked to investment units accounted for as insurance contracts and financial assets related to investment contracts on a fair value basis (together with the related insurance obligations, and in the case of investment contracts together with the related financial obligations), therefore the Insurer has established that the business model of these portfolios is Other business model.

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

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

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

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

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

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

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

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



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

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

When applying the above

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

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

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

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

#### **3.16.5 Financial assets valued at amortized cost**

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

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

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

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



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

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

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

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

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

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

### **3.16.6 Financial assets valued at fair value against other comprehensive income**

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

- equity instruments that it designated as such during initial recognition
- debt instruments for which, as a result of the business model test, it was determined that the purpose of the business model is to collect the contractual cash flows associated with the debt instrument and at the same time the sale of the financial assets, and as a result of the SPPI test, at specified dates defined by the contractual conditions of the financial asset, the generated cash flows are solely payments of the principal and the interest due on the outstanding principal amount.

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

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



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

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

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

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

### **3.16.7 Financial assets valued at fair value through profit or loss**

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

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

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

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

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

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

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

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

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

### **3.16.8 Reclassification of financial assets**

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



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

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

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

#### **3.16.8.1 *Reclassification from the category valued at amortized cost***

##### *Into the category valued at fair value through profit or loss*

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

##### *Into the category valued at fair value against other comprehensive income*

If the Insurer reclassifies a financial asset from the category valued at amortized cost to the category valued at fair value against other comprehensive income, the financial asset must be reclassified at the fair value valid at the time of the reclassification. The gain or loss resulting from the difference between the previous amortized cost of the financial asset and its fair value is recognized in other comprehensive income. The valuation of the effective interest rate and the expected credit loss will not change as a result of the reclassification. The recognized expected credit loss must be derecognized (i.e. it will no longer be recognized as an adjustment to the gross book value) and from the date of the reclassification (in the same amount) must be recognized and disclosed as an accumulated impairment loss in other comprehensive income.

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

##### *Into the category valued at amortized cost*

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



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

*Into the category valued at fair value through profit or loss*

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

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

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

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

**3.16.9 Derecognition of financial assets**

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

The Insurer derecognizes financial instruments if

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

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

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



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

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

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

### **3.16.10 Replacements/modifications of financial assets**

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

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

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

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

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

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

With regards to accounting:

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

with the transaction are recognized as a gain or loss related to the termination of the liability.

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

Modification gain or loss is the difference between

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

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

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

### **3.16.11 *Retroactive application***

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

Data for the comparative period have not been restated.

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



### **3.17. Impairment of financial assets**

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

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

#### **3.17.1 General rules of impairment**

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

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

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

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

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

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

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

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

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

- if the credit risk of the financial asset concerned has increased significantly since the initial recognition – taking all reasonable and justifiable information into account, including forward-looking information – but the financial asset is not impaired ("Stage 2 financial assets");



- if the relevant financial asset is impaired on the reporting date ("Stage 3 financial asset");
- in the case of trade receivables (the Insurer uses a simplified model to determine the expected credit loss)

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

#### **3.17.4 Impairment (Stage 3) criteria**

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

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

#### **3.17.5 Changes in credit risk**

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

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

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

#### **3.17.6 Financial assets with low credit risk**

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

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

### 3.17.7 *Special rules of impairment*

#### 3.17.7.1 *Impairment of government securities and corporate bonds*

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

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

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

where

ECL:= expected credit loss at the reporting date

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

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

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

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

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

To estimate the LGD of corporate bonds the Insurer applies:

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

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

The Insurer values its Stage 3 government securities individually. In each case, it performs cash-flow estimates in 2 scenarios. It takes the present value of the estimated cash flows for both scenarios and weights them according to management's judgment. To calculate the present value, the Insurer uses the original effective interest rate (in the case of a

floating interest rate paper, it discounts with the current effective interest rate). The Insurer recognizes the expected credit loss as the difference between the resulting weighted cash-flow present value and the gross book value at the reporting date.

### **3.17.7.2 Impairment of cash and cash equivalents**

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

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

where

ECL:= expected credit loss at the reporting date

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

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

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

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

### **3.17.7.3 Impairment of intercompany receivables**

For financial receivables from subsidiaries and associated companies, the Insurer did not recognize expected credit losses as long as there was no clear indication of a negative change in the financial situation of the company in question. In this case, the Insurer performs an individual cash-flow estimate for the intercompany receivable in at least two scenarios. It takes the present value of the estimated cash flows in both scenarios and weights them according to management's judgment. To calculate the present value, the Insurer uses the original effective interest rate of the receivable (in the case of a receivable with a floating interest rate, the current effective interest rate). The Insurer recognizes the expected credit loss as the difference between the resulting weighted cash-flow present value and the gross book value on the reporting date.

### **3.17.7.4 Impairment of trade receivables and other receivables**

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



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

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

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

#### **3.17.7.5 Impaired financial assets acquired or incurred**

POCI financial assets are impaired at the initial recognition.

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

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

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

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

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

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

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

the amount of the impairment loss for the given year appears under Financial assets impairment and reversal.

### **3.17.9 Write-off of financial assets**

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

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

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

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

## **3.18. Determination of fair values**

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

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

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

- quoted price on the active market for the asset / liability
- 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
- 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 T day 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 T day or on last working day before it and the interest accrued up to the T day 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 T day or on the last working day before it as the sum of the calculated net price and interest accrued up to the T day;
- 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 T day 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 T day;
  - 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 T day;
  - 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.
  - In the case of shares not listed on the Budapest Stock Exchange, the valuation price of the asset must be determined based on the last weighted average price of the shares traded over-the-counter and published in the official journal of the BSE, if it is no older than 30 days.
- Derivative instruments:
  - T day earnings on futures on the Budapest Stock Exchange on the basis of the relevant stock exchange futures regulations if the transactions were opened on T day using the binding price and the T day settlement price if the transactions were closed on T day by the binding price and T-1 daily in the case of transactions opened earlier than T day, using the settlement rate T day and T-1 daily settlement price.
  - Foreign exchange futures contracts are evaluated at forward rate calculated on the basis of the T-day spot rate and interbank rates quoted in the relevant currencies. The interest rates to be used for the calculation are inter-bank interest rates that are closest to the remaining maturity of the forward bond.

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

### **3.19. Cash and cash equivalents**

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

### **3.20. Financial liabilities**

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

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

- financial liabilities valued at fair value through profit or loss. These liabilities, including derivative instruments that qualify as liabilities, must subsequently be valued at fair value;
- financial liabilities that arise when the transfer of a financial asset does not meet the derecognition criteria or when the continuing involvement approach is to be applied;
- financial guarantee contracts;
- commitments to grant loans at an interest rate lower than the market interest rate
- contingent consideration recognized by the acquirer in a business combination within the scope of IFRS 3 Business Combinations.

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

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

The Insurer classifies liabilities into the following categories:



### **3.20.1 Valuation of financial liabilities valued at amortization cost**

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

In the case of financial liabilities valued at amortized cost, the Insurer considers the related transaction costs, fees, commissions as part of the cost and takes them into account when calculating the effective interest rate. Accordingly, interest and amortization costs are accounted for using the effective interest rate method.

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

### **3.20.2 Liabilities valued at fair value through profit or loss**

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

- a. *the amount of the change in the fair value of the financial liability that can be attributed to the change in the credit risk of that liability, in other comprehensive income; and*
- b. *the residual amount of the change in the liability's fair value against profit or loss, unless the treatment of the effects of the change in the credit risk of the liability described in point a) would result in an accounting mismatch or increase it in the profit or loss.*

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

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

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

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

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

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

### **3.20.3 Derecognition of financial liabilities**

The Insurer derecognizes financial liabilities when contractual obligations

- cease,
- are waived or
- expire.

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

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

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

## **3.21. Provisions**

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

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

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

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

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

### **3.22. Share capital and capital reserve**

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

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

### **3.23. Other reserves**

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

### **3.24. Treasury shares**

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

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



### 3.25. Equity Correlation Table

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

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

- a. *equity capital: equity under IFRSs plus supplementary payments received and shown under liabilities in accordance with IFRSs, minus supplementary payments provided and shown under assets in accordance with IFRSs, including any cash to be transferred to the capital reserve on the basis of legal provisions, and assets received, shown under deferred income, minus any sum of receivables from owners in connection with making capital contribution in the form of equity instrument;*
- b. *subscribed capital under IFRSs: subscribed capital provided for in the instrument of constitution, if classified as an equity instrument;*
- c. *subscribed capital unpaid: part of the subscribed capital under IFRSs that has not yet been paid up and made available for the economic entity;*
- d. *capital reserve: all equity components that are not covered by the definition of subscribed capital under IFRSs, subscribed capital unpaid, retained earnings, revaluation reserve, post-tax profit or loss or tied-up reserve;*
- e. *retained earnings: previous years' accumulated results after tax shown in the annual accounts prepared in accordance with IFRSs, not yet distributed among the owners (including the combined total of the earnings retained according to this Act on the balance sheet date of the financial year preceding the year of transition to IFRSs and the after-tax profit adjusted by the effect the transition to IFRSs had on retained earnings), as well as the sums credited or charged directly to such accumulated results in accordance with IFRSs, sums transferred from the subscribed capital or from the capital reserve to cover the losses, any sum transferred from other reserves, as required or permitted by IFRSs. The sum thus received shall be decreased by the supplementary payments shown under assets in accordance with IFRSs, plus any unused portion of the provision for developments with the sum of deferred tax liabilities calculated according to IAS 12 - Income Taxes deducted. Retained earnings may not include other comprehensive income, as provided in IAS 1 - Presentation of Financial Statements, with the exception of value adjustments in respect of transfers;*
- f. *revaluation reserve: other comprehensive income shown in the comprehensive income statement provided for in IAS 1 - Presentation of Financial Statements, including other comprehensive income accumulated and from the current year, furthermore, the revaluation reserve from before the date of transition to IFRSs;*
- g. *post-tax profit or loss: as defined in Point 9 of Section 114/A;*
- h. *tied-up reserve: supplementary payments received and shown under liabilities in accordance with IFRSs, plus any unused portion of the provision for developments with the sum of deferred tax liabilities calculated according to IAS 12 - Income Taxes deducted.*



The equity correlation table shall also contain:

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

### **3.26. Earnings per share**

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

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

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

### **3.27. Contingent liabilities**

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

### **3.28. Related parties**

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

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



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

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

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

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

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

- direct or indirect control: the ability to manage the financial and operating policies of a company in order to obtain benefits from its activities
- Joint control: contractual sharing of control over an economic activity
- Significant influence: the ability to participate in the financial and operational policy decisions of the company, but not the control of these policies. Significant influence can be obtained through share ownership, by law or by contract

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

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

Publication of related party transactions (IAS 24 paragraph 17)

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



The information published must include at least:

- a. *the amount of transactions;*
- b. *the amount of open balances;*
  - i. *the terms and conditions of the transactions, including whether they are secured and the nature of the consideration to be provided at settlement; as well as*
  - ii. *details of the guarantees provided or received;*
- c. *provisions for doubtful debts to the amount of open balances; as well as*
- d. *the expense recognized in the period for bad or doubtful receivables from related parties*

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

### **3.29. Cash-flow statement**

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

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

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

#### Cash flow from operating activities

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

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

- sums received from insurance premiums;
- sums paid for insurance technical services;
- sums paid to suppliers for purchased goods and services;



- cash payments to employees and employees;
- Payments and refunds related to income taxes, unless they are related to investment or financing activities.

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

#### Cash flow from investing activities

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

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

#### Cash flow from financing activities

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

Financing cash flows include:

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

### **3.30. IFRS 15 - Accounting for Revenue from Contracts with Customers**

The IFRS 15 standard applicable from 1 January 2018 excludes insurance contracts from its scope, so the introduction did not have a significant impact on the Insurer's result. Due to the standard exclusions, most of the Company's activities are not covered by the standard, as they are governed by IFRS 17 and IFRS 9. Relevant transactions from the standpoint of the standard are other non-insurance activities, typically the accounting of income from investment contracts, the re-invoicing 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 re invoicing 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.

### **3.31. Business segments**

The CIG Group has two operating segments: life insurance in the European geographical segment and non-life insurance in the European geographical segment.

These two activities also define the Group's strategic divisions. In these divisions, CIG Pannónia Life Insurance Plc. and CIG Pannónia First Hungarian General Insurance cPlc. offer different products and services to their customers, which they promote through various marketing tools. The management of the companies is partly joint. The Group management monitors and evaluates the performance of the companies on a quarterly basis, both separately and on a consolidated basis. For both activities, all material operating activities, assets and liabilities are located in the European geographical segment. On this basis, the additional notes show that the operating segments are separated on the basis of the portfolio groups sold. The results of the portfolio groups sold in the different operating segments are detailed in the additional notes.

The following table summarises which services within the Group's life insurance segment belong to which portfolio group.



PORTFOLIO GROUP / SEGMENT	LIFE INSURANCE SEGMENT
<b>Group life, accident and health insurance</b>	- group life-, accident- and health insurance - group service financing insurance - MVM Accident and Health Insurance packages
<b>Individual accident and health insurance</b>	- traditional accident and health insurance
<b>Single premium UL</b>	- life insurance linked to single-premium investment units in Euro and Forint
<b>Regular premium UL</b>	- life insurance linked to regular-premium investment units in euro and forint
<b>Traditional regular premium life savings insurance</b>	- traditional regular-premium grace, savings and pension insurance
<b>Risk life insurance</b>	- traditional regular-premium risk life insurance
<b>Credit coverage insurance</b>	- credit coverage insurance - MVM account protection insurance

The Company presents a segmental breakdown of assets and liabilities and profit or loss, and a reconciliation of the information presented by segment to the financial statements in the additional notes.

The assets, liabilities, revenues and expenses, that can be clearly attributed to one of the operating segments or can be allocated using a reasonable basis of projection must be reported separately by segment.



## 4. ESTIMATES AND ASSUMPTIONS

### 4.1. Assumptions used in estimating expected cash flows of insurance contracts

Future cash flows are established separately for the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

When valuing a group of insurance contracts, the Company considers all future cash flows within the limits of each contract in the group. When forecasting insurance cash flows, the Company models future cash flows for life and health insurance contracts and associated costs, so the forecasts include 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.

#### 4.1.1. *Estimates and assumptions relating the model*

The Company determines the expected cash flows (for the remaining coverage) from its insurance liabilities using the Company's proprietary cash flow forecasting model(s). Cash flows are determined by the Company on a monthly breakdown (up to the limits of the contracts).

The Company uses deterministic methods in its calculations. In its cash flow and technical forecasts, it takes into account customer options in insurance contracts (surrender, suspension of premium payment) and financial guarantees provided to customers (typically loyalty bonuses).

Forecasts are made by contract or by risks within a contract. The Company forecasts the cash flows of the contracts individually, using parameters derived from the contract registry system (contract/risk level), in the currency of the contract.

The calculation of the liability for incurred claims is based on cash flow forecasts for claims generated during the closure process. During the closure process, the Company prepares cash flow forecasts from the RBNS and IBNR reserves based on the run-off pattern. Unlike this, the cash flow forecasts for annuity-type claims payments are generated by the Company's cash flow forecast systems.

#### 4.1.2. *Estimates and assumptions relating to the parameters*

The Company reviews the contracting, customer behaviour, mortality and morbidity assumptions used to determine expected cash flows at least once a year (normally in connection with the business planning).

The assumptions are derived by the Company from the past experience of its own portfolios using statistical methods. In certain cases (in the absence of empirical data or if the number of items in a sample is low and there is significant uncertainty in our statistics), the Company uses expert estimates.

The Company also reviews its cost assumptions once a year in connection with its business planning.



The Company monitors the technical processes on an ongoing (monthly) basis between the regular annual reviews of the assumptions. If, in comparing the forecasts with empirical data, the Company identifies significant differences, or if the market environment requires so, it will revise the assumptions (or a set of assumptions) in an extraordinary manner.

The yield and discount rate assumptions used are updated quarterly by the Company.

#### **4.1.2.1. Contractual limits**

##### Direct insurances

Individual life insurance policies consist of a main policy and supplementary policies.

Although the supplementary insurance policies could be repriced and cancelled annually if sold separately by the Company, the Company does not break down these policies into their components.

For group insurances the Company distinguishes between three categories: annually renewable group insurance (PAA), including contracts where the premium may be subject to an annual review; fixed-term group insurances, which have a typical duration of 2-4 years (GMM); and health insurances, which have a maximal duration of 1 year.

For annually renewable non-life insurances, the contractual limits are clear when determining the length of the period covered. As the Company's contracts are freely repriceable by the Company at their anniversary, renewed contracts are to be treated as new contracts under IFRS17.

##### Reinsurances held

For contracts that cannot be cancelled at the end of a calendar or policy year, the contractual limits are the same as those in the legal contract. A part of the Company's reinsurance policies are terminable on calendar anniversaries and therefore have a limit of one year.

#### **4.1.2.2. Mortality and morbidity**

The mortality and morbidity assumptions used for life and health insurance policies (resp.) are derived by the Company from the past experience of its portfolio using statistical methods. In the absence of empirical data, the Company bases the mortality and morbidity assumptions used to prepare the cash flow forecasts on premium calculation assumptions and expert estimates.

When forecasting mortality services the Company uses the 2007 standard Hungarian mortality table. The Company adjusts the age-dependent mortality probability predicted by the mortality table by a (product-dependent) mortality factor. For the main products currently sold by the Company, the following mortality factors (adjustments) are applied:

	MORTALITY FACTOR (2023)	MORTALITY FACTOR (2022)
Unit-linked insurances	31%	30%
"Pannónia Bárka Life Insurance	25%	20%
"Pannónia Alkony" Grace Insurance	120%	125%
"Otthon Alkony" Grace Life Insurance	18%	30%
"Otthon Harmónia" Risk Life Insurance	7%	30%

For annually renewable (non-life type) coverage, the claims are forecasted on the basis of the experienced claims ratio for both life and health insurances.

For health insurance products providing long-duration, life-type critical illness and disability services, the claim probability in the Company's model depends on age. The claims probability for these products is the age-related reinsurance rate for these products adjusted by a morbidity factor based on empirical data.

The impact of changes in mortality and morbidity assumptions on reserves and the result are subject of sensitivity tests.

#### **4.1.2.3. Cancellation and non-payment**

The applied cancellation and non-payment ratio is one of the most important assumptions when valuating life insurance products. If cancellation ratios increase, the Company loses significant long-term profits, which can only be partially offset by a possible cancellation gain. The Company also performs sensitivity analyses on the impact of changes in cancellation assumptions on reserves and the result.

In case of non-payment (if the product does not have a waiver option), or if the product has a waiver (premium payment suspension) option and the customer requests to repurchase the contract, the Company will cancel the contract.

The Company looks at the proportion of contracts (still in force at the beginning of the policy year) that are cancelled in each insurance year. The Company measures the ratios by product group. These ratios represent the cancellation and repurchase probabilities of the Company.

For unit-linked life insurance policies, the Company separately assesses and applies the probability of the non-payment of premiums and the probability of cancellation on request (full surrender). The reason for this distinction is that (because of the possibility to suspend premium payment) non-payment does not necessarily lead to the termination of the contract.

For regular premium unit-linked insurances the Company measures non-payment ratios by sales channel and by product group. The measured ratios are also the assumptions for non-payment used in the unit-linked forecasts.

In addition to the cancellation and non-payment parameters, the Company examines and uses in its forecast the proportion of late payers (proportion of payers in the calendar month of the tariff, proportion of payers in the 1st calendar month following the calendar month of the tariff, etc.), which drives the timing of the expected payment of the tariff in the Company's model. The Company also uses in its model the 30-day cancellation ratio, the probability of paying ad hoc premiums in excess of the regular premium and the probability of a partial surrender of the invested ad hoc premiums. The use of these parameters helps to forecast the size of the stock, the managed assets in line with empirical data.

#### **4.1.2.4. Yields and discount rates**

In the case of unit-linked products, when preparing the cash flow forecasts, for the assumed return we use values derived from risk-free yield curves modified with the appropriate illiquidity premium. The illiquidity premiums are determined by the Company at the portfolio level.

For traditional products, the Company estimates expected investment returns using an asset model, taking into account the current asset base behind the mathematical reserve.



The Company's risk-free (forward) yield curves without illiquidity premium for the first 5 calendar years after the balance sheet date are as follows:

	2023					2022				
	1	2	3	4	5	1	2	3	4	5
<b>Forint (liquid)</b>	8,0%	5,1%	5,0%	5,2%	5,4%	15,7%	12,3%	10,2%	9,0%	8,3%
<b>Euró (liquid)</b>	3,4%	2,2%	1,9%	2,0%	2,2%	3,3%	3,3%	3,3%	3,3%	3,3%

The expected investment returns for traditional products for the first 5 calendar years after the balance sheet date are as follows:

	2023					2022				
	1	2	3	4	5	1	2	3	4	5
<b>Return on assets</b>	4,5%	4,5%	4,6%	4,7%	4,7%	4,1%	4,1%	4,2%	4,2%	4,2%

#### 4.1.2.5. Cost assumptions

The forecasted costs for the contract group are also generated by the Company's cash flow forecasting model. The cost parameters used are based on the Company's business plans (3-year horizon). Following the 3-year term, the Company's cost level remains unchanged.

The Company allocates the operating expenses to the contract groups as follows: 90% in proportion to the regular premium (live) portfolio premium and 10% in proportion to the managed unit-linked reserve/asset (unit-linked and mathematical). Claim settlement costs are allocated to the groups of contracts in proportion to the amount of the claims. The portfolio premium for regular premium (at least one year) contracts is: regular premium \* premium payment frequency; for single premium contracts: 10% of the single premium; 0 for contracts with suspended premium payment and premium-free contracts.

In the cash flow forecasts the Company allocates other acquisition costs to the contracts in the 12 months following the commencement of risk taking on the contracts modelled.

The Company uses the following cost assumptions in preparing cash flow forecasts:

NAME OF VARIABLE	METHOD OF ESTABLISHING THE ASSUMPTION <sup>3</sup>
Costs based on gross premium in HUF	HUF operating cost forecasted for the calendar year / Gross premium forecasted for the calendar year
Costs based on gross premium in EUR	EUR operating cost forecasted for the calendar year / Gross premium forecasted for the calendar year
Other acquisition cost in HUF (based on gross premium)	Other acquisition cost forecasted for the calendar year / New business gross premium forecasted for the calendar year

<sup>3</sup> As part of the business planning, the Company uses best estimate assumptions to prepare a forecast for gross premium, claims and managed assets for the next three calendar years. The Company uses a target value search to determine the cost parameter setting under which it forecasts the cost defined in the business plans. These cost parameters will later become the cost parameters for IFRS17 calculations.



NAME OF VARIABLE	METHOD OF ESTABLISHING THE ASSUMPTION <sup>3</sup>
Costs based on property in HUF	HUF operating cost forecasted for the calendar year / Unit-linked and mathematical reserve forecasted for the calendar year
Costs based on property in EUR	EUR operating cost forecasted for the calendar year / Unit-linked and mathematical reserve forecasted for the calendar year
Cost of claim settlement / Claims	HUF claim settlement cost forecasted for the calendar year / Claims forecasted for the calendar year
Insurance tax rate	Projected tax rate

The cost assumptions for the provision of in-kind services related to health insurances are based on empirical data at the product code level (not at the level of the Company's total portfolio).

#### **4.1.2.6. Risk adjustment for non-financial risk**

The Company complements its estimate of the present value of future cash flows with a risk adjustment to reflect the uncertainty stemming from non-financial risks in connection with the amount and timing of future cash flows. The Company discusses the methodology for determining the risk adjustment in the Summary of accounting policies section of the Report.

For the liability for remaining coverage (LRC), the Company determines the risk adjustment using the explicit margin (provision for adverse deviation) method, as the present value of cash flow projections (runs). The risk adjustment is the difference between the best estimate and the liability calculated using conservative assumptions. The conservative (under shock) assumptions are based on the best estimate parameters discussed in this chapter. The Company calibrates the adjustment to such an extent that the reserve after the adjustment can lead by 80% to future liabilities being covered from the reserve (discounted liability calculated with conservative assumptions). The shocked parameters are derived using the assumptions of the risk sub-modules of the Solvency II standard formula. Mortality, morbidity, cancellation and cost assumptions are also adjusted when calculating the liability based on conservative assumptions underlying the risk adjustment.

#### **4.1.2.7. Determining the coverage units**

The Company determines the coverage unit for all of its insurances at the value of the maximum sum insured, which is the higher of the (maximum) insurance service amount and the surrender service amount. In the Company's cash flow forecasts, the coverage unit is set for each product in accordance with this.

#### **4.1.2.8. Investment component**

For cash flows projected for the liability for remaining coverage (LRC), the investment component is the sum of the expected surrender service and the maturity payments for the period and the portion of death payments equalling the surrender amount. This is the amount that must in any case be repaid to the policy holder.



In the case of empirical data, when the claim occurs the value of the investment component is determined in accordance with the provisions of the forecasted cash flows. This allows for only the insurance component to be included in the income statement, but regardless of this, both components (not separated from each other) are included within the liabilities for the incurred claims.

For non-life insurance contracts, the Company did not identify an investment component.

## 4.2. Sensitivity to assumptions used in estimating expected cash flows from insurance contracts

The table below shows by portfolio group the potential impact of changes in the main technical parameters affecting insurance contracts on profit, capital and CSM. The Company applied an upward shift of 5% for the various parameters. The scenarios for each parameter were examined separately, assuming everything else remains unchanged.

DATA IN THUF

2023	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
<b>CSM</b>								
Increase of mortality/ claim ratio	-	-	58	19 230	8 874	30 388	-35 383	23 166
Increase of morbidity	-	-	-	5 977	1 038	2 926	-282	9 658
Increase of cost ratio	-	-	4 776	200 172	23 801	16 722	3 166	248 637
Increase of non-payment	-	-	332	183 421	9 589	73 130	-3 868	262 604
<b>P&amp;L</b>								
Increase of mortality/ claim ratio	-588	-	-285	-2 893	-7 201	-15 315	-48 121	-74 403
Increase of morbidity	-7 444	-2 163	-	1 869	-244	-8 715	-449	-17 145
Increase of cost ratio	-2 196	-1 560	-13 720	-43 154	-6 492	-9 785	-13 399	-90 305
Increase of non-payment	-3	-123	-1 467	-54 500	-389	-8 745	-7 378	-72 607
<b>Equity</b>								
Increase of mortality/ claim ratio	-588	-	-285	-3 076	-6 867	-14 265	-50 295	-75 374
Increase of morbidity	-7 444	-2 163	-	1 869	-244	-8 378	-338	-16 697
Increase of cost ratio	-2 196	-1 560	-13 720	-43 154	-6 492	-10 176	-14 167	-91 464
Increase of non-payment	-3	-123	-1 467	-54 697	-417	-9 481	-8 210	-74 399



DATA IN THUF

2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
<b>CSM</b>								
Increase of mortality/ claim ratio	-	-	135	3 564	16 304	70 547	-29 513	61 037
Increase of morbidity	-	-	-	-2 630	1 347	26 831	242	25 790
Increase of cost ratio	-	-	5 741	175 589	29 869	24 357	1 126	236 682
Increase of non-payment	-	-	323	82 685	29 466	51 417	-11 710	152 181
<b>P&amp;L</b>								
Increase of mortality/ claim ratio	-1 557	-	-260	-13 705	-3 711	-19 947	-30 931	-70 111
Increase of morbidity	-6 189	-288	-	-7 324	-240	655	158	-13 228
Increase of cost ratio	-1 623	-881	-10 970	-65 842	-5 290	-1 381	-17 670	-103 657
Increase of non-payment	42	-13	-682	-112 156	-2 043	2 728	-11 099	-123 223
<b>Equity</b>								
Increase of mortality/ claim ratio	-1 557	-	-260	-14 114	-4 107	1 598	-30 785	-49 225
Increase of morbidity	-6 189	-288	-	-7 324	-240	8 693	233	-5 115
Increase of cost ratio	-1 623	-881	-10 970	-65 842	-5 290	3 628	-16 310	-97 288
Increase of non-payment	42	-13	-682	-112 560	-2 043	16 836	-11 079	-109 499



## 5. CHANGES IN ACCOUNTING POLICIES

### 5.1. Effects of the mandatory used standards – from 1 January 2023 – on the financial statements

For annual periods beginning on or after 2023, the following amended mandatory standards became effective, which - with the exception of IFRS 9 and IFRS 17 - do not have a material impact on the financial statements:

For business years starting from 2023:

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

### 5.2. Impact of the transition to IFRS 17 on the financial statements

The methodological implications of the transition to IFRS 17 are presented in note 3.5, while the most important accounting policy decisions related to insurance contracts are presented in note 3.6.

The effects of the transition to IFRS 17 on the consolidated statement of financial position and the consolidated statement of comprehensive income as at the opening balance sheet date (1 January 2022) and the date of transition (1 January 2023) are presented below.

#### Statement of financial position 2022.12.31

DATA IN THUF

ASSETS		31 DECEMBER 2022 IFRS 17 + IFRS 9	31 DECEMBER 2022 IFRS4 + IFRS9	CHANGE
Intangible Assets	Intangible Assets	730 572	730 572	-
Property, plant and equipment	Property, plant and equipment	132 659	132 659	-
Right of use assets	Right of use assets	276 578	276 578	-
Deferred tax asset	Deferred tax asset	590 836	590 836	-
Subsidiaries	Subsidiaries	4 243 003	4 200 772	42 231
Associated Company	Associated Company	51 753	51 753	-
	Receivables from insurance policy holders		2 707 547	
Insurance contract assets	Receivables from insurance intermediaries	1 017 460	123 576	-3 248 448
	Deferred Acquisition Costs		1 434 785	



DATA IN THUF

ASSETS		31 DECEMBER 2022 IFRS 17 + IFRS 9	31 DECEMBER 2022 IFRS 4 + IFRS 9	CHANGE
Reinsurance contract assets	Reinsurer's share of insurancetechnical reserves	280 200	457 684	-541 159
	Receivables from Reinsurance hedges		363 675	
Investments for policyholders of unit-linked life insurance policies	Investments for policyholders of unit-linked life insurance policies	86 205 307	86 205 307	-
Financial assets – investments contracts	Financial assets – investments contracts	5 167 307	5 167 307	-
Financial assets – Derivatives	Financial assets - Derivatives	34 467	34 467	-
Other financial assets at fair value	Fair value of other financial assets	16 413 265	16 413 265	-
Other assets and prepayments	Other assets and prepayments	65 374	64 380	994
Other receivables	Other receivables	100 254	100 254	-
Intercompany receivables	Intercompany receivables	111 972	111 972	-
Cash and cash equivalents	Cash and cash equivalents	2 588 805	2 588 805	-
<b>TOTAL ASSETS</b>		<b>118 009 812</b>	<b>121 756 194</b>	<b>-3 746 382</b>
<b>LIABILITIES</b>				
Insurance contract liabilities	Technical reserves		18 466 109	
	Technival reserves for policyholders of unit-linked of life insurance policies	92 720 887	86 205 307	-13 015 207
	Liabilities to insurance policy holders		846 589	
	Liabilities to insurance intermediaries		218 089	
Reinsurance contract liabilities	Liabilities from reinsurance	491 127	647 539	-156 412
Financial Liabilities – Investement contracts	Investment contracts	5 167 307	5 167 307	-
Lease liabilities	Lease liabilities	318 781	318 781	-
Provisions	Provisions	196 134	196 134	-
Other liabilities	Other liabilities		1 375 321	
	Loans and financial reinsurance	939 712	6 704	-442 313
Intercompany liabilities	Intercompany liabilities	30 371	30 371	-
Liabilities towards shareholders	Liabilities towards shareholders	30 253	30 253	-
<b>Total Liabilities</b>		<b>99 894 572</b>	<b>113 508 504</b>	<b>-13 613 932</b>
<b>NET ASSETS</b>		<b>18 115 240</b>	<b>8 247 690</b>	<b>9 867 550</b>



DATA IN THUF

SHAREHOLDERS' EQUITY		31 DECEMBER 2022 IFRS 17 + IFRS 9	31 DECEMBER 2022 IFRS 4 + IFRS 9	CHANGE
Share Capital	Share Capital	3 116 133	3 116 133	-
Capital Reserve	Capital Reserve	4 019 111	4 019 111	-
Treasury shares	Treasury shares	-31 996	-31 996	-
Other reserves	Other reserves	-4 116 731	-6 636 383	2 519 652
Retained earnings	Retained earnings	15 128 723	7 780 825	7 347 898
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>18 115 240</b>	<b>8 247 690</b>	<b>9 867 550</b>

DATA IN THUF

STATEMENT OF COMPREHENSIVE INCOME 2022		2022 Q1-Q4 IFRS17 + IFRS9	2022 Q1- Q4 IFRS 4 + IFRS 9	CHANGE
Insurance revenue	Gross written premium	9 280 091	26 833 916	-17 553 825
	Net changes in value of the life technical reserves and unit-linked life insurance reserves		-2 104 825	
Insurance service expenses	Fees, commissions and other acquisition costs		-4 883 217	
	Other operating expenses	-8 154 622	-1 712 780	15 318 745
	Claim payments and benefits, claim settlement costs		-14 718 137	
	Changes in unearned premiums reserve		-54 408	
Reinsurance expense-allocation of premium	Ceded reinsurance premiums	-536 650	-843 646	306 996
Amount recoverables from reinsurance	Recoveries, reinsurer's share		124 314	
	Commission and profit sharing due from reinsurers	825 427	313 302	387 811
<b>Insurance service result</b>		<b>1 414 246</b>	<b>2 954 519</b>	<b>-1 540 273</b>
Interest income calculated using the effective interest method	Interest income calculated using the effective interest method	770 141	770 141	-
Investment income	Investment income	705 671	234 246	471 425
Impairment and impairment reversal of financial assets	Impairment and impairment reversal of financial assets	-7 072	-7 072	-
Investment expenses	Investment expenses	-3 193 733	-3 608 752	415 019
Társult vállalatok hozama	Társult vállalatok hozama	834 500	834 500	-
<b>Investment income</b>		<b>-890 493</b>	<b>-1 776 937</b>	<b>886 444</b>



DATA IN THUF

STATEMENT OF COMPREHENSIVE INCOME 2022		2022 Q1+Q4 IFRS17 + IFRS9	2022 Q1-Q4 IFRS 4 + IFRS 9	CHANGE
Insurance financial result		- 1 696 385	-	1 696 385
Reinsurance financial result		- -48 591	-	-48 591
Change in the fair value of liabilities relating to investment contracts	Change in the fair value of liabilities relating to investment contracts	178 470	178 470	-
<b>Financial results</b>		<b>1 826 264</b>	<b>178 470</b>	<b>1 647 794</b>
Premium and commission income from investment contracts	Premium and commission income from investment contracts	105 045	105 045	-
Other operating costs	-	-317 272	-	-317 272
Other (non-financial) income	Other operating income	356 104	876 341	-520 237
Other (non-financial) expenses	Other expenses	-368 122	-757 369	389 247
<b>Profit/loss before taxation</b>		<b>2 125 772</b>	<b>1 580 069</b>	<b>545 703</b>
Tax expenses / (expenses)	Tax income / (expenses)	-240 028	-240 028	-
Deferred tax expenses / (expenses)	Deferred tax expenses / (expenses)	-	117 016	-117 016
<b>Profit/loss after taxation</b>		<b>1 885 744</b>	<b>1 457 057</b>	<b>428 687</b>
OCI from change in fair value of other financial assets at fair value	Other comprehensive income	-3 012 264	-3 129 280	117 016
OCI from insurance contracts	-	2 049 817	-	2 049 817
OCI from reinsurance contracts	-	143 528	-	143 528
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>		<b>-818 919</b>	<b>-3 129 280</b>	<b>2 310 361</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>		<b>-602 294</b>	<b>-602 294</b>	<b>-</b>
<b>Other comprehensive income</b>		<b>-1 421 213</b>	<b>-3 731 574</b>	<b>2 310 361</b>
<b>Total comprehensive income</b>		<b>464 531</b>	<b>-2 274 517</b>	<b>2 739 048</b>



**Statement of financial position 2021.12.31**

DATA IN THUF

ASSETS		31 DECEMBER 2021 IFRS 17 + IFRS 9	31 DECEMBER 2021 IFRS 4 + IFRS 9	CHANGE
Intangible Assets	Intangible Assets	615 125	615 125	-
Property, plant and equipment	Property, plant and equipment	159 822	159 822	-
Right of use assets	Right of use assets	385 461	385 461	-
Deferred tax asset	Deferred tax asset	473 820	473 820	-
Subsidiaries	Subsidiaries	3 692 413	4 068 923	-376 510
Associated Company	Associated Company	51 753	51 753	-
Insurance contract assets	Receivables from insurance policy holders		1 832 689	
	Receivables from insurance intermediaries	648 971	32 481	-2 467 800
	Deferred Acquisition Costs		1 251 601	
Reinsurance contract assets	Reinsurer's share of insruancetechnical reserves		178 930	
	Receivables from Reinsurance hedges	200 505	15 663	5 912
Investments for policyholders of unit-linked life insurance policies	Investments for policyholders of unit-linked life insurance policies	85 664 010	85 664 010	-
Financial assets – investments contracts	Financial assets – investments contracts	5 237 951	5 237 951	-
Financial assets – Derivatives	Financial assets - Derivatives	937	937	-
Other financial assets at fair value	Other financial assets at fair value	21 507 125	-	
	Available for sale financial assets	-	21 507 125	
Other assets and prepayments	Other assets and prepayments	44 463	43 796	667
Other receivables	Other receivables	69 827	69 827	-
Intercompany receivables	Intercompany receivables	70 617	70 617	-
Cash and cash equivalents	Cash and cash equivalents	741 831	741 831	-
<b>TOTAL ASSETS</b>		<b>119 564 631</b>	<b>122 402 362</b>	<b>-2 837 731</b>



DATA IN THUF

LIABILITIES		31 DECEMBER 2021 IFRS 17 + IFRS 9	31 DECEMBER 2021 IFRS4 + IFRS9	CHANGE
	Technical reserves		16 633 261	
	Technical reserves for policyholders of unit-linked of life insurance policies		85 664 010	
Insurance contract liabilities		93 483 022		-9 804 414
	Liabilities to insurance policy holders		833 437	
	Liabilities to insurance intermediaries		156 728	
Reinsurance contract liabilities	Liabilities from reinsurance	112 266	85 013	27 253
Financial Liabilities – Investment contracts	Investment contracts	5 237 951	5 237 951	-
Lease liabilities	Lease liabilities	414 318	414 318	-
Provisions	Provisions	43 728	43 728	-
	Other liabilities		1 042 756	
Other liabilities	Loans and financial reinsurance	891 423	37 739	-189 072
Intercompany liabilities	Intercompany liabilities	11 577	11 577	-
Liabilities towards shareholders	Liabilities towards shareholders	19 929	19 929	-
<b>Total Liabilities</b>		<b>100 214 214</b>	<b>110 180 447</b>	<b>-9 966 233</b>
<b>NET ASSETS</b>		<b>19 350 417</b>	<b>12 221 915</b>	<b>7 128 502</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital	Share Capital	3 116 133	3 116 133	-
Capital Reserve	Capital Reserve	4 019 111	4 019 111	-
Treasury shares	Treasury shares	-31 996	-31 996	-
Other reserves	Other reserves	-2 695 518	-2 971 871	276 353
Retained earnings	Retained earnings	14 942 687	8 090 538	6 852 149
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>19 350 417</b>	<b>12 221 915</b>	<b>7 128 502</b>



### **5.3. Impact of standards mandatory after 1 January 2024 on the financial statements**

For financial years beginning on or after 2024, the following amended mandatory standards have become effective and are not expected to have a material impact on the financial statements:

- IAS 1 amendment clarifying the definition of long-term liabilities;
- IFRS 16: Changes in the valuation of lease liabilities on sale and leaseback
- IAS 7 and IFRS 7: Changes in the presentation obligation of cash flows and in the presentation obligation of financial assets, which bring supplier financing arrangements within the scope of presentation.
- IAS 12: Temporary exemption from the income tax presentation requirement due to the Pillar 2 Model Rule International Tax reform.



## 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, however, in Hungary the accident and death risk represents the highest exposure to insurance risk for the Insurer. Uncertainty surrounding the timing, frequency and extent of claims under the related policies are risk factors affecting the Insurer.

The Insurer sells the following products:

Life insurances

- a. *unit-linked policies*
- b. *term life insurance policies*
- c. *whole-life insurance policies*
- d. *endowment life insurance policies*
- e. *term-fix endowment life insurance policies*
- f. *traditional pension insurance policies*
- g. *waiver of premium rider in case of death*
- h. *grouped life- and accident insurance*
- i. *credit insurance.*

Non-life insurances

- j. *accident insurance*
- k. *accident and medical benefit rider*

Health insurance

- l. *health insurance and health insurance with claim exemption bonus*
- m. *health insurance rider*

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



## 6.2. General principles and tools of Risk Management

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

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

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

Currently, we have assessed the following risks as the most significant:

1. *Technology risks - process, product and IT complexity*
2. *Risks arising from changes in the economic environment*
3. *Pricing, positioning risk*

The risk management system covers to take insurance risk, to create reserves, 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 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, and based on the decision of the Hungarian National Bank (MNB) submits data to the authorities on a monthly 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 Insurance (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 insurance (typically taken out at public utilities and banks). Health insurance based on group service-financing is also an insurance managed in a group, but based on individual entry, in which, in addition to payments made on the basis of insured events, the organization and financing of certain medical services are also part of the insurance services. Group insurance does not offer a repurchase option.

*Key factors affecting future cash flows:*

the actual evolution of mortality, accident mortality and mobility compared to the assumption, the evolution of cancellations and the costs incurred.

**6.5.11. Credit insurance (Hungary)**

*Terms and conditions:*

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



*Key factors affecting future cash flows:*

Actual mortality and morbidity compared to the assumed, the evolution of cancellations and the costs incurred.

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

*Terms and conditions:*

The regular premium payment product is a health insurance policy, which provides customers, under an agreement with an international healthcare service provider (Further), with second medical opinions and abroad medical treatment services in the event of predefined insurance events.

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

*Key factors affecting future cash flows:*

Actual mortality and morbidity compared to the assumed, the evolution of cancellations and the fair value of costs incurred (medical-, and other costs).

**6.5.13. Health insurance rider (Hungary)**

*Terms and conditions:*

Health insurance rider can be taken out alongside unit-linked-, and endowment life insurance products as the main insurance. In accordance with the agreement made with an international health service provider the clients (of the health insurance rider) could get second medical opinion, beside a high-level medical treatment, if the defined insured events were occurred. 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).

## **6.6. Effects of market risks affecting the Insurer**

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 Company classifies financial instruments into different categories based to their type and purchase intent (see notes 3.17 and 3.20).

The Company is exposed to a number of financial risks through its financial assets and liabilities. The main elements of financial risk are interest rate risk, liquidity risk, currency risk, equity market risk and credit risk. In the Insurer's opinion the concentration risk of financial assets is not significant – it can only affect government securities and corporate bonds.

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

The Company manages these positions within the framework of Asset and Liability Management, with the objective of realizing a return on its financial assets in excess



of the liabilities arising from investment and insurance contracts over the long term. A defining technique of the Company's asset-liability management is to match insurance and investment contracts according to their nature from the asset and liability side.

The most significant insurance risks, the risk management policies are presented in note 6.

The Company's insurance and reinsurance assets and liabilities and the asset coverage allocated to them do not necessarily react in parallel to the effect of the various market variables. The effect of a possible interest rate shock, i.e. a revaluation of assets due to a shift in the yield curve, does not necessarily imply a simultaneous and equal revaluation of technical and reinsurance assets/liabilities. Likewise, changes in the exchange rate do not affect the Company's reserves to the same extent as the changes resulting from the revaluation of assets. For these reasons, the assets/liabilities from insurance and reinsurance transactions and the asset collateral assigned to them altogether carry a direct interest, currency or credit risk for the Company; changes in interest rates and exchange rates have a direct impact on the Company's profit or loss and equity.

Liquidity risk is the risk that the insurer is unable to meet its valid claims against it, or that it is unable to sell its investments and other assets when they fall due in order to settle financial or insurance/reinsurance liabilities. Regarding liquidity, the Insurer did not identify a high risk. The Asset and Liability Committee monitors liquidity regularly and, if necessary, takes decisions to manage liquidity shortfalls and surpluses, which are implemented by MBH Fund Management Ltd., the partner engaged in these outsourced activities.

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

The risks are presented below.

### 6.6.1. Credit risk exposure

The Company's credit risk exposure arises primarily on bank deposits, given loans and debt securities.

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

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Government bonds	31 364 147	16 102 346	26 103 354
Corporate bonds	4 476 252	3 344 333	1 438 714
Shares	27 333 515	24 874 428	26 099 266
Investment funds	54 688 111	46 537 497	53 131 723
Cash	7 456 443	19 194 920	6 859 084
Receivables	405 345	3 496 320	287 088
Other financial assets	-38 560	-2 928 467	-626 930



In case of the government bonds, which form a defining part of financial assets, the credit risk exposure is considered not significant by the Company, as these consist of bonds guaranteed by the state.

### Impairment

The Company recognized impairment on other receivables. The ageing of other receivables and the recognized impairment developed as follows:

DATA IN THUF

	2023	2022 (RESTATED)
Opening balance on 1 January	-696	-696
Impairment accounted for in the current year against the result	-	-
<b>Closing balance on 31 December</b>	<b>-696</b>	<b>-696</b>

The impairment of other receivables changed as follows:

DATA IN THUF

	31 DECEMBER 2023		31 DECEMBER 2022 (RESTATED)	
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Not overdue	290 030	-	246 506	-
Overdue between 0 and 30 days	-	-	-	-
Overdue between 31 and 120 days	478	-	200	-
Overdue between 121 and 360 days	-	-	-	-
Overdue by more than a year	879	-696	683	-696
<b>Total</b>	<b>291 387</b>	<b>-696</b>	<b>247 389</b>	<b>-696</b>

On 31 December 2023, the Company does not have any non-overdue or non-impaired receivables whose outcome is uncertain, or its return may be a problem. The amount of overdue non-impaired receivables is below HUF 1 million in 2022 and 2023 as well.

### 6.6.2. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of receivables 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 are 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 contractual cash flows payable and receivable by the Company as at the reporting date of the statement of financial position.

Financial assets and liabilities, provisions and lease liabilities:

DATA IN THUF

31 DECEMBER 2023 DATA IN THUF	BOOK VALUE	CONTRACTUAL CASH FLOW	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
<b>Liabilities *</b>	<b>6 756 333</b>	<b>6 792 372</b>	<b>6 614 970</b>	<b>61 682</b>	<b>113 958</b>	<b>1 762</b>	<b>-</b>
Of these lease liabilities	<b>203 488</b>	<b>239 527</b>	<b>62 125</b>	<b>61 682</b>	<b>113 958</b>	<b>1 762</b>	<b>-</b>
Government bonds	31 364 147	45 975 693	5 150 683	8 879 013	3 887 000	4 852 252	23 206 745
Corporate bonds	4 476 252	5 078 595	1 767 790	112 872	416 490	1 618 943	1 162 500
Shares	27 333 515	-	-	-	-	-	-
Investment funds	54 688 111	-	-	-	-	-	-
Cash	7 456 443	7 456 443	7 456 443	-	-	-	-
Receivables	405 345	405 345	404 467	878	-	-	-
Other financial assets	-148 953	-148 953	-148 953	-	-	-	-
Derivatives	110 393	110 393	74 617	35 776	-	-	-
<b>Total assets</b>	<b>125 685 253</b>	<b>58 877 516</b>	<b>14 705 047</b>	<b>9 028 539</b>	<b>4 303 490</b>	<b>6 471 195</b>	<b>24 369 245</b>

\* Investment contracts, other liabilities and provisions, lease liabilities

DATA IN THUF

31 DECEMBER 2022 (RESTATED) DATA IN THUF	BOOK VALUE	CONTRACTUAL CASH FLOW	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
<b>Liabilities *</b>	<b>6 682 558</b>	<b>6 682 557</b>	<b>6 213 789</b>	<b>46 147</b>	<b>288 429</b>	<b>134 192</b>	<b>-</b>
Of these lease liabilities	<b>318 781</b>	<b>318 781</b>	<b>46 147</b>	<b>46 147</b>	<b>92 295</b>	<b>134 192</b>	<b>-</b>
Government bonds	16 102 346	28 623 454	3 198 536	2 302 591	1 408 590	4 474 077	17 239 660
Corporate bonds	3 344 333	3 859 651	312 187	320 184	1 132 848	208 152	1 886 280
Shares	24 874 428	-	-	-	-	-	-
Investment funds	46 537 497	-	-	-	-	-	-
Cash	19 194 920	3 527 915	3 527 915	-	-	-	-
Receivables	3 496 320	3 496 320	3 495 637	683	-	-	-
Other financial assets	-2 986 256	-2 986 256	-2 986 256	-	-	-	-
Derivatives	57 789	57 789	37 977	19 812	-	-	-
<b>Total assets</b>	<b>110 621 377</b>	<b>36 578 873</b>	<b>7 585 996</b>	<b>2 643 270</b>	<b>2 541 438</b>	<b>4 682 229</b>	<b>19 125 940</b>

\* Loans, financial reinsurance, investment contracts, other liabilities and provisions, lease liabilities



Expected run-off of assets and liabilities arising from insurance transactions:

DATA IN THUF

2023	LFRC (LIABILITY FOR REMAINING COVERAGE)	LFIC (LIABILITY FOR INCURRED CLAIMS)	SUBTOTAL	LFRC (LIABILITY FOR REMAINING COVERAGE)	LFIC (LIABILITY FOR INCURRED CLAIMS)	SUBTOTAL	TOTAL
Within 1 year	-890 850	221 459	-669 391	430 418	1 766 482	2 196 900	1 527 509
Within 2 years	-717 180	27 131	-690 050	3 706 819	1 093 880	4 800 698	4 110 649
Within 3 years	-572 458	4 419	-568 039	6 041 343	321 503	6 362 846	5 794 807
Within 4 years	-454 616	-	-454 616	7 932 600	26 777	7 959 377	7 504 761
Within 5 years	-359 669	-	-359 669	9 095 136	5 379	9 100 515	8 740 845
Over 5 years	-1 076 068	-	-1 076 068	69 890 792	3 539	69 894 330	68 818 263
	<b>-4 070 842</b>	<b>253 008</b>	<b>-3 817 833</b>	<b>97 097 107</b>	<b>3 217 560</b>	<b>100 314 666</b>	<b>96 496 833</b>

Expected run-off of assets and liabilities arising from reinsurance transactions:

DATA IN THUF

2023	LFRC (LIABILITY FOR REMAINING COVERAGE)	LFIC (LIABILITY FOR INCURRED CLAIMS)	SUBTOTAL	LFRC (LIABILITY FOR REMAINING COVERAGE)	LFIC (LIABILITY FOR INCURRED CLAIMS)	SUBTOTAL	TOTAL
Within 1 year	14 965	-156 860	-141 895	102 735	-50 435	52 299	-89 596
Within 2 years	96 708	-19 219	77 489	49 451	-5 870	43 581	121 070
Within 3 years	67 233	-3 119	64 114	47 192	-947	46 245	110 359
Within 4 years	48 510	-	48 510	39 486	-	39 486	87 997
Within 5 years	33 534	-	33 534	29 918	-	29 918	63 452
Over 5 years	81 280	-	81 280	133 151	-	133 151	214 431
	<b>342 231</b>	<b>-179 198</b>	<b>163 032</b>	<b>401 932</b>	<b>-57 252</b>	<b>344 681</b>	<b>507 713</b>

### 6.6.3. 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 costs related to the contracts generally arise in the currency that the income arises in.

The table below presents the foreign exchange risk sensitivity of financial assets and liabilities, and assets and liabilities from insurance and reinsurance transactions to CSM, result and equity by currency as at the end of 2023 and 2022:



DATA IN THUF

31 DECEMBER 2023	CSM	RESULT		EQUITY
	EUR	EUR	USD	EUR
Year-end FX rate	382,78	382,78	346	382,78
Possible change (+)	10%	10%	10%	10%
Possible change (-)	10%	10%	10%	10%
Impact of FX rate increase on financial assets (thousand forints)	-	34 240	260 261	-
Impact of FX rate decrease on financial assets (thousand forints)	-	-34 240	-260 261	-
Impact of FX rate increase on financial liabilities (thousand forints)	-	-35 180	-259 435	-
Impact of FX rate decrease on financial liabilities (thousand forints)	-	35 180	259 435	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies (thousand forints)	-92 411	110 718		-5 451 503
Impact of FX rate decrease on liabilities from insurance and reinsurance policies (thousand forints)	33 034	-123 699		5 410 723

DATA IN THUF

31 DECEMBER 2022	CSM	RESULT		EQUITY
	EUR	EUR	USD	EUR
Year-end FX rate	400,25	400,25	376	400,25
Possible change (+)	10%	10%	10%	10%
Possible change (-)	10%	10%	10%	10%
Impact of FX rate increase on financial assets (thousand forints)	-	121 873	284 445	-
Impact of FX rate decrease on financial assets (thousand forints)	-	-121 873	-284 445	-
Impact of FX rate increase on financial liabilities (thousand forints)	-	-61 830	-284 445	-
Impact of FX rate decrease on financial liabilities (thousand forints)	-	61 830	284 445	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies (thousand forints)	-382 147	151 549		-5 980 533
Impact of FX rate decrease on liabilities from insurance and reinsurance policies (thousand forints)	357 121	-236 781		6 228 985

#### 6.6.4. Interest rate risk

The Company determines the value of life insurance premium reserves prospectively using a technical interest rate, but besides the value of liabilities from insurance policies, under the current reserve-allocation rules, also the shift in the yield curve itself is reevaluated. 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 interest risk management is supported by the continuous monitoring of asset-liability matching.



The Company's own investments also carry an interest rate risk.

The following table presents the Company's interest-bearing receivables and liabilities as of 2022 and 2023 year-end:

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022
Fixed interest	35 840 398	19 446 684
Floating interest	-	-
<b>Interest-bearing assets</b>	<b>35 840 398</b>	<b>19 446 684</b>

The Company's interest-bearing assets and liabilities bore the following interest rates as of the end of 2022 and 2023:

	31 DECEMBER 2023			31 DECEMBER 2022	
	HUF	EUR	USD	HUF	EUR
Government bonds	1,5%-9,5%	0,5%-5%	6,13%-6,75%	0%-6,75%	1%
Corporate bonds	3,25%-16%	2,5%-9%	n/a	2%-14%	2,5%-4,5%
Cash and cash equivalents	18,24%	n/a	n/a	12,79%	n/a
Loans and financial reinsurance	n/a	n/a	n/a	n/a	3,38% - 7,91%
Lease liabilities	2,65%-3%	4,18%	n/a	2,65%-3%	2,7%-2,8%

The following table shows the interest rate sensitivity of assets and liabilities from insurance and reinsurance contracts, as well as financial assets and liabilities, i.e. the CSM, result and equity impact in the event of a 1% increase or decrease in the interest rate.

DATA IN THUF

2023	CSM		RESULT		EQUITY	
	INCREASE	DECREASE	INCREASE	DECREASE	INCREASE	DECREASE
Liabilities from insurance and reinsurance contracts	123 417	-249 831	-46 947	-4 563	1 327 614	-1 600 621
Financial assets and liabilities	-	-	-419 260	454 800	-	-
	<b>123 417</b>	<b>-249 831</b>	<b>-466 207</b>	<b>450 237</b>	<b>1 327 614</b>	<b>-1 600 621</b>

DATA IN THUF

2022	CSM		RESULT		EQUITY	
	INCREASE	DECREASE	INCREASE	DECREASE	INCREASE	DECREASE
Liabilities from insurance and reinsurance contracts	-2 554	11 198	11 207	-9 970	771 213	-855 898
Financial assets and liabilities	-	-	-253 414	272 791	-	-
	<b>-2 554</b>	<b>11 198</b>	<b>-242 207</b>	<b>262 821</b>	<b>771 213</b>	<b>-855 898</b>



### 6.6.5. Equity risk sensitivity analysis

The table below shows the equity risk sensitivity of assets and liabilities arising from insurance and reinsurance contracts and financial assets and liabilities, i.e. the CSM, result and equity impact of a 10% fall in the share price.

In the case of liabilities arising from insurance contracts, movements in the share price have an impact on the financial statements in the case of life insurance policies linked to investment units, while the financial assets include the risk of the strategic stake of the Insurer in OPUS due to movements in the share price, which is only reflected in the equity.

DATA IN THUF

2023	CSM DECREASE	RESULT DECREASE	EQUITY DECREASE
Liabilities from insurance and reinsurance contracts	283 159	-164 454	6 585 957
Financial assets and liabilities	-	-	-261 451
	<b>283 159</b>	<b>-164 454</b>	<b>6 324 507</b>

DATA IN THUF

2022	CSM DECREASE	RESULT DECREASE	EQUITY DECREASE
Liabilities from insurance and reinsurance policies	166 111	-171 979	5 685 624
Financial assets and liabilities	-	-	-80 747
	<b>166 111</b>	<b>-171 979</b>	<b>5 604 878</b>

## 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 Insurer 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 2023, the Insurer's available solvency margin is almost the double of the required solvency margin, thus significantly exceeding the 150 per cent level of the 50 per cent volatility buffer expected by the HFSA.

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)
Available solvency capital for SCR	20 741 620	15 968 888
Available solvency capital for MCR	20 537 591	15 968 888
Solvency capital requirement (SCR)	8 951 606	7 733 016
Minimum capital requirement (MCR)	2 602 000	2 392 000
Capital adequacy (compared to SCR)	232%	207%
Capital adequacy (compared to MCR)	789%	668%

The value of "Solvency Capital that can be taken into account to cover the Solvency Capital Requirement" as of 31.12.2022 comprises the amount established in the annual Solvency II report, which has changed slightly compared to the published report.

## 8. FINANCIAL INFORMATION BY SEGMENTS

DATA IN THUF

2023 – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY PORTFOLIO GROUP	GROUP LIFE, ACCIDENT AND HEALTH	INDIVIDUAL ACCIDENT AND HEALTH	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE INSURANCE	CREDIT COVERAGE	OTHER	TOTAL
Insurance revenue	3 586 358	419 817	265 379	3 456 381	406 798	2 551 999	1 127 952	-	11 814 684
Insurance service expenses	-3 229 518	-285 077	-306 426	-2 695 150	-378 197	-1 802 956	-1 370 062	-	-10 067 386
Reinsurance expense- allocation of premium	-27 186	-82 680	-	- 42 584	- 34 774	- 230 858	- 264 117	-	-682 199
Amount recoverables from reinsurance	15 612	93 189	-	12 086	2 555	129 066	721 258	-	973 766
<b>Insurance service result</b>	<b>345 266</b>	<b>145 249</b>	<b>- 41 047</b>	<b>730 733</b>	<b>- 3 618</b>	<b>647 251</b>	<b>215 031</b>	<b>-</b>	<b>2 038 865</b>
Interest income calculated using the effective interest method	-	-	-	-	-	-	-	1 251 844	1 251 844
Investment income	-	-	-	-	-	-	-	7 976 177	7 976 177
Impairment and reversed impairment of Financial assets	-	-	-	-	-	-	-	3 271	3 271
Investment expenses	-	-	-	-	-	-	-	110 148	110 148
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	454 329	454 329
<b>Investment income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 795 769</b>	<b>9 795 769</b>
Insurance financial result	-13 467	-2 992	-1 188 653	-5 914 060	-485 673	-5 999	70 170	-	-7 540 674
Reinsurance financial result	786	-10 915	-	-4 291	875	3 684	-44 811	-	-54 672
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	-402 894	-402 894
<b>Financial results</b>	<b>-12 681</b>	<b>-13 907</b>	<b>-1 188 653</b>	<b>-5 918 351</b>	<b>-484 798</b>	<b>-2 315</b>	<b>25 359</b>	<b>-402 894</b>	<b>-7 998 240</b>
Premium and commission income from investment contracts	-	-	-	-	-	-	-	76 621	76 621
Other operating costs	-	-	-	-	-	-	-	-180 920	-180 920
Other (non-financial) income	-	-	-	-	-	-	-	317 602	317 602
Other (non-financial) expenses	-	-	-	-	-	-	-	-380 404	-380 404
<b>Profit/loss before taxation</b>	<b>332 585</b>	<b>131 342</b>	<b>-1 229 700</b>	<b>-5 187 618</b>	<b>-488 416</b>	<b>644 936</b>	<b>240 390</b>	<b>9 225 774</b>	<b>9 225 774</b>



DATA IN THUF

2023 – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY PORTFOLIO GROUP	GROUP LIFE, ACCIDENT AND HEALTH	INDIVIDUAL ACCIDENT AND HEALTH	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE INSURANCE	CREDIT COVERAGE	OTHER	TOTAL
Tax income / (expenses)	-	-	-	-	-	-	-	-746 723	-746 723
Deferred tax income / (expenses)	-	-	-	-	-	-	-	14 780	14 780
<b>Total profit/loss after taxation</b>	<b>332 585</b>	<b>131 342</b>	<b>- 1 229 700</b>	<b>- 5 187 618</b>	<b>-488 416</b>	<b>644 936</b>	<b>240 390</b>	<b>8 493 831</b>	<b>2 937 350</b>
Change in net fair value of investments valued at fair value against other comprehensive income								3 099 067	3 099 067
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-2 172 815	493 313	92 312	-	-1 587 190
OCI from insurance contracts	-	-	-	-4 328	1 975	-68 112	-86 594	-	-157 059
<b>OCI from reinsurance contracts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4 328</b>	<b>-2 170 840</b>	<b>425 201</b>	<b>5 718</b>	<b>3 099 067</b>	<b>1 354 818</b>
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 806 883</b>	<b>1 806 883</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4 328</b>	<b>-2 170 840</b>	<b>425 201</b>	<b>5 718</b>	<b>4 905 950</b>	<b>3 161 701</b>
<b>Total comprehensive income</b>	<b>332 585</b>	<b>131 342</b>	<b>-1 229 700</b>	<b>-5 191 946</b>	<b>-2 659 256</b>	<b>1 070 137</b>	<b>246 108</b>	<b>13 399 781</b>	<b>6 099 051</b>



DATA IN THUF

2022 – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY PORTFOLIO GROUP	GROUP LIFE, ACCIDENT AND HEALTH	INDIVIDUAL ACCIDENT AND HEALTH	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE	CREDIT COVERAGE	OTHER	TOTAL
Insurance revenue	2 621 048	275 732	229 881	3 717 885	574 194	1 484 978	376 373	-	9 280 091
Insurance service expenses	-2 463 772	-252 576	-139 616	-2 897 074	-523 398	-972 839	-905 347	-	-8 154 622
Reinsurance expense- allocation of premium	-30 868	-174 839	-	-86 622	-51 859	-114 286	-78 176	-	-536 650
Amount recoverables from reinsurance	12 337	131 544	-	114 872	35 833	60 269	470 572	-	825 427
<b>Insurance service result</b>	<b>138 745</b>	<b>-20 139</b>	<b>90 265</b>	<b>849 061</b>	<b>34 770</b>	<b>458 122</b>	<b>-136 578</b>	<b>-</b>	<b>1 414 246</b>
Interest income calculated using the effective interest method	-	-	-	-	-	-	-	770 141	770 141
Investment income	-	-	-	-	-	-	-	705 671	705 671
Impairment and reversed impairment of Financial assets	-	-	-	-	-	-	-	-7 072	-7 072
Investment expenses	-	-	-	-	-	-	-	-3 193 733	-3 193 733
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	834 500	834 500
<b>Investment income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-890 493</b>	<b>-890 493</b>
Insurance financial result	1 767	994	272 447	1 636 188	-288 985	44 338	29 636	-	1 696 385
Reinsurance financial result	-703	-10 682	-	-3 498	-1 921	-3 890	-27 897	-	-48 591
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	178 470	178 470
<b>Financial results</b>	<b>1 064</b>	<b>-9 688</b>	<b>272 447</b>	<b>1 632 690</b>	<b>-290 906</b>	<b>40 448</b>	<b>1 739</b>	<b>178 470</b>	<b>1 826 264</b>



DATA IN THUF

2022 – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY PORTFOLIO GROUP	GROUP LIFE, ACCIDENT AND HEALTH	INDIVIDUAL ACCIDENT AND HEALTH	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE	CREDIT COVERAGE	OTHER	TOTAL
Premium and commission income from investment contracts	-	-	-	-	-	-	-	105 045	105 045
Other operating costs	-	-	-	-	-	-	-	-317 272	-317 272
Other (non-financial) income	-	-	-	-	-	-	-	356 104	356 104
Other (non-financial) expenses	-	-	-	-	-	-	-	-368 122	-368 122
<b>Profit/loss before taxation</b>	<b>139 809</b>	<b>-29 827</b>	<b>362 712</b>	<b>2 481 751</b>	<b>-256 136</b>	<b>498 570</b>	<b>-134 839</b>	<b>-936 268</b>	<b>2 125 772</b>
Tax income / (expenses)	-	-	-	-	-	-	-	-240 028	-240 028
Deferred tax income / (expenses)	-	-	-	-	-	-	-	-	-
<b>Total profit/loss after taxation</b>	<b>139 809</b>	<b>-29 827</b>	<b>362 712</b>	<b>2 481 751</b>	<b>-256 136</b>	<b>498 570</b>	<b>-134 839</b>	<b>-1 176 296</b>	<b>1 885 744</b>
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-	-	-	-3 012 264	-3 012 264
OCI from insurance contracts	-	-	-	-	2 435 439	-315 838	-69 784	-	2 049 817
OCI from reinsurance contracts	-	-	-	6 786	-4 822	65 314	76 250	-	143 528
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 786</b>	<b>2 430 617</b>	<b>-250 524</b>	<b>6 466</b>	<b>-3 012 264</b>	<b>-818 919</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-602 294</b>	<b>-602 294</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 786</b>	<b>2 430 617</b>	<b>-250 524</b>	<b>6 466</b>	<b>-3 614 558</b>	<b>-1 421 213</b>
<b>Total comprehensive income</b>	<b>139 809</b>	<b>-29 827</b>	<b>362 712</b>	<b>2 488 537</b>	<b>2 174 481</b>	<b>248 046</b>	<b>-128 373</b>	<b>-4 790 854</b>	<b>464 531</b>



The 56% rise in our consolidated accounting profit after tax means that our profit for 2022 under IFRS 17 increased from HUF 1,886 million to HUF 2,937 million. **The biggest contributor to our growth was the income from our investments due to the high yield environment**, as we were able to earn higher interest rates on the amounts invested from our maturing or sold securities this year.

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

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

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

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

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

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

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

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

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

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



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

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

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

**Credit coverage insurance and account protection products** (annual profit improvement: HUF 372 million): In the third quarter of 2022 the portfolio group was expanded with group credit coverage insurance contracts taken over from BNP Paribas Cardif Insurer. For the group credit coverage insurance contracts taken over, the Insurer formed a loss component in the quarter of takeover (2022Q3), which had a negative effect on the result of 2022. This loss component was formed due to the profit assumptions calculated from the assumed cash flows expected from the portfolio. If everything develops as expected by the Insurer, this portfolio will not cause any further losses for the Insurer. A similar loss component was not needed in 2023, and this effect will significantly improve our result year-on-year. The result also increased due to the growth of the portfolio. In spring 2022, the sale of a wide range of credit insurance products through Magyar Bankholding member companies was launched, which contributes significantly to the continued growth of the portfolio group.

## 9. CSM – CONTRACTUAL SERVICE MARGIN

The contractual service margin or CSM is a component of the insurance asset or liability associated with a given GIC that represents the expected future profit not yet earned. This is recognised as revenue by the insurer at the rate at which the service is provided in relation to the given GIC.

The derivation of the change in the CSM in 2023 by source of profit is shown in the table below:

DATA IN THUF

CONTRACTUAL SERVICE MARGIN - DIRECT	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE	CREDIT COVERAGE	TOTAL
<b>Opening insurance contract assets</b>	-	-	-	<b>-1 667 081</b>	-	<b>-1 667 081</b>
<b>Opening insurance contract liabilities</b>	<b>-45 625</b>	<b>-1 886 001</b>	<b>-1 408 410</b>	<b>-29 626</b>	<b>-51 706</b>	<b>-3 421 368</b>
Changes related to current services						
- CSM recognized in profit and loss	7 940	555 898	83 113	681 809	42 238	1 370 998
Changes related to future services						
- Contracts initially recognized in the period	-69 769	-526 950	-96 657	-889 782	-300 876	-1 884 034
- Changes in estimates that adjust CSM	83 936	-1 185 147	675 334	-285 925	274 734	-437 068
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	-	-	-208 793	-46 193	-254 986
Net foreign exchange income or expense	505	5 767	1 468	-	-	7 740
<b>Closing insurance contract assets</b>	-	-	-	<b>-2 345 585</b>	-	<b>-2 345 585</b>
<b>Closing insurance contract liabilities</b>	<b>-23 013</b>	<b>-3 036 433</b>	<b>-745 152</b>	<b>-53 813</b>	<b>-81 803</b>	<b>-3 940 214</b>

The concept of CSM can also be applied to reinsurance contracts:

DATA IN THUF

CONTRACTUAL SERVICE MARGIN - REINSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE	CREDIT COVERAGE	TOTAL
<b>Opening reinsurance contract assets</b>	-	<b>-8 001</b>	<b>208 459</b>	<b>47 098</b>	<b>247 556</b>
<b>Opening reinsurance contract liabilities</b>	<b>11 285</b>	-	<b>10 626</b>	<b>272 701</b>	<b>294 612</b>
Changes related to current services					
- CSM recognized in profit and loss	- 961	-1 007	-38 150	-10 554	-50 672
Changes related to future services					
- Contracts initially recognized in the period	-	-101	190 071	-	189 970
- Changes in estimates that adjust CSM	-4 561	13 733	-158 939	-84 439	-234 206
- Changes in estimates that result in onerous contracts or reversal of losses	-23	44	2 779	148 245	151 045
Insurance finance expenses through profit and loss	608	- 769	24 870	29 107	53 816
Net foreign exchange income or expense	-	-	-	-	-
<b>Closing reinsurance contract assets</b>	-	<b>355</b>	-	<b>402 158</b>	<b>402 513</b>
<b>Closing reinsurance contract liabilities</b>	<b>6 348</b>	<b>3 544</b>	<b>239 716</b>	-	<b>249 608</b>



The derivation of the change in the CSM in 2022 by source of profit is shown in the table below:

DATA IN THUF

CONTRACTUAL SERVICE MARGIN - DIRECT	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
<b>Opening insurance contract assets</b>	-	-	-	<b>-1 155 293</b>	<b>-13 593</b>	<b>-1 168 886</b>
<b>Opening insurance contract liabilities</b>	<b>-61 070</b>	<b>-1 829 825</b>	<b>-706 301</b>	<b>-23 950</b>	-	<b>-2 621 146</b>
Changes related to current services						
- CSM recognized in profit and loss	19 662	466 497	226 004	350 571	10 614	1 073 348
Changes related to future services						
- Contracts initially recognized in the period	-43 820	-410 588	-92 444	-669 320	-36 446	-1 252 618
- Changes in estimates that adjust CSM	41 196	-66 166	-832 117	- 131 080	-9 600	-997 767
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	-	-	- 67 634	-2 680	-70 314
Net foreign exchange income or expense	-1 593	-45 920	- 3 551	-	-	-51 064
<b>Closing insurance contract assets</b>	-	-	-	<b>-1 667 081</b>	-	<b>-1 667 081</b>
<b>Closing insurance contract liabilities</b>	<b>-45 625</b>	<b>-1 886 001</b>	<b>-1 408 410</b>	<b>-29 626</b>	<b>-51 706</b>	<b>-3 421 368</b>

The concept of CSM can also be applied to reinsurance contracts 2022

DATA IN THUF

CONTRACTUAL SERVICE MARGIN - REINSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
<b>Opening reinsurance contract assets</b>	-	<b>-9 870</b>	-	-	<b>-9 870</b>
<b>Opening reinsurance contract liabilities</b>	<b>2 326</b>	-	<b>192 488</b>	<b>11 715</b>	<b>206 529</b>
Changes related to current services					
- CSM recognized in profit and loss	-1 546	3 990	-46 324	40 417	-3 463
Changes related to future services					
- Contracts initially recognized in the period	-	-90	84 398	22 541	106 849
- Changes in estimates that adjust CSM	10 378	236	-19 074	-167 111	-175 571
- Changes in estimates that result in onerous contracts or reversal of losses	23	-1 469	187	410 807	409 548
Insurance finance expenses through profit and loss	103	-798	7 409	1 430	8 144
Net foreign exchange income or expense	-	-	-	-	-
<b>Closing reinsurance contract assets</b>	-	<b>-8 001</b>	<b>208 459</b>	<b>47 098</b>	<b>247 556</b>
<b>Closing reinsurance contract liabilities</b>	<b>11 285</b>	-	<b>10 626</b>	<b>272 701</b>	<b>294 612</b>



The expected release of CSM and reinsurance CSM into the result at the end of 2023 is shown in the tables below:

DATA IN THUF

<b>CSM - DIRECT</b>	<b>SINGLE PREMIUM UL</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>CREDIT COVERAGE INSURANCE</b>	<b>TOTAL</b>
Year 1	6 888	74 245	30 248	491 281	488 519	1 091 181
Year 2	5 048	70 355	18 132	372 114	388 283	853 932
Year 3	3 469	66 981	11 260	300 649	320 134	702 493
Year 4	2 302	63 152	7 036	245 635	272 311	590 436
Year 5	1 448	58 460	4 459	201 010	236 045	501 422
Year 5 +	3 857	411 959	10 667	788 709	1 331 141	2 546 333

DATA IN THUF

<b>CSM - REINSURANCE</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>CREDIT COVERAGE INSURANCE</b>	<b>TOTAL</b>
Year 1	1 398	878	76 525	125 304	204 105
Year 2	1 052	718	44 382	82 120	128 272
Year 3	797	583	30 346	56 205	87 931
Year 4	618	470	23 393	39 049	63 530
Year 5	489	347	15 102	27 468	43 406
Year 5 +	1 993	905	49 967	72 013	124 878

The table below provides the breakdown of the CSM of insurance contracts according to the transition methods detailed in section 3.5:

DATA IN THUF

<b>FAIR VALUE APPROACH 2023</b>	<b>SINGLE PREMIUM UL</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>TOTAL</b>
Opening balance	868	270 084	843 055	26 162	1 140 169
Changes related to current services					
- CSM recognized in profit and loss	-225	-141 136	-38 328	-7 021	-186 710
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	-	-
- Changes in estimates that adjust CSM	216	248 730	- 503 784	1 945	-252 893
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	1 409	1 409
Insurance finance expenses through profit and loss	5	-7	-209	-	-212
Closing balance	864	377 670	300 734	22 494	701 762

DATA IN THUF

<b>FULL RETROSPECTIVE APPROACH 2023</b>	<b>SINGLE PREMIUM UL</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>CREDIT COVERAGE INSURANCE</b>	<b>TOTAL</b>
Opening balance	44 757	1 615 918	565 354	1 670 546	51 706	3 948 281
Changes related to current services						
- CSM recognized in profit and loss	-7 715	-414 762	-44 785	-674 788	- 42 238	-1 184 288
Changes related to future services						
- Contracts initially recognized in the period	69 769	526 950	96 657	889 782	300 874	1 884 032
- Changes in estimates that adjust CSM	-84 152	936 417	-171 549	283 979	-274 734	689 961
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	207 384	46 193	253 578
Insurance finance expenses through profit and loss	-510	-5 759	-1 258	-	-	-7 528
Closing balance	22 149	2 658 763	444 419	2 376 903	81 802	5 584 036



DATA IN THUF

<b>FAIR VALUES APPROACH 2022</b>	<b>SINGLE PREMIUM UL</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>TOTAL</b>
Opening balance	4 550	415 486	480 586	12 910	913 532
Changes related to current services					
- CSM recognized in profit and loss	-328	-78 025	-166 796	-8 165	-253 314
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	-	-
- Changes in estimates that adjust CSM	-3 397	-87 832	528 309	20 844	457 924
Insurance finance expenses through profit and loss	-	-	-	573	573
Net foreign exchange income or expense	43	20 455	955	-	21 454
Closing balance	868	270 084	843 055	26 162	1 140 169

DATA IN THUF

<b>FULL RETROSPECTIVE APPROACH 2022</b>	<b>SINGLE PREMIUM UL</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>CREDIT COVERAGE INSURANCE</b>	<b>TOTAL</b>
Opening balance	56 520	1 414 338	225 715	1 166 334	13 593	2 876 500
Changes related to current services						
- CSM recognized in profit and loss	-19 334	-388 472	-59 208	-342 406	-10 614	-820 034
Changes related to future services						
- Contracts initially recognized in the period	43 820	410 588	92 444	669 320	36 446	1 252 618
- Changes in estimates that adjust CSM	-37 799	153 998	303 808	110 236	9 600	539 844
Insurance finance expenses through profit and loss	-	-	-	67 062	2 680	69 742
Net foreign exchange income or expense	1 550	25 465	2 596	-	-	29 611
Closing balance	44 757	1 615 918	565 354	1 670 546	51 706	3 948 281

The table below provides the breakdown of the CSM of reinsurance contracts according to the transition methods detailed in section 3.5:

DATA IN THUF

FAIR VALUE APPROACH 2023	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	TOTAL
Opening balance	11 285 194	967 793	-72 175	12 180 812
Changes related to current services				
- CSM recognized in profit and loss	-960 819	-1 091 352	861 283	-1 190 888
Changes related to future services				
- Contracts initially recognized in the period	-	-	-	-
- Changes in estimates that adjust CSM	-4 560 914	3 999 782	-3 463 566	-4 024 698
- Changes in estimates that result in onerous contracts or reversal of losses	-23 269	-	2 778 667	2 755 398
Insurance finance expenses through profit and loss	607 600	52 106	-3 886	655 820
Net foreign exchange income or expense	-	-	-	-
Closing balance	6 347 792	3 928 329	100 324	10 376 445

DATA IN THUF

FULL RETROSPECTIVE APPROACH 2023	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening balance	-8 969 001	219 156 737	319 798 888	529 986 624
Changes related to current services				
- CSM recognized in profit and loss	84 657	-39 011 013	-10 554 141	-49 480 497
Changes related to future services				
- Contracts initially recognized in the period	-100 751	190 071 157	-	189 970 407
- Changes in estimates that adjust CSM	9 733 155	-155 475 148	-84 438 865	-230 180 858
- Changes in estimates that result in onerous contracts or reversal of losses	43 792	-	148 245 442	148 289 234
Insurance finance expenses through profit and loss	-820 959	24 873 585	29 107 159	53 159 785
Net foreign exchange income or expense	-	-	-	-
Closing balance	-29 107	239 615 319	402 158 482	641 744 695



DATA IN THUF

<b>FAIR VALUE APPROACH 2022</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>TOTAL</b>
Opening balance	2 326 436	950 309	-1 753 732	1 523 013
Changes related to current services				
- CSM recognized in profit and loss	-1 545 748	-271 414	72 624	-1 744 538
Changes related to future services				
- Contracts initially recognized in the period	-	-	-	-
- Changes in estimates that adjust CSM	10 378 030	246 684	1 509 974	12 134 688
- Changes in estimates that result in onerous contracts or reversal of losses	23 269	-	176 787	200 056
Insurance finance expenses through profit and loss	103 208	42 215	-77 829	67 593
Net foreign exchange income or expense	-	-	-	-
Closing balance	11 285 194	967 793	-72 175	12 180 812

DATA IN THUF

<b>FULL RETROSPECTIVE APPROACH 2022</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>CREDIT COVERAGE INSURANCE</b>	<b>TOTAL</b>
Opening balance	-10 820 346	194 241 510	11 714 800	195 135 965
Changes related to current services				
- CSM recognized in profit and loss	4 261 542	-46 396 318	40 417 447	-1 717 329
Changes related to future services				
- Contracts initially recognized in the period	-89 711	84 398 162	22 540 571	106 849 021
- Changes in estimates that adjust CSM	-10 558	-20 584 290	-167 110 630	-187 705 479
- Changes in estimates that result in onerous contracts or reversal of losses	-1 469 364	10 469	410 806 892	409 347 997
Insurance finance expenses through profit and loss	-840 563	7 487 204	1 429 808	8 076 449
Net foreign exchange income or expense	-	-	-	-
Closing balance	-8 969 001	219 156 737	319 798 888	529 986 624

## 10. INSURANCE INCOME

2023

DATA IN THUF

AMOUNTS RELATING TO CHANGES IN LFRC	GROUP LIFE, ACCIDENT AND HEALTH	INDIVIDUAL ACCIDENT AND HEALTH	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE	CREDIT COVERAGE	TOTAL
- Expected benefits incurred	-	-	48 984	238 818	146 997	766 414	325 277	1 526 490
- Expected expenses incurred	-	-	101 094	1 197 618	114 599	405 565	465 502	2 284 378
- Change in the risk adjustment	-	-	5 843	236 533	26 560	91 499	36 645	397 080
- CSM recognized	-	-	7 940	555 898	83 113	681 809	42 238	1 370 998
Recovery of acquisition cash flows	-	-	101 518	1 227 514	35 529	606 712	258 290	2 229 563
Experience adjustments	-	-	-	-	-	-	-	-
<b>Contracts not measured under PAA</b>	-	-	<b>265 379</b>	<b>3 456 381</b>	<b>406 798</b>	<b>2 551 999</b>	<b>1 127 952</b>	<b>7 808 509</b>
<b>Contracts measured under PAA</b>	<b>3 586 358</b>	<b>419 817</b>	-	-	-	-	-	<b>4 006 175</b>
<b>Total insurance revenue</b>	<b>3 586 358</b>	<b>419 817</b>	<b>265 379</b>	<b>3 456 381</b>	<b>406 798</b>	<b>2 551 999</b>	<b>1 127 952</b>	<b>11 814 684</b>


**2022**

DATA IN THUF

AMOUNTS RELATING TO CHANGES IN LFRC	GROUP LIFE, ACCIDENT AND HEALTH	INDIVIDUAL ACCIDENT AND HEALTH	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE	CREDIT COVERAGE	TOTAL
- Expected benefits incurred	-	-	22 239	170 547	138 971	519 654	92 764	944 175
- Expected expenses incurred	-	-	97 451	1 340 120	151 318	207 677	88 032	1 884 598
- Change in the risk adjustment	-	-	3 557	233 565	12 314	77 237	11 252	337 925
- CSM recognized	-	-	19 662	466 497	226 004	350 571	10 614	1 073 348
Recovery of acquisition cash flows	-	-	86 972	1 507 156	45 587	329 839	173 711	2 143 265
Experience adjustments	-	-	-	-	-	-	-	-
<b>Contracts not measured under PAA</b>	-	-	<b>229 881</b>	<b>3 717 885</b>	<b>574 194</b>	<b>1 484 978</b>	<b>376 373</b>	<b>6 383 311</b>
<b>Contracts measured under PAA</b>	<b>2 621 048</b>	<b>275 732</b>	-	-	-	-	-	<b>2 896 780</b>
<b>Total insurance revenue</b>	<b>2 621 048</b>	<b>275 732</b>	<b>229 881</b>	<b>3 717 885</b>	<b>574 194</b>	<b>1 484 978</b>	<b>376 373</b>	<b>9 280 091</b>



The table below provides the breakdown of the insurance income according to the transition methods detailed in section 3.5:

DATA IN THUF

<b>INSURANCE REVENUE 2023</b>	<b>GROUP LIFE, ACCIDENT AND HEALTH INSURANCE</b>	<b>INDIVIDUAL ACCIDENT AND HEALTH INSURANCE</b>	<b>SINGLE PREMIUM UL</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>CREDIT COVERAGE INSURANCE</b>	<b>TOTAL</b>
Fair value approach	-	-	20 654	784 711	236 967	50 531	-	1 092 862
Full retrospective approach	3 586 357	419 817	244 726	2 671 671	169 831	2 501 467	1 127 953	10 721 822

DATA IN THUF

<b>INSURANCE REVENUE 2022</b>	<b>GROUP LIFE, ACCIDENT AND HEALTH INSURANCE</b>	<b>INDIVIDUAL ACCIDENT AND HEALTH INSURANCE</b>	<b>SINGLE PREMIUM UL</b>	<b>REGULAR PREMIUM UL</b>	<b>TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE</b>	<b>RISK LIFE INSURANCE</b>	<b>CREDIT COVERAGE INSURANCE</b>	<b>TOTAL</b>
Fair value approach	- 1 366	-	24 285	821 254	382 071	53 287	-	1 279 531
Full retrospective approach	2 622 411	275 732	205 597	2 896 632	192 124	1 431 691	376 373	8 000 560



## 11. INSURANCE SERVICE EXPENSES

DATA IN THUF

2023.	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Incurring benefits	937 390	198 532	3 140	336 641	219 950	726 819	502 785	2 925 257
Incurring directly attributable expenses	859 290	46 029	129 463	1 246 331	134 389	382 908	301 358	3 099 768
Losses on onerous contracts and reversal of those losses	5 459	-6 716	101 441	39 059	134 777	-323	251 209	524 906
Changes that relate to past service - adjustments to LfIC	- 80 211	-89 654	-29 136	-154 395	-146 448	86 840	56 420	-356 584
Insurance acquisition costs	1 507 590	136 886	101 518	1 227 514	35 529	606 712	258 290	3 874 039
<b>Total insurance service expense</b>	<b>3 229 518</b>	<b>285 077</b>	<b>306 426</b>	<b>2 695 150</b>	<b>378 197</b>	<b>1 802 956</b>	<b>1 370 062</b>	<b>10 067 386</b>



DATA IN THUF

2022.	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Incurred benefits	557 245	232 703	26 555	161 784	306 691	439 508	91 641	1 816 127
Incurred directly attributable expenses	1 390 901	52 869	162 830	1 023 446	160 446	183 433	96 419	3 070 344
Losses on onerous contracts and reversal of those losses	22 142	13 027	29 302	33 773	60 161	987	543 574	702 966
Changes that relate to past service - adjustments to LfIC	-113 443	-99 840	-166 043	170 915	-49 487	19 072	-	-238 826
Insurance acquisition costs	606 927	53 817	86 972	1 507 156	45 587	329 839	173 713	2 804 011
<b>Total insurance service expense</b>	<b>2 463 772</b>	<b>252 576</b>	<b>139 616</b>	<b>2 897 074</b>	<b>523 398</b>	<b>972 839</b>	<b>905 347</b>	<b>8 154 622</b>

## 12. REINSURANCE RESULT

2023

DATA IN THUF

EXPECTED EXPENSES FOR CONTRACTS NOT MEASURED UNDER PAA	GROUP LIFE, ACCIDENT AND HEALTH	INDIVIDUAL ACCIDENT AND HEALTH	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE	TOTAL
- Expected recovery of claims and other expenses	-	-	8 584	18 081	109 012	260 031	395 708
- Change in the risk adjustment	-	-	1 102	734	10 070	-6 468	5 438
- CSM recognized	-	-	961	1 007	38 150	10 554	50 672
- Experience adjustments	-	-	-	-	-	-	-
Expected expenses for contracts measured under PAA	27 186	82 608	31 937	14 952	73 626	-	230 381
<b>Allocation of reinsurer premium</b>	<b>27 186</b>	<b>82 680</b>	<b>42 584</b>	<b>34 774</b>	<b>230 858</b>	<b>264 117</b>	<b>682 199</b>
Amounts recovered for claims and other expenses	7 930	192 007	16 323	5 285	123 619	526 537	871 701
Incurred directly attributable expenses	-	-	-	-	-	-	-
Changes that relate to past service - recoverable claims and other expenses	7 682	-98 818	-4 214	-2 774	2 668	46 476	-48 980
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-23	44	2 779	148 245	151 045
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
<b>Amounts recoverable from reinsurer and incurred expenses</b>	<b>15 612</b>	<b>93 189</b>	<b>12 086</b>	<b>2 555</b>	<b>129 066</b>	<b>721 258</b>	<b>973 766</b>
<b>Net expense from reinsurance contracts held</b>	<b>11 574</b>	<b>-10 509</b>	<b>30 498</b>	<b>32 219</b>	<b>101 792</b>	<b>-457 141</b>	<b>-291 567</b>


**2022**

DATA IN THUF

EXPECTED EXPENSES FOR CONTRACTS NOT MEASURED UNDER PAA	GROUP LIFE, ACCIDENT AND HEALTH	INDIVIDUAL ACCIDENT AND HEALTH	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS	RISK LIFE	TOTAL
- Expected recovery of claims and other expenses	-	174 839	83 662	55 127	55 910	107 089	476 627
- Change in the risk adjustment	-	-	1 414	722	12 052	11 505	25 693
- CSM recognized	-	-	1 546	-3 990	46 324	-40 418	3 462
- Experience adjustments	-	-	-	-	-	-	-
Expected expenses for contracts measured under PAA	30 868	-	-	-	-	-	30 868
<b>Allocation of reinsurer premium</b>	<b>30 868</b>	<b>174 839</b>	<b>86 622</b>	<b>51 859</b>	<b>114 286</b>	<b>78 176</b>	<b>536 650</b>
Amounts recovered for claims and other expenses	24 647	143 746	124 660	39 871	55 580	59 792	448 296
Incurred directly attributable expenses	-	-	-	-	-	-	-
Changes that relate to past service - recoverable claims and other expenses	-12 310	-12 202	- 9 811	-2 569	4 502	-	-32 390
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	23	-1 469	187	410 780	409 521
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
<b>Amounts recoverable from reinsurer and incurred expenses</b>	<b>12 337</b>	<b>131 544</b>	<b>114 872</b>	<b>35 833</b>	<b>60 269</b>	<b>470 572</b>	<b>825 427</b>
<b>Net expense from reinsurance contracts held</b>	<b>18 531</b>	<b>43 295</b>	<b>-28 250</b>	<b>16 026</b>	<b>54 017</b>	<b>-392 396</b>	<b>-288 777</b>

## 13. FINANCIAL RESULT

DATA IN THUF

2023 - DIRECT	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Interest accreted to insurance contracts	-9 341	-2 185	-1 633 297	-9 301 362	-462 875	7 675	66 855	-11 334 530
Change in financial assumptions through P&L	-4 126	-807	340 794	2 851 806	-31 328	-14 538	3 315	3 145 116
Change in financial assumptions through OCI	-	-	-	-	-2 172 815	493 313	92 312	-1 587 190
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	864	-	864
Effect of risk mitigation on CSM for contracts measured under VFA	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	-	-	103 850	535 496	8 530	-	-	647 876
<b>Total insurance finance expense</b>	<b>-13 467</b>	<b>-2 992</b>	<b>-1 188 653</b>	<b>-5 914 060</b>	<b>-2 658 488</b>	<b>487 314</b>	<b>162 482</b>	<b>-9 127 864</b>

DATA IN THUF

2023 - REINSURANCE	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Interest accreted to reinsurance contracts	552	781	-	-958	730	4 018	-44 811	-39 688
Change in financial assumptions through P&L	118	-44	-	-2 710	1	-406	-	-3 041
Change in financial assumptions through OCI	-	-	-	-4 328	1 975	-68 112	-86 594	-157 059
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	116	-11 652	-	-623	144	72	-	-11 943
<b>Total reinsurance finance income</b>	<b>786</b>	<b>-10 915</b>	<b>-</b>	<b>-8 619</b>	<b>2 850</b>	<b>-64 428</b>	<b>-131 405</b>	<b>-211 731</b>



DATA IN THUF

2022 - DIRECT	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	TOTAL
Interest accreted to insurance contracts	-4 180	-404	-476 687	-2 896 652	-340 677	19 422	31 291	-3 667 887
Change in financial assumptions through P&L	5 947	1 398	914 417	5 631 021	62 414	24 837	-1 655	6 638 379
Change in financial assumptions through OCI	-	-	-	-	2 435 439	-315 838	-69 784	2 049 817
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	79	-	79
Effect of risk mitigation on CSM for contracts measured under VFA	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	-	-	-165 283	-1 098 181	-10 722	-	-	-1 274 186
<b>Total insurance finance expense</b>	<b>1 767</b>	<b>994</b>	<b>272 447</b>	<b>1 636 188</b>	<b>2 146 454</b>	<b>-271 500</b>	<b>-40 148</b>	<b>3 746 202</b>

DATA IN THUF

2022- REINSURANCE	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE
Interest accreted to reinsurance contracts	244	-13	-	-1 189	475	-3 529	-27 896	-31 908
Change in financial assumptions through P&L	-378	-389	-	6 062	-87	-13	-	5 195
Change in financial assumptions through OCI	-	-	-	6 786	-4822	65 314	76 249	143 527
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	-569	-10 280	-	-8 371	-2 309	-348	-	-21 877
<b>Total reinsurance finance income</b>	<b>-703</b>	<b>-10 682</b>	<b>-</b>	<b>3 288</b>	<b>-6 743</b>	<b>61 424</b>	<b>48 353</b>	<b>94 937</b>



## 14. RESULT ON INVESTMENTS

DATA IN THUF

	2023	2022 (RESTATED)
Effective interest income	1 251 844	770 141
<b>Interest income based on effective interest method</b>	<b>1 251 844</b>	<b>770 141</b>
Gains on investment sales	134 262	50 271
Realised gains on derivatives	450 056	18 378
Unrealised gains on derivatives	76 687	33 531
Foregin currency gains	52 543	123 902
Fair value change gain	7 262 629	479 589
<b>Income from investments</b>	<b>7 976 177</b>	<b>705 671</b>
<b>Dividend from associates</b>	<b>454 329</b>	<b>834 500</b>
Operation expenses on investments	47 229	43 770
Realised losses on derivatives	74 686	28 748
Interest paid	18 866	-
Foreign currency losses	244 833	34 131
Losses on investment sales	452 614	146 344
Losses on fair value change	-	2 481 001
Interest on lease liabilities	7 032	10 329
Impairment of shares in subsidiaries	-955 408	449 410
<b>Expense on investments</b>	<b>-110 148</b>	<b>3 193 733</b>
<b>Impairment and impairment reversal of financial assets</b>	<b>-3 271</b>	<b>7 072</b>
<b>Total income from (expenses on) investments</b>	<b>9 795 769</b>	<b>-890 493</b>

The loss/gain on the change in fair value is the return on customers' unit-linked investments, which last year was primarily a loss due to the fall in the stock market, but in 2023 the markets corrected and a significant profit was achieved.

The year 2023 was similarly eventful as previous years. The first quarter was dominated by news of regional bank failures in the US, alongside cycles of central bank rate hikes, which were largely completed by the end of the first half. By the third quarter, inflation fears had receded at the global level and the focus shifted to avoiding a US recession, amid rising geopolitical risks. Investor sentiment improved fundamentally in the fourth quarter, thanks to the avoidance of a US government shutdown and a faster-than-expected decline in inflation in the US and Europe, as well as expectations of the interest rate policies of major central banks. The conflict in Gaza has only temporarily increased investor risk aversion.



The year was marked by a normalisation of Hungarian market yields, a significant decline in inflation and a strengthening of the forint. In the domestic economy, a technical recession set in in February, when GDP had been falling for two quarters, which continued until the end of the third quarter. The forint has recently strengthened against the euro and the dollar.

Short-side government bond market yields have fallen significantly in line with the central bank's (MNB) interest rate cuts and the government's new decree requiring at least 20% of liquid assets in many funds' portfolios to be held in Discount Treasury bills issued by the Hungarian State. Long-term yields started the year at around 9 percent and then hit the sub-6 percent level by the end of the year. It hovered around 9 to 7 percent for most of the year, with a major rally in the last quarter, which was helped by international developments in the last two months of the year, shifting the overall yield curve downwards.

Inflation reached 25.7% in January, declining steadily from February onwards, reaching single digits by October and falling further to 7.9% in November. By the end of the year, it had fallen to around 6 per cent, which level is in line with the regional average. By December, sentiment in domestic financial markets had also improved, partly as a result of positive developments on EU funds, i.e. the possibility to start the drawdown of 2021-2027 cohesion funds. According to the MNB's calculations, economic output in 2023 is expected to be around -0.5%, with the slowdown mainly due to a collapse in domestic demand caused by high inflation, which negative effect is largely mitigated by agriculture, which is correcting after the previous year's drought. For 2024, analysts forecast an economic growth of around 2.5-3.5%. The annual current account balance is expected to turn into a slight surplus in 2023 and to rise further in the following years.

MNB started to cut the reference rate in May, gradually lowering it by 100 basis points in line with expectations, and in September it closed the reference rate (overnight deposit tender) to the base rate at 13%. During the fourth quarter, the base rate was lowered three times, by 75 basis points each time, to 10.75%, in line with market expectations. Based on market forecasts for 2024, the base rate could reach single digits in the first quarter and fall to 6% by the end of the year, a scenario that the market is currently pricing strongly.

The return on the Company's own investments was a profit of HUF 1,425 million in 2023 and a profit of HUF 743 million in 2022. The rising return is mainly due to a declining but still high yield environment compared to last year.

The dividend from MBH Fund Management to the Company decreased significantly as the outperformance year of 2021 included high success fee income, while the success fee income in 2022 was not significant.

The line Impairment and impairment reversal of financial assets includes the amount of the impairment reversed to CIG Pannónia Első Magyar Általános Biztosító Zrt., which is explained in detail in Note 24.



## 15. INVESTMENT CONTRACTS

DATA IN THUF

PREMIUM AND COMMISSION INCOME, INVESTMENT CONTRACTS	2023	2022 (RESTATED)
Policy-based premiums	6 062	27 813
Fund management fees	66 857	73 710
Premiums related to services	3 702	3 522
<b>Total premium and commission income</b>	<b>76 621</b>	<b>105 045</b>

## 16. EXPENSES

DATA IN THUF

	2023	2022 (RESTATED)
Salaries and salary contributions	1 430 065	1 450 708
Other personal costs	102 081	61 488
Advisory and consultancy services	172 704	182 040
Training costs	2 329	4 104
Marketing and PR costs	102 562	57 539
Administration costs	152 121	117 921
IT services	355 020	280 031
Office rental and operation	107 535	101 677
Travelling, and car expenses	136 833	149 873
Office supplies, phone, bank costs	112 305	94 025
Depreciation and amortisation	269 181	239 901
Other costs	231 515	273 116
Claim settlement expenses	446 696	450 186
<b>Total</b>	<b>3 620 947</b>	<b>3 462 609</b>
Aquisition expenses	665 950	783 548
Administration, overhead and investment expenses	2 100 493	1 724 948
Benefits in kind and claim handling costs	673 584	636 841
Non-allocable expenses	180 920	317 272
<b>Total</b>	<b>3 620 947</b>	<b>3 462 609</b>

Overall, expenses have increased by 5% compared to 2022. Wage costs remained flat, while IT, administration and marketing costs increased significantly, with the growing stock and inflation playing a major role in this. Depreciation also increased significantly as a result of the introduction of the IFRS 17 system.



According to the remuneration report of the Company, in 2023 HUF 144,235 thousand (HUF 167,554 thousand in 2022) was related to salary payments (incl. salary, bonus and other payments) of the Company's directors employed under the SRD Act. No share-based payments were made during the year.

The significant leasing contract of the Insurer is the office lease agreement of the office, effective until 31 January 2026. In addition, in 2021 car leasing contracts with a significant value emerged, with various maturities, averaging 36-60 months. In 2023, the Company paid for short-term office- and vehicle leasing contracts HUF 18,146 thousand (HUF 19,279 thousand in 2022); while the expenses of low value leasing contracts (water dispenser, printers, dirt carpets) totalled HUF 1,654 thousand (HUF 1,405 thousand in 2022).



## 17. OTHER RESULT

DATA IN THUF

	2023	2022 (RESTATED)
Other technical income	14 552	5 180
Reinvoiced services	250 083	185 732
Other income	52 967	165 192
<b>Other operating income</b>	<b>317 602</b>	<b>356 104</b>
Extraordinary depreciation	3 224	297
Other expenses	126 051	182 249
Forward-charged expenses	251 129	185 576
<b>Total other expenses</b>	<b>380 404</b>	<b>368 122</b>
<b>Other Profit or Loss</b>	<b>-62 802</b>	<b>-12 018</b>

## 18. TAX INCOME (EXPENSES)

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

The Company accrued losses before 2014 (and in 2019), which can be used against future taxable income. In 2022 the Company increased its deferred tax asset by HUF 117 million as the expected recoverable part of the accrued loss has increased. In 2023, however, the expected recoverable part of the accrued loss decreased (by HUF 269 million), as a significant part of the Company's accrued loss (HUF 7 293 million) were recovered due to the transition to IFRS 17. In the course of the corporate tax calculation, the accrued loss accumulated in previous years decreased (in the amount of HUF 1.497 million) against the taxable profit. Losses accumulated until 2015 can be used up to 2030 at most.

According to the strategic plans adopted by the Insurer, profitable operations will continue to be provided in the future, so the profits that will be made in the foreseeable future will allow the use of accrued losses as it has been applied. The amount set as deferred tax receivable at the end of 2023 (HUF 336 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

	2023	2022 (RESTATED)
Local business tax, innovation contribution	-246 187	-203 502
Corporation tax expenses in reporting year	-500 536	-36 526
Deferred tax expenses/gains	14 780	-
<b>Total tax income/(expenses) realised in profit or loss</b>	<b>-731 943</b>	<b>- 240 028</b>
Deferred tax liabilities arising from financial assets valued at fair value against other comprehensive income	-268 745	117 016
<b>Total tax income/(expenses) realised in other comprehensive income</b>	<b>-268 745</b>	<b>117 016</b>

In 2022, 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 back then it was unlikely that future gains will allow their use. In 2023, a significant part of the accrued losses were recovered and the deferred tax assets were fully recognized in the financial statements.



## Changes in unrecognized deferred tax

DATA IN THUF

	31 DECEMBER 2023	CHANGE	31 DECEMBER 2022 (RESTATED)
Deductible temporary differences	-	7 349 144	-7 349 144
Loss carried forward	-	-9 714 922	9 714 922
<b>Total</b>	-	<b>-2 365 778</b>	<b>2 365 778</b>

## 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	2023	2022 (RESTATED)
Profit/loss before taxation	3 669 293	2 125 772
Calculated tax income/(expenses) (9%)	-308 080	-173 004
Recognition of the unrecognized deferred tax assets relating to the losses of prior years	-253 965	117 016
Differences from loss carry forward (unpresented in the prior years, utilized in the actual year)	-	-
Other unrecognized temporary differences	212 920	33 042
Permanent differences	-	29 196
IFRS 17 transition tax difference	191 563	-42 776
Local business tax, innovation contribution	-328 195	-
Total tax income (expenses)	-246 187	-203 502
<b>Adóbevételek/(ráfordítások) összesen</b>	<b>-731 943</b>	<b>-240 028</b>



## 19. OTHER COMPREHENSIVE INCOME

DATA IN THUF

	2023	2022 (RESTATED)
OCI from change in fair value of other financial assets at fair value	3 099 067	-3 012 264
OCI from insurance contracts	-1 587 190	2 049 817
OCI from reinsurance contracts	-157 059	143 528
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>1 354 818</b>	<b>-818 919</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>	<b>1 806 883</b>	<b>-602 294</b>
<b>Total other comprehensive income</b>	<b>3 161 701</b>	<b>-1 421 213</b>

Other comprehensive income includes (among the income, which would be reclassified to profit or loss in the future) changes in the fair value of financial assets valued at fair value against other comprehensive income, which includes the net deferred taxes recognized in this comprehensive income. (2023: tHUF 264 745 loss; 2022: tHUF 117 016 ezer forint gain).

Other comprehensive income that wouldn't be reclassified to profit or loss in the future includes the unrealized exchange rate difference of the Company's strategic stake in Opus Global. The financial comprehensive result includes the part of the revaluation of insurance and reinsurance assets and liabilities from insurance and reinsurance transactions where the so-called OCI option was applied. (see 3.6.8.4)



## 20. EARNINGS PER SHARE

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	CHANGE
Profit/loss after taxation attributable to the Company's shareholders	2 874	1 535	
Weighted average number of shares	93 954 254	93 954 254	
<b>EPS (basic)</b>	<b>30,6</b>	<b>16,3</b>	<b>14,3</b>
Profit/loss after taxation attributable to the Company's shareholders	2 874	1 535	
Weighted average number of shares (diluted)	94 428 260	94 428 260	
<b>EPS (diluted)</b>	<b>30,4</b>	<b>16,3</b>	<b>14,2</b>

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 Company 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 30.6. According to IFRS, the maximum value of calculated diluted EPS (HUF 30.4) can be maximum equivalent with the amount of the basic EPS. In terms of calculated diluted EPS, the shares transferred to MRP are considered dilutive, as they are expected to increase the weighted average number of common shares if they are called in the future. The dilutive effect is less than HUF 0.2.

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

### 2023

DATE	ISSUED ORDINARY SHARES (NO.)	TREASURY SHARES (NO.)	DAYS	WEIGHTED AVERAGE NUMBER OF SHARES	DATE
31.12.2022	94 428 260	474 006	93 954 254	365	93 954 254
<b>31.12.2023</b>	<b>94 428 260</b>	<b>474 006</b>	<b>93 954 254</b>	<b>365</b>	<b>93 954 254</b>

### 2022

DATE	ISSUED ORDINARY SHARES (NO.)	TREASURY SHARES (NO.)	DAYS	WEIGHTED AVERAGE NUMBER OF SHARES	DATE
31.12.2021	94 428 260	474 006	93 954 254	365	93 954 254
<b>31.12.2022</b>	<b>94 428 260</b>	<b>474 006</b>	<b>93 954 254</b>	<b>365</b>	<b>93 954 254</b>



## 21. INTANGIBLE ASSETS

Intellectual products include software that is supported by operating and software development partners. The growth of intellectual products is primarily related to the development of technical accounting systems and to the data consolidation system under development in the IFRS17 project. The amount of intangible assets under development at the end of the year is HUF 6,764 thousand. The decrease in intellectual property is related to intangible assets that the Company no longer uses.

DATA IN THUF

31 DECEMBER 2023	INTELLECTUAL PROPERTY, ASSETS VALUE RIGHTS	TOTAL INTANGIBLE ASSETS
<b>Cost</b>		
01 January 2023	2 753 332	2 753 332
Increase	159 109	159 109
Decrease	-	-
<b>31 December 2023</b>	<b>2 912 441</b>	<b>2 912 441</b>
<b>Accumulated amortization, impairment</b>		
01 January 2023	-2 022 760	-2 022 760
Increase	-227 793	-227 793
Decrease	-	-
<b>31 December 2023</b>	<b>-2 250 553</b>	<b>-2 250 553</b>
<b>Net book value</b>	<b>661 888</b>	<b>661 888</b>

DATA IN THUF

31 DECEMBER 2022	INTELLECTUAL PROPERTY, ASSETS VALUE RIGHTS	TOTAL INTANGIBLE ASSETS
<b>Cost</b>		
01 January 2022	2 648 883	2 648 883
Increase	314 090	314 090
Decrease	-209 641	-209 641
<b>31 December 2022</b>	<b>2 753 332</b>	<b>2 753 332</b>
<b>Accumulated amortization, impairment</b>		
01 January 2022	-2 033 758	-2 033 758
Increase	-198 338	-198 338
Decrease	209 336	209 336
<b>31 December 2022</b>	<b>-2 022 760</b>	<b>-2 022 760</b>
<b>Net book value</b>	<b>730 572</b>	<b>730 572</b>



## 22. PROPERTY, PLANT AND EQUIPMENT

DATA IN THUF

31 DECEMBER 2023	MOTOR VEHICLES	OFFICE FURNITURE, EQUIPMENT	REAL ESTATES	WORK IN PROGRESS
<b>Cost</b>				
01 January 2023	186 463	127 045	554	314 062
Increase	5 518	406	-	5 924
Decrease	-7 311	-	7 667	356
<b>31 December 2023</b>	<b>184 670</b>	<b>127 451</b>	<b>8 221</b>	<b>320 342</b>
<b>Accumulated amortization</b>				
01 January 2023	-136 778	-44 625	-	-181 403
Increase	-16 660	-24 728	-	-41 388
Decrease	6 755	-	-	6 755
<b>31 December 2023</b>	<b>-146 683</b>	<b>-69 353</b>	<b>-</b>	<b>-216 036</b>
<b>Net book value</b>	<b>37 987</b>	<b>58 098</b>	<b>8 221</b>	<b>104 306</b>

DATA IN THUF

31 DECEMBER 2022	MOTOR VEHICLES	OFFICE FURNITURE, EQUIPMENT	REAL ESTATES	WORK IN PROGRESS
<b>Cost</b>				
01 January 2022	176 483	120 067	8 442	304 992
Increase	15 654	6 978	-	22 632
Decrease	-5 674	-	-7 888	-13 562
<b>31 December 2022</b>	<b>186 463</b>	<b>127 045</b>	<b>554</b>	<b>314 062</b>
<b>Accumulated amortization</b>				
01 January 2022	-124 648	-20 552	-	-145 170
Increase	-17 455	-24 103	-	-41 558
Decrease	5 325	-	-	5 325
<b>31 December 2022</b>	<b>-136 778</b>	<b>-44 625</b>	<b>-</b>	<b>-181 403</b>
<b>Net book value</b>	<b>49 685</b>	<b>82 420</b>	<b>554</b>	<b>132 659</b>

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 lease contracts from 2021 onwards.



## 23. RIGHT OF USE ASSETS

DATA IN THUF

31 DECEMBER 2023	OFFICE LEASING	CAR LEASING	TOTAL
<b>Cost</b>			
01 January 2023	188 209	245 649	433 858
Increase	14 551	15 900	30 451
Decrease	-	-60 580	-60 580
<b>31 December 2023</b>	<b>202 760</b>	<b>200 969</b>	<b>403 729</b>
<b>Accumulated amortization</b>			
01 January 2023	-68 499	-88 781	-157 280
Increase	-43 333	-64 246	-107 579
Decrease	-	36 285	36 285
<b>31 December 2023</b>	<b>-111 832</b>	<b>-116 742</b>	<b>-228 574</b>
<b>Net book value</b>	<b>90 928</b>	<b>84 227</b>	<b>175 155</b>

DATA IN THUF

31 DECEMBER 2022	OFFICE LEASING	CAR LEASING	TOTAL
<b>Cost</b>			
01 January 2022	236 324	233 796	470 120
Increase	6 848	58 916	65 764
Decrease	-54 963	-47 063	-102 026
<b>31 December 2022</b>	<b>188 209</b>	<b>245 649</b>	<b>433 858</b>
<b>Accumulated amortization</b>			
01 January 2022	-51 641	-33 018	-84 659
Increase	-30 142	-73 503	-103 645
Decrease	13 284	17 740	31 024
<b>31 December 2022</b>	<b>-68 499</b>	<b>-88 781</b>	<b>-157 280</b>
<b>Net book value</b>	<b>119 710</b>	<b>156 868</b>	<b>276 578</b>

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.

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. SUBSIDIARIES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATEd)	31 DECEMBER 2021 (RESTATEd)
CIG Pannónia First Hungarian General Insurance Company Plc.	6 694 611	4 239 203	3 688 613
Pannónia PI-ETA Funeral Service Limited Liability Company	3 800	3 800	3 800
<b>Subsidiaries</b>	<b>6 698 411</b>	<b>4 243 003</b>	<b>3 692 413</b>

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” épület.

Ownership:	100%
Cost of equity:	HUF 11,581,326 thousand
Accrued impairment:	HUF 4,886,715 thousand
Share book value:	HUF 6,694,611 thousand
Registered capital:	HUF 1,090,000 thousand
Equity:	HUF 6,694,611 thousand
Capital reserve:	HUF 9,105,236 thousand
Profit after tax:	HUF 775,109 thousand

The capital was increased at the insurer's subsidiary in 2023 once by HUF 1.5 billion, which increased the cost of equity to HUF 11,581,326 thousand and its registered capital changed to HUF 1,090,000 thousand.

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

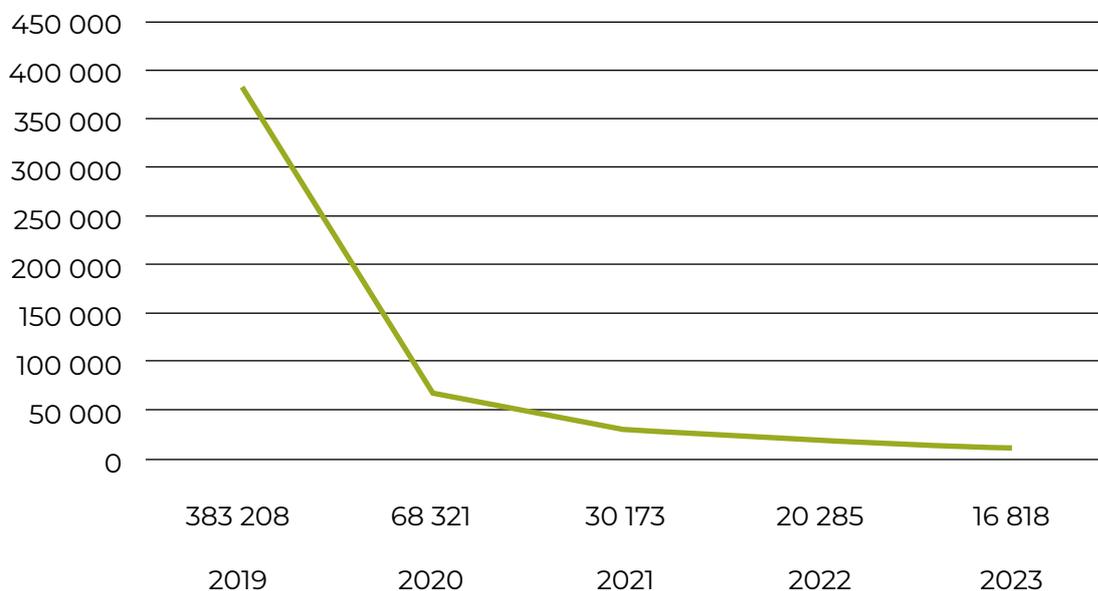


the interest is impaired, the recoverable amount of the interest needs to be determined. The recoverable amount refers to the higher amount of either the value in use (typically determined through the discounted cash flow method) or the fair value less the costs to sell. If the recoverable amount is lower than the asset's cost, an impairment loss needs to be recognized.

The non-life insurance subsidiary of the Group, CIG Pannónia Első Magyar Általános Biztosító Zrt. (EMABIT) has provided suretyship insurance for registered companies and individuals in Italy between 2014-2019 ("Italian business line") with BONDSOL Kft. as its lead agent. These liability commitments resulted in a significant exposure against certain entities of the Italian State (agencies, municipalities, etc.).

The exposures have been reduced to a fraction in recent years, since 2019, in accordance with the MNB's expectations and rules, the Insurer does not carry out sales, but only manages the existing stock.

**Decrease of italian exposure (t EUR)**



For the Italian suretyship insurances in the current report, the total amount of claims reported to the Insurer is EUR 21.917 million, of which the Insurer has, taking into account the opinion of legal experts, established a reserve for RBNS claims in the amount of EUR 3.520 million. Considering the experience of regress procedures, EMABIT modified the amount of regress reserves to EUR 566 thousand. If the amount of the claims to be paid will differ, the difference will change the Insurer's future result and equity.

On July 1, 2020, the approved EMABIT's recovery plan with its decision no. MNB H-JÉ-II-39/2020. As a result of all these recovery measures, EMABIT's solvency capital compliance increased to 147% as of June 30, 2020, including the requirement for additional capital, and its capital position was restored.

In the fourth quarter of 2020 the Group took steps at the operational level to ensure opportunities for the relaunch of operations -parallel to the intent of insuring guarantee elements at the Group-level as required- after EMABIT implemented the provisions of the recovery plan set by the HFSA, and its solvency position has stabilized, with the aim



to strengthen its sales, internal defence lines and capital position following the adoption of EMABIT's strategy. To implement all these objectives, the parent company undertook to carry out the necessary capital increases, enabling EMABIT to continue operating in the long term. Thus, in addition to the non-life segment and the remaining stocks, the operational planning also plans with the development and sale of new products from 2021 onwards.

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

In accordance with the Life Insurer's commitment it increased the capital in EMABIT twice in 2021 by HUF 3.5 billion, followed by an increase in the capital of its subsidiary by HUF 1 billion in 2022, and by a further HUF 1.5 billion in 2023.

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

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

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

As presented in Note 1, on 22 February 2022, EMABIT and its parent company entered into a 20-year framework agreement with Magyar Bankholding Ltd., and in the second quarter of 2022 it signed a similar strategic agreement with Euroleasing Pénzügyi Szolgáltató Zrt, the largest player in the leasing market.

The CIG Pannónia insurers entered into a cooperation agreement with BNP Paribas Cardif insurers on 18 October 2021. Based on the referred agreement - after the supervisory authorisation process - BNP Paribas Cardif insurer's contract portfolio containing all group life and non-life insurance contracts (insurance contracts belonging to the risk group of group credit coverage insurance) and to which the insurance contracts are contracted by MKB Bank Nyrt., as the legal successor of BUDAPEST Hitel- és Fejlesztési Bank Zrt., are transferred to CIG Pannónia insurers with the effect of 1 September 2022.

On 18 July 2023 CIG Pannónia Group and VISTA Travel Agencies Ltd. signed a 3+3-year strategic cooperation framework agreement, according to which the travel agency will sell exclusively the customer-oriented travel insurance products of CIG Pannónia First

Hungarian General Insurance cPlc., EMthe property insurance member of the insurer, to its customers.

In possession of the above information, the Company again performed an impairment test of its subsidiary interest at the end of 2023. 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 2023 was HUF 4,886,715 thousand, the book value of the share equals the individual equity of EMABIT: HUF 6,694,611 thousand.

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

1097 Budapest Könyves Kálmán krt. 11, „B” épület.

Ownership:	100 %
Value of the share:	HUF 3,800 thousand
Registered capital:	HUF 3,000 thousand
Equity:	HUF 5,558 thousand
After-tax profit:	HUF 114 thousand

Founded in April 2008, PI-ETA provides funeral services to the Insurer for the provision of grace, in conjunction with the “Alkony” product. The Insurer has owned 100% of Pannónia PI-ETA Savings Service Ltd. since 2011. In 2015, the Insurer raised the share capital of Pannonia PI-ETA in the value of 2,500,000 HUF to comply with the new Civil Code provisions. The year 2023 was closed with a profit of HUF 84 thousand by PI-ETA.

## 25. ASSOCIATES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
MBH Fund Management Ltd.	51 753	51 753	51 753
<b>Associated Company</b>	<b>51 753</b>	<b>51 753</b>	<b>51 753</b>

### **MBH Fund Management Ltd. (formerly : MKB Fund Management Ltd.)**

1068 Budapest, Benczúr utca 11.

Ownership: 7,67%

Value of share: HUF 51,753 thousand

Registered capital: HUF 806,120 thousand

Equity: HUF 14,129,716 thousand

Profit after tax: HUF 11,673,997thousand

The turnover of MBH Fund Management Ltd. in 2023 was HUF 14,652 million, after-tax profit was HUF 11,674 million, of which HUF 588 million was the share of the Insurer.

The Articles of Association of MBH 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 MBH Fund Management Ltd.

The distribution of the profits of MBH 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 2023, 5.04 percent of the Fund Manager's earnings were allocated to the Company.

The Company received a dividend of HUF 491 million in 2023 and HUF 843 million in 2022 from its associated company.



The Insurer's part of the capital of the MBH Fund Manager in 2023, 2022 and 2021 developed as follows:

DATA IN THUF

2023	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	VALUATION RESERVE	PROFIT/LOSS AFTER TAXATION	TOTAL
Fund manager	806 120	1 560 414	89 182	11 673 997	14 129 713
Issuer's share	7,67%	7,67%	7,67%	5,04%	
<b>Capital per issuer</b>	<b>61 829</b>	<b>119 661</b>	<b>6 840</b>	<b>588 463</b>	<b>776 794</b>

DATA IN THUF

2022	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	VALUATION RESERVE	PROFIT/LOSS AFTER TAXATION	TOTAL
Fund manager	806 120	3 386 419	-151 281	4 607 092	8 648 349
Issuer's share	7,67%	3,53%	7,67%	10,65%	
<b>Capital per issuer</b>	<b>61 829</b>	<b>119 661</b>	<b>-11 603</b>	<b>490 565</b>	<b>660 453</b>

DATA IN THUF

2021	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	PROFIT/LOSS AFTER TAXATION	TOTAL
Fund manager	306 120	957 498	6 026 826	7 290 444
Issuer's share	16%	16,32%	13,41%	
<b>Capital per issuer</b>	<b>48 980</b>	<b>156 235</b>	<b>808 074</b>	<b>1 013 289</b>

## 26. 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 2023 the Insurer had 96 segregated unit-linked funds. The executed investments are invested into various financial instruments depending on the investment policy of the unit-linked funds. Cash on account that is not invested – but is part of the unit-linked fund – is recognized within the unit-linked fund as cash. The derivative instruments are currency forward transactions in the unit-linked funds.

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

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Equities	23 531 971	22 705 780	23 266 700
Government bonds, discounted T-bills	12 779 391	3 098 696	7 155 198
Corporate bonds	507 597	525 121	-
Investment funds	52 061 916	43 905 707	49 930 842
Derivative instruments	928	22 003	-61 762
Cash, and cash equivalent	5 471 097	15 667 005	5 764 765
Other investments	71 512	280 995	-391 733
<b>Total investments for policyholders of unit-linked life insurance policies</b>	<b>94 424 412</b>	<b>86 205 307</b>	<b>85 664 010</b>

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

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

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

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

Due to the armed conflict between Russia and Ukraine, the Moscow Stock Exchange suspended trading in all of its markets indefinitely starting 28 February 2022. As a result, the Amundi Russia investment fund (ISIN code: LU1883868579), which is part of the underlying assets of the Affected Asset Funds and purchases investment instruments on



the Moscow Stock Exchange, has become illiquid and therefore untradeable; the manager of the foreign investment fund does not disclose a price, as a result of which the price of the Affected Asset Funds couldn't be calculated either.

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

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

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

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

Pursuant to the provisions of the Bit., on 31 March 2022, the insurer separated the assets of the suspended asset funds that had become illiquid and the other non- illiquid assets of the suspended asset funds, i.e. the suspended asset funds were separated into successor asset funds containing illiquid and liquid assets (hereinafter "separation"). As a result of the separation, the original asset funds suspended on 1 March 2022 ceased to exist on 31 March 2022.

The liquid successor funds at the date of separation contained only cash (cash on account). At the same time as the separation was carried out, the suspension of the asset fund was lifted in relation to the successor asset funds containing liquid assets, and they continued to operate as independent asset funds. The insurance company first calculated the exchange rate (for the valuation date of March 30) and net asset value for the liquid successor asset funds on March 31. Given that the liquid successor asset funds contained only cash (account money), they were obviously not able to fulfill the commitments made in the investment policy, according to which the asset funds invest in collective investment forms whose primary target is the Russian capital market. As the funds of the liquid successor asset funds were not suitable for the realization of the goals set out in the investment policy, the insurance company decided to close and terminate the liquid successor asset funds with effect from 19 April 2022.

The operating procedures of the illiquid successor asset funds, which are also registered as independent asset funds, are governed by the above-mentioned rules published on 1 March and 3 March, i.e. the insurer acts in the same way for the illiquid successor asset funds as for the originally suspended asset funds. For the illiquid successor funds the suspension



remains in force as described in Bit. 127 (1) to (8), with the starting date of the suspension of the asset fund being the starting date of the suspension of the original asset fund. Illiquid successor asset funds likewise inherit the investment policy of the suspended asset funds. According to Bit. 127(7), the maximum period of suspension of the asset fund is one year, which may be extended by the insurer for a further total of one year in justified cases.

In view of the fact that the underlying investment assets of the successor funds listed above are still unmarketable and non-tradable, CIG Pannónia Life Insurance Plc. has extended the suspension period of the successor funds until the underlying financial assets of the successor funds become marketable, but for a maximum of one year (until 28 February 2024).

The Insurer considers the value of the illiquid Russian successor asset funds to be 0 for the purposes of the annual report, on the grounds of illiquidity and non-tradability. As a consequence, in the annual report, these asset funds are included under Investments for policyholders of unit-linked life insurance policies and Financial assets - investment contracts and, consequently, under liabilities from insurance transactions and Financial liabilities - investment contracts, with a value of 0, as they do not meet the asset and liability criteria of the IFRS Framework. As a result, the assets value of the asset funds calculated at the last valuation price reduced in 2022 the return on assets and, to the same extent, the change in reserves, by a total of HUF 1 232 million. In 2023, as the value of assets and liabilities was 0 all along, no such amount incurred.



## 27. FINANCIAL ASSETS – INVESTMENT CONTRACTS

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021 (RESTATED)
Equities	1 187 039	1 361 026	1 422 649
Government bonds, discounted T-bills	644 640	185 742	437 507
Corporate bonds	25 605	31 477	-
Investment funds	2 626 195	2 631 790	3 053 036
Derivative instruments	47	1 319	-3 776
Cash and cash equivalents	275 982	939 110	352 488
Other investments	3 607	16 843	-23 953
<b>Total financial assets – investment contracts</b>	<b>4 763 115</b>	<b>5 167 307</b>	<b>5 237 951</b>

Investments for policyholders of unit-linked life insurance policies and Financial assets – investment contracts contain investment funds investing in closed investment funds managed by MBH Fund Manager Ltd. the associate company of the Insurer. Determinative parts of these funds were owned by the Company at the end of 2023.

The following table shows the asset composition of these funds:

DATA IN THUF

MBH FUNDS UNDERLYING INVESTMENTS	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Equities	5 686 416	3 912 863	5 988 746
Government bonds, discounted T-bills	3 990 652	4 675 218	2 051 053
Corporate bonds	2 749 771	990 896	590 017
Investment funds	2 894 455	533 325	1 205 364
Cash and cash equivalents	5 400 033	4 216 778	1 281 144
Other investments	-173 782	2 879 658	1 051 913
<b>Total</b>	<b>20 547 545</b>	<b>17 208 738</b>	<b>12 168 237</b>



## 28. DERIVATIVES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Financial assets – derivatives	109 418	34 467	937
<b>Financial assets – derivatives</b>	<b>109 418</b>	<b>34 467</b>	<b>937</b>

Forward transactions include transactions entered into for currency hedging purposes.



## 29. OTHER FINANCIAL ASSETS AT FAIR VALUE

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Corporate bond	-	-	1 438 714
Equities	-	-	1 409 917
Investment funds	-	-	147 845
Government bonds, discontinued T-bills	-	-	18 510 649
<b>Total available-for-sale financial assets</b>	<b>-</b>	<b>-</b>	<b>21 507 125</b>
Corporate bond	3 779 272	2 787 735	-
Equities	2 614 505	807 622	-
Government bonds, discounted T-bills	17 940 116	12 817 908	-
Mortgage deed	163 778	-	-
<b>Other financial assets at fair value</b>	<b>24 497 671</b>	<b>16 413 265</b>	<b>-</b>

Among the shares the Company records its stake in OPUS GLOBAL Plc. In parallel with the introduction of IFRS 9, available-for-sale financial assets were eliminated. The Company reports its investments under the line Other financial assets at fair value.



## 29.1. Accounting classification and fair values

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

DATA IN THUF

31 DECEMBER 2023	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	OTHER FINANCIAL ASSETS AT FAIR VALUE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES
Government bonds	12 779 391	-	17 940 116	-	-
Corporate bonds	507 597	-	3 943 050	-	-
Shares	23 531 971	-	2 614 505	-	-
Investment fund units	52 061 916	-	-	-	-
Cash (unit-linked & own)	5 471 097	1 709 364	-	-	-
Receivables	213 311	181 273	-	-	-
Other UL assets	-141 800	-	-	-	-
other and intercompany liabilities	-	-	-	-	1 973 218
Investment contracts	-	-	-	4 763 115	-
Derivative instruments	110 347	-	-	-	-
<b>Total</b>	<b>94 533 830</b>	<b>1 890 637</b>	<b>24 497 671</b>	<b>4 763 115</b>	<b>1 973 218</b>

DATA IN THUF

31 DECEMBER 2022 (RESTATED)	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	OTHER FINANCIAL ASSETS AT FAIR VALUE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES
Government bonds	3 098 696	-	12 817 907	-	-
Corporate bonds	525 121	-	2 787 736	-	-
Shares	22 705 779	-	807 622	-	-
Investment fund units	43 905 707	-	-	-	-
Cash (unit-linked & own)	15 667 005	2 588 805	-	-	-
Receivables	3 098 366	212 226	-	-	-
Other UL assets	-2 817 372	-	-	-	-
other and intercompany liabilities	-	-	-	-	1 515 250
Investment contracts	-	-	-	5 167 307	-
Derivative instruments	56 472	-	-	-	-
<b>Total</b>	<b>86 239 774</b>	<b>2 801 031</b>	<b>16 413 265</b>	<b>5 167 307</b>	<b>1 515 250</b>

The Company provides details on how fair values of assets and liabilities are determined under Note 3.19.



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

DATA IN THUF

31 DECEMBER 2023	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government bonds	26 728 156	-	3 991 351	30 719 507
Corporate bond	331 350	-	4 119 297	4 450 647
Equities	26 146 476	-	-	26 146 476
Investment funds	52 061 916	-	-	52 061 916
Cash (unit-linked)	5 471 097	-	-	5 471 097
Other UL assets	71 511	-	-	71 511
Derivative instruments	-	110 347	-	110 347
<b>Total Assets</b>	<b>110 458 795</b>	<b>110 347</b>	<b>8 462 359</b>	<b>119 031 501</b>
Liabilities measured on fair value	4 763 115	-	-	4 763 115
<b>Total Liabilities</b>	<b>4 763 115</b>	<b>-</b>	<b>-</b>	<b>4 763 115</b>

DATA IN THUF

31 DECEMBER 2022	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government bonds	15 807 791	-	108 812	15 916 603
Corporate bond	-	-	3 312 857	3 312 857
Equities	23 513 401	-	-	23 513 401
Investment funds	43 905 707	-	-	43 905 707
Cash (unit-linked)	15 667 005	-	-	15 667 005
Other UL assets	280 994	-	-	280 994
Derivative instruments	-	56 472	-	56 472
<b>Total Assets</b>	<b>99 174 898</b>	<b>56 472</b>	<b>3 421 669</b>	<b>102 653 039</b>
Liabilities measured on fair value	5 167 307	-	-	5 167 307
<b>Total Liabilities</b>	<b>5 167 307</b>	<b>-</b>	<b>-</b>	<b>5 167 307</b>

## 30. OTHER ASSETS AND ACCRUALS

DATA IN THUF

	'31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Prepaid expenses and accrued income	41 156	24 900	27 360
Interest rental premium, and other premium related prepayment	21 758	34 791	14 109
Inventories	2 520	5 683	2 994
<b>Total of other assets and prepaid expenses and accrued income</b>	<b>65 434</b>	<b>65 374</b>	<b>44 463</b>

A significant part of other accrued income is due to the recognition of income related to the acquisition of stock as explained in Note 3.8.1.



## 31. OTHER RECEIVABLES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Trade receivables	551	683	495
Loans granted	68	604	1 179
Receivables from investment fund fee	33 392	62 365	44 262
Advance payments to suppliers and state	28 301	35 423	23 891
Other receivables	673	1 179	-
<b>Total of other receivables</b>	<b>62 985</b>	<b>100 254</b>	<b>69 827</b>

## 32. INTERCOMPANY RECEIVABLES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Receivables against EMABIT	117 748	111 522	69 826
Receivables against the Employee Stock Option Program (MRP)	500	430	500
Receivables against Pieta	40	20	20
Receivables against CIG Pannónia Finance Intermediary Ltd.	-	-	271
<b>Intercompany receivables</b>	<b>118 288</b>	<b>111 972</b>	<b>70 617</b>



### 33. CASH AND CASH EQUIVALENTS

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Deposits	742 097	2 588 805	741 831
Fixed deposits	967 267	-	-
<b>Total cash and cash equivalents</b>	<b>1 709 364</b>	<b>2 588 805</b>	<b>741 831</b>

## 34. ASSETS AND LIABILITIES FROM INSURANCE CONTRACTS

### 34.1. Movement table of liabilities for remaining coverage (LRC) and liabilities for incurred claims (LIC)

DATA IN THUF

2023 TYPE OF PROVISION	LFRC		LFIC FOR CONTRACTS MEASURED UNDER	LFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
	EXCL. LC	LC	GM	PVCF	RA	
Opening insurance contract assets	1 686 944	-520 988	-131 594	-16 494	-408	1 017 460
Opening insurance contract liabilities	-89 832 972	-335 118	-2 053 143	-427 349	-72 305	-92 720 887
Insurance revenue	11 814 684	-	-	-	-	11 814 684
Insurance service expenses						
- Incurred benefits and expenses	-	-	-3 983 784	-1 946 356	-94 884	-6 025 024
- Changes that relate to past service - adjustments to LfIC	-	-	186 719	117 066	52 799	356 584
- Losses on onerous contracts and reversal of those losses	-	-524 906	-	-	-	-524 906
- Amortisation of insurance acquisition cash flows	-3 874 039	-	-	-	-	-3 874 039
- Impairment of acquisition cost asset	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-7 809 766	-51 856	-310 466	-16 459	-	-8 188 547
Insurance finance expenses through OCI	-1 468 870	-110 725	-7 595	-	-	-1 587 190
Net foreign exchange income or expense	643 348	404	4 121	-	-	647 873
Investment components	15 059 336	-	-15 059 336	-	-	-
Total changes in statement of profit and loss and OCI	14 364 693	-687 083	-19 170 341	-1 845 749	-42 085	-7 380 565



DATA IN THUF

2023 TYPE OF PROVISION	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
	EXCL. LC	LC		PVCF	RA	
Premiums received	-30 549 609	-	-	-	-	-30 549 609
Claims paid	-	-	15 120 452	705 023	-	15 825 475
Directly attributable expenses paid	-	-	2 146 364	902 190	-	3 048 554
Acquisition cost paid	5 683 224	-	-	-	-	5 683 224
<b>Total cash flows</b>	<b>-24 866 385</b>	<b>-</b>	<b>17 266 816</b>	<b>1 607 213</b>	<b>-</b>	<b>-5 992 356</b>
<b>Closing insurance contract assets</b>	<b>2 379 970</b>	<b>-929 541</b>	<b>-363 171</b>	<b>-28 187</b>	<b>-940</b>	<b>1 058 131</b>
<b>Closing insurance contract liabilities</b>	<b>-101 027 690</b>	<b>-613 648</b>	<b>-3 725 091</b>	<b>-654 192</b>	<b>-113 858</b>	<b>-106 134 479</b>



DATA IN THUF

2023 - SEGMENTS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening insurance contract assets	56 435	-	-	-	-	388 332	572 693	1 017 460
Opening insurance contract liabilities	- 511 675	-191 083	-11 990 086	-71 301 608	-8 372 915	-151 955	-201 565	-92 720 887
Insurance revenue	3 586 357	419 817	265 380	3 456 381	406 798	2 551 998	1 127 953	11 814 684
Insurance service expenses								
- Incurred benefits and expenses	-1 796 428	-244 561	-132 603	-1 582 972	-354 338	-1 109 727	-804 395	-6 025 024
- Changes that relate to past service - adjustments to LfC	80 211	89 654	29 136	154 395	146 448	-86 840	-56 420	356 584
- Losses on onerous contracts and reversal of those losses	-5 459	6 716	-101 441	-39 059	-134 777	323	-251 209	-524 906
- Amortisation of insurance acquisition cash flows	-1 507 590	- 136 886	-101 518	-1 227 514	-35 529	-606 712	-258 290	-3 874 039
- Impairment of acquisition cost asset	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-13 466	-2 992	-1 292 502	- 6 449 556	-494 203	-5 999	70 171	-8 188 547
Insurance finance expenses through OCI	-	-	-	-	-2 172 815	493 313	92 312	-1 587 190
Net foreign exchange income or expense	-	-	103 848	535 496	8 529	-	-	647 873
Investment components	-	-	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>343 625</b>	<b>131 748</b>	<b>-1 229 700</b>	<b>-5 152 829</b>	<b>-2 629 887</b>	<b>1 236 356</b>	<b>-79 878</b>	<b>-7 380 565</b>



DATA IN THUF

2023 - SEGMENTS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Premiums received	-3 340 750	-399 581	-5 234 604	-15 096 385	-1 753 352	-2 838 365	-1 886 572	-30 549 609
Claims paid	665 727	39 295	2 108 168	10 813 612	1 273 803	606 345	318 525	15 825 475
Directly attributable expenses paid	856 161	46 029	129 463	1 246 331	134 389	382 908	253 273	3 048 554
Acquisition cost paid	1 412 807	145 853	182 264	2 112 358	36 361	816 361	977 220	5 683 224
<b>Total cash flows</b>	<b>-406 055</b>	<b>-168 404</b>	<b>-2 814 709</b>	<b>- 924 084</b>	<b>-308 799</b>	<b>-1 032 751</b>	<b>-337 554</b>	<b>-5 992 356</b>
<b>Closing insurance contract assets</b>	<b>58 338</b>	<b>18 295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>974 449</b>	<b>7 049</b>	<b>1 058 131</b>
<b>Closing insurance contract liabilities</b>	<b>-576 008</b>	<b>-246 034</b>	<b>-16 034 495</b>	<b>-77 378 521</b>	<b>-11 311 601</b>	<b>-534 467</b>	<b>-53 353</b>	<b>-106 134 479</b>



DATA IN THUF

2023	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UN- DER PAA		TOTAL
	TYPE OF PROVISION	EXCL. LC		LC	PVCF	
Opening insurance contract assets	705 622	-6 389	-9 859	-40 120	-283	648 971
Opening insurance contract liabilities	-91 304 038	-181 618	-1 533 501	-337 368	-126 497	-93 483 022
Insurance revenue	9 280 091	-	-	-	-	9 280 091
Insurance service expenses						
- Incurred benefits and expenses	-	-	-2 647 005	-2 177 733	-55 985	-4 880 723
- Changes that relate to past service - adjustments to LfIC	-	-	25 541	103 231	110 052	238 824
- Losses on onerous contracts and reversal of those losses	-	-702 965	-	-	-	-702 965
- Amortisation of insurance acquisition cash flows	-2 809 758	-	-	-	-	-2 809 758
- Impairment of acquisition cost asset	-	-	-	-	-	-
Insurance finance expenses through profit and loss	2 868 990	-16 132	114 952	2 761	-	2 970 571
Insurance finance expenses through OCI	1 990 745	52 207	6 865	-	-	2 049 817
Net foreign exchange income or expense	-1 271 311	-1 209	-1 666	-	-	-1 274 186
Investment components	13 519 557	-	-13 519 557	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>23 578 314</b>	<b>-668 099</b>	<b>-16 020 870</b>	<b>-2 071 741</b>	<b>54 067</b>	<b>4 871 671</b>



DATA IN THUF

2023	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
	EXCL. LC	LC		PVCF	RA	
TYPE OF PROVISION	EXCL. LC	LC		PVCF	RA	TOTAL
Premiums received	-24 743 375	-	-	-	-	-24 743 375
Claims paid	-	-	13 722 744	561 617	-	14 284 361
Directly attributable expenses paid	-	-	1 656 749	1 443 769	-	3 100 518
Acquisition cost paid	3 617 449	-	-	-	-	3 617 449
<b>Total cash flows</b>	<b>-21 125 926</b>	<b>-</b>	<b>15 379 493</b>	<b>2 005 386</b>	<b>-</b>	<b>-3 741 047</b>
<b>Closing insurance contract assets</b>	<b>1 686 944</b>	<b>-520 988</b>	<b>-131 594</b>	<b>-16 494</b>	<b>-408</b>	<b>1 017 460</b>
<b>Closing insurance contract liabilities</b>	<b>-89 832 972</b>	<b>-335 118</b>	<b>-2 053 143</b>	<b>-427 349</b>	<b>-72 305</b>	<b>-92 720 887</b>



DATA IN THUF

2022- SEGMENTS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening insurance contract assets	26 272	5 792	-	-	-	615 247	1 660	648 971
Opening insurance contract liabilities	-343 235	-119 109	-10 546 857	-71 735 239	-10 263 887	-193 120	-281 575	-93 483 022
Insurance revenue	2 621 045	275 732	229 882	3 717 886	574 195	1 484 978	376 373	9 280 091
Insurance service expenses								
- Incurred benefits and expenses	-1 948 146	-285 572	-189 384	-1 185 231	-467 137	-622 941	-182 312	-4 880 723
- Changes that relate to past service - adjustments to LfC	113 443	99 840	166 043	-170 916	49 487	-19 073	-	238 824
- Losses on onerous contracts and reversal of those losses	-22 142	-13 027	-29 302	-33 773	-60 161	-987	-543 573	-702 965
- Amortisation of insurance acquisition cash flows	-606 927	-53 817	-86 972	-1 512 904	-45 587	-329 839	-173 712	-2 809 758
- Impairment of acquisition cost asset	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	1 767	994	437 731	2 734 369	-278 263	44 338	29 635	2 970 571
Insurance finance expenses through OCI	-	-	-	-	2 435 438	-315 838	-69 783	2 049 817
Net foreign exchange income or expense	-	-	-165 283	-1 098 179	-10 724	-	-	-1 274 186
Investment components	-	-	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>159 040</b>	<b>24 150</b>	<b>362 715</b>	<b>2 451 252</b>	<b>2 197 248</b>	<b>240 638</b>	<b>-563 372</b>	<b>4 871 671</b>



DATA IN THUF

2022- SEGMENTS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Premiums received	-2 905 763	-265 885	-3 765 446	-15 311 881	-1 835 589	-1 511 880	853 069	-24 743 375
Claims paid	512 355	49 262	1 659 443	10 357 089	1 344 062	334 131	28 019	14 284 361
Directly attributable expenses paid	1 390 901	52 869	162 830	1 023 446	160 446	183 433	126 593	3 100 518
Acquisition cost paid	705 190	61 838	137 229	1 913 725	24 805	567 928	206 734	3 617 449
<b>Total cash flows</b>	<b>-297 317</b>	<b>-101 916</b>	<b>-1 805 944</b>	<b>-2 017 621</b>	<b>-306 276</b>	<b>-426 388</b>	<b>1 214 415</b>	<b>-3 741 047</b>
<b>Closing insurance contract assets</b>	<b>56 435</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388 332</b>	<b>572 693</b>	<b>1 017 460</b>
<b>Closing insurance contract liabilities</b>	<b>- 511 675</b>	<b>-191 083</b>	<b>-11 990 086</b>	<b>-71 301 608</b>	<b>-8 372 915</b>	<b>-151 955</b>	<b>-201 565</b>	<b>-92 720 887</b>

### 34.2. Movement table for insurance assets and liabilities (best estimate, risk adjustment and contractual service margin) - Contracts valued using the GMM and VFA methods

DATA IN THUF

2023	BEL	RA	CSM	TOTAL
Opening insurance contract assets	2 981 768	-353 662	-1 667 081	961 025
Opening insurance contract liabilities	-87 300 556	-1 290 457	-3 421 368	-92 012 381
Changes related to current services				
- CSM recognized in profit and loss	-	-	1 370 998	1 370 998
- Risk Adjustment recognized in profit and loss	-	403 113	-	403 113
- Experience adjustments	385 536	-453 515	-	-67 979
Changes related to future services				
- Contracts initially recognized in the period	2 132 227	-283 153	-1 884 032	-34 958
- Changes in estimates that adjust CSM	602 591	-165 523	-437 068	-
- Changes in estimates that result in onerous contracts or reversal of losses	-451 555	-150 620	-	-602 175
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	21 277	165 441	-	186 718
Insurance finance expenses through profit and loss	-7 917 104	-	-254 986	-8 172 090
Insurance finance expenses through OCI	-1 587 190	-	-	-1 587 190
Net foreign exchange income or expense	632 216	7 920	7 738	647 874
<b>Total changes in statement of profit and loss and OCI</b>	<b>-6 182 002</b>	<b>-476 337</b>	<b>-1 197 350</b>	<b>-7 855 689</b>



DATA IN THUF

2023	BEL	RA	CSM	TOTAL
Premiums received	-26 809 278	-	-	-26 809 278
Claims paid	15 120 452	-	-	15 120 452
Directly attributable expenses paid	2 146 364	-	-	2 146 364
Acquisition cost paid	4 118 819	-	-	4 118 819
<b>Total cash flows</b>	<b>-5 423 643</b>	<b>-</b>	<b>-</b>	<b>-5 423 643</b>
<b>Closing insurance contract assets</b>	<b>3 896 165</b>	<b>-569 082</b>	<b>-2 345 585</b>	<b>981 498</b>
<b>Closing insurance contract liabilities</b>	<b>-99 820 598</b>	<b>-1 551 374</b>	<b>-3 940 214</b>	<b>-105 312 186</b>



DATA IN THUF

	2022		LIFE	
	BEL	RA	CSM	TOTAL
Opening insurance contract assets	2 000 190	-214 724	-1 168 886	616 580
Opening insurance contract liabilities	-89 271 139	-1 128 393	-2 621 146	-93 020 678
Changes related to current services				
- CSM recognized in profit and loss	-	-	1 073 348	1 073 348
- Risk Adjustment recognized in profit and loss	-	340 800	-	340 800
- Experience adjustments	434 019	-205 026	-	228 993
Changes related to future services				
- Contracts initially recognized in the period	1 243 935	-320 027	-1 252 618	-328 710
- Changes in estimates that adjust CSM	1 230 668	-232 900	-997 768	-
- Changes in estimates that result in onerous contracts or reversal of losses	-394 740	5 557	-	-389 183
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	-99 371	124 913	-	25 542
Insurance finance expenses through profit and loss	3 038 124	-	-70 315	2 967 809
Insurance finance expenses through OCI	2 050 062	-	-	2 050 062
Net foreign exchange income or expense	-1 209 047	-14 318	-51 065	-1 274 430
<b>Total changes in statement of profit and loss and OCI</b>	<b>6 293 650</b>	<b>-301 001</b>	<b>-1 298 418</b>	<b>4 694 231</b>



DATA IN THUF

	2022			
	LIFE			
	BEL	RA	CSM	TOTAL
Premiums received	-21 571 729	-	-	-21 571 729
Claims paid	13 723 069	-	-	13 723 069
Directly attributable expenses paid	1 656 750	-	-	1 656 750
Acquisition cost paid	2 850 421	-	-	2 850 421
<b>Total cash flows</b>	<b>-3 341 489</b>	<b>-</b>	<b>-</b>	<b>-3 341 489</b>
<b>Closing insurance contract assets</b>	<b>2 981 768</b>	<b>-353 661</b>	<b>-1 667 082</b>	<b>961 025</b>
<b>Closing insurance contract liabilities</b>	<b>-87 300 556</b>	<b>-1 290 457</b>	<b>-3 421 368</b>	<b>-92 012 381</b>



DATA IN THUF

2023 - SEGMENTS	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening insurance contract assets	-	-	-	388 332	572 693	961 025
Opening insurance contract liabilities	-11 990 086	-71 295 860	-8 372 915	-151 955	-201 565	- 92 012 381
Changes related to current services						
- CSM recognized in profit and loss	7 940	555 898	83 113	681 809	42 238	1 370 998
- Risk Adjustment recognized in profit and loss	5 843	238 206	27 128	91 765	40 171	403 113
- Experience adjustments	17 683	-134 735	-88 663	65 230	72 506	-67 979
Changes related to future services						
- Contracts initially recognized in the period	-	-28 208	-6	-6 744	-	-34 958
- Changes in estimates that adjust CSM	-	-	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	-101 649	-24 325	-139 417	3 823	-340 607	-602 175
Changes that relate to past service						
Changes that relate to past service - adjustments to LfIC	29 136	154 395	146 448	-86 840	-56 421	186 718
Insurance finance expenses through profit and loss	-1 292 502	-6 449 556	-494 203	-5 999	70 170	-8 172 090
Insurance finance expenses through OCI	-	-	-2 172 815	493 313	92 312	-1 587 190
Net foreign exchange income or expense	103 848	535 496	8 530	-	-	647 874
<b>Total changes in statement of profit and loss and OCI</b>	<b>-1 229 701</b>	<b>-5 152 829</b>	<b>-2 629 885</b>	<b>1 236 357</b>	<b>-79 631</b>	<b>-7 855 689</b>



DATA IN THUF

2023 - SEGMENTS	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Premiums received	-5 234 604	-15 096 385	-1 753 352	-2 838 365	-1 886 572	-26 809 278
Claims paid	2 108 168	10 813 612	1 273 802	606 345	318 525	15 120 452
Directly attributable expenses paid	129 463	1 246 331	134 389	382 908	253 273	2 146 364
Acquisition cost paid	182 265	2 106 610	36 360	816 360	977 224	4 118 819
<b>Total cash flows</b>	<b>-2 814 708</b>	<b>-929 832</b>	<b>-308 801</b>	<b>-1 032 752</b>	<b>-337 550</b>	<b>-5 423 643</b>
<b>Closing insurance contract assets</b>	-	-	-	<b>974 449</b>	<b>7 049</b>	<b>981 498</b>
<b>Closing insurance contract liabilities</b>	<b>-16 034 495</b>	<b>-77 378 521</b>	<b>-11 311 601</b>	<b>-534 467</b>	<b>-53 102</b>	<b>-105 312 186</b>



2022 - SEGMENTS	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL <small>DATA IN THUF</small>
Opening insurance contract assets	-	-	-	614 921	1 659	616 580
Opening insurance contract liabilities	-10 546 857	-71 735 239	-10 263 887	-193 119	-281 576	-93 020 678
Changes related to current services						
- CSM recognized in profit and loss	19 662	466 497	226 004	350 571	10 614	1 073 348
- Risk Adjustment recognized in profit and loss	3 576	233 577	12 314	77 969	13 364	340 800
- Experience adjustments	-67 322	325 594	-176 848	112 511	35 058	228 993
Changes related to future services						
- Contracts initially recognized in the period	-180	-885	-	-21 647	-305 998	-328 710
- Changes in estimates that adjust CSM	-	-	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	-31 512	- 33 057	-60 161	11 808	-276 261	-389 183
Changes that relate to past service						
Changes that relate to past service - adjustments to LfIC	166 043	-170 915	49 487	-19 073	-	25 542
Insurance finance expenses through profit and loss	437 731	2 734 369	-278 263	44 338	29 634	2 967 809
Insurance finance expenses through OCI	-	-	2 435 684	-315 838	-69 784	2 050 062
Net foreign exchange income or expense	-165 283	-1 098 179	-10 968	-	-	-1 274 430
<b>Total changes in statement of profit and loss and OCI</b>	<b>362 715</b>	<b>2 457 001</b>	<b>2 197 249</b>	<b>240 639</b>	<b>- 563 373</b>	<b>4 694 231</b>
Premiums received	-3 765 444	-15 311 880	-1 835 590	-1 511 881	853 066	-21 571 729
Claims paid	1 659 443	10 357 089	1 344 062	334 456	28 019	13 723 069
Directly attributable expenses paid	162 830	1 023 446	160 446	183 433	126 595	1 656 750



DATA IN THUF

2022 - SEGMENTS	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Acquisition cost paid	137 227	1 913 723	24 805	567 928	206 738	2 850 421
<b>Total cash flows</b>	<b>-1 805 944</b>	<b>-2 017 622</b>	<b>-306 277</b>	<b>-426 064</b>	<b>1 214 418</b>	<b>-3 341 489</b>
<b>Closing insurance contract assets</b>	-	-	-	<b>388 332</b>	<b>572 693</b>	<b>961 025</b>
<b>Closing insurance contract liabilities</b>	<b>-11 990 086</b>	<b>-71 295 860</b>	<b>-8 372 915</b>	<b>-151 955</b>	<b>-201 565</b>	<b>-92 012 381</b>

### 34.3. Reserves for profit and loss on new contracts

DATA IN THUF

2023	NON-ONEROUS CONTRACTS	ONEROUS CONTRACTS	TOTAL
Present value of estimates of future cash inflows	18 766 716	2 589 518	21 356 234
Present value of estimates of future cash outflows	16 636 457	2 587 548	19 224 005
- incl. claims and directly attributable expenses	14 028 907	2 240 128	16 269 035
- incl. acquisition cash flows	2 607 550	347 420	2 954 970
Present value of cash flows	-2 130 259	-1 970	-2 132 229
Risk adjustment for non-financial risk	261 377	21 775	283 152
Contractual service margin	1 868 882	15 153	1 884 035
<b>Insurance Contract Liabilities</b>	-	<b>34 958</b>	<b>34 958</b>

DATA IN THUF

2022	NON-ONEROUS CONTRACTS	ONEROUS CONTRACTS	TOTAL
Present value of estimates of future cash inflows	20 058 188	1 030 366	21 088 554
Present value of estimates of future cash outflows	18 809 025	1 035 593	19 844 618
- incl. claims and directly attributable expenses	15 900 766	923 081	16 823 847
- incl. acquisition cash flows	2 908 259	112 512	3 020 771
Present value of cash flows	-1 249 163	5 227	-1 243 936
Risk adjustment for non-financial risk	303 295	16 732	320 027
Contractual service margin	1 251 865	754	1 252 619
<b>Insurance Contract Liabilities</b>	<b>305 997</b>	<b>22 713</b>	<b>328 710</b>

### 34.4. Claims run-off

DATA IN THUF

GROSS CUMULATIVE CLAIM PAYMENT	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	7 877 261	11 550 621	14 374 882	15 145 802	13 435 613	15 557 981	15 533 634	18 660 318	-
1 year later	7 987 223	11 783 524	14 800 514	15 601 392	13 521 675	15 879 195	15 555 619	-	-
2 year later	8 005 663	11 820 363	14 817 683	15 480 454	13 439 626	15 848 193	-	-	-
3 year later	8 032 742	11 859 678	14 774 541	15 468 565	13 417 638	-	-	-	-
4 year later	8 014 406	11 860 869	14 771 884	15 460 434	-	-	-	-	-
5 year later	8 014 925	11 794 437	14 719 116	-	-	-	-	-	-
6 year later	7 990 261	11 795 108	-	-	-	-	-	-	-
7 year later	7 990 443	-	-	-	-	-	-	-	-
Cumulative gross claims paid	-7 987 674	-11 788 248	-14 687 789	-15 346 015	-13 229 322	-15 605 235	-14 624 800	-15 761 878	-
Gross liabilities - accident years from 2016 to 2025	2 769	6 860	31 327	114 419	188 317	242 959	930 819	2 898 441	4 415 910
Gross liabilities - accident years before 2016									3 402
Investment Contracts									-19 594
Claims payable									31 018
Effect of discounting									-247 288
Risk adjustment									701 740
<b>Gross liabilities for incurred claims included in the statement of financial position</b>									<b>4 885 188</b>



DATA IN THUF

GROSS CUMULATIVE CLAIM PAYMENT	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	-16 347	-80 542	-21 577	-105 838	-225 262	-101 237	-441 560	-786 009	-
1 year later	-16 437	-13 925	-45 319	-124 182	-89 083	-58 442	-384 367	-	-
2 year later	-8 726	-6 315	-61 645	-29 730	-69 024	-73 557	-	-	-
3 year later	-8 726	-6 211	-23 505	-29 410	-64 124	-	-	-	-
4 year later	-8 726	-6 211	-23 505	-29 957	-	-	-	-	-
5 year later	-8 726	-6 211	-23 505	-	-	-	-	-	-
6 year later	-8 343	-6 211	-	-	-	-	-	-	-
7 year later	-8 343	-	-	-	-	-	-	-	-
Cumulative gross claims paid	8 343	6 114	20 168	29 530	64 075	71 555	201 702	335 847	-
Gross liabilities - accident years from 2016 to 2025	-	-97	-3 338	-427	-48	-2 003	-182 665	-450 163	-638 739
Gross liabilities - accident years before 2016									-
Investment Contracts									-
Claims payable									225 987
Effect of discounting									9 866
Risk adjustment									-93 830
<b>Gross liabilities for incurred claims included in the statement of financial position</b>									<b>-496 717</b>



DATA IN THUF

NET CUMULATIVE CLAIM PAYMENT	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	7 860 914	11 470 079	14 353 305	15 039 964	13 210 351	15 456 743	15 092 074	17 874 309	-
1 year later	7 970 786	11 769 599	14 755 195	15 477 210	13 432 592	15 820 753	15 171 252	-	-
2 year later	7 996 937	11 814 047	14 756 038	15 450 724	13 370 601	15 774 636	-	-	-
3 year later	8 024 016	11 853 467	14 751 035	15 439 155	13 353 515	-	-	-	-
4 year later	8 005 680	11 854 658	14 748 378	15 430 477	-	-	-	-	-
5 year later	8 006 199	11 788 226	14 695 610	-	-	-	-	-	-
6 year later	7 981 918	11 788 897	-	-	-	-	-	-	-
7 year later	7 982 100	-	-	-	-	-	-	-	-
Cumulative net claims paid	-7 979 331	-11 782 134	-14 667 621	-15 316 485	-13 165 246	-15 533 680	-14 423 098	-15 426 031	-
Net liabilities - accident years from 2016 to 2025	2 769	6 764	27 989	113 992	188 268	240 956	748 154	2 448 278	3 777 171
Net liabilities - accident years before 2016									3 402
Investment Contracts									- 19 594
Claims payable									257 005
Effect of discounting									-237 422
Risk adjustment									607 910
<b>Net liabilities for incurred claims included in the statement of financial position</b>									<b>4 388 471</b>

## 35. ASSETS AND LIABILITIES FROM REINSURANCE CONTRACTS

### 35.1. Assets for remaining coverage and assets for incurred claims of held reinsurance contracts

DATA IN THUF

2023	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
	EXCL. LC	LC		PVCF	RA	
Opening reinsurance contract assets	-15 779	-	22 852	272 972	155	280 200
Opening reinsurance contract liabilities	-888 100	409 522	-12 549	-	-	-491 127
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium	-682 199	-	-	-	-	-682 199
- Amounts recoverable for claims and other expenses	-	-	620 886	246 534	692	868 112
- Changes that relate to past service - adjustments to LfIC	-	-	49 196	-94 467	-119	-45 390
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	151 044	-	-	-	151 044
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-
Reinsurance finance income through profit and loss	-45 202	-	1 445	1 028	-	-42 729
Reinsurance finance income through OCI	-159 941	-	2 882	-	-	-157 059
Net foreign exchange income or expense	1 310	-	-	-13 252	-1	-11 943
Investment components	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-886 032</b>	<b>151 044</b>	<b>674 409</b>	<b>139 843</b>	<b>572</b>	<b>79 836</b>



DATA IN THUF

2023	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
	EXCL. LC	LC		PVCF	RA	
Premiums paid to reinsurer net of commission	1 300 819	-	-	-	-	1 300 819
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-	-	-516 981	-84 556	-	-601 537
<b>Total cash flows</b>	<b>1 300 819</b>	<b>-</b>	<b>-516 981</b>	<b>-84 556</b>	<b>-</b>	<b>699 282</b>
<b>Closing reinsurance contract assets</b>	<b>-404 263</b>	<b>559 053</b>	<b>166 617</b>	<b>337 271</b>	<b>727</b>	<b>659 405</b>
<b>Closing reinsurance contract liabilities</b>	<b>-84 829</b>	<b>1 513</b>	<b>1 114</b>	<b>-9 012</b>	<b>-</b>	<b>-91 214</b>



DATA IN THUF

2023	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	RENDSZ. DÍJAS UL	RENDSZ. D. MEGTAK.	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening reinsurance contract assets	11 716	-	10 718	8 454	249 312	280 200
Opening reinsurance contract liabilities	-	-14 017	-1	-38 129	-438 980	-491 127
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium	-15 105	-10 646	-19 822	-223 348	-413 278	-682 199
- Amounts recoverable for claims and other expenses	9 844	6 058	7 655	124 809	719 746	868 112
- Changes that relate to past service - adjustments to LfIC	6 697	1 069	-404	2 056	-54 808	-45 390
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	- 23	44	2 779	148 244	151 044
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-
Reinsurance finance income through profit and loss	678	-3 708	740	3 617	-44 056	-42 729
Reinsurance finance income through OCI	-	-4 328	1 975	-68 112	-86 594	-157 059
Net foreign exchange income or expense	-	-	-	-	-11 943	-11 943
Investment components	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>2 114</b>	<b>-11 578</b>	<b>-9 812</b>	<b>-158 199</b>	<b>257 311</b>	<b>79 836</b>
Premiums paid to reinsurer net of commission	28 268	12 970	16 363	239 978	1 003 240	1 300 819
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-31 988	-5 981	-7 854	-106 335	-449 379	-601 537
<b>Total cash flows</b>	<b>-3 720</b>	<b>6 989</b>	<b>8 509</b>	<b>133 643</b>	<b>553 861</b>	<b>699 282</b>
<b>Closing reinsurance contract assets</b>	<b>19 122</b>	<b>-</b>	<b>9 440</b>	<b>7 854</b>	<b>622 989</b>	<b>659 405</b>
<b>Closing reinsurance contract liabilities</b>	<b>-9 012</b>	<b>- 18 606</b>	<b>-26</b>	<b>-62 085</b>	<b>-1 485</b>	<b>-91 214</b>

DATA IN THUF

2022	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
	EXCL. LC	LC		EXCL. LC	ACQ	LC
Opening reinsurance contract assets	132 722	-	4 155	62 461	1 167	200 505
Opening reinsurance contract liabilities	-104 685	-	-7 581	-	-	-112 266
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium	-536 650	-	-	-	-	-536 650
- Amounts recoverable for claims and other expenses	-	-	125 686	322 456	154	448 296
- Changes that relate to past service - adjustments to LfIC	-	-	5 213	-36 436	-1 168	-32 391
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	409 522	-	-	-	409 522
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-
Reinsurance finance income through profit and loss	-26 020	-	274	-967	-	-26 713
Reinsurance finance income through OCI	145 838	-	-2 310	-	-	143 528
Net foreign exchange income or expense	6 610	-	-	-28 490	2	-21 878
Investment components	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-410 222</b>	<b>409 522</b>	<b>128 863</b>	<b>256 563</b>	<b>-1 012</b>	<b>383 714</b>



DATA IN THUF

2022	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UN- DER PAA		TOTAL
	EXCL. LC	LC		EXCL. LC	ACQ	LC
Premiums paid to reinsurer net of commission	-521 694	-	-	-	-	-521 694
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-	-	-115 134	-46 052	-	-161 186
<b>Total cash flows</b>	<b>-521 694</b>	<b>-</b>	<b>-115 134</b>	<b>-46 052</b>	<b>-</b>	<b>-682 880</b>
<b>Closing reinsurance contract assets</b>	<b>-15 779</b>	<b>-</b>	<b>22 852</b>	<b>272 972</b>	<b>155</b>	<b>280 200</b>
<b>Closing reinsurance contract liabilities</b>	<b>-888 100</b>	<b>409 522</b>	<b>-12 549</b>	<b>-</b>	<b>-</b>	<b>-491 127</b>

DATA IN THUF

2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening reinsurance contract assets	10 194	-	19 461	-	170 850	200 505
Opening reinsurance contract liabilities	-	-25 904	-1	-84 704	-1 657	-112 266
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium	-4 585	-12 309	-15 280	-98 113	-406 363	-536 650
- Amounts recoverable for claims and other expenses	16 696	7 617	7 589	50 687	365 707	448 296
- Changes that relate to past service - adjustments to LfIC	-11 635	125	171	4 917	-25 969	-32 391
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	23	-1 469	187	410 781	409 522
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-
Reinsurance finance income through profit and loss	-110	5 201	478	-3 529	-28 753	-26 713
Reinsurance finance income through OCI	-	6 786	-4 822	65 314	76 250	143 528
Net foreign exchange income or expense	-	-	-	-	-21 878	-21 878
Investment components	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>366</b>	<b>7 443</b>	<b>- 13 333</b>	<b>19 463</b>	<b>369 775</b>	<b>383 714</b>
Premiums paid to reinsurer net of commission	4 417	15 225	16 946	90 007	-648 289	-521 694
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-3 261	-10 781	-12 356	-54 441	-80 347	-161 186
<b>Total cash flows</b>	<b>1 156</b>	<b>4 444</b>	<b>4 590</b>	<b>35 566</b>	<b>-728 636</b>	<b>-682 880</b>
<b>Closing reinsurance contract assets</b>	<b>11 716</b>	<b>-</b>	<b>10 718</b>	<b>8 454</b>	<b>249 312</b>	<b>280 200</b>
<b>Closing reinsurance contract liabilities</b>	<b>-</b>	<b>-14 017</b>	<b>-1</b>	<b>- 38 129</b>	<b>-438 980</b>	<b>-491 127</b>

## 35.2. Movement table of reinsurance assets and liabilities (best estimate, risk adjustment and contractual service margin) – Contract valued using the GMM method

DATA IN THUF

2023	BEL	RA	CSM	TOTAL
Opening reinsurance contract assets	-271 396	61 740	247 556	37 900
Opening reinsurance contract liabilities	-872 886	88 632	294 612	-489 642
Changes related to current services				
- CSM recognized in profit and loss	-	-	-50 671	-50 671
- Risk Adjustment recognized in profit and loss	-	-5 438	-	-5 438
- Experience adjustments	134 199	90 980	-	225 179
Changes related to future services				
- Contracts initially recognized in the period	-208 634	18 663	189 971	-
- Changes in estimates that adjust CSM	212 844	21 362	-234 206	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	151 044	151 044
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	62 870	-13 675	-	49 195
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Insurance finance expenses through profit and loss	-97 572	-	53 816	-43 756
Insurance finance expenses through OCI	-157 059	-	-	-157 059
Net foreign exchange income or expense	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-53 352</b>	<b>111 892</b>	<b>109 954</b>	<b>168 494</b>

DATA IN THUF

2023	BEL	RA	CSM	TOTAL
Premiums paid to reinsurer net of commission	1 045 081	-	-	1 045 081
Directly attributable expenses paid	-	-	-	-
Recoveries from reinsurance	-516 983	-	-	-516 983
<b>Total cash flows</b>	<b>528 098</b>	<b>-</b>	<b>-</b>	<b>528 098</b>
<b>Closing reinsurance contract assets</b>	<b>-256 891</b>	<b>179 944</b>	<b>402 514</b>	<b>325 567</b>
<b>Closing reinsurance contract liabilities</b>	<b>-412 645</b>	<b>82 320</b>	<b>249 608</b>	<b>-80 717</b>



DATA IN THUF

2023	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening reinsurance contract assets	-	10 718	8 454	18 728	37 900
Opening reinsurance contract liabilities	-14 017	-1	-38 129	-437 495	-489 642
Changes related to current services					
- CSM recognized in profit and loss	-961	-1 007	-38 150	-10 553	-50 671
- Risk Adjustment recognized in profit and loss	-1 102	-734	-10 070	6 468	-5 438
- Experience adjustments	-2 526	-10 426	-24 787	262 918	225 179
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	-	-
- Changes in estimates that adjust CSM	-	-	-	-	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	- 23	44	2 779	148 244	151 044
Changes that relate to past service					
Changes that relate to past service - adjustments to LfIC	1 069	-404	2 056	46 474	49 195
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-
Insurance finance expenses through profit and loss	-3 708	740	4 023	-44 811	-43 756
Insurance finance expenses through OCI	-4 328	1 975	-68 112	-86 594	-157 059
Net foreign exchange income or expense	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-11 579</b>	<b>-9 812</b>	<b>-132 261</b>	<b>322 146</b>	<b>168 494</b>



DATA IN THUF

2023	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Premiums paid to reinsurer net of commission	12 971	16 362	172 698	843 050	1 045 081
Directly attributable expenses paid	-	-	-	-	-
Recoveries from reinsurance	-5 981	-7 853	-72 847	-430 302	-516 983
<b>Total cash flows</b>	<b>6 990</b>	<b>8 509</b>	<b>99 851</b>	<b>412 748</b>	<b>528 098</b>
<b>Closing reinsurance contract assets</b>	-	<b>9 439</b>	-	<b>316 128</b>	<b>325 567</b>
<b>Closing reinsurance contract liabilities</b>	<b>-18 606</b>	<b>-25</b>	<b>-62 085</b>	<b>-1</b>	<b>-80 717</b>



DATA IN THUF

2022	BEL	RA	CSM	TOTAL
Opening reinsurance contract assets	23 829	4 032	-9 870	17 991
Opening reinsurance contract liabilities	-376 982	58 187	206 529	-112 266
Changes related to current services				
- CSM recognized in profit and loss	-	-	-3 462	-3 462
- Risk Adjustment recognized in profit and loss	-	-25 693	-	-25 693
- Experience adjustments	-64 121	15 084	-	-49 037
Changes related to future services				
- Contracts initially recognized in the period	- 222 539	115 690	106 849	-
- Changes in estimates that adjust CSM	192 313	-16 743	-175 571	-1
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	409 549	409 549
Changes that relate to past service	-	-	-	-
Changes that relate to past service - adjustments to LfIC	5 399	-185	-	5 214
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Insurance finance expenses through profit and loss	-33 890	-	8 144	-25 746
Insurance finance expenses through OCI	143 528	-	-	143 528
Net foreign exchange income or expense	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>20 690</b>	<b>88 153</b>	<b>345 509</b>	<b>454 352</b>



DATA IN THUF

2022	BEL	RA	CSM	TOTAL
Premiums paid to reinsurer net of commission	-698 146	-	-	-698 146
Directly attributable expenses paid	-	-	-	-
Recoveries from reinsurance	-113 673	-	-	-113 673
<b>Total cash flows</b>	<b>-811 819</b>	<b>-</b>	<b>-</b>	<b>-811 819</b>
<b>Closing reinsurance contract assets</b>	<b>-271 396</b>	<b>61 740</b>	<b>247 556</b>	<b>37 900</b>
<b>Closing reinsurance contract liabilities</b>	<b>-872 886</b>	<b>88 632</b>	<b>294 612</b>	<b>-489 642</b>

DATA IN THUF

2022	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening reinsurance contract assets	-	17 991	-	-	17 991
Opening reinsurance contract liabilities	-25 904	9	-84 704	-1 667	-112 266
Changes related to current services					
- CSM recognized in profit and loss	-1 545	3 990	-46 324	40 417	-3 462
- Risk Adjustment recognized in profit and loss	-1 414	-722	-12 052	-11 505	-25 693
- Experience adjustments	-1 731	-10 961	10 950	-47 296	-49 038
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	-	-
- Changes in estimates that adjust CSM	-	-	-	-	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	23	-1 468	187	410 807	409 549
Changes that relate to past service					
Changes that relate to past service - adjustments to LfIC	125	172	4 917	-	5 214
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-
Insurance finance expenses through profit and loss	5 201	478	-3 529	-27 896	-25 746
Insurance finance expenses through OCI	6 787	-4 822	65 314	76 249	143 528
Net foreign exchange income or expense	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>7 446</b>	<b>-13 333</b>	<b>19 463</b>	<b>440 776</b>	<b>454 352</b>



DATA IN THUF

2022	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Premiums paid to reinsurer net of commission	15 224	16 946	90 007	-820 323	-698 146
Directly attributable expenses paid					
Recoveries from reinsurance	-10 784	-10 895	-54 442	-37 552	-113 673
<b>Total cash flows</b>	<b>4 440</b>	<b>6 051</b>	<b>35 565</b>	<b>-857 875</b>	<b>-811 819</b>
<b>Closing reinsurance contract assets</b>	-	<b>10 718</b>	<b>8 454</b>	<b>18 728</b>	<b>37 900</b>
<b>Closing reinsurance contract liabilities</b>	<b>-14 018</b>	-	<b>-38 130</b>	<b>-437 494</b>	<b>-489 642</b>

### 35.3. Reserves for profit and loss on new reinsurance contracts

DATA IN THUF

2023	ORIGINATED IN NET GAIN	ORIGINATED IN NET LOSS	TOTAL
Present value of estimates of future cash inflows	417	173 882	174 299
Present value of estimates of future cash outflows	325	382 608	382 933
Present value of cash flows	92	-208 726	-208 634
Risk adjustment for non-financial risk	9	18 655	18 664
Contractual service margin	-101	190 071	189 970
<b>Reinsurance contract assets</b>	-	-	-

DATA IN THUF

2022	ORIGINATED IN NET GAIN	ORIGINATED IN NET LOSS	TOTAL
Present value of estimates of future cash inflows	913 232	133 031	1 046 263
Present value of estimates of future cash outflows	997 882	270 921	1 268 803
Present value of cash flows	-84 650	-137 890	-222 540
Risk adjustment for non-financial risk	93 740	21 951	115 691
Contractual service margin	-9 090	115 939	106 849
<b>Reinsurance contract assets</b>	-	-	-



## 36. INVESTMENT CONTRACTS

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

DATA IN THUF

	2023	2022	2021 (RESTATED)
Opening balance on 1 January	5 167 307	5 237 951	2 910 863
Written premium	481 061	819 359	2 527 593
Fees deducted	-76 764	-104 940	-147 627
Release of reserves due to claim payments and benefits	-1 211 311	-606 488	-489 494
Investment result	399 821	-136 548	435 782
Reclassification between deemed and real initial units	-70	-105	-199
Other changes	3 071	-41 922	1 033
<b>Balance on 31 December</b>	<b>4 763 115</b>	<b>5 167 307</b>	<b>5 237 951</b>

Investment contracts are unit-linked contracts that, based on the Company's accounting policy regarding contract classification (see Note 3.3), do not contain significant insurance risk.



## 37. LEASE LIABILITIES

DATA IN THUF

	2023	2022	2021
Opening balance on 1 January	318 781	414 318	53 400
Increase	30 451	65 764	431 106
Derecognition	-19 491	-62 644	-13 497
Paid leasing fees	127 529	117 000	70 451
Of which: interest	7 032	8 459	8 459
Decrease of liabilities	120 497	108 541	61 992
Difference due to exchange rate	-5 756	9 884	5 301
<b>Balance on 31 December</b>	<b>203 488</b>	<b>318 781</b>	<b>414 318</b>

## 38. PROVISIONS

In connection with provisions, the following changes took place in 2022 and 2023:

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Provision on 1 January	196 134	43 728	281 679
Provision release	-100 062	-17 525	-265 717
Provision allocation	30 000	169 931	27 766
<b>Provision on 31 December</b>	<b>126 072</b>	<b>196 134</b>	<b>43 728</b>

In 2023 and 2022, the Company made provisions for the following items:

DATA IN THUF

PROVISION FOR EXPECTED LIABILITIES	EXPECTED PAYMENT PERIOD	31 DECEMBER 2023	31 DECEMBER 2022
Provision for litigation	1-2 year	-	17 332
Provision for expected obligation	<1 year	30 000	7 632
Provision for losses related to the termination of contracts	<1 year	33 376	42 594
Provision for Expenses related to reorganization	<1 year	62 696	136 208
<b>Total provisions</b>		<b>126 072</b>	<b>196 134</b>

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

The provision for expected liabilities includes provision for penalties.

The reserve for investment contracts is the sum of the claim reserves and bonus reserves connected to the investment contracts.

The provision for restructuring related expenses is the sum of the salary-related expenses of organizational restructuring.



## 39. OTHER LIABILITIES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Trade payables	107 373	115 442	64 577
Liabilities to fund managers	143 029	118 866	109 798
Liabilities to employees	111 752	104 956	83 227
Social contribution and taxes	620 215	193 264	84 130
Other liabilities	25 824	29 895	48 781
Accrued expenses and deferred income	328 103	156 917	237 304
Advance payments of subsidies	206 730	220 372	263 606
<b>Other liabilities and provision total</b>	<b>1 543 026</b>	<b>939 712</b>	<b>891 423</b>

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 liabilities 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 01.01.2022 – 31.12.2025. 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 utilization in the amount of HUF 275,182 thousand.

DATA IN THUF

	31.12.2021	CASH FLOWS	TRANSFER	CURRENCY DIFFERENCES	OTHER	31.12.2022
Treasury shares	-31 996	-	-	-	-	-31 996
Lease payment and interest	414 318	-108 541	3 120	9 883		318 781
Loans and financial reinsurance	891 423	- 34 656	83 227		82 945	939 712
Payables to shareholders	19 929	- 1 691 473	1 701 797			30 253
<b>Total financing liabilities</b>	<b>1 293 674</b>	<b>-1 834 670</b>	<b>1 704 917</b>	<b>9 883</b>	<b>82 945</b>	<b>1 256 750</b>



DATA IN THUF

	31.12.2022	CASH FLOWS	TRANSFER	CURRENCY DIFFERENCES	OTHER	31.12.2023
Treasury shares	-31 996	-	-	-	-	-31 996
Lease payment and interest	318 781	-120 497	10 960	-5 756		203 488
Loans and financial reinsurance	939 712	-6 704		5 217	624 801	1 563 025
Payables to shareholders	30 253	-1 699 709	1 702 863			33 407
<b>Total financing liabilities</b>	<b>1 256 750</b>	<b>-1 826 910</b>	<b>1 713 823</b>	<b>-540</b>	<b>624 801</b>	<b>1 767 924</b>

## 40. INTERCOMPANY LIABILITIES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Liabilities against EMABIT	67 226	29 771	10 777
Liabilities against Piéta Ltd.	-	600	800
<b>Intercompany liabilities</b>	<b>67 226</b>	<b>30 371</b>	<b>11 577</b>

## 41. SHARE CAPITAL AND CAPITAL RESERVE

As of December 31, 2023, the nominal value and the number of shares issued were as follows:

ISSUED ORDINARY SHARES (NR)	ORDINARY SHARES OUTSTANDING (NR)	DESCRIPTION
94 428 260	94 428 260	"A" sorozatú tőzsrészesvények
<b>94 428 260</b>	<b>94 428 260</b>	

Summary of nominal value of issued shares in 2022 and 2023:

SHARE SERIES	NOMINAL VALUE (HUF/ SHARE)	ISSUED SHARES	TOTAL NOMINAL VALUE (THUF)
<b>„A” series</b>	<b>33</b>	<b>94 428 260</b>	<b>3 116 133</b>



## 42. TREASURY SHARES

DESCRIPTION	DATE OF ACQUIRING	NUMBER OF OWN SHARES	PAR VALUE OF TREASURY SHARES (THUF)	COST OF TREASURY SHARES (THUF)
Series „A” shares – as a gift for free	2014.05.11.	1 196 750	47 870	-
Transfer of series "A" ordinary shares to MKB Bank as consideration for a minority interest	2017.07.04.	-92 744	-3 710	-
of which: sales in employee share-based payment program	2018.10.15.	-230 000	-9 200	-
of which: sales in employee share-based payment program	2018.11.07.	-160 000	-6 400	-
of which: sales in employee share-based payment program	2019.04.05.	-340 000	-13 600	-
Conversion of shares		-374 006	-14 960	
Conversion of shares		374 006	12 342	
Purchase of series "A" shares	2021.03.30.	100 000	3 300	31 996
<b>31.12.2023</b>		<b>474 006</b>	<b>15 642</b>	<b>31 996</b>

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

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

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

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



## 43. OTHER RESERVES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Difference in fair value of financial assets at fair value against other comprehensive result	- 1 461 687	-6 636 382	-2 904 808
Difference in fair value of insurance contracts at fair value against other comprehensive result	388 128	1 975 318	-74 499
Difference in fair value of reinsurance contracts at fair value against other comprehensive result	-591	156 468	12 940
Difference in fair value of deferred tax	119 121	387 866	270 850
<b>Other reserves</b>	<b>-955 030</b>	<b>-4 116 731</b>	<b>-2 695 518</b>

Other reserves include the difference between the fair value of financial assets valued at fair value against other comprehensive income recognized directly in equity, of which the negative evaluation difference of OPUS explain HUF -435 million, while the negative evaluation difference of government bond portfolios explain HUF -1,226 million.

## 44. EQUITY CORRELATION TABLE

### Equity correlation 2023

DATA IN THUF

IFRS STATEMENT OF FINANCIAL POSITION ITEMS	NOTES	REGISTERED CAPITAL	CAPITAL RESERVE	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS		EQUITY IN TOTAL
Account Act. 114/B § items		Registered capital	Capital reserve		Revaluation reserve	Retained earnings	Profit/loss after taxation	Equity in total
<b>Balance on 31 December 2022 (restated)</b>		<b>3 116 133</b>	<b>4 019 111</b>	<b>-31 996</b>	<b>-4 116 731</b>	<b>13 242 979</b>	<b>1 885 744</b>	<b>18 115 240</b>
<b>Total comprehensive income</b>								
Other comprehensive income	19	-	-	-	3 161 701	-	-	3 161 701
Profit tax in reporting year		-	-	-	-	-	2 937 350	2 937 350
<b>Transactions with equity holders recognized directly in equity</b>								
Dividend payments	48	-	-	-	-	-1 699 710	-	-1 699 710
<b>Balance 31 December 2023</b>		<b>3 116 133</b>	<b>4 019 111</b>	<b>-31 996</b>	<b>-955 030</b>	<b>13 429 013</b>	<b>2 937 350</b>	<b>22 514 581</b>

\* The sum of the registered capital equals to the sum registered at the Court Registration.  
 The total IFRS retained earnings form the basis for dividend payments.

**Equity correlation 2022 (restated)**

DATA IN THUF

IFRS STATEMENT OF FINANCIAL POSITION ITEMS	NOTES	REGISTERED CAPITAL	CAPITAL RESERVE	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	EQUITY IN TOTAL	
Account Act. 114/B § items		Registered capital	Capital reserve		Revaluation reserve	Retained earnings	Profit/loss after taxation	Equity in total
<b>Balance on 31 January 2021 (restated)</b>		<b>3 116 133</b>	<b>4 019 111</b>	<b>-31 996</b>	<b>-2 695 518</b>	<b>14 942 687</b>	<b>-</b>	<b>19 350 417</b>
<b>Total comprehensive income</b>								
Other comprehensive income	19	-	-	-	-1 421 213	-	-	-1 421 213
Profit tax in reporting year		-	-	-	-	-	1 885 744	1 885 744
<b>Transactions with equity holders recognized directly in equity</b>								
Dividend payments	48	-	-	-	-	-1 699 710	-	-1 699 710
<b>Balance 31 December 2022</b>		<b>3 116 133</b>	<b>4 019 111</b>	<b>-31 996</b>	<b>-4 116 731</b>	<b>15 128 723</b>	<b>1 885 744</b>	<b>18 115 240</b>

\* The sum of the registered capital equals to the sum registered at the Court Registration  
 The total IFRS retained earnings form the basis for dividend payments.

## **45. CONTINGENT LIABILITIES**

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

At the end of 2023, the Company had no contingent liabilities.

## **46. COMMITMENTS FOR CAPITAL EXPENDITURE**

As at 31 December 2022 and 31 December 2023, the Company had no commitments for capital expenditure.



## 47. 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.

### 47.1. 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 15,000 thousand in 2023 (HUF 15,000 thousand in 2022), of which the part for the life insurer amounted to HUF 7,500 thousand. No advance or loan was paid to them.

The Company has used the services of Hunquest Hotels Zrt. for HUF 894 thousand (HUF 15,388 thousand in 2022).

### 47.2. Transactions with subsidiary companies

Pannonia PI-ETA Funeral Services Ltd. charged HUF 8,280 thousand for funeral services to the Company (HUF 10,309 thousand in 2022).

The Company invoiced to CIG Pannónia First Hungarian General Insurance Company (EMABIT) HUF 889,718 thousand for joint employment (HUF 815,801 thousand in 2022) HUF 243,765 thousand for cost transfer (systems, phone, TE) (HUF 187,578 thousand in 2022). CIG Pannónia First Hungarian General Insurance Company has invoiced HUF 203 thousand in 2023 towards the company. In addition, the Company carried out a capital increase worth HUF 1,500 million.

The Company paid an operating contribution of HUF 5,889 thousand to MRP. In 2022, this amount was HUF 5,733 thousand.

### 47.3. Transactions with associated companies

MBH Fund Manager Ltd. invoiced the followings to the Company in 2023:

- The unit-linked portfolio management fee was HUF 368,481 thousand (HUF 376,875 thousand in 2022) and net unit-linked fund management fee of HUF 29,575 thousand (HUF 17,495 thousand in 2022).
- Own portfolio management fee<sup>4</sup> was HUF 40,030 thousand, in 2022 portfolio management fee was HUF 39,321 thousand.

EFurthermore, CIG Pannónia Life Insurance Plc. invoiced HUF 255 thousand mediated services to MBH Fund Management Ltd. in 2023. (It was HUF 283 thousand in 2022).

<sup>4</sup> 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.



#### 47.4. 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 505,974 thousand and EUR 61,892 (HUF 305,573 thousand in 2022),
- from HUNBankbiztosítás Kft. in the amount of HUF 7,040 thousand and EUR -540 (commission return) (HUF 58,653 thousand and EUR 566 in 2022),
- from HUNPénzügyi Tervező Kft. in the amount of HUF 91,074 thousand and EUR 25,336 (HUF 142,989 thousand and EUR 10,008 in 2022),
- from HUNPartner Kft. in the amount of HUF 32,849 thousand (HUF 33,355 thousand in 2022),
- from HUNInsurance Kft. in the amount of HUF 2,486 thousand (HUF 1,114 thousand in 2022),
- and from HUNBenefits Digitális Tárca Szolgáltató és Kereskedelmi Kft. in the amount of HUF 140,705 thousand and EUR 1,470 (HUF 0 in 2022).

All services were provided at market prices. The brokers HUNInsurance Kft., HUNPénzügyi Tervező Kft. and HUNPartner Kft. merged into Hungarikum Biztosítási Alkusz Zrt. on 30.06.2023. The turnover presented above is the turnover of HUNInsurance Kft., HUNPénzügyi Tervező Kft. and HUNPartner Kft. in the first half of 2023.

On 31 December 2023, the Insurer has the following obligations with other related parties (companies related since 2021), which Insurer presented under the line *Liabilities from insurance transactions*:

- Towards Hungarikum Biztosítási Alkusz Kft. in the amount of HUF 38,949 thousand and EUR 1,906 (HUF 7,673 thousand in 2022). The Company also recognizes a receivable towards Hungarikum Biztosítási Alkusz Zrt. of HUF 308,468 thousand at the reporting date due to the payment of commission advances (HUF 121,628 thousand in 2022).
- Towards HUNBankbiztosítás Kft. in the amount of HUF 1,426 thousand (HUF 1,426 thousand in 2022). The Company also recognizes a receivable towards HUNBankbiztosítás Kft. of HUF 338 thousand (EUR 544 in 2022).
- Towards HUNPénzügyi Tervező Kft. the Company recognizes a receivable of EUR 306 (HUF 12,964 thousand and EUR 3,108 in 2022).
- Towards HUNPartner Kft. the balance was HUF 0 (HUF 1,250 thousand in 2022).

The Company purchased used tangible assets from HUNInsurtech Kft. in the amount of HUF 292 thousand (HUF 909 thousand in 2022). The Insurer has no obligations to the partner on the balance sheet date.

In 2022, the Company concluded a marketing agency framework contract with HUNMédia Kft. and in 2023 its turnover amounted to HUF 204,455 thousand. The Insurer has a liability of HUF 119,776 thousand towards the partner on the balance sheet date, which it displays under passive accruals.



HUNService Kft. provided the Company with customer management, electronic data processing, claims administration, reconciliation and support services related to its group insurance policies in 2023 for a total amount of HUF 107,655 thousand. At the balance sheet date, the Company made an accrual of HUF 8,986 thousand for invoices not yet received from HUNService Kft.

From November 2023, the Company uses telephone customer services from HUNExpert Kft., who invoiced HUF 6,430 thousand for the year 2023.

No transactions occurred with other related parties.



## 48. EVENTS AFTER THE BALANCE SHEET

Simultaneously with the conclusion of the comprehensive investigation launched against the Life Insurance Company on March 1, 2023, the MNB imposed a supervisory fine of HUF 12,500,000 and a consumer protection fine of HUF 1,500,000.

The Group immediately began fulfilling the obligations imposed by the MNB and make up for the shortcomings, but at the same time, the findings recorded in the decision (Decision Nos. H-JÉ-II-B-21/2024.) do not essentially affect the reliable operation of the Companies in the future.

Our Company provided detailed information on the suspension of the Ural Russian equity asset funds and their separation into successor asset funds, its reasons and consequences, the legal background to the suspension and separation and the extension of the suspension in the following announcements on 1, 3 and 31 March 2022 and on 17 February 2023, available at the following link:

<https://www.cigpannonia.hu/hasznos/tajekoztato-eszkozalapok-felfuggeszteserol>

The suspension of the remaining illiquid asset funds expired on 1 March 2024, and therefore our Company had to terminate the suspension - in accordance with the compulsory requirement of law Bit. Paragraph 127(7).

Due to current regulation and the effects of the market environment, the assets will remain illiquid and unmarketable on 1 March 2024 (and probably for an uncertain time hereafter as well), i.e. they have no determinable value. At the same time, CIG Pannónia Elétbiztosító, obeying the legal requirements [Bit. § Paragraph 127(8)] must account to its Customers on 1 March 2024 (based on the current market situation at the time of termination). In March 2024, our Company will send a settlement letter to all affected Customers.

Our Company will work now and in the future as wekk to find a satisfactory solutions to end the suspension while minimizing the harm to customer interests, and furthermore to treat our Customers qualifying as consumers fairly and with due care.

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



## 49. STATEMENT

Separate Financial Statements and Business Report of CIG Pannónia Life Insurance Plc. for the year 2023, 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 27 March 2024 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 2023, given the conditions allow, it plans to pay a total dividend of HUF 3,116 million. Thus, the proposal of the Board of Directors for the use of the 2023 after-tax profit is to pay a dividend of HUF 33 per share to the shareholders and to transfer the additional required amount from the profit reserve.

Budapest, 27 March 2024

Dr. István Fedák

*Chief Executive Officer*

Alexandra Tóth

*Chief Accounting Officer*

Géza Szabó

*Chief Actuary*



**CIG PANNÓNIA**  
INSURANCE

CIG PANNÓNIA LIFE INSURANCE PLC.

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**BUSINESS REPORT FOR THE  
YEAR 2023**

27 MARCH 2024



## REPORT ON THE DEVELOPMENT AND BUSINESS PERFORMANCE OF THE COMPANY

2023 was a year of outstanding performance in the history of the Company, both financially and in terms of realizing our strategic goals. Another important aspect in the interpretation of our results – and the term 'historic' is also appropriate here – is that this is the first year that we have prepared our accounts in accordance with the new international accounting principles for insurers - the IFRS 17 standard - and we are making the comparison in accordance with these principles.

**Our profit after tax** excluding the extra profit tax and the HUF 7 billion rise in capital due to the transition to IFRS 17 **has increased by 62% to HUF 3,729 million from HUF 2,299 million last year.** The challenging economic environment in 2023 in many respects - noting a 17% annual inflation rate and a decline in the country's economic performance - makes this performance even more valuable for us. **Taking all items into account, our reported earnings have increased from HUF 1,886 million last year to HUF 2,937 million (56%) by the end of 2023.**

With the introduction of IFRS 17, the impact on the given year's result of items that directly affect the profitability of certain products, including the extra profit tax, cannot be shown separately, therefore an estimate has been made to show the impact of the extra profit tax, and the 62% increase in profit after tax for the year can be interpreted together with this estimate.

The Company's economic performance in 2023 was fundamentally affected by two significant changes having opposite effects to its results:

- The development and expansion of the sales channels significantly increased the demand for our products, which led to an increase in the number of our customers and an increase in our premium income. We are present in all sales channels of MBH Bank and realize continuous, dynamic development from the branch network through the telephone sales all the way to digital solutions. **As a result of these effects, our Company's premium income increased by more than HUF 5 billion, 19% in one year.** An increase in profit due to the increase in the number of customers can be observed in the profit improvement numbers of group life insurance, risk life insurance, individual accident and health insurance, as well as credit coverage products.
- The change in the yield environment under IFRS 17 rules has a significant and direct impact on the profitability of some of our portfolios, in 2023 for savings products (regular and single-premium unit-linked life insurance (UL) and regular premium savings products). While a significant increase in yields was observed in 2022 - forward yields of one to five years increased by 6.22% on average over the year -, a decrease in yields was observed in 2023 - forward yields of one to five years decreased by 5.38% on average over the year. The fall in the yield curve increases the claims reserves, which reduced profitability in these portfolio groups.

We are steadily implementing our growth strategy as a result of which our premium income exceeded thirty billion forints in 2023. In addition to the increase in the number of our customers, the growth of our premium income also driven by changes to our product range to better meet the needs of the market, in respect to which our individual accident and health insurance product "Bajtárs" needs to be highlighted.



The aforementioned changes in yields - as a result of Hungarian and international financial market trends - have not only affected profitability, but also the savings deposits of our customers placed with our Company. Premium income from our regular fee UL and regular fee savings products decreased year-on-year, while single premium income increased significantly.

As a result of the portfolio transfer with BNP Paribas Cardif Life Insurance in 2022, the premiums for credit coverage products also increased - by leaps and bounds - from HUF 87 million in 2022 to almost HUF 2 billion by the end of 2023.

Our premium income growth is driven by new sales. Due to this year's growth, our life insurance portfolio was also significantly - by 30% - higher than last year's. Particularly noteworthy is the increase in the portfolio of credit coverage products sold through MBH, as mentioned above.

The performance of our sales channels has been reviewed in 2023 and we intend to focus our resources on the banking channel and independent brokers. As a consequence of this decision, we have discontinued our own sales network, and the vast majority of our long-standing loyal dependent agent partners can continue to sell our products within the independent network – now as independent brokers, of course.

We believe that nothing can stop progress, therefore this year we have continued to simplify and digitise our processes in order to improve our customer service. Claims can already be reported online for many of our products, and by the end of the first half of 2024 we will have a single online claims reporting interface for all of our products, which in addition to a dedicated website will include the automation of a significant part of the claims process, for faster claims settlement and a better customer experience.

The aforementioned change in yield levels has not only affected the performance of our savings portfolios, but also the unrealized exchange rate changes of our investments. The fall in yield curves has increased the value of our investments: the market trend that caused a significant exchange rate loss last year, reducing the Company's equity by the end of 2022, has been reflected in an exchange rate gain this year, increasing the Company's equity by HUF 3.1 billion.

Our insurer's capital position is stable, with a capital adequacy ratio of 232%.



## 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. The classification and utilization of financial instruments is presented in points 3.16 and 3.20.

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

- credit risk exposure primarily arises 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 bond-type financial instruments, risk management is also supported by the continuous monitoring of asset-liability matching;
- in 2023 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.

The Company presents the effects of financial risks on the financial statements in detail in point 6.6.



## PRESENTATION OF THE COMPANY'S FINANCIAL SITUATION IN 2023

**Our consolidated accounting result after tax in 2023 was a profit of HUF 2,937 million.**

There are two significant items affecting the accounting result that need to be considered when assessing the Company's performance:

- i. a non-recurring corporate tax liability incurred as a result of the HUF 7 billion increase in equity due to the transition to IFRS 17, which decreased our profit after tax by HUF 498 million, furthermore
- ii. we also need to separate the effect of the extra profit tax when assessing the result of the ordinary course of business. The exact mathematic calculation of the extra profit tax is limited by the IFRS 17 framework - as the difference between the changes in the terms and conditions of each contract at their issuance and at the preparation of the financial statements would make the analysis too complex – thus according to our best estimate, the amount of the extra profit tax for 2023 was set at HUF 293 million.

The 56% rise in our consolidated accounting profit after tax means that our profit for 2022 under IFRS 17 increased from HUF 1,886 million to HUF 2,937 million. **The biggest contributor to our growth was the income from our investments due to the high yield environment**, as we were able to earn higher interest rates on the amounts invested from our maturing or sold securities this year.

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

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

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

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

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

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



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

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

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

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

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

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

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

**Credit coverage insurance and account protection products** (annual profit improvement: HUF 372 million): In the third quarter of 2022 the portfolio group was expanded with group credit coverage insurance contracts taken over from BNP Paribas Cardif Insurer. For the group credit coverage insurance contracts taken over, the Insurer formed a loss component in the quarter of takeover (2022Q3), which had a negative effect on the result of 2022. This loss component was formed due to the profit assumptions calculated from the assumed cash flows expected from the portfolio. If everything develops as expected by the Insurer, this portfolio will not cause any further losses for the Insurer. A similar loss component was not needed in 2023, and this effect will significantly improve our result year-on-year. The result also increased due to the growth of the portfolio. In spring 2022, the sale of a wide range of credit insurance products through Magyar Bankholding member companies was launched, which contributes significantly to the continued growth of the portfolio group.



## Volume of sales

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

We managed to achieve growth in each insurance group according to evaluation methodology: altogether our premium increased by 16 percent within one year. Following reasons lie behind this growth:

- i. the portfolios assessed with the GMM method - with an increase of 193% - are credit insurance policies taken over from BNP Paribas Cardif insurers which are currently processed by our Company;
- ii. single-premium unit-linked life insurance (UL), by nearly HUF 2 billion
- iii. risk life insurance increased by HUF 1.3 billion.

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

It is an important element of our Company's strategy to increase our portfolio, which has a positive impact on our profitability due to economies of scale. One indicator of portfolio growth is the growth of insurance premiums, which is a priority goal for us. Our individual quarterly premiums exceeded HUF 7 billion in all quarters of 2023.

## IMPLEMENTATION OF BUSINESS POLICY GOALS IN 2023

2023 is a milestone in many respects in the life of the CIG Pannónia Group, and thus also the Company, which allows us in 2024 to move to the next stage of the implementation of our Growth Strategy:

- our premium income increased by 16% year-on-year, exceeding HUF 31 billion over the full year
- our adjusted profit after tax, cleaned of individual items, exceeded HUF 3.7 billion, which is 62% higher than last year's value of HUF 2.3 billion
- the IFRS 17 framework was introduced, based on which we will evaluate our performance in the future. As a result of the transition to the accounting system, the Company's equity increased by HUF 7.3 billion, which is the cumulative effect of the old methodology's (IFRS 4) and the new methodology's (IFRS 17) different accounting of the result in time, from the establishment of the Company to the end of December 2021.
- the first full year under the strategic agreement with MBH, in cooperation with the largest network of intermediaries in Hungary

These successes could not have been achieved without our dedicated colleagues. At the beginning of 2023, we carried out an organizational rationalization and restructured our remuneration system to adapt it to market conditions. We have done all this in order to better link the success of the Company with the appreciation of our colleagues.

In our organizational and staff development program, we have identified three key areas to focus on: (i) refreshing the organizational culture (ii) leadership development (iii) performance management.

We continued to focus on deepening our cooperation to achieve our strategic goals, based on our strategic agreement with MBH. We are present in all MBH sales channels and are realizing continuous, dynamic progress from the branch network through telephone sales to digital solutions. Within the MBH Group, our joint portfolio with both MBH "Gondoskodás" Health Fund and the market leader MBH Euroleasing is growing and the range of products offered is expanding. The insurances offered to MVM customers were renewed in 2023 and the number of our joint customers exceeds 200 thousand.

Also in 2023, we entered into cooperation with partners who are strong in their own markets. VISTA Travel Agencies, who is number one in the travel organization market, offers exclusively CIG Pannónia travel insurance products. We signed a three-year cooperation agreement with Magyar Telekom to sell extended warranty insurance for devices.

We also cooperate with Promobox Ltd., who specifically focuses on providing adequate information and support to expecting and fresh mothers, so in addition to sales, our social engagement is also receiving increasing emphasis.

An advanced, modern insurer cannot operate without advanced partner networks. We did a lot to develop our independent network relationships, thus the number of brokers and agents cooperating with us surpassed 200 by the end of the year.



In order to be in contact with a more efficient sales partner network, we have discontinued our own sales network. The vast majority of our long-standing loyal dependent agent partners can continue to sell our products within the independent network – now as independent brokers, of course.

The topic of sustainability is becoming more and more important these days. Our goal was to incorporate this approach into our processes as an insurance company. In early 2023, we published our first report under the Environmental, Social and Governance (ESG) framework, and building on this, in the second half of the year we developed in more detail the programmes for which we have assigned specific targets and responsible persons. Our goal is to incorporate the most modern principles and methodologies from the ESG framework into our daily operations in a scheduled and thus transparent way, so that our operations can be measured and evaluated in an integrated way with our financial data for our investors, and so that we can take a fuller advantage of the benefits the framework provides.

Overall, 2023 was a record year. Our keyword was change management once again. We have tried to recognize and take advantage of their inherent potential and thus become an active, proactive player in the process of change. Due to our size, we are able to offer our partners the kind of flexibility and speed that, in our view, has become an expectation, but also our value in the accelerated world of the recent years.

## **BUSINESS POLICY GOALS OF CIG PANNÓNIA LIFE INSURANCE PLC. FOR 2024**

We believe that the impact of the global changes of 2022 and 2023 (not to mention the preceding special period of the COVID-crisis) will be also felt in 2024, and that our response to these challenges, the appropriate restructuring of our Companies will be key in this 2024 as well.

Due to our size, in addition to increasing our premium income, we also have to put special focus on achieving worthy results. This is what creates and can create the pledge of future profitability, the financial basis for our planned IT developments and, last but not least, the dividends we can pay to our shareholders.

In our fast-changing world the ability to adapt continuously is essential, therefore our organizational operations require further fine-tuning, which we will implement to ensure that both the number of our staff and our operation is cost-effective. For our employees, the training the younger generations and developing their leadership skills will be in the center of our plans.

We believe and trust in our partnerships, which we want to develop both at product and partner level. In this regard the aim of our product developments and reviews remains to ensure that not only our partners concerned, but every one of their customers feel that they are important to us. Reflecting the changes in the insurance market, we will pay particular attention to reviewing our unit-linked life insurance portfolio and preparing products to meet the new supervisory requirements.

We have high hopes in the field of ESG, and we are confident that with our activities and the tasks planned for this financial year we will be able to come closer to the legislative expectations formulated in the field of sustainability, and in the long term come closer to the preservation of our environment, in which we unitedly believe.



## **SUBSEQUENT EVENTS IN ACCORDANCE WITH SUPPLEMENTARY NOTES**

Simultaneously with the conclusion of the comprehensive investigation launched against the Life Insurance Company on March 1, 2023, the MNB imposed a supervisory fine of HUF 12,500,000 and a consumer protection fine of HUF 1,500,000.

The Group immediately began fulfilling the obligations imposed by the MNB and make up for the shortcomings, but at the same time, the findings recorded in the decision (Decision Nos. H-JÉ-II-B-21/2024.) do not essentially affect the reliable operation of the Companies in the future.

Our Company provided detailed information on the suspension of the Ural Russian equity asset funds and their separation into successor asset funds, its reasons and consequences, the legal background to the suspension and separation and the extension of the suspension in the following announcements on 1, 3 and 31 March 2022 and on 17 February 2023, available at the following link:

<https://www.cigpannonia.hu/hasznos/tajekoztato-eszkoalapok-felfuggeszteserol>

The suspension of the remaining illiquid asset funds expired on 1 March 2024, and therefore our Company had to terminate the suspension - in accordance with the compulsory requirement of law Bit. Paragraph 127(7).

Due to current regulation and the effects of the market environment, the assets will remain illiquid and unmarketable on 1 March 2024 (and probably for an uncertain time hereafter as well), i.e. they have no determinable value. At the same time, CIG Pannónia Elétbiztosító, obeying the legal requirements [Bit. § Paragraph 127(8)] must account to its Customers on 1 March 2024 (based on the current market situation at the time of termination). In March 2024, our Company will send a settlement letter to all affected Customers.

Our Company will work now and in the future as wekk to find a satisfactory solutions to end the suspension while minimizing the harm to customer interests, and furthermore to treat our Customers qualifying as consumers fairly and with due care.

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. (2023. december 31.)**

OWNERS DESCRIPTION	NUMBER OF SHARES	OWNERSHIP RATIO	VOTING RIGHT
Domestic private individual	28 371 921	30,05%	30,05%
Domestic institution	64 671 491	68,49%	68,49%
Foreign private individual	144 837	0,15%	0,15%
Foreign institution	22 533	0,02%	0,02%
Nominee, domestic private individual	1 158 518	1,23%	1,23%
Nominee, foreign private individual	18 000	0,02%	0,02%
Nominee, foreign institution	32 726	0,03%	0,03%
Unidentified item	8 234	0,01%	0,01%
<b>Total</b>	<b>94 428 260</b>	<b>100%</b>	<b>100%</b>

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 2023 the number of owners is 5,753. Over 10 percent ownership is present at Hungarikum Insurance Broker Ltd., who has a 57.52 percent stake with 54,311,374 shares.

The Company did not issue any special management rights shares or other preference shares.

The Company does not have any management mechanism in place prescribed by an employee shareholding system.

The Company has no agreements between the Company and its managers or employees that prescribes compensation if the given manager or employee resigns, if the employment of the manager or employee is terminated illegally, or if the employment relationship is terminated on account of a public purchase offer.

The registered capital consists of 94,428,260 dematerialized registered voting series "A" common shares of thirty-three Hungarian Forints of nominal value each.

There is no right to limit or dispose of shares set by the Articles of Association of CIG Pannónia Life Insurance Plc.

## CORPORATE GOVERNANCE REPORT

The purpose of the Corporate Governance Recommendations (Recommendations) issued by the Budapest Stock Exchange Zrt. is to formulate guidelines to facilitate the operation of publicly traded companies (Issuers) in compliance with internationally recognized rules and standards of good corporate governance. The Annual General Meeting is responsible for accepting the corporate governance report.

The Recommendations can be considered as an addition to Hungarian legislation, which show to what extent and with what deviations each issuer complies with the Recommendations.

The Company should also take relevant legislation into account when evaluating responsible corporate governance practices. Compliance with the Recommendations also requires compliance with the law, as well as ethical, self-responsibility and business practices. The Company hereby declares that the responsible corporate governance practice operated by it complies in all respects with the requirements of the current regulatory environment.

The basis of the Hungarian regulation is Act V of 2013 on the Civil Code. Article 3: 289 (1) of the Civil Code, the board of directors of a public limited liability company shall submit to the annual general meeting a responsible corporate governance report (the Report), prepared in accordance with the corporate governance practices of the public limited company in the manner prescribed for the relevant stock exchange participants. The Company fulfills its obligation in this respect continuously.

According to paragraph 2 of the referred Article, the General Meeting shall decide on the adoption of the Report. The resolution of the General Meeting and the adopted Report shall be published on the website of the Company and other official places of publication. Issuers are expected – and thus it is also expected from the Company – to apply the Recommendations specified by the BSE and, in this context, they must provide information on the extent to which they follow them. The Company's Reports for a given business year are available on the Company's official website in a transparent and retrievable manner.

The Recommendations forming the basis of the Report were significantly amended first on 23 July 2018, then on 8 December 2020 by the Responsible Corporate Governance Committee acting beside the BSE. The amendment was made in relation to remuneration, due to the fact that certain requirements for remuneration, previously included in the Recommendation, have been delegated to legal Acts, therefore the Company hereby also states that its practice complies in all aspects with Act LXVII of 2019 promoting long-term shareholder participation and amending certain acts for legal harmonization. The amended Recommendations contain, in part, binding recommendations for all issuers and partly non-binding recommendations. Issuers may differ from both binding recommendations and non-binding proposals. In the event of a deviation from the recommendations, the issuers are required to disclose the discrepancy in the corporate governance report and to justify it. This allows issuers to take sector-specific and company-specific needs into account. Accordingly, an issuer other than the recommendations may, where appropriate, meet the requirements of corporate governance. In the case of proposals, issuers should indicate whether or not they apply the Directive and have the possibility to justify deviations from the proposals.

The Company has two ways to declare its responsible corporate governance practices. The Company must report on the responsible corporate governance practices of the business year in question in its Report to be compiled and submitted to the Annual General Meeting on the one hand. In doing so, we must address the corporate governance policy



and the description of any special circumstances in terms of the aspects set out in the Recommendations.

**These aspects:**

Brief description of the board of directors / board of directors, responsibilities and responsibilities of the board of directors and management.

Presentation of the members of the Board of Directors, the Supervisory Board and the Management (including the status of the individual members for the members of the Board), the structure of the committees.

Presentation of the number of meetings of the Managing Body, the Supervisory Board and the Committees held during a given period, giving the participation rate.

Presentation of the aspects taken into account in evaluating the work of the Managing Body, the Supervisory Board, the management and the individual members. Indication of whether the evaluation performed during the given period resulted in any change.

Report on the functioning of each committee, including the professional presentation of committee members, the meetings held and the attendance rate and the main topics discussed at the meetings and the general functioning of the committee. When presenting the functioning of the Audit Committee, it should be noted that the Board of Directors / Board of Directors has decided on a matter contrary to the proposal of the Board (including the reasons for the Managing Body). It is advisable to refer to the company's website, where the tasks delegated to the committees and the time of the appointment of members should be made public. (If this information is not found on the Company's website, they must be included in the Corporate Governance Report.)

Presentation of the system of internal controls, evaluation of the activity of the given period. Report on the effectiveness and efficiency of risk management procedures. (Information on where shareholders can view the report of the Board of Directors / Board of Directors on the operation of internal controls.)

Information on whether the auditor has performed an activity that is not related to the audit.

An overview of the company's publishing policy and insider trading policy. In connection with this requirement, we would like to note that the Company publishes on its website its policy on the management of market abuse, as well as, in a separate document, the trading prohibition periods for persons performing managerial and executive duties.

In addition to the above description, the Corporate Governance Report details the answers to the questions in the recommendation, indicating the points in which the Company is not continuing the recommended practice, indicating the reason for the deviation and the intention to comply with it in the future.

The Company distributes the detailed Report in a separate document to the General Meeting and, if accepted, shall publish it immediately and in full at the official places of publication, i.e. on the website of the BSE, at the place of publication operated by the Magyar Nemzeti Bank, and on the Company's own website.

In order to comply as much as possible – practically in full – with the legal and regulatory obligations, expectations and recommendations within the scope of responsible corporate governance - and thus the Report -, the Company has established a competence center at the level of Deputy CEO, which aims to ensure the coherence of diversified regulations



and to create and ensure the development and maintenance of “best practices” tailored at the Company.

In this context, the Company applies guidelines regarding the establishment and composition of the management and supervisory bodies and the selection of key personnel in the work organization. The selection criteria are transparent, accessible to everyone, the personnel selection processes, the competencies, their potential changes, the continuous compliance with them, the compliance with the conditions of professional duty and business reliability are ensured in a documented manner. The guidelines, which also cover the application of diversity policies, have been published on the Company's website, their review and the compliance with them are ensured, a review is performed on an annual basis.

The Company's Articles of Association regulate the rules for the appointment and removal of senior officials, as well as for amending the articles of association. Among other things, the General Meeting has the exclusive competence to elect and recall the members of the Board of Directors and the Supervisory Board (and also the auditor) and determine their remuneration. The decision requires a qualified majority. The Company has a Board of Directors consisting of at least three and at most seven members, who are elected or recalled by the General Meeting. The list of the members of the Board of Directors is included in Annex 2, an inseparable part of the Articles of Association. The Company has a Supervisory Board consisting of at least three and at most ten members, who are elected (for a maximum period of five years) or recalled by the General Meeting. Members of the Supervisory Board - with the exception of persons representing employees - may not be employed by the Company. The Supervisory Board elects its chairman from among its members.

Establishing and amending the Articles of Association is also the exclusive competence of the General Meeting and also requires a qualified majority decision. According to the Articles of Association, the General Meeting decides (Chapter VIII points g, h, i, j, k):

- g) on the conversion of a printed share into a dematerialized share;*
- (h) on changing the rights attached to certain series of shares, or transforming certain types and classes of shares (if several series, types and/or classes of shares are issued);*
- (i) on the issuance of a convertible bond or a bond with subscription rights, unless otherwise provided for in the Civil Code;*
- (j) on the increase of the share capital (with the exceptions provided for in the Articles of Association);*
- (k) on the reduction of the share capital (qualified majority), unless otherwise provided for in the Civil Code.*

The rules for raising and lowering the share capital are regulated in detail in Article XII of the Articles of Association.

- i) the powers of the senior officers, in particular their power to issue and repurchase shares

The rules for issuing shares are based on the principles contained in the Articles of Association. A repurchase - i.e. the purchase of own shares - is possible only and exclusively according to the rules of the Civil Code. Pursuant to Paragraph (1) of Article 3:223 [Decision on the acquisition of own shares] of Act V of 2013 on the Civil Code, the acquisition of own



shares is subject to the prior authorization of the Board of Directors to acquire the own shares by the General Meeting, while also determining the shares' type, class, number, nominal value and, in the case of acquisition for consideration, the minimum and maximum amount of the consideration. The authorization is for a period of eighteen months.

The detailed presentation of the items required in points 95/A and 95/B of the Accounting Act is contained in the Responsible Corporate Governance Report published together with these financial statements.



## EMPLOYMENT POLICY

As it is with all businesses, also in the case of our Company's financial statements it is our colleagues who are behind the presented economic performance and growth success. From the employment policy view the year 2023 can best be described in terms of stabilisation, efficiency gains and meeting the challenges of ongoing change. Our headcount in 2023 did not change essentially, with the number of colleagues working with us being close to 200. This number of employees and the complexity of the business processes require an advanced, supportive approach to human resource management.

As a public limited company of course we must, and we do comply with the conditions set by the law. 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<sup>5</sup> 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.

In addition to regulating remuneration, we need to mention that

- In order to ensure equal opportunities and the protection of human rights, the Company has appropriate rules and regulations in place, compliance with which is an important element of the employment policy.
- The Company's risk management policy provides for the handling of fraud and fraud prevention activities, and the application of the compliance policy is an important tool in the fight against corruption and bribery.
- Consideration of the environmental, social and governance (ESG) framework has a direct impact on redefining the role of our workers as employees. Our aim is to incorporate the most modern principles and methodologies into our day-to-day operations in a scheduled and thus transparent way. These changes, process and attitudinal changes also affect our employment policy.

In the year 2023, the process continued, according to which the handling of changes in the world requires more and more flexibility - or what is fashionably known as resilience - from people, including our colleagues. The same approach is increasingly appearing as an expectation from the side of the employees towards their employer. This is true for the need to quickly deal with inflation - to settle wages as quickly as possible -, to schedule flexible working hours, to increase the proportion of work done at home (home office). Paradoxically, however, in addition to all of this - according to our experience - the employer is also expected to provide a secure future vision, career path, opportunity for advancement, overall a secure - not changing - growing livelihood in a constantly changing world.

<sup>5</sup> Act LXVII of 2019 on the promotion of long-term shareholder participation and the amendment of certain laws for the purpose of legal harmonization

This dichotomy has defined the year 2023, which the Company has managed on an ongoing basis, in the light of its business strategy and opportunities, with the following key actions:

- i. we introduced a position-based compensation system based on market data by changing the compensation package for our employees
- ii. we have developed our working environment to make it as comfortable as possible for our colleagues to work in the office
- iii. we have reregulated working from home, in which case we have sought a balance between group work and working from home
- iv. we launched and will launch training programmes for both specific expertise and managers
- v. we organize and draw lessons from the feedback we receive from our outgoing colleagues.

In addition to the targeted programmes, we have put emphasis on gaining a better understanding of the motivational system that keeps our colleagues with the Company in the long term. The issue itself is extremely complex, therefore we are trying to meet this challenge in a comprehensive way:

- i. We launched an employee satisfaction survey, asking colleagues to share their views on CIG Pannonia's benefits, strategy, customer focus, leadership and the quality of internal cooperation. The goal of the survey is not just to get a picture of the current situation, but to continue to increase employee satisfaction in 2024 through targeted actions.
- ii. We believe that corporate culture is the cornerstone of any corporate strategy, thus we have launched a program to assess the differences between the current culture and what our colleagues consider to be the ideal culture. The goal of the program is to become a learning organization capable of effectively integrating and learning from change.
- iii. The other side of regular performance measurement is appropriate managerial support, feedback to colleagues, and mentoring. In order to move forward in this area as well, we have launched a pilot leadership development starter program in 2023, which will be implemented in 2024. Our goal here is to measure, develop and support personalized, broadly interpreted leadership skills. Our Company's strategy is to provide fast, customer-friendly services, which requires a management team that can provide the right support to our colleagues and strengthen our business orientation and operation.

The aim of the above programs and actions is that in the world, where on the one hand our Company and on the other our colleagues have to meet many challenges, we find solutions together in which our colleagues can find a community at our Company, and everyone can find the work-life balance that suits them.



## **CORPORATE GOVERNANCE STATEMENT** (ACCORDING TO § 95/B OF THE ACCOUNTING ACT)

An undertaking whose transferable securities are admitted to trading on a regulated market in a State of the European Economic Area shall publish a corporate governance statement in its annual report.

### **The internal control and risk management system**

As a financial institution, one of the pillars of the Company's strategic objectives is to maintain and further develop its prudential operational framework in line with supervisory guidelines. Accordingly, the Company operates a risk management and internal audit system that ensures that the Company's Board of Directors and management make business decisions and approve the Company's financial statements on the basis of all relevant information. The Company's risk management and internal audit systems operate separately.

### **Internal audit system**

The elements of the internal audit system are the audit built in the processes of the Company, the management audit, the management information system and the independent internal auditor. The internal auditor is subject to the professional leadership of the Supervisory Board.

In accordance with the provisions of the Bit. and the supervisory recommendation, while directing the internal audit organization, the Supervisory Board:

- adopts the annual audit plan of the internal audit organization;
- ensures that the Company has a comprehensive and effective, operable system of controls;
- discusses internal audit reports at least every calendar quarter and monitors the implementation of the necessary measures;
- directs the activities of the person responsible for internal audit;
- determines the number of persons who perform the internal audit function if the insurer does not outsource the internal audit function;
- draws up proposals, recommendations and measures, takes decisions and monitors the implementation of these proposals, recommendations and measures based on the findings of the person responsible for internal audit or of the internal audit function;
- supports the work of the internal audit by appointing external experts when necessary;
- makes a proposal to change the number of employees of the internal audit organizational unit.



In addition to the above, the Supervisory Board is entitled to request information and reports on the operation of all elements of the internal audit system (in-process, management control, management information system), as well as the entire internal safeguarding system of the Company.

At the Company, the Audit Committee is responsible for monitoring the effectiveness of the internal control and risk management system in accordance with the division of labor established with the Supervisory Board.

The internal audit is performed by the internal auditor (the comprehensive review, analysis and assessment of the business activity, exploration of hindering circumstances and irregularities, initiation of actions, carrying out the reviews specified by law and in the internal instructions, such as targeted reviews, general reviews, and ensuring that the experiences are utilised). In determining the capacity and staffing of the internal audit unit, the Company shall take into account all the Company's specifications, operational elements, market weight, internal segmentation. The internal auditor shall perform his/her duties in accordance with the requirements set out in Section V.C.3 (Conduct Requirements) of the Company's Organizational and Operational Rules. The task of the internal auditor is limited to the examination of the actual functioning of the Company in accordance with its internal policies and regulations and of the insurance activity in terms of legality, security, transparency and expediency, and as such is process-based, the vertical and horizontal examination of which is not the same as the examination in terms of legal compliance. The internal auditor shall verify the content accuracy and the completeness of the reports and data provisions submitted by the Company to the Supervisory Authority at least quarterly. The internal auditor shall make his/her reports available first to the Supervisory Board and after the Supervisory Board meeting to the Management Board (through uploading it to a dataroom for them), and shall provide the Hungarian versions of such reports to the auditors in case of an audit by the supervisory authority. The employer's rights related to the internal auditor are exercised directly by the primary leader.

The internal audit of the Company has an internal audit policy approved by the Supervisory Board, an audit handbook approved by the Management Board, and a three-year rolling work plan. Internal Audit monitors the implementation of the tasks set out in its reports on a monthly basis.

## **Risk management function**

The Company is required to operate a risk management system as defined under Bit. § 86-88. In order to comply with the provisions of the Bit., the Chief Risk Officer has been created as a separate position, reporting directly to the CEO as defined in the Company's Organizational and Operational Rules. The risk management function covers the tasks related to the operation of the risk management system.

The CRO's responsibilities cover the following areas

- implementing and operating a complex Risk Management System suitable to assess, monitor and mitigate risks in the areas of operation, projects and economic crime prevention for the purpose of developing the Company's risk strategy;
- the CRO is responsible for developing risk mitigation procedures, monitoring implementation and following up on results;
- the risk management system achieves detailed documented task management based on self-assessment, measurement and regular analysis of data and the results



of expert studies, and increases risk awareness in the business decisions of the Insurer, in addition to the primary result of risk reduction;

- certifying by signature the calculations, assessments and reports prepared by the person responsible for Risk Management;
- performing tasks arising from the operation of the system, managing partner risks, financial risk analysis of the Company's clients;
- risk levels in the company's risk areas are assessed by the Risk Management Committee in a standard risk self-assessment meeting, the result of which is presented to the Board of Directors. The insurer uses a two-level assessment, with the results of the general assessment (high level assessment) held with the Company's managers determining the list of areas where further separate thematic assessments are carried out.
- Risk Management defines measurement points to determine risk levels (key risks indicators) for each risk area under its responsibility, and the business areas create reports monthly on the measured results;
- the measured results, trends and external circumstances affecting the risk are assessed by the Chief Risk Officer and reported to the Risk Management Committee in a quarterly report, and to the Board of Directors in a semi-annual report. Risk Management monitors the individual work processes posing increased risk, and records any deficiencies identified in a management statement. The Insurer shall appoint a responsible task manager (risk owner, person to act) to carry out the tasks resulting from these statements and shall set a deadline for the performance of the task. Identified risks and mitigating actions are tracked in a risk management summary register, and any non-compliance is reported to management.



## **THE CORPORATE GOVERNANCE BODIES AND THEIR ROLE IN THE ADOPTION OF THE REPORTS**

The Company's governance model is based on the management and control bodies defined in the Civil Code and the Bit.: the General Meeting, the Supervisory Board, the Audit Committee and the Board of Directors. In these forums, decisions are made by voting, so it is important that those involved in decision-making are fully aware of the potential benefits and risks associated with their decisions.

The Company's governance system is designed in such a way that the governing bodies mentioned above cooperate with senior management and other key personnel of the Company on an ongoing basis, are proactively informed and, where necessary, respond to risks in their decisions.

The Company has set up its governance system and its lines of defence in such a way that the most important functions – i.e. risk management, compliance, internal audit and actuarial functions, head of accounting - are also separately reflected in its Organisational and Operational Rules. These functions are in direct contact with their governing bodies by providing them with regular reports on the functioning of the insurer. The Insurer shall also ensure the continuity of the high-priority tasks in such a way that these employees are also considered to be key personnel and the notice period of the senior staff members performing these tasks is longer.

The accounts are submitted to the various bodies for approval after acceptance and approval by the Chief Actuary, the Chief Accounting Officer and the Chief Executive Officer.

The following bodies are directly involved in the reporting process: the Supervisory Board, the Audit Committee, the Board of Directors, the General Meeting. The final adoption of the Report is the responsibility of the General Assembly and is based on the report of the independent auditor.

## **GENERAL INFORMATION ON THE MANAGEMENT SYSTEM**

In its operations, the Company fully complies with the legal provisions applicable to it, the regulations of the Magyar Nemzeti Bank and the rules of BSE. The organisational structure and operating principles of the Company are set out in its Articles of Association.



## GOVERNING BODIES

### THE MANAGEMENT BOARD

The management body of the Company is the Management Board, it is responsible for establishing and managing the organisation of the Company. The scope of power of the Management Board is determined by the legislation in force, the Articles of Association of the Company, the resolutions of the General Meeting, as well as the Rules of Procedure of the Management Board. The Management Board shall establish its Rules of Procedure itself and shall adopt it by more than half of the members of the Management Board voting in favour thereof. The Rules of Procedure includes – among others – matters concerning the functioning of the Management Board, the structure of the Management Board, and the mandatory elements of the meetings and the minutes to be drawn up thereon. The Company shall make public the Rules of Procedure of the Board of Directors in full, which shall be available to anyone on the Company's website. The Management Board operating at the Company shall be made up of at least three and no more than seven members, the members of the Management Board shall be elected (for maximum five years) and recalled by the General Meeting.

The Board of Directors entrusts the preparation of the tasks related to the selection of the members of the bodies, including the members of the Board, to the Remuneration and Nomination Committee, which makes its recommendations to the Board of Directors in the form of a proposal. The proposal is always included in the Board proposal. The proposals are also subject to the Board Selection Policy rules, which are also published in full on the Company's website<sup>6</sup>. The members of the Board of Directors are subject to the terms and provisions set out for senior executives in Act LXXXVIII of 2014 on Insurance Activities (hereinafter: Bit.).

#### Members of the Board of Directors:

**Chairman:** Péter Bogdánffy dr. (from 16.01.2023)

Zoltán Polányi (until 16.01.2023)

**Members:** István János Fedák dr.  
Zsuzsanna Ódorné Angyal  
(from 10.08.2023 until 02.02.2024)  
Gábor Dakó Miklós dr.

<sup>6</sup> <https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>



## SUPERVISORY BOARD

In compliance with the provisions of the Business Insurance Act, the Supervisory Board directs the internal audit organization, as well as develops recommendations and proposals based on the findings of the inspections carried out by the internal audit function.

A Supervisory Board of at least three but no more than ten members operates at the Company, the chairman and the members of which are elected (for a no more than five-year period) and recalled by the General Meeting.

At the Company the preparation of the tasks related to the selection of the members of the Boards – hence the members of the Supervisory Board – is entrusted to the Remuneration and Nomination Committee, which makes its recommendations to the Board of Directors in the form of a proposal. The proposal is always included in the Board proposal. The proposals are also subject to the Board Selection Policy rules, which are also published in full on the Company's website<sup>7</sup>. The Supervisory Board establishes its own rules of procedure, subject to approval by the General Meeting of the Company. The rules and procedures of the Supervisory Board are published in full on the Company's website<sup>8</sup>.

### Members of the Supervisory Board:

**Chairman:** János Tima

**Members:** Erika Vada

Ildikó Ginzer

## AUDIT COMMITTEE

The Audit Committee is a body that helps the work of the Supervisory Board of the Company with its opinion, evaluations and proposals. The scope of powers of the committee are determined by the legislation in force, the Articles of Association of the Company, the resolutions of the General Meeting, as well as its Rules of Procedure. The rules and procedures of the Audit Committee are published and accessible in full and without restrictions on the Company's official website<sup>9</sup>.

The Audit Committee operating at the Company consists of at least four members, to be elected by the General Meeting from the independent members of the Supervisory Board.

The tasks of the Audit Committee include:

- commenting on the financial statements in accordance with the Accounting Act;
- monitoring the audit of the financial statements in accordance with the Accounting Act;

<sup>7</sup> <https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>

<sup>8</sup> <https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>

<sup>9</sup> <https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>



- making proposals for the person and remuneration of the auditor, preparation of the contract to be concluded with the auditor;
- monitoring of the enforcement of the professional requirements and the conflict of interest and independence requirements specified for the auditor, fulfilment of tasks related to cooperating with the auditor;
- apart from the audit of the annual accounts compliant with the Accounting Act by the auditor, monitoring of the other services provided to the company, and
- if necessary - making proposals to the Supervisory Board for actions to be taken.

The Audit Committee of the Insurer also performs the Audit Committee tasks of CIG Pannónia Első Magyar Általános Biztosító Zrt. The members of the Audit Committee do not receive any honoraria for the performance of their duties, with effect from 1 May 2021.

Furthermore the task of the Audit Committee is

- assessing the functioning of the financial reporting system and proposing the necessary measures to be taken;
- helping the work of the Supervisory Board in order to ensure the appropriate control of the financial reporting system;
- monitoring the effectiveness of the internal audit and risk management system.

The Audit Committee in general holds a meeting every three months and notifies the Supervisory Board of its resolutions adopted at the meetings. It compiles a report on its yearly work, which is discussed by the Supervisory Board. Before the annual General Meeting, the Audit Committee forms its opinion related to the annual accounts and forwards it to the Management Board and the Supervisory Board of the Company.

The committee has defined its tasks and responsibilities in its own rules of procedure.

#### **Members of the Audit Committee:**

<b>Chairman:</b>	Erika Vada
<b>Members:</b>	János Tima
	Ildikó Ginzer

#### **Of the functioning of the various committees and bodies**

Permanent committees established by the Board of Directors of the Company to support the management functions:



## EXECUTIVE COMMITTEE OPERATIONAL MANAGEMENT MEETING (OMM)

The members of the Operational Management Meeting, as a committee, are the Company's decision-making support body at operational level. The Committee has no decision-making powers, and the matters discussed by the Committee are decided by the Chief Executive Officer, acting alone, in accordance with the provisions of the Company's Organisational and Operational Rules.

As a rule, the OMM takes place in weekly meetings. It is responsible for operational management, ensuring the continuous flow of information, and preparing, scheduling and defining decisions on matters falling within the remit of the Board of Directors. It is also responsible for discussing decisions on the following types of matters which do not fall within the competence of the Board:

- definition of tasks which lead to an increase in the expenditure included in the annual budget;
- launching, monitoring and canceling projects, discussing project status reports, setting directions;
- defining and controlling the strategic directions of the risk management system;
- preparation and introduction of new product launches;
- defining cross-departmental tasks, establishing coordination between departments;
- strategic decisions on the introduction and termination of asset funds;
- the commencement and termination of activities requiring supervisory notification or authorization, including the definition of a timetable and operational tasks involved;
- other matters on which the CEO requires or requests the agreement or opinion of other managers.

The permanent members of the OMM are the Chief Executive Officer and the Deputy Chief Executive Officers (collectively: Management). If the Chairman of the Board of Directors and the Chairman of the Board of Directors of CIG Pannónia First Hungarian General Insurance Company Zrt. is a person independent of the Management (not a member of the Management), then the Chairman of the Board of Directors shall be a permanent invitee of the meeting. The Head of Internal Audit and the Head of Compliance may participate in the meeting with consultation rights, on the basis of their prior indication or on someone's request. If the OMM discusses an agenda item on the risk management system report, the Chief Risk Officer is also a participant in the meeting.

A permanent item on the agenda of the OMM is the report by the members of the Management on the status of ongoing cases (projects) within their remit and/or priority areas, tasks arising from contacts with the authorities, etc.

The Chief Executive Officer or the Chairman of the Board of Directors may extend the meeting to include the heads of specific areas or other ad hoc (expert-level) invitees.

In order to fully meet its responsibilities - and in order to ensure that they are met and prioritised - for the ongoing identification, measurement, monitoring and management of



individual and aggregate risks and risk interactions in the operation of the risk management system, the OMM, as part of the risk management system, once per quarter discusses the proposals and decisions of the Risk Management Committee.

#### DATA ASSESSMENT COMMITTEE

By rule, the data assessment of the Company lies with the Deputy Chief Executive Officer responsible for Company Governance and Prudential Compliance, who acts at the discretion of the Company's ad hoc Data Assessment Committee in the cases provided for in the Organisational and Operational Rules. Data assessment is subject to the agreement of the head legal counsel.

If the data assessment is

- ordered by a decision of the Management Board,
- asked by the CEO, or
- considered by the Deputy CEO responsible for data assessment
  - to involve several competing areas of competence, or in connection with it
  - requires the assessment of key data relating to the strategic, business, economic or financial situation of the Company,

the given data or dataset must be assessed by a committee convened for that purpose (Data Assessment Committee).

The Data Assessment Committee is an ad hoc body made up of the the Chief Executive Officer, the person responsible for Investor Relations, the Deputy Chief Executive Officer responsible for Company Governance and Prudential Compliance and the Deputy Chief Executive Officer responsible for Legal and Business Support, which can be operated using on-line tools without any formalities. The Data Assessment Committee is convened by the Deputy Chief Executive Officer for Corporate Governance and Prudential Compliance and is responsible for determining whether, in case of doubt, the given item of information/data is considered as regulated information<sup>10</sup> based on the content thereof.

Subject to the nature of the given data or information, the Data Assessment Committee shall carry out the assessment without delay, but as soon as possible, paying special attention and complying with the time limits and frameworks of the disclosure as specified by the relevant specific laws, and shall notify the parties concerned of the result of the assessment without delay, and if the statutory conditions are met, shall initiate the disclosure of the information.

#### INFORMATION TECHNOLOGY COMMITTEE

The preparatory and decision-making body for decisions concerning the Company's IT issues is the IT Committee, which is an ad hoc body not named in the Company's Organizational and Operational Rules, the forum for the allocation of available IT resources, essentially a subcommittee of the Operational Management Meeting, which reports regularly to the Company's Board of Directors through the Director of IT. In this way, the management of the area reports on the period that elapsed since the previous report and ongoing cases.

<sup>10</sup> a term as defined in the Disclosure Rules



## PROJECT MANAGEMENT DIRECTORATE

From 1 February 2023, instead of the ad hoc so-called project committees, which previously decided on the launch, closure, termination and suspension of projects and assessed the results of them within the Company and the Group, the Organizational and Operational Rules established a Project Management Directorate, which reports directly to the CEO

Its tasks are defined as:

- determining the workload, the human resource requirements and the necessary competences of the given project, and appointing the project members in consultation and agreement with the heads of the relevant (involved) departments and areas,
- managing and coordinating specific projects in line with the Company's strategy and as defined by the Board of Directors, the CEO and/or the Management, following the delegation of delegated/assigned employees from the departments concerned by the project,
- reporting to the CEO and the Board of Directors on ongoing projects in the form, manner and intervals set out at the beginning of the project.

## REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee operated by the Company shall, where relevant with regard to EMABIT as well, make proposals to the Board of Directors and the Founder for the development of a performance incentive and remuneration policy of the Company as a whole and of certain key employees, and shall give its opinion on proposals relating to the employment of employees in specific positions (for whom among its task it is designated to do so).

The task of the Remuneration and Nomination Committee are:

- in relation to the CEO of the Company, it proposes to the Board of Directors the election of the CEO, the modification of his/her contract and the determination of his/her remuneration package, the modification of his/her incentives;
- discusses and gives its opinion on the proposal of the Chief Executive Officer on the establishment, modification and termination of the employment contracts of the Deputy Chief Executive Officers and of certain key personnel (in particular those performing internal control functions such as the Head of Internal Audit, the Head of Compliance, the Chief Risk Officer, the Chief Legal Officer), as well as on the establishment of the components, the amount and the modification of their remuneration package;
- proposes to the Board of Directors annually changes to the annual incentives and for the assessment of their fulfilment;
- proposes a policy on the interests and remuneration of non-executive managers (others than members of the Management Committee).

## RISK MANAGEMENT COMMITTEE

The Company operates a Risk Management Committee. The primary duty of the Risk Management Committee is to assist and support the Management Board in ensuring that it can perform its risk management activity in compliance with the laws and other rules, as well as the Articles of Association and the internal policies of the Company. Within this framework, the Risk Management Committee shall review, revise and analyse the risk management activity of the Company regularly and as necessary, and it shall produce reports and formulate recommendations for the Management Board based on its findings.

The Risk Management Committee consists of the lead risk manager, the Deputy Chief Executive Officer responsible for Corporate Governance and Prudential Compliance, Deputy Chief Executive Officer of Finance, Head of Internal Audit, Chief Legal Counsel, Chief Compliance Officer and the Chief Actuary. Its ad hoc members – subject to the agenda – are the Chief Financial Officer, the IT Director, the Information Security Officer, the head of the insurance claims settlement department, as well as any employee representing the department specified in the Organizational and Operational Rules the invitation of whom is reasonable for the purpose of discussing the item of agenda concerned.

## MEMBERS OF THE COMPANY'S MANAGEMENT

The executives of the Company, in addition to the external members of the Board of Directors and the Supervisory Board already listed, whose expertise and experience make a decisive contribution to the successful operation of the Company:

<b>Primary CEO, Chief Executive Officer:</b>	István János Fedák dr. (from 16.01.2023) Zoltán Polányi (until 16.01.2023)
<b>Chief Financial Officer:</b>	Árpád Szűcs
<b>Deputy CEO responsible for corporate governance and prudential compliance:</b>	Gábor Miklós Dakó dr.
<b>Deputy Chief Sales Officer:</b>	Zoltán Kőrösi
<b>Deputy CEO Retail Division:</b>	Antal Kóka (from 01.02.2023)
<b>Deputy CEO for Legal and Business Support:</b>	Dávid Kozma dr. (from 01.02.2023)
<b>Chief Accounting Officer:</b>	Alexandra Tóth
<b>Chief lawyer and Data protection officer:</b>	Dávid Kozma dr.
<b>Chief actuary:</b>	Géza Szabó
<b>Responsible for actuarial function:</b>	Melinda Márton Gábor Varga



### **Chief Risk Officer and Responsible**

**for risk management:**

Norbert Kozma

**Head of internal audit:**

Erika Marczi dr.

**Head of compliance:**

Katalin Déri dr.

**Responsible for consumer**

**protection:**

Dávid Kozma dr. (from 01.01.2024)

Dóra Rákosfalvi

(from 14.08.2023 until 31.12.2023)

Krisztina Hollósy-Papp

(from 29.01.2023 until 14.08.2023)

Anna Sternóczky dr.

(from 03.10.2022 until 29.01.2023)

**Senior doctor:**

Katalin Halász dr.

**Investment relations:**

Gábor Miklós Dakó dr.

The Board of Directors of the Company reviewed the directive (the "Directive") based on the recommendation of the Remuneration and Nomination Committee (the "Committee") on the establishment and composition of the bodies performing governance and oversight functions (the "Bodies") and on the selection of key personnel for the organization in accordance with the comments of the Committee and adopted and put it into effect by CIG Pannónia Life Insurance Company Board Resolution 26/2022.03.09. The provisions of the Directive are in line with the requirements of the European framework for the functioning of financial institutions.

### **Aspects relating to the composition of the Bodies**

1. The Board of Directors shall design the composition of the Bodies in such a way that the competences of the categories set out in the guidelines issued by EIOPA can be identified for the particular members.
2. The composition is intended to ensure the collective competence of the members of the Bodies, of which the individual, expected competence of a member is an integral part.
  - a. Expected competences
    - i. - insurance and financial markets
    - ii. - business strategy and business model

- iii. - governance system
- iv. – financial and actuarial analysis
- v. – regulatory framework and requirements
- b. Professional and qualification requirements:
  - i. It is necessary to take into account the professional expectations of Bit regarding the licensing of executives. The Board of Directors does not impose other educational requirements on the candidates;
- c. Selection of board members:
  - i. It is reasonable for those entitled to make personal proposals to make their proposals taking these guidelines into account, and to support only shareholder proposals that meet these requirements. The proposal can be made in writing by presenting the required competences, and by attaching the professional CV at the same time;
- d. During selection and succession planning, it is justified to keep the following points in mind:
  - i. it is reasonable to determine the necessary training, skills and competences of the chairman and individual members of the Bodies in such a way as to ensure the availability of appropriate expertise and experience for the Body as a whole
  - ii. if it is possible for the same person to be a member of several Bodies, hold several positions, the performance of different functions should not represent a conflict of interest, and the resulting negative effects should be minimized
  - iii. in addition to the criteria specified in the sectoral legislation and given as conditions for authorization, the candidate's good business reputation (based on criteria beyond the existence of a moral certificate), his/her suitability for the role to be filled in the organization (in addition to documents certifying professional qualifications, among other things, human qualities, acquired practical experience at previous workplaces, leadership skills, etc.), his/her time capacity available to perform the function, and the expected identification with the organizational values
  - iv. even if the law allows otherwise, it is necessary to that the term of office of members is not indefinite and that, in the case of a fixed term mandate, reappointment may only take place if the institution has assessed the member's activities in the preceding period with due care and found them to be in line with expectations
  - v. even if there are different - permissive - provisions in the law, it is necessary to strive to ensure that the members' mandate is not for an indefinite period and in the case of a fixed-term mandate, re-appointment can only take place if the institution has assessed the member's activities in the previous period with due care and assessed that they met the expectations
  - vi. the simultaneous expiration of several members' mandates may represent an operational risk, which must be managed by the financial organization.



3. The Board of Directors, through assessment during the selection process and backtracking during operation, ensures that Body candidates meet the following requirements:
  - a. act/acted with the highest degree of professionalism, due diligence and proactivity in their activities
  - b. are/were able to take independent, objective and informed decisions and actions,
  - c. whether they are/were able to devote sufficient time to the performance of their function, taking into account their other duties and responsibilities
4. It is the responsibility of the candidates to accept membership and to familiarize themselves with the duties and responsibilities associated with the position. The members of the Bodies must devote adequate time and energy to the performance of their duties arising from their position. It is the responsibility of the Body member to assess whether he/she can fulfill his/her duties as a Body member when taking on additional functions and nominations.
5. The Board of Directors ensures that the Company provides personalized information for the newly elected, non-operative Body members, during which the members can learn about the company's structure, operations, business model, risk profile, corporate governance system, and the applicant tasks as Body members (2005/162/EC 11.3.). To this end, the Company provides the possibility of general and customized information, as well as the possibility of participating in the necessary training. Information/training must take place no later than 30 days after election/appointment.
6. The Board of Directors entrusts the preparation of the tasks related to the selection of the members of the Bodies to the Remuneration and Nominations Committee, which makes its recommendations to the Board of Directors in the form of a proposal. This proposal is always included in the Board's presentation. The main task of the Committee, through the board of directors, is to make well-founded and objective proposals to the shareholders regarding nominations for Body memberships (appointment, recall). The purpose of the Committee's operation is for the members of the Bodies to have adequate training and professional experience to be able to perform their duties in the interests of the shareholders.
7. Part of the preparation for personnel changes is the selection of highly performing employees and the planning of their careers within the company.
8. For the sake of the above, when assessing the suitability of each candidate, the Commission does not only take into account business and personal relationships, but also examines the candidate's competence and professional suitability, as well as assesses whether the candidate is able to devote sufficient time to the appropriate performance of his Body membership (2005 /162/EK I.M. 2.2.).

## **Selection and succession of professional management positions and key persons within the work organization**

Arrangements for the selection and succession of professional management positions and key persons within the work organization, in particular of the officers appointed under the Bit., are made in accordance with the organizational structure defined in the Company's current Organization and Operation Rules, with the support of HR, as defined as the responsibility of the CEO. This is therefore the responsibility of the CEO for each of the areas under his/her authority. The CEO, together with the Head of HR, defines the



key people, taking into account the Commission's proposal as necessary. In the selection of senior positions and key persons (at the time of election/appointment, at the time of renewal of the mandate, if there are circumstances requiring re-evaluation), the suitability of the candidate needs to be assessed. The succession of such employees should, in the first instance and as a general rule, be carried out through the selection of employees within the work organization. If for some reason this is not possible or appropriate - with the involvement of HR and with prior specification of professional expectations and competences - an advertisement and/or professional online platform(s)/consultancy(s) will be used. The individual and collective suitability of the members of the management body and the suitability of the person occupying a key position should be assessed at the institutional level and individually at the time of election/appointment, prior to re-election/appointment, at the time of renewal of the mandate, at the end of the financial year or when circumstances require. The assessment of suitability should be carried out irrespective of whether or not the circumstance giving rise to the assessment or reassessment of suitability is subject to a statutory supervisory notification or authorisation requirement, and whether or not the MNB carries out a suitability assessment as part of the related authorisation procedures and its ongoing supervision and control activities. The assessment of suitability is the responsibility of the Commission.

## **Ensuring equal opportunities**

On the basis of the requirement of equal treatment, candidates for office and applicants for employment must be treated with the same respect and care, taking equal account of individual considerations.

During the selection process discrimination of any kind is forbidden with regards to

- a) sex,
- b) race,
- c) color of the skin,
- d) nationality,
- e) belonging to a nationality,
- f) mother tongue,
- g) disability,
- h) health status,
- i) religion or ideological belief,
- j) political or other views,
- k) marital status,
- l) motherhood (pregnancy) or fatherhood,
- m) sexual orientation,
- n) gender identity,

- o) age,
- p) social origin,
- q) financial situation,
- r) the part-time or fixed-term nature of an employment legal status or other employment legal status, belonging to an interest group,
- s) other situation, human trait or characteristic (hereinafter together: traits).

Indirect discrimination is a provision which does not constitute direct discrimination and which appears to satisfy the requirement of equal treatment, which places individual persons with the specific characteristics listed above in a significantly greater ratio at disadvantage than it did, does or will do other persons in a comparable situation.

### On improving gender balance in non-executive director positions

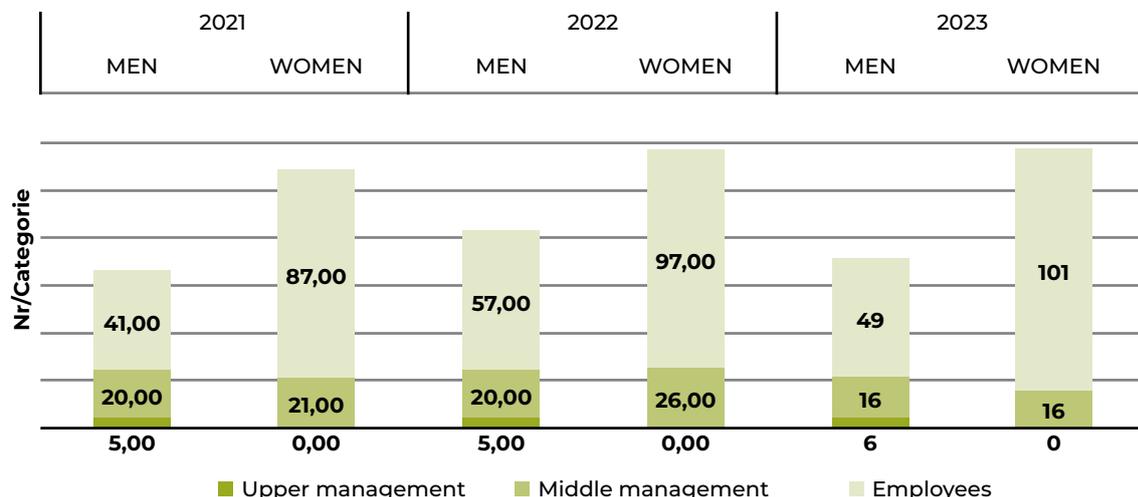
1. The Board of Directors ensures that, with regard to non-executive directors, the Company creates an appropriate balance between, on the one hand, the need to increase gender diversity within the management bodies and, on the other hand, the need to minimize interference in day-to-day management. Non-executive directors and supervisory board members play a fundamental role in appointing top-level managers and shaping the company's human resources policy. Therefore, the non-prominent appearance of non-executive directors, who are underrepresented, causes a positive effect that ripples through the entire career ladder.
2. The Board of Directors aims to achieve a 40% representation of women among non-executive directors

#### ACHIEVING GENDER BALANCE IN 2023

In 2023, one of the four members of the Board of Directors was a woman. Two of the three members of the Supervisory Board were women.

The proportion of women and men in the organization over the last three years has been as follows. Chief executives and mid-level managers are considered to be the non-executive director level detailed above.

**Ratio of women and men in the organization by organizational level**





## OTHER DISCLOSURES

In December 2011 the Company established a business location in Debrecen in order to ensure a prominent role for its product innovation development and to be able to improve its activity in Eastern Hungary. Effective from 2015 the Company relocated the branch office to Miskolc.

Environmental protection is not directly linked to the Company's core activities, nevertheless, in the development of working environment, using paperless processes and outsourcing, the Company contributes to an energy-efficient, healthy and environmentally friendly workplace. Environmental protection is strongly supported by the widespread use of electronic procedures, so the MNB licensing system, in addition to court proceedings, paperless solutions have become decisive in communicating with customers. The Company launched its research and experimental development activities in 2022 in the topic of "Development of personalised insurance products using artificial intelligence", as explained in more detail under Note 39.

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, 27 March 2024

dDr. István Fedák

*Chief Executive Officer*

Alexandra Tóth

*Chief Accounting Officer*

Géza Szabó

*Chief Actuary*

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