



**CIG PANNÓNIA**  
INSURANCE

**CIG PANNONIA LIFE  
INSURANCE PLC.**

SEPARATE FINANCIAL STATEMENTS AND  
BUSINESS REPORT FOR THE YEAR 2024,  
PREPARED ACCORDING TO THE INTERNATIONAL  
FINANCIAL REPORTING STANDARDS ACCEPTED  
BY THE EUROPEAN UNION

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**CIG PANNÓNIA**  
INSURANCE

**CIG PANNONIA LIFE**  
**INSURANCE PLC.**

**Separate Financial Statements for the  
year 2024, prepared according to the  
International Financial Reporting  
Standards accepted by the European  
Union**

26 March 2025

**Statement of Comprehensive Income**

Data in million HUF

	Notes	2024	2023
Insurance Revenue	10	14 896	11 815
Insurance service expenses	11	-12 378	-10 067
Reinsurance expense – allocation of premium	12	-1 183	- 682
Amount of recoverables from reinsurance	12	953	974
<b>Insurance service result</b>		<b>2 288</b>	<b>2 040</b>
Interest income calculated using the effective interest method	13	1 276	1 252
Investment income	13	24 893	7 976
Impairment and impairment reversal of financial assets	13	-	3
Investment expenses	13	-3 662	110
Yield on investment accounted for using equity method (profit)	13	555	454
<b>Investment income</b>		<b>23 062</b>	<b>9 795</b>
Insurance financial result	14	-23 459	-7 541
Reinsurance financial result	14	42	- 55
Change in the fair value of liabilities relating to investment contracts	15	-1 049	- 403
<b>Financial result</b>		<b>-24 466</b>	<b>- 7 999</b>
Premium and commission income from investment contracts	15	282	77
Other operating costs	16	- 219	- 181
Other (non-financial) income	17	427	318
Other (non-financial) expenses	17	- 769	- 378
<b>Profit/Loss before taxation</b>		<b>605</b>	<b>3 672</b>
Tax income/expenses	18	- 44	-747
Deferred tax income/expenses	18	134	15
<b>Profit/Loss after taxation</b>		<b>695</b>	<b>2 940</b>
OCI from change in fair value of other financial assets at fair value	19	- 711	3 261
OCI from insurance contracts	19	473	-1 587
OCI from reinsurance contracts	19	17	- 157
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	19	<b>-221</b>	<b>1 517</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>	19	<b>766</b>	<b>1 644</b>
<b>Other comprehensive income</b>		<b>545</b>	<b>3 161</b>
<b>Total comprehensive income</b>		<b>1 240</b>	<b>6 101</b>
	Notes	2024	2023
Profit/loss after taxation attributable to the Company's shareholders	20	1 279	2 874
Weighted average number of shares	20	93 954 254	93 954 254
<b>EPS (basic) HUF</b>		<b>13.6</b>	<b>30.6</b>
	Notes.	2024	2023
Profit/loss after taxation attributable to the Company's shareholders	20	1 279	2 874
Weighted average number of shares (diluted)	20	94 428 260	94 428 260
EPS (diluted) HUF (calculated)	20	13.5	30.4
<b>EPS (diluted) HUF</b>		<b>13.5</b>	<b>30.4</b>

## Statement of financial position

Data in million HUF

<b>ASSETS</b>	<b>Notes</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Intangible Assets	21	673	662
Property, plant and equipment	22	86	104
Right of use assets	23	264	175
Deferred tax asset	18	486	337
Subsidiaries	24	6 748	6 698
Associates	25	52	52
Insurance contract assets	34	1 121	1 058
Reinsurance contract assets	35	879	659
Investments for policyholders of unit-linked life insurance policies	26	127 680	94 424
Financial assets – investment contracts	27	5 942	4 763
Financial assets – derivatives	28	-	109
Other financial assets at fair value	29	22 371	24 498
Other assets and prepayments	30	55	65
Other receivables	31	465	63
Intercompany receivables	32	155	118
Cash and cash equivalents	33	2 368	1 709
<b>Total Assets</b>		<b>169 345</b>	<b>135 494</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	34	140 418	106 134
Reinsurance contract liabilities	35	52	91
Financial liabilities -Investment contracts	36	5 942	4 763
Financial liabilities -Derivatives	28	224	-
Lease liabilities	37	278	203
Provisions	38	303	126
Other liabilities	39	1 264	1 563
Intercompany liabilities	40	189	67
Liabilities to shareholders	CF	37	33
<b>Total Liabilities</b>		<b>148 707</b>	<b>112 980</b>
<b>NET ASSETS</b>		<b>20 638</b>	<b>22 514</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	41	3 116	3 116
Capital reserve	41	4 019	4 019
Treasury shares	42	- 32	- 32
Other reserves	43	- 410	- 955
Retained earnings		13 945	16 366
<b>Total SHAREHOLDERS' EQUITY</b>		<b>20 638</b>	<b>22 514</b>

## Changes in Equity 2024

 Data in million  
 HUF

	Notes	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total equity
<b>Balance on 31 December 2023</b>		<b>3 116</b>	<b>4 019</b>	<b>-32</b>	<b>- 955</b>	<b>16 366</b>	<b>22 514</b>
<b>Total comprehensive income</b>							
Other comprehensive income	19				545		545
Profit after tax in reporting year						695	695
<b>Transactions with equity holders, recognized in equity</b>							
Payment of dividend						-3 116	-3 116
<b>Balance on 31 December 2024</b>		<b>3 116</b>	<b>4 019</b>	<b>-32</b>	<b>- 410</b>	<b>13 945</b>	<b>20 638</b>

## Changes in Equity 2023

 Data in million  
 HUF

	No-tes	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total equity
<b>Balance on 31 December 2022 (Restated)</b>		<b>3 116</b>	<b>4 019</b>	<b>-32</b>	<b>-4 116</b>	<b>15 127</b>	<b>18 114</b>
<b>Total comprehensive income</b>							
Other comprehensive income	19				3 161		3 161
Profit after tax in reporting year						2 940	2 940
<b>Transactions with equity holders, recognized in equity</b>							
Payment of dividend						- 1 701	- 1 701
<b>Balance on 31 December 2023</b>		<b>3 116</b>	<b>4 019</b>	<b>- 32</b>	<b>-955</b>	<b>16 366</b>	<b>22 514</b>

## Statement of Cash Flows

Data in million HUF

	Notes	2024	2023
<b>Profit/loss after taxation</b>		695	2 940
<b>Modifying items</b>			
Depreciation and amortization	16	351	377
Derecognised asset	17	-	-
Booked/reversed impairment, debt cancelled	14	2 950	- 959
Result of assets sales	14	- 98	299
Exchange rate changes	14	- 552	136
Share of the profit or loss of associates accounted for using the equity method	14	- 592	- 491
Deferred tax	18	- 134	- 15
Income taxes expenditure	18	44	747
Income on interest	14	- 1 276	- 1 252
Result of derivatives	14	361	- 450
Provisions	38	177	- 70
Income on dividend	CF	- 72	-
Termination of leasing assets	37	- 17	5
Interest cost	14	4	19
<b>Change of active capital items:</b>			
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	27	- 33 255	- 8 219
Increase / decrease of financial assets – investment contracts (-/+)	27	- 1 179	404
Increase / decrease assets resultant of insurance (-/+)	25	- 63	- 41
Increase / decrease assets resultant of reinsurance (-/+)	26	- 202	- 536
Increase / decrease of intercompany receivables (-/+)	32	- 37	- 6
Increase /decrease of other assets and active accrued and deferred items (-/+)	30	534	- 980
Increase / decrease of reinsurance contract liabilities (+/-)	35	- 39	- 400
Increase / decrease of insurance contract liabilities (+/-)	34	34 757	11 826
Increase / decrease of investment contracts (+/-)	36	1 179	- 404
Increase / decrease of other liabilities (+/-)	39	- 254	624
Increase / decrease of intercompany liabilities (+/-)	40	122	37
Increase / decrease in liability to equity holders (+/-)		3	3
Paid Income Taxes	18	- 969	270
<b>Cash flows from operating activities</b>		<b>2 438</b>	<b>3 864</b>

**Statement of Cash Flows (cont.)**

Cash flow from investing activities	Notes	2024.		2023.	
Purchase of debt instruments (-)	29	-	49 175	-	18 784
Sales of debt instruments (+)	29		51 980		15 720
Purchase of tangible and intangible assets (-)	21, 22	-	244	-	173
Sales of tangible and intangible assets (+)	21, 22		-		1
Result of derivatives	25	-	28		375
Interest received	11		1 123		1 005
Dividend received	11		664		491
Equity increase in subsidiaries	24	-	3 000	-	1 500
<b>Cash flow from investing activities</b>			<b>1 320</b>	<b>-</b>	<b>2 865</b>

CASH FLOW FROM FINANCING ACTIVITIES	Notes				
Interest paid	14	-	4	-	19
Lease repayment payment	37	-	98	-	115
Lease interest payment	37	-	8	-	6
Repayment of loans and their interests			-	-	7
Dividend payment	CF	-	3 116	-	1 700
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>3 226</b>	<b>-</b>	<b>1 847</b>

Impacts of exchange rate changes			127	-	32
<b>Net increase / decrease of cash and cash equivalents (+/-)</b>			<b>659</b>	<b>-</b>	<b>880</b>

<b>Cash and cash equivalents at the beginning of the period</b>			<b>1 709</b>		<b>2 589</b>
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<b>Cash and cash equivalents at the end of the period</b>			<b>2 368</b>		<b>1 709</b>
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## 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 in the "premium" category (previously: Class "A" shares). 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 Biztosítási Alkusz Zrt. (registered office: 8086 Felcsút, Fő utca 65.; company reg. no.: 07-10-001617), whose legal predecessor is Hungarikum Biztosítási Alkusz Kft. (hereafter: Hungarikum Alkusz) made a conditional (with the official authorization) agreement with OPUS GLOBAL Plc. (registered office: 1062 Budapest, Andrásy út 59.; Company registration number: 01-10-042533) 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.

Following the above acquisitions, Hungarikum Alkusz further increased its shareholding until the end of 2024 by acquiring shares in the stock exchange, notifying the Company in a transparent manner also of the acquisitions in the stock exchange that did not reach the threshold, so that in the end the number of its voting shares changed to 55,460,487 shares, bringing the proportion of its voting shares to 58.73%.

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

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<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)

Growth Strategy. 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.

CIG Pannónia Insurers have signed an agreement with BNP Paribas Cardif Insurers on 18 October 2021. As a result of the agreement, on 1 September 2022, following the supervisory approval, BNP Paribas Cardif insurers transferred all of their group credit coverage life and non-life insurance portfolios, for which, as the legal successor of BUDAPEST Hitel- és Fejlesztési Bank Zrt., the contractor was MKB Bank Nyrt., to CIG Pannónia Insurers.

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 created the long-term conditions for making full use of the synergies inherent in a banking-insurance cooperation, for which the parties have undertaken 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 CIG Pannónia Group, and the predecessor of MBH Gondoskodás Egészségpénztár (MKB-Pannónia Egészség- és Önsegélyező Pénztár,

headquarters: 1134 Budapest, Váci út 23-27.; registration number: 01-04-0000198; tax number: 18232761-1-41) 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.

In 2024, the Company also started to build for the next period of success: it has launched the so-called Innovation Project, which aims to create the necessary capabilities to achieve its strategic goals of further broadening its product portfolio and improving its customer management capabilities. Modern IT solutions are essential for efficient operations. The Group is renewing its IT system with new, fresh ideas and solutions in this area as well, adapting - in modern terms - its IT ecosystem to the opportunities of the 21st century.

Company's registered office: 1097, Budapest, Könyves Kálmán krt. 11. B

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 5,472 at 31 December 2024. A share of above 10% is owned by Hungarikum Alkusz, 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	28 146 200	29.81%	29.81%
Domestic institution	64 824 153	68.65%	68.65%
Foreign private individual	64 549	0.07%	0.07%
Foreign institution	23 153	0.02%	0.02%
Nominee, domestic private individual	1 158 518	1.23%	1.23%
Nominee, foreign private individual	28 000	0.03%	0.03%
Nominee, foreign institution	176 722	0.19%	0.19%
Unidentified item	6 965	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>  
Gábor Miklós Dakó dr.

## 1.5. Board of Directors

Chairman:	Péter Bogdánffy dr.
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.

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<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:	István János Fedák dr.
Chief Financial Officer:	Árpád Szűcs
Deputy CEO responsible for corporate governance and prudential compliance:	Gábor Miklós Dakó dr.
Deputy Chief Sales Officer:	Zoltán Kőrösi
Deputy CEO Retail Division:	Antal Kóka
Deputy CEO for Legal and Business Support:	Dávid Kozma dr.
Chief Accounting Officer:	Alexandra Tóth
Chief lawyer and Data protection officer:	Dávid Kozma dr.
Chief actuary:	Géza Szabó
Responsible for actuarial function:	Melinda Márton Gábor Varga
Chief Risk Officer and Responsible for risk management:	Norbert Kozma (until 13.09.2024) Gábor Tamás Veitz (from 13.09.2024)
Head of internal audit:	Erika Marczi dr.
Head of compliance:	Katalin Déri dr.
Responsible for consumer protection:	Dávid Kozma dr. (from 01.01.2024)
Senior doctor:	Katalin Halász dr.
Investment relations:	Gábor Miklós Dakó dr. (until 30.09.2024) Szulamit Sári dr. (from 01.10.2024)

### **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:

Forvis 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 2024 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 39,650 thousand +1% plus VAT.

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

### **2.1 Compliance with the International Financial Reporting Standards**

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

### **2.2 First Application**

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 million, except if indicated otherwise.

## **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.

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 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.

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.

#### **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.

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.

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.

In the case of portfolios obtained at the acquisition of MKB Life Insurance Ltd., the Group 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 an insurance contract, as customers can choose a life annuity for each product in question and its risk share (payments after 85 years) is higher than 5% of the reserve. The contracts form an expiring portfolio.

### **3.4 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. (See Note 3.3.)

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 Note 3.4.4.

For the accounting of fees charged in the framework of investment contracts as income, see Note 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 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 already had to present the 2022 business year, as the comparative year to be included in the 2023 financial year, in accordance with IFRS 17.

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):

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

where

- **CSM(LC)**: the CSM/loss component on Transition Date
- **FV<sub>GIC</sub>**: 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<sub>GIC</sub>**: 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<sub>IFRS 17</sub>**) and the risk adjustment for non-financial risks (**RA<sub>IFRS 17</sub>**) on the Transition Date.

The definition of **FV<sub>GIC</sub>** in the formula above requires special considerations (beyond IFRS 17).

The Company captures the value of **FV<sub>GIC</sub>** as follows

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

**PVCF<sub>IFRS 13</sub>**: 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<sub>CD</sub>**: Adjustment for the Company's own credit risk (negative number, reduces the value of **FV<sub>GIC</sub>**). The Company determines it with the help of default probabilities (PDs) found in Article 199, point 3 of the Solvency II Regulation

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

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

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

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

and

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

In the above 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 stocks*

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

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

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

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

## **3.6 IFRS 17 Insurance contracts**

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

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

The contracts under which the Company assumes a significant insurance risk are considered insurance contracts. Reinsurance contracts are those contracts of the Company under which it transfers significant insurance risk of the underlying insurance contracts. Both insurance and reinsurance contracts expose the Company to financial risks. (See Notes 3.3 and 3.4.)

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.

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,
- if it is less than 0, the contract is unprofitable

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

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 risk 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)**

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). The investment component is transferred directly from the LRC to the LIC when it occurs and is then paid from there.

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.

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

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

### **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 the derivative's cash flows are denominated in the currency that is the functional currency of one of the contracting parties.

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 reporting 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:

- release of the RA,
- the release of the CSM,
- the release of the claims and costs expected (excluding amounts allocated to the loss component),
- the experience variance of premiums (if not related to future services),
- insurance acquisition cash-flows allocated to the period.

Following are accounted for under insurance financial income and expenses:

- interests,
- exchange rate differences (except for the OCI option).

The CSM is modified by

- the change in the estimates and the experience variance related to future services,
- 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 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, then the amount of the loss 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.

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.
- 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.
- c) When releasing CSM, the coverage units are discounted using the current discount rate.
- d) For VFA calculations, the Group uses the value of the underlying asset returns allocated to GICs.
- 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. At the same time, for the initial recognition the Group uses a weighted average yield curve produced in the same way.
- 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 difference between the values discounted with the locked-in and the current yield curves.
- 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.

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 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 28 February 2029, 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.

### **3.9 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.

### **3.10 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
- Post-employment benefits
- Other long-term employee benefits
- Termination benefits

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

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

policy it influences its earnings to be distributed, and defines its revenue and liabilities.

On 05 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.

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 2023 and 2024, 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 2023 and 2024 reports do not contain any share-based benefits.

### **3.11 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 defined 'medium term' as 4 years. 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.

### **3.12 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.

### 3.13 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. High-value components of a device with different useful lives are recorded and depreciated separately.

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

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

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

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

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

### 3.14 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.

### **3.15 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.

#### **3.15.1 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 under Note 3.17.

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.

#### **3.15.2 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.

### **3.15.2.1 Equity instruments**

As a general rule, the valuation of investments in equity instruments (which 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.

### **3.15.2.2 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.

### 3.15.3 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, determining whether the cash flows from the financial asset arise from the collection of contractual cash flows, the sale of financial assets, or both.

When evaluating the business model applied to the management of financial assets, the Insurer takes all relevant evidence into account: the performance of the assets, their risks and the management of these risks and their role in remuneration.

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.

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).

#### **3.15.4 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").

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

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

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

#### **3.15.6 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.

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.

### **3.15.7 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.

### **3.15.8 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.

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. The reclassification is applied by the Insurer in accordance with IFRS 9.

### **3.15.9 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.

The Insurer derecognizes financial instruments if its rights to the contractual cash flows cease or expire, or the rights or the essential benefits and risks resulting from ownership are transferred by the Insurer, or the Insurer writes off the financial asset in whole or in part.

### **3.15.10 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 or modification 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.

The Insurer considers the conditions / modifications to be materially different in each case, if the present value of the cash flows under the new conditions calculated on the date of the modification, discounted at the original effective

interest rate, differs by at least 10 per cent from the gross book value of the original financial asset (less impairment).

If the above-mentioned values do not differ by 10%, the Insurer will still consider a modification of the conditions to be material if the material qualitative factors change (e.g. currency, interest rate from fixed to floating etc.).

With regards to accounting, on the day of replacement / modification:

- If the replacement / modification of debt instruments is material, than the difference between the two values is recognized in the profit or loss, under other investment income or investment expenses.
- If the replacement / modification is not material, the Group 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.

### **3.16 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.

#### **3.16.1 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.

The Group applies the stages set out in IFRS 9 for the recognition of credit losses, according to the cases and risk assessment described in the standard:

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

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

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.

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.

### **3.16.2 Special rules of impairment**

#### **3.16.2.1 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.

### **3.16.2.2 Impairment of cash and cash equivalents**

The Insurer has determined the expected credit loss of its cash and cash equivalents (bank account balances) at the balance sheet date using the same method as for government securities at the transition to IFRS 9. The value of the loss was immaterial and is expected to remain immaterial, therefore the Insurer considers the impairment of cash and cash equivalents to be 0.

### **3.16.2.3 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

#### **3.16.2.4 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.

#### **3.16.3 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 recognized 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.

#### **3.16.4 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.

### **3.17 Determination of fair values**

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

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

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

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

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

- Debt securities
  - Debt securities excluding government bonds and treasury bills introduced into the primary distribution system, shall be valued on a unified basis during the valuation period using the last closing net price by adding accrued interest up to the 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.

### **3.18 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.

### **3.19 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:

#### **3.19.1 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 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.

### **3.19.2 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.

### **3.19.3 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.

### **3.20 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.

### **3.21 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.

### **3.22 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.

When the Company chooses the OCI option, in the financial results, the difference between the value discounted at the current rate and the value discounted at the locked-in rate is recognised in other comprehensive income and thus in other reserves (for details see Note 3.6.8.4).

### **3.23 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.

### **3.24 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.

### **3.25 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.

### **3.26 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.

### **3.27 Related parties**

Under IAS 24, the Insurer is required to disclose the related party relationships in its financial statements. 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.

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.

The members of the Board of Directors and Supervisory Board of the Insurer are considered as key managers.

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

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.

### **3.28 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 (technical premiums and services) is sufficient for further investment without the involvement of foreign funds, or for repayment of loans or dividend payments.

### **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 from financing activities**

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

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

The IFRS 15 standard 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 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 - they 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 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.

### 3.30 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.

<b>Portfolio group / segment</b>	<b>Life insurance segment</b>
<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 (2024)	Mortality factor (2023)
Unit-linked insurances	27%	31%
"Pannónia Bárka Life Insurance	30%	25%
"Pannónia Alkony" Grace Insurance	106%	120%
"Otthon Alkony" Grace Life Insurance	21%	18%
"Otthon Harmónia" Risk Life Insurance	18%	7%

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:

	2024					2023				
	1	2	3	4	5	1	2	3	4	5
<b>Forint (liquid)</b>	6.6%	6.5%	6.4%	6.6%	6.7%	8.0%	5.1%	5.0%	5.2%	5.4%
<b>Euró (liquid)</b>	2.3%	2.1%	2.1%	2.3%	2.4%	3.4%	2.2%	1.9%	2.0%	2.2%

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

	2024					2023				
	1	2	3	4	5	1	2	3	4	5
<b>Return on assets</b>	4.8%	4.8%	4.8%	4.8%	4.9%	4.5%	4.5%	4.6%	4.7%	4.7%

#### 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 within the assumptions.

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>31</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
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

<sup>31</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.

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 million HUF

2024	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	-	-	1	16	8	54	- 25	54
Increase of morbidity	-	-	-	4	1	6	-	11
Increase of cost ratio	-	-	29	283	25	27	8	370
Increase of non-payment	-	-	2	187	16	68	1	273
<b>P&amp;L</b>								
Increase of mortality/ claim ratio	- 1	-	-	- 5	- 5	- 13	- 36	- 59
Increase of morbidity	- 17	- 3	-	- 1	-	- 7	-	- 28
Increase of cost ratio	- 7	- 3	- 11	- 71	- 7	- 7	- 12	- 118
Increase of non-payment	-	-	- 1	- 40	- 4	- 2	- 9	- 55
<b>Equity</b>								
Increase of mortality/ claim ratio	- 1	-	-	- 5	- 5	- 10	- 36	- 57
Increase of morbidity	- 17	- 3	-	- 1	-	- 6	-	- 27
Increase of cost ratio	- 7	- 3	- 11	- 71	- 7	- 6	- 12	- 117
Increase of non-payment	-	-	- 1	- 40	- 4	- 2	- 9	- 52

Data in million HUF

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
CSM											
Increase of mortality/ claim ratio	-	-	-	-	-0	19	9	30	-	35	23
Increase of morbidity	-	-	-	-	-	6	1	3	-	-	10
Increase of cost ratio	-	-	-	-	5	200	24	17	-	3	249
Increase of non-payment	-	-	-	-	-	183	10	73	-	4	263
<b>P&amp;L</b>											
Increase of mortality/ claim ratio	-	1	-	-	-	3	7	15	-	48	74
Increase of morbidity	-	7	-	2	-	2	-	9	-	-	17
Increase of cost ratio	-	2	-	2	-	14	43	6	-	10	90
Increase of non-payment	-	-	-	-	1	55	-	9	-	7	73
<b>Equity</b>											
Increase of mortality/ claim ratio	-	1	-	-	-	3	7	14	-	50	75
Increase of morbidity	-	7	-	2	-	2	-	8	-	-	17
Increase of cost ratio	-	2	-	2	-	14	43	6	-	10	91
Increase of non-payment	-	-	-	-	1	55	-	9	-	8	74

## **5 CHANGES IN ACCOUNTING POLICIES**

### **5.1 Effects of the mandatory used standards – from 1 January 2024 – on the financial statements**

For annual periods beginning on or after 2024, the following amended mandatory standards became effective, which do not 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.

### **5.2 Effects of the mandatory used standards – from 1 January 2025 – on the financial statements**

For financial years beginning on or after 2025, the following amended mandatory standards have become effective, which are not expected to have a material impact on the financial statements:

- Amendments to IAS 21 on the effects of changes in foreign exchange rates: Lack of Exchangeability of foreign currency (01.01.2025)
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosures: amendments to the classification and measurement of financial instruments (01.01.2026)
- Annual improvement of IFRS 1, IFRS10, IAS7 (01.01.2026)

For financial years beginning on or after 2027, the following standards will become mandatory, whose impact on the financial statements is still under review by the Company:

- IFRS 18 Presentation and disclosure in financial statements (01.01.2027)
- IFRS 19 Subsidiaries without public accountability: disclosures (01.01.2027).

## **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 the most 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. Pricing, positioning risk
3. Risk of outsourced activities
4. Risks of the innovation project
5. Risks of product- and process improvement

For each risk identified and detected, a risk owner has been assigned. One-off risk mitigation measures or ongoing monitoring activities have been defined to reduce risks. The Risk Management Committee approved the results of the risk self-assessment. The on-time implementation of risk mitigation measures is ensured by the Chief Risk Officer, the monitoring of risks is carried out by the Risk Management Committee at least every six months.

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.

#### **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.

#### **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.

Product type	Terms and conditions	Key factors affecting future cash flows
<b>Life insurances</b>		
Unit-linked insurance	- regular or single premium	- Insurer is exposed to risk when the current value of the fund policy is lower than the guaranteed minimum death benefit
	- the goals are savings purposes and the realisation of investment return	- the level of unit-linked fund management fees and other management fees
	- surrender charges depend on the performance of the underlying units and the costs levied by the insurer	- cost risk of the difference between the deductions under the specific criteria and those actually incurred
	- death benefit is the higher of the current account value and the guaranteed benefit	- the impact of the yield environment on the level of cost deductions
Term life insurance	- regular premium, amounts fixed for the whole policy term, opportunity of indexing	- mortality
	- fixed death benefit	- cancellations
	- no surrender value	- customer options and costs
	- permanent functional impairment benefits during the term and dreaded disease benefits diagnosed during the term	- differences in incurred and presumed morbidity
Whole-life risk insurance	- regular premium, with the possibility for top-up payments	- actual mortality against assumptions
	- the benefit grows by 3% every year, with fixed premium	- cancellations
	- underwriting service for two insured persons	- costs and inflation
	- may only be terminated after two insurance years covered by premiums	- actual returns on actuarial reserves against assumptions
Endowment life insurance	- regular premium, with the possibility for top-up payments	- actual mortality against assumptions
	- benefits for the event of death during the term or if the insured is alive at the end of the term	- actual morbidity against assumptions
	- permanent functional impairment or diagnosed dreaded disease during the term	- costs
	- can be surrendered	- actual returns on actuarial reserves against assumptions

Product type	Terms and conditions	Key factors affecting future cash flows
Fix-term endowment life insurance	- regular premium, with the possibility for top-up payments	- actual mortality against assumptions
	- at the end of the term fix maturity insurance benefit	- cancellations
	- benefit in the event of death during the term	- costs
	- can be surrendered	- actual returns on actuarial reserves against assumptions
Traditional Pension Insurance	- regular premium	- cancellations and costs
	- benefits for the event of death during the term or pension benefits in own right	- actual mortality against assumptions
	- health impairment of at least 40% during the term	- actual returns on actuarial reserves against assumptions
	- can be surrendered	- actual morbidity against assumptions
Accident insurance	- during the term benefits for events corresponding to the coverage chosen	- accident mortality
	- accidental death, disability, bone fracture, surgery reimbursement, hospital daily allowance and burn injuries	- cancellations and cost
	- no surrender option	- actual morbidity against assumptions
Accident insurance rider	- An accident insurance rider policy can be taken out alongside unit-linked, risk and endowment life insurance products, under similar conditions as in the case of accident insurance	- as in the case of accident insurance
Waiver of premium rider in the event of death	- Waiver of premium rider insurance in the event of death to be taken out alongside unit-linked and risk life insurance as the main insurance	- cancellations and cost
	- In the event of death during the term, the insurer comes up for the remaining premium payment obligations for the main insurance	- mortality
Group Life, Accident & Health Insurance	- benefits during the term for events within the chosen coverage	- actual mortality against assumptions
	- death, dreaded diseases, disability, hospital daily allowance, surgical reimbursement	- actual morbidity against assumptions
	- accidental benefits: accident-related death, disability, hospital daily	- costs

	allowance, surgical reimbursement, burn injury, bone fracture and cost reimbursement	
	- an important segment of accident insurance is the group-managed but individual-based insurance	- cancellations
	- health insurance based on group service-financing: care organisation and financing	
	- no surrender option	
Credit coverage insurance	- benefits during the term for events within the chosen coverage	- actual mortality against assumptions
	- payment of instalments or debts for certain events	- actual morbidity against assumptions
	- benefits for death, disability and inability to work	- costs and cancellations

Health insurances	Terms and conditions	Key factors affecting future cash flows
Health insurance and health insurance with claim exemption bonus	- second medical opinion service	- actual mortality against assumptions
	- abroad medical treatment services in the event of predefined insurance events	- actual morbidity against assumptions
	- for certain modalities benefit in the case of death	- costs (for health insurance as well)
	- for certain modalities if no claims arise a bonus at the end of the term, which modality includes a surrender option	- cancellations
Health insurance rider	- health insurance rider can be taken out alongside unit-linked-, and endowment life insurance products as the main insurance	- actual mortality against assumptions
	- second medical opinion service	- actual morbidity against assumptions
	- abroad medical treatment services in the event of predefined insurance events	- costs (for health insurance as well)
	- no surrender option	- cancellations

## **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 3.15 and 3.19).

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 million HUF

	31 December 2024	31 December 2023
Government bonds	34 961	31 363
Corporate bonds	2 616	4 477
Shares	44 048	27 334
Investment funds	64 451	54 688
Cash	12 583	7 456
Receivables	760	405
Other financial assets	-438	-39

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 million HUF

	2024.	2023.
Opening balance on 1 January	-1	-1
Impairment accounted for in the current year against the result	-	-
<b>Closing balance on 31 December</b>	<b>-1</b>	<b>-1</b>

The impairment of other receivables changed as follows:

Data in million HUF

	31 December 2024		31 December 2023	
	Gross	Impairment	Gross	Impairment
Not overdue	620	-	290	-
Overdue between 0 and 30 days	-	-	-	-
Overdue between 31 and 120 days	-	-	-	-
Overdue between 121 and 360 days	-	-	-	-
Overdue by more than a year	1	-1	1	-1
<b>Total</b>	<b>621</b>	<b>-1</b>	<b>291</b>	<b>-1</b>

On 31 December 2024, 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 2023 and 2024 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:

31 December 2024 Data in million HUF	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
<b>Liabilities *</b>	<b>8 237</b>	<b>7 742</b>	<b>7 489</b>	<b>46</b>	<b>67</b>	<b>140</b>	-
Of these lease liabilities	<b>278</b>	<b>310</b>	<b>57</b>	<b>46</b>	<b>67</b>	<b>140</b>	-
Government bonds	34 961	50 485	17 216	658	4 275	3 746	24 590
Corporate bonds	2 616	3 075	17	416	139	1 383	1 120
Shares	44 048	-	-	-	-	-	-
Investment funds	64 451	-	-	-	-	-	-
Cash	12 583	12 583	12 583	-	-	-	-
Receivables	760	760	568	192	-	-	-
Other financial assets	-422	-422	-422	-	-	-	-
Derivatives	-16	-16	-16	-	-	-	-
<b>Total assets**</b>	<b>158 981</b>	<b>66 465</b>	<b>29 946</b>	<b>1 266</b>	<b>4 414</b>	<b>5 129</b>	<b>25 710</b>

\*Investment contracts, other liabilities and provisions, lease liabilities

31 December 2023 Data in million HUF	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
<b>Liabilities *</b>	<b>6 755</b>	<b>6 792</b>	<b>6 614</b>	<b>62</b>	<b>114</b>	<b>2</b>	-
Of these lease liabilities	<b>203</b>	<b>240</b>	<b>62</b>	<b>62</b>	<b>114</b>	<b>2</b>	-
		<b>0</b>					
Government bonds	31 363	45 976	5 151	8 879	3 887	4 852	23 207
Corporate bonds	4 477	5 079	1 768	113	416	1 619	1 163
Shares	27 334	-	-	-	-	-	-
Investment funds	54 688	-	-	-	-	-	-
Cash	7 456	7 456	7 456	-	-	-	-
Receivables	405	405	-473	878	-	-	-
Other financial assets	-149	-149	-149	-	-	-	-
Derivatives	110	110	-35 666	35 776	-	-	-
<b>Total assets**</b>	<b>125 684</b>	<b>58 877</b>	<b>-21 913</b>	<b>45 646</b>	<b>4 303</b>	<b>6 471</b>	<b>24 370</b>

\* Investment contracts, other liabilities and provisions, lease liabilities

### Expected run-off of assets and liabilities arising from insurance transactions:

Data in million HUF

2024	LfRC <sup>4</sup>	LfIC <sup>5</sup>	Total assets	LfRC	LfIC	Total liabilities	Total
Within 1 year	-1 208	234	-974	1 253	2 643	3 896	2 922
Within 2 years	-909	41	-868	4 941	681	5 622	4 754
Within 3 years	-699	11	-688	7 732	241	7 973	7 285
Within 4 years	-530	4	-526	9 654	82	9 736	9 210
Within 5 years	-399	-	-399	11 955	9	11 964	11 565
Beyond 5 years	-905	-	-905	94 042	4	94 046	93 141
	<b>-4 650</b>	<b>290</b>	<b>-4 360</b>	<b>129 577</b>	<b>3 660</b>	<b>133 237</b>	<b>128 877</b>

2023	LfRC	LfIC	Total assets	LfRC	LfIC	Total liabilities	Total
Within 1 year	-891	221	-669	430	1 766	2 197	1 528
Within 2 years	-717	27	-690	3 707	1 094	4 801	4 111
Within 3 years	-572	4	-568	6 041	322	6 363	5 795
Within 4 years	-455	-	-455	7 933	27	7 959	7 505
Within 5 years	-360	-	-360	9 095	5	9 101	8 741
Beyond 5 years	-1 076	-	-1 076	69 891	4	69 894	68 818
	<b>-4 071</b>	<b>253</b>	<b>-3 818</b>	<b>97 097</b>	<b>3 218</b>	<b>100 315</b>	<b>96 497</b>

### Expected run-off of assets and liabilities arising from reinsurance transactions:

Data in million HUF

2024	LfRC	LfIC	Total assets	LfRC	LfIC	Total liabilities	Total
Within 1 year	390	-481	-91	77	-31	46	-45
Within 2 years	214	-78	136	53	-	53	189
Within 3 years	111	-3	108	-7	-	-7	101
Within 4 years	79	-	79	-	-	-	79
Within 5 years	54	-	54	-	-	-	54
Beyond 5 years	114	-	114	-	-	-	114
	<b>962</b>	<b>-562</b>	<b>400</b>	<b>123</b>	<b>-31</b>	<b>92</b>	<b>492</b>

Data in million HUF

2023	LfRC	LfIC	Total assets	LfRC	LfIC	Total liabilities	Total
Within 1 year	15	-157	-142	103	-50	52	-90
Within 2 years	97	-19	77	49	-6	44	121
Within 3 years	67	-3	64	47	-1	46	110
Within 4 years	49	-	49	39	-	39	88
Within 5 years	34	-	34	30	-	30	63
Beyond 5 years	81	-	81	133	-	133	214
	<b>342</b>	<b>-179</b>	<b>163</b>	<b>402</b>	<b>-57</b>	<b>345</b>	<b>508</b>

<sup>4</sup> liability for remaining coverage

<sup>5</sup> liability for incurred claims

### 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 2024:

Data in million HUF

31 December 2024	CSM	Result		Equity
	EUR	EUR	USD	EUR
Year-end FX rate	410.09	410.09	393.60	410.09
Possible change (+)	10%	10%	10%	10%
Possible change (-)	10%	10%	10%	10%
Impact of FX rate increase on financial assets	-	-1	356	-
Impact of FX rate decrease on financial assets	-	1	-356	-
Impact of FX rate increase on financial liabilities	-	-65	-353	-
Impact of FX rate decrease on financial liabilities	-	65	353	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies	380	154		7 640
Impact of FX rate decrease on liabilities from insurance and reinsurance policies	-372	-160		-7 619

Data in million HUF

31 December 2023	CSM	Result		Equity
	EUR	EUR	USD	EUR
Year-end FX rate	382.78	382.78	346.44	382.78
Possible change (+)	10%	10%	10%	10%
Possible change (-)	10%	10%	10%	10%
Impact of FX rate increase on financial assets	-	34	260	-
Impact of FX rate decrease on financial assets	-	-34	-260	-
Impact of FX rate increase on financial liabilities	-	-35	-259	-
Impact of FX rate decrease on financial liabilities	-	35	259	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies	92	111	-	5 452
Impact of FX rate decrease on liabilities from insurance and reinsurance policies	-33	-124	-	-5 411

### 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 2023 and 2024 year-end:

Data in million HUF

	31 December 2024	31 December 2023
Fixed interest	37 576	35 840
Floating interest	-	-
<b>Interest-bearing assets</b>	<b>37 576</b>	<b>35 840</b>

The Company's interest-bearing assets and liabilities bore the following interest rates as of the end of 2023 and 2024:

	31 December 2024			31 December 2023		
	HUF	EUR	USD	HUF	EUR	USD
Government bonds	1.5%-9.5%	0.5%-6.625%	5.25%-6.75%	1.5%-9.5%	0.5%-5%	6.13%-6.75%
Corporate bonds	3.25%-10.5%	4.5%-9%	n/a	3.25%-16%	2.5%-9%	n/a
Cash and cash equivalents	4.5%-6.86%	0.01%	n/a	18.24%	n/a	n/a
Loans and financial reinsurance	n/a	n/a	n/a	n/a	n/a	n/a
Lease liabilities	2.65%-9.57%	5.98%	n/a	2.65%-3%	4.18%	n/a

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 million HUF

2024	CSM		Result		Equity	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Liabilities from insurance and reinsurance contracts	- 15	159	-123	61	- 1 221	1 491
Financial assets and liabilities	-	-	-303	327		
	<b>-15</b>	<b>159</b>	<b>- 426</b>	<b>388</b>	<b>- 1 221</b>	<b>1 491</b>

Data in million HUF

2023	CSM		Result		Equity	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Liabilities from insurance and reinsurance contracts	- 123	250	-47	-5	- 1 328	1 601
Financial assets and liabilities	-	-	-419	455	-	-
	<b>-123</b>	<b>250</b>	<b>- 466</b>	<b>450</b>	<b>- 1 328</b>	<b>1 601</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 million HUF

2024	CSM	Result	Equity
Liabilities from insurance and reinsurance contracts	-484	-157	-9 205
Financial assets and liabilities			-348
	<b>-484</b>	<b>-157</b>	<b>-9 553</b>

Data in million HUF

2023	CSM	Result	Equity
Liabilities from insurance and reinsurance policies	-283	-164	-6 586
Financial assets and liabilities	-	-	-261
	<b>-283</b>	<b>-164</b>	<b>-6 847</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 2024, the Insurer's available solvency margin is 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 million HUF

	31 December 2024	31 December 2023 <sup>6</sup>
Available solvency capital for SCR	25 26 167 083	20 742
Available solvency capital for MCR	20 21 735 740	20 538
Solvency capital requirement (SCR)	12 988	8 952
Minimum capital requirement (MCR)	3 247	2 602
Capital adequacy (compared to SCR)	194201%	232%
Capital adequacy (compared to MCR)	639670%	789%

<sup>6</sup> 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 million HUF

2024 – Consolidated statement of comprehensive income by portfolio group	Group life	Individual accident and health	Single premium UL	Regular premium UL	Traditional regular premium life savings	Risk life insurance	Credit coverage and account protection	Other	Total
Insurance revenue	4 913	665	471	3 684	374	2 779	2 010	-	14 896
Insurance service expenses	-4 953	- 409	- 206	-2 449	- 163	-2 342	-1 856	-	-12 378
Reinsurance expense- allocation of premium	- 135	- 89	-	- 40	- 32	- 199	- 688	-	-1 183
Amount recoverables from reinsurance	96	-	-	3	-	199	655	-	953
<b>Insurance service result</b>	<b>-79</b>	<b>167</b>	<b>265</b>	<b>1 198</b>	<b>179</b>	<b>437</b>	<b>121</b>	<b>-</b>	<b>2 288</b>
Interest income calculated using the effective interest method	-	-	-	-	-	-	-	1 276	1 276
Investment income	-	-	3 924	18 912	564	39	-	1 454	24 893
Impairment and reversed impairment of Financial assets	-	-	-	-	-	-	-	-	-
Investment expenses	-	-	-	-	-	-	-	-3 662	-3 662
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	555	555
<b>Investment income</b>	<b>-</b>	<b>-</b>	<b>3 924</b>	<b>18 912</b>	<b>564</b>	<b>39</b>	<b>-</b>	<b>-377</b>	<b>23 062</b>
Insurance financial result	- 6	- 2	-3 982	-18 929	- 612	54	18	-	-23 459
Reinsurance financial result	1	74	-	- 31	- 17	1	14	-	42
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	-1 049	-1 049
<b>Financial results</b>	<b>-5</b>	<b>72</b>	<b>-3 982</b>	<b>-18 960</b>	<b>-629</b>	<b>55</b>	<b>32</b>	<b>-1 049</b>	<b>-24 466</b>
Premium and commission income from investment contracts	-	-	-	-	-	-	-	282	282
Other operating costs	-	-	-	-	-	-	-	- 219	- 219
Other (non-financial) income	-	-	-	-	-	-	-	427	427
Other (non-financial) expenses	-	-	-	-	-	-	-	- 769	- 769
<b>Profit/loss before taxation</b>	<b>-84</b>	<b>239</b>	<b>207</b>	<b>1 150</b>	<b>114</b>	<b>531</b>	<b>153</b>	<b>-1 705</b>	<b>605</b>
Tax income / (expenses)	-	-	-	-	-	-	-	- 44	- 44
Deferred tax income / (expenses)	-	-	-	-	-	-	-	134	134
<b>Total profit/loss after taxation</b>	<b>-84</b>	<b>239</b>	<b>207</b>	<b>1 150</b>	<b>114</b>	<b>531</b>	<b>153</b>	<b>-1 615</b>	<b>695</b>
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-	-	-	- 711	- 711
OCI from insurance contracts	-	-	-	-	605	- 108	- 24	-	473
OCI from reinsurance contracts	-	-	-	1	- 1	3	14	-	17
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>604</b>	<b>- 105</b>	<b>- 10</b>	<b>- 711</b>	<b>- 221</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>766</b>	<b>766</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>604</b>	<b>-105</b>	<b>-10</b>	<b>55</b>	<b>545</b>
<b>Total comprehensive income</b>	<b>-84</b>	<b>239</b>	<b>207</b>	<b>1 151</b>	<b>718</b>	<b>426</b>	<b>143</b>	<b>- 1 560</b>	<b>1 240</b>

2023 – Consolidated statement of comprehensive income by portfolio group	Group life	Individual accident and health	Single premium UL	Regular premium UL	Traditional regular premium life savings	Risk life	Credit coverage and account protection	Other	Total
Insurance revenue	3 583	420	266	3 458	408	2 552	1 128	-	11 815
Insurance service expenses	-3 228	-285	-306	- 2 696	-379	- 1 804	- 1 369	-	- 10 067
Reinsurance expense- allocation of premium	- 27	-83	-	-43	-35	-229	-265	-	-682
Amount recoverables from reinsurance	16	93	-	12	4	130	719	-	974
<b>Insurance service result</b>	<b>344</b>	<b>145</b>	<b>- 40</b>	<b>731</b>	<b>- 2</b>	<b>649</b>	<b>213</b>	<b>-</b>	<b>2 040</b>
Interest income calculated using the effective interest method	-	-	-	-	-	-	-	1 252	1 252
Investment income	-	-	1 108	5 761	398	19	-	690	7 976
Impairment and reversed impairment of Financial assets	-	-	-	-	-	-	-	3	3
Investment expenses	-	-	-	-	-	-	-	110	110
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	454	454
<b>Investment income</b>	<b>-</b>	<b>-</b>	<b>1 108</b>	<b>5 761</b>	<b>398</b>	<b>19</b>	<b>-</b>	<b>2 509</b>	<b>9 795</b>
Insurance financial result	- 13	-3	- 1 188	- 5 914	-487	-6	70	-	- 7 541
Reinsurance financial result	1	-11	-	-7	2	4	-44	-	-55
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	-403	-403
<b>Financial results</b>	<b>-12</b>	<b>- 14</b>	<b>- 1 188</b>	<b>- 5 921</b>	<b>- 485</b>	<b>- 2</b>	<b>26</b>	<b>- 403</b>	<b>- 7 999</b>
Premium and commission income from investment contracts	-	-	-	-	-	-	-	77	77
Other operating costs	-	-	-	-	-	-	-	-181	-181
Other (non-financial) income	-	-	-	-	-	-	-	318	318
Other (non-financial) expenses	-	-	-	-	-	-	-	-378	-378
<b>Profit/loss before taxation</b>	<b>332</b>	<b>131</b>	<b>- 120</b>	<b>571</b>	<b>- 89</b>	<b>666</b>	<b>239</b>	<b>1 942</b>	<b>3 672</b>
Tax income / (expenses)	-	-	-	-	-	-	-	-747	-747
Deferred tax income / (expenses)	-	-	-	-	-	-	-	15	15
<b>Total profit/loss after taxation</b>	<b>332</b>	<b>131</b>	<b>-120</b>	<b>571</b>	<b>-89</b>	<b>666</b>	<b>239</b>	<b>1 210</b>	<b>2 940</b>
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-	-	-	3 261	3 261
OCI from insurance contracts	-	-	-	-	-2 172	493	92	-	- 1 587
OCI from reinsurance contracts	-	-	-	- 4	2	- 68	- 87	-	-157
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 4</b>	<b>-2 170</b>	<b>425</b>	<b>5</b>	<b>3 261</b>	<b>1 517</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>1 644</b>	<b>1 644</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4</b>	<b>-2 170</b>	<b>425</b>	<b>5</b>	<b>4 905</b>	<b>3 161</b>
<b>Total comprehensive income</b>	<b>332</b>	<b>131</b>	<b>-120</b>	<b>567</b>	<b>-2 259</b>	<b>1 091</b>	<b>244</b>	<b>6 115</b>	<b>6 101</b>

In the life insurance segment, our technical result increased by a total of HUF 581 million compared to 2023, which is the result of two opposing effects. Our result was significantly improved compared to last year by the performance of savings (unit-linked and regular savings) products (these are the products valued using the VFA methodology). The increase in performance was driven on the one hand by the relative stability of the forint yield curve, with yields in 2024 not falling as much as a year ago. The decrease in the yield curve in 2023 led to an increase in the Insurer's claims reserves, which worsened the financial result of the portfolio in 2023. Performance was on the other hand also boosted by the high unit-linked return achieved, which also increases the insurer's profit through the proportional management fee deductions, and the revision of the ffRBNS claims reserves, which also had a positive impact on the performance of VFA products. The decrease in performance was mainly due to an increase in claims ratios for group life products, which are assessed in both methodologies.

**Group life, accident and health products** (annual profit decline: HUF 404 million): The claims ratio of the group service financing insurance portfolio deteriorated compared to the previous year. Due to the high claims ratios in the portfolio, the Insurer also recognised a loss component. The increase in claims ratios and the recognition of a loss component this year reduced the portfolio group result in a year-to-year comparison. The Company has already taken the necessary steps to restore the profitability of the product group in the first quarter, with respect to the new policies, as a result of which the loss of the total portfolio group experienced during the year was reduced by the end of the year.

**Individual life, accident and health insurance products** (annual profit improvement: HUF 108 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.

**Single premium UL products** (annual profit improvement: HUF 327 million): The portfolio group's result of last year was adversely affected by the fact that the insurance company – in line with the requirements of IFRS17 – recognised one-off losses, so-called loss components, due to the change in estimates for future services. In addition, in 2023, the amount of the so-called risk adjustment related to the increase in claims reserves increased, which also worsened the result for the comparative period. There was no need to recognise similar losses for 2024, therefore, our result increased in the year-on-year comparison.

In addition to the above, at the end of 2024, the Insurer reviewed the portfolio group's RBNS claims reserves. If, based on the Insurer's experience, the final claims expenditure for outstanding claims was lower than the value of the RBNS claims reserve following the filing of the claim, but prior to the claim being closed, the Insurer reduced (devalued) the claims reserve (by a multiplier based on empirical data) to the level it estimates to be the final claims expenditure for the claim. This review of the claims reserves improved the portfolio group's result this year.

**Regular premium UL products** (annual profit improvement: HUF 578 million): The portfolio group's contract service margin (CSM, which is the sum of the positive results expected for the future periods of the contracts) increased compared to the

previous year, mainly due to the value of new business and the achieved returns. The portfolio group's return was HUF 18 billion, which was HUF 12.6 billion above the level forecasted at the end of 2023. On the higher-than-expected assets higher proportional management fees can be charged, resulting in an increase in the CSM. Thus, both the CSM release and the result increased on a year-on-year comparison. For the portfolio group, renewal commissions were lower than forecasted at the beginning of the period (year-end 2023), which also improved this year's result.

In addition, this portfolio group is also affected by the RBNS claims reserves review's effect already mentioned for the single premium products.

**Traditional regular premium savings products** (annual profit increase: HUF 199 million): The previous year's result was negatively impacted by the fact that at the end of 2023, due to a change in the estimates for future services, the Insurer recognised loss components for the portfolio group. There was no loss component recognition, nor an increase in the risk adjustment of a similar proportion this year, which increased our result year-on-year. Furthermore, for the portfolio group, the excess insurance services provided were below the level forecasted at the beginning of the period (year-end 2023), which also improved the result for 2024.

**Risk life insurance products** (annual profit decline: HUF 148 million): The portfolio group's result decreased compared to the same period of the previous year due to higher than expected claims ratios of group life, accident and health insurance (valued using the GMM valuation model). In addition, the CSM of the 'Otthon Harmónia' risk life insurance portfolio (and the release of the CSM increasing the result) decreased due to changes in estimates for future services at the end of 2024 related to the product. The portfolio group's result was improved compared to the same period last year by an increase in the portfolio of risk life insurance policies, however, these positive impacts on profit did not offset the negative impacts of the changes in estimates and the high claims ratios of group insurance policies.

**Credit coverage insurance and account protection products** (annual profit decline: HUF 79 million): There were several large, partially offsetting effects on the performance of the portfolio group. The driver of the profit improvement is the increase in the contract portfolio and the Insurer's own retention. There was no need to recognise a loss component in the year under review, the loss recognised in the non-life segment at the end of the previous year and the related reinsurance provisions were released by the insurer. The change in the estimates for future expected cash flows resulted in a higher CSM release for the direct CSM than for the reinsurance CSM, which increased the result year-on-year. Another important factor in the decrease in results is that in the first half of 2023, significant insurance premiums collected for previous periods increased the result, which was not achieved this year.

## 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 2024 by source of profit is shown in the table below:

Data in million HUF

CSM – direct	Single premium UL	Regular premium UL	Traditional regular premium life savings	Risk life	Credit coverage and account protection	Total
<b>Opening insurance contract assets</b>	-	-	-	<b>-2 346</b>	-	<b>-2 346</b>
<b>Opening insurance contract liabilities</b>	<b>-23</b>	<b>-3 036</b>	<b>-746</b>	<b>-54</b>	<b>-81</b>	<b>-3 940</b>
Changes related to current services						
- CSM recognized in profit and loss	79	640	90	892	209	1 910
Changes related to future services						
- Contracts initially recognized in the period	-83	-965	-64	-726	-264	-2 102
- Changes in estimates that adjust CSM	-292	-139	-42	-40	-205	-718
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	-	-	-226	-29	-255
Net foreign exchange income or expense	-3	-31	-3	-	-	-37
<b>Closing insurance contract assets</b>	<b>-1</b>	<b>1</b>	<b>-</b>	<b>-2 437</b>	<b>-366</b>	<b>-2 803</b>
<b>Closing insurance contract liabilities</b>	<b>-321</b>	<b>-3 532</b>	<b>-765</b>	<b>-63</b>	<b>-4</b>	<b>-4 685</b>

The concept of CSM can also be applied to reinsurance contracts - 2024

data in million HUF

CSM - reinsurance	Regular premium UL	Traditional regular premium life savings	Risk life	Credit coverage and account protection	Total
<b>Opening reinsurance contract assets</b>	-	-	-	<b>403</b>	<b>403</b>
<b>Opening reinsurance contract liabilities</b>	<b>6</b>	<b>4</b>	<b>240</b>	-	<b>250</b>
Changes related to current services					0
- CSM recognized in profit and loss	-1	2	-38	-188	-225
Changes related to future services					-
- Contracts initially recognized in the period	-	-	44	-	44
- Changes in estimates that adjust CSM	1	-6	-85	590	500
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-2	-64	-66
Insurance finance expenses through profit and loss	-	-	18	34	52
Net foreign exchange income or expense	-	-	-	-	-
<b>Closing reinsurance contract assets</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>775</b>	<b>778</b>
<b>Closing reinsurance contract liabilities</b>	<b>6</b>	<b>-</b>	<b>174</b>	<b>-</b>	<b>180</b>

The derivation of the change in the CSM in 2023 by source of profit is shown in the table below:

Data in million HUF

Contractual Service Margin – direct	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
<b>Opening insurance contract assets</b>	-	-	-	<b>-1 667</b>	-	<b>-1 667</b>
<b>Opening insurance contract liabilities</b>	<b>- 46</b>	<b>-1 886</b>	<b>- 1 408</b>	<b>- 29</b>	<b>-52</b>	<b>-3 421</b>
Changes related to current services						
- CSM recognized in profit and loss	8	556	83	682	42	1 371
Changes related to future services						
- Contracts initially recognized in the period	- 70	- 527	-97	- 890	-303	-1 887
- Changes in estimates that adjust CSM	84	-1 185	675	- 287	275	- 438
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	-	-	- 209	-43	- 252
Net foreign exchange income or expense	1	6	1	-	-	8
<b>Closing insurance contract assets</b>	-	-	-	<b>-2 346</b>	-	<b>-2 346</b>
<b>Closing insurance contract liabilities</b>	<b>- 23</b>	<b>-3 036</b>	<b>-746</b>	<b>- 54</b>	<b>-81</b>	<b>-3 940</b>

The concept of CSM can also be applied to reinsurance contracts 2023

Data in million HUF

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>- 8</b>	<b>208</b>	<b>48</b>	<b>248</b>
<b>Opening reinsurance contract liabilities</b>	<b>11</b>	-	<b>11</b>	<b>272</b>	<b>294</b>
Changes related to current services					
- CSM recognized in profit and loss	- 1	- 1	-38	- 11	-51
Changes related to future services					
- Contracts initially recognized in the period	-	-	190	-	190
- Changes in estimates that adjust CSM	- 5	14	-159	- 84	-234
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	3	148	151
Insurance finance expenses through profit and loss	1	- 1	25	30	55
Net foreign exchange income or expense	-	-	-	-	-
<b>Closing reinsurance contract assets</b>	-	<b>0</b>	<b>-</b>	<b>403</b>	<b>403</b>
<b>Closing reinsurance contract liabilities</b>	<b>6</b>	<b>4</b>	<b>240</b>	<b>-</b>	<b>250</b>

The expected release of CSM and reinsurance CSM into the result at the end of 2024 is shown in the tables below:

Data in million HUF

CSM – direct	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Year 1	72	563	85	514	148	<b>1 382</b>
Year 2	64	441	80	380	88	<b>1 053</b>
Year 3	56	363	74	311	53	<b>857</b>
Year 4	44	309	68	256	32	<b>708</b>
Year 5	29	271	61	209	19	<b>589</b>
Year 5 +	56	1 585	398	831	30	<b>2 899</b>

Data in million HUF

CSM – reinsurance	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Year 1	1	-	48	291	<b>340</b>
Year 2	1	-	34	177	<b>212</b>
Year 3	1	-	26	110	<b>137</b>
Year 4	1	-	16	69	<b>86</b>
Year 5	1	-	13	44	<b>58</b>
Year 5 +	3	-	40	84	<b>127</b>

The table below provides the breakdown of the CSM of insurance contracts according to the transition methods detailed in section 3.5:

Data in million HUF

Fair value approach 2024	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Total
Opening balance	1	378	301	22	702
Changes related to current services					
- CSM recognized in profit and loss	-1	-292	-30	-8	-331
Changes related to future services					
- Contracts initially recognized in the period	-	-	-2	2	-
- Changes in estimates that adjust CSM	2	817	-70	7	756
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	1	1
Insurance finance expenses through profit and loss	-	11	2	-	13
Closing balance	2	914	201	24	1 141

Data in million HUF

Full retrospective approach 2024	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Opening balance	22	2 659	444	2 377	82	5 584
Changes related to current services						
- CSM recognized in profit and loss	-79	-347	-60	-884	-209	-1 579
Changes related to future services						
- Contracts initially recognized in the period	83	965	65	725	264	2 102
- Changes in estimates that adjust CSM	290	-678	113	33	205	-37
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	225	27	252
Insurance finance expenses through profit and loss	3	20	2	-	-	25
Closing balance	319	2 619	564	2 476	369	6 347

Data in million HUF

Fair values approach 2023	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Total
Opening balance	1	270	843	26	1 140
Changes related to current services					
- CSM recognized in profit and loss	-	-141	-38	-7	-187
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	-	-
- Changes in estimates that adjust CSM	-	249	-504	2	-253
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	1	1
Insurance finance expenses through profit and loss	-	-	-	-	-
Closing balance	1	378	301	22	702

Data in million HUF

Full retrospective approach 2023	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Opening balance	45	1 616	565	1 671	52	3 948
Changes related to current services						
- CSM recognized in profit and loss	-8	-415	-45	-675	-42	-1 184
Changes related to future services						
- Contracts initially recognized in the period	70	527	97	890	301	1 884
- Changes in estimates that adjust CSM	-84	936	-172	284	-275	690
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	207	46	254
Insurance finance expenses through profit and loss	-1	-6	-1	-	-	-8
Closing balance	22	2 659	444	2 377	82	5 584

The table below provides the breakdown of the CSM of reinsurance contracts according to the transition methods detailed in section 3.5:

Data in million HUF

Fair values approach 2024	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Total
Opening balance	6	4	-	10
Changes related to current services				
- CSM recognized in profit and loss	-1	-	27	26
Changes related to future services	-	-	-	-
- Contracts initially recognized in the period	-	-	-	-
- Changes in estimates that adjust CSM	1	-4	-25	-28
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-3	-3
Financial result recognised in profit or loss	-	-	-	-
Net foreign exchange income or expense	-	-	-	-
Closing balance	7	-	-	7

Data in million HUF

Full retrospective approach 2024	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Opening balance	-	240	402	642
Changes related to current services				
- CSM recognized in profit and loss	2	-65	-188	-251
Changes related to future services	-	-	-	-
- Contracts initially recognized in the period	-	44	-	44
- Changes in estimates that adjust CSM	-2	-61	590	527
- Changes in estimates that result in onerous contracts or reversal of losses	-	1	-64	-63
Financial result recognised in profit or loss	-	18	36	54
Net foreign exchange income or expense	-	-	-	-
Closing balance	-	177	775	952

Data in million HUF

Fair values approach 2023	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Total
Opening balance	11	1	-	12
Changes related to current services	-	-	-	-
- CSM recognized in profit and loss	-1	-1	1	-1
Changes related to future services	-	-	-	-
- Contracts initially recognized in the period	-	-	-	-
- Changes in estimates that adjust CSM	-5	4	-3	-4
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	3	3
Financial result recognised in profit or loss	1	-	-	1
Net foreign exchange income or expense	-	-	-	-
Closing balance	6	4	-	10

Data in million HUF

Full retrospective approach 2023	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Opening balance	-9	219	320	530
Changes related to current services	-	-	-	-
- CSM recognized in profit and loss	-	-39	-11	-49
Changes related to future services	-	-	-	-
- Contracts initially recognized in the period	-	190	-	190
- Changes in estimates that adjust CSM	10	-155	-84	-230
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	148	148
Financial result recognised in profit or loss	-1	25	29	53
Net foreign exchange income or expense	-	-	-	-
Closing balance	-	240	402	642

## 10 INSURANCE INCOME

2024

Data in million HUF

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 and account protection	Total
- Expected benefits incurred	-	-	53	234	122	465	535	<b>1 409</b>
- Expected expenses incurred	-	-	161	1 468	119	639	856	<b>3 243</b>
- Change in the risk adjustment	-	-	5	216	1	107	56	<b>385</b>
- CSM recognized	-	-	79	640	90	892	209	<b>1 910</b>
Recovery of acquisition cash flows	-	-	173	1 126	42	676	354	<b>2 371</b>
Experience adjustments	-	-	-	-	-	-	-	-
Contracts not measured under PAA	-	-	<b>471</b>	<b>3 684</b>	<b>374</b>	<b>2 779</b>	<b>2 010</b>	<b>9 318</b>
Contracts measured under PAA	<b>4 913</b>	<b>665</b>	-	-	-	-	-	<b>5 578</b>
<b>Total insurance revenue</b>	<b>4 913</b>	<b>665</b>	<b>471</b>	<b>3 684</b>	<b>374</b>	<b>2 779</b>	<b>2 010</b>	<b>14 896</b>

2023

Data in million HUF

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 and account protection	Total
- Expected benefits incurred	-	-	49	239	147	766	325	<b>1 526</b>
- Expected expenses incurred	-	-	101	1 198	115	406	466	<b>2 286</b>
- Change in the risk adjustment	-	-	6	237	27	91	37	<b>398</b>
- CSM recognized	-	-	8	556	83	682	42	<b>1 371</b>
Recovery of acquisition cash flows	-	-	102	1 228	36	607	258	<b>2 231</b>
Experience adjustments	-	-	-	-	-	-	-	-
Contracts not measured under PAA	-	-	<b>266</b>	<b>3 458</b>	<b>408</b>	<b>2 552</b>	<b>1 128</b>	<b>7 812</b>
Contracts measured under PAA	<b>3 583</b>	<b>420</b>	-	-	-	-	-	<b>4 003</b>
<b>Total insurance revenue</b>	<b>3 583</b>	<b>420</b>	<b>266</b>	<b>3 458</b>	<b>408</b>	<b>2 552</b>	<b>1 128</b>	<b>11 815</b>

The table below provides the breakdown of the insurance income according to the transition methods detailed in section 3.5:

Data in million HUF

Insurance revenue 2024	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 and account protection	Total
Fair value approach	0	0	6	899	181	46	0	1 132
Full retrospective approach	4 912	665	466	2 784	194	2 733	2 010	13 764

Data in million HUF

Insurance revenue 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 and account protection	Total
Fair value approach	0	0	21	785	237	51	0	1 093
Full retrospective approach	3 586	420	245	2 672	170	2 501	1 128	10 722

## 11 INSURANCE SERVICE EXPENSES

Data in million HUF

2024	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 and account protection	Total
Incurring benefits	1 326	244	11	622	365	982	619	4 169
Incurring directly attributable expenses	1 599	60	214	1 330	123	614	1 082	5 022
Losses on onerous contracts and reversal of those losses	-19	8	-72	-2	- 7	4	-128	-216
Changes that relate to past service - adjustments to LfIC	17	-100	-120	-627	- 360	66	-71	- 1 195
Insurance acquisition costs	2 030	197	173	1 126	42	676	354	4 598
<b>Total insurance service expense</b>	<b>4 953</b>	<b>409</b>	<b>206</b>	<b>2 449</b>	<b>163</b>	<b>2 342</b>	<b>1 856</b>	<b>12 378</b>

Data in million HUF

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 and account protection	Total
Incurring benefits	936	199	3	337	220	727	503	2 925
Incurring directly attributable expenses	859	46	129	1 246	134	383	301	3 098
Losses on onerous contracts and reversal of those losses	5	-7	101	39	135	-	251	524
Changes that relate to past service - adjustments to LfIC	-80	-90	-29	-154	- 146	87	56	-356
Insurance acquisition costs	1 508	137	102	1 228	36	607	258	3 876
<b>Total insurance service expense</b>	<b>3 228</b>	<b>285</b>	<b>306</b>	<b>2 696</b>	<b>379</b>	<b>1 804</b>	<b>1 369</b>	<b>10 067</b>

## 12 REINSURANCE RESULT

2024

Data in million HUF

Expected expenses for contracts not measured under PAA	Group life	Individual accident and health	Regular premium UL	Traditional regular premium life savings	Risk life	Credit coverage and account protection	Total
- Expected recovery of claims and other expenses	-	-	7	15	131	519	672
- Change in the risk adjustment	-	-	1	3	21	-19	6
- CSM recognized	-	-	1	- 2	38	188	225
- Experience adjustments	-	-	-	-	-	-	-
Expected expenses for contracts measured under PAA	135	89	31	16	9	-	280
<b>Allocation of reinsurer premium</b>	<b>135</b>	<b>89</b>	<b>40</b>	<b>32</b>	<b>199</b>	<b>688</b>	<b>1 183</b>
Amounts recovered for claims and other expenses	103	478	- 191	- 117	147	653	1 073
Incurred directly attributable expenses	-	-	-	-	-	-	-
Changes that relate to past service - recoverable claims and other expenses	- 7	- 478	194	117	54	67	-53
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	- 2	-65	-67
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
<b>Amounts recoverable from reinsurer and incurred expenses</b>	<b>96</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>199</b>	<b>655</b>	<b>953</b>
<b>Net expense from reinsurance contracts held</b>	<b>39</b>	<b>89</b>	<b>37</b>	<b>32</b>	<b>-</b>	<b>33</b>	<b>230</b>

2023

Data in million HUF

Expected expenses for contracts not measured under PAA	Group life	Individual accident and health	Regular premium UL	Traditional regular premium life savings	Risk life	Credit coverage and account protection	Total
- Expected recovery of claims and other expenses	-	-	9	18	107	260	394
- Change in the risk adjustment	-	-	1	1	10	-6	6
- CSM recognized	-	-	1	1	38	11	51
- Experience adjustments	-	-	-	-	-	-	-
Expected expenses for contracts measured under PAA	27	83	32	15	74	-	231
<b>Allocation of reinsurer premium</b>	<b>27</b>	<b>83</b>	<b>43</b>	<b>35</b>	<b>229</b>	<b>265</b>	<b>682</b>
	-	-	-	-	-	-	-
Amounts recovered for claims and other expenses	8	192	16	6	124	525	871
Incurred directly attributable expenses	-	-	-	-	-	-	-
Changes that relate to past service - recoverable claims and other expenses	8	- 99	- 4	- 2	3	46	-48
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	3	148	151
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
<b>Amounts recoverable from reinsurer and incurred expenses</b>	<b>16</b>	<b>93</b>	<b>12</b>	<b>4</b>	<b>130</b>	<b>719</b>	<b>974</b>
<b>Net expense from reinsurance contracts held</b>	<b>11</b>	<b>-10</b>	<b>-</b>	<b>31</b>	<b>31</b>	<b>99</b>	<b>-454</b>

## 13 FINANCIAL RESULT

Data in million HUF

2024 - direct	Group life insurance	Individual accident and health insurance	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Interest accreted to insurance contracts	-7	-2	- 1 429	- 5 522	-607	48	19	- 7 500
Change in financial assumptions through P&L	1	-	- 2 269	- 12 600	10	5	- 1	- 14 854
Change in financial assumptions through OCI	-	-	-	-	605	- 108	- 24	473
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	1	-	1
Effect of risk mitigation on CSM for contracts measured under VFA	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	-	-	-284	-807	-15	-	-	- 1 106
<b>Total insurance finance expense</b>	<b>- 6</b>	<b>- 2</b>	<b>- 3 982</b>	<b>- 18 929</b>	<b>- 7</b>	<b>-54</b>	<b>-6</b>	<b>- 22 986</b>

Data in million HUF

2024 - reinsurance	Group life insurance	Individual accident and health insurance	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Interest accreted to reinsurance contracts	-	3	-	-2	-	-	14	15
Change in financial assumptions through P&L	-1	-	-	1	-	-	-	-
Change in financial assumptions through OCI	-	-	-	1	-1	3	14	17
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	2	71	-	-30	-17	1	-	27
<b>Total reinsurance finance income</b>	<b>1</b>	<b>74</b>	<b>-</b>	<b>-30</b>	<b>-18</b>	<b>4</b>	<b>28</b>	<b>59</b>

Data in million HUF

2023 - direct	Group life insurance	Individual accident and health insurance	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Interest accreted to insurance contracts	-9	-2	- 1 635	- 9 301	-465	8	67	- 11 337
Change in financial assumptions through P&L	-4	-1	341	2 852	-31	- 15	3	3 145
Change in financial assumptions through OCI	-	-	-	-	- 2 172	493	92	- 1 587
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	1	-	1
Effect of risk mitigation on CSM for contracts measured under VFA	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	-	-	106	535	9	-	-	650
<b>Total insurance finance expense</b>	<b>- 13</b>	<b>- 3</b>	<b>- 1 188</b>	<b>- 5 914</b>	<b>- 2 659</b>	<b>487</b>	<b>162</b>	<b>- 9 128</b>

Data in million HUF

2022- reinsurance	Group life insurance	Individual accident and health insurance	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Interest accreted to reinsurance contracts	1	1	-	-1	1	4	- 45	-39
Change in financial assumptions through P&L	-	-	-	-5	1	-	-	-4
Change in financial assumptions through OCI	-	-	-	-4	2	- 68	- 87	-157
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	-	-12	-	-1	-	-	-	-13
<b>Total reinsurance finance income</b>	<b>1</b>	<b>- 11</b>	<b>-</b>	<b>-11</b>	<b>4</b>	<b>-64</b>	<b>- 132</b>	<b>-213</b>

## 14 RESULT ON INVESTMENTS

Data in million HUF

	2024	2023
Effective interest income	1 276	1 252
<b>Interest income based on effective interest method</b>	<b>1 276</b>	<b>1 252</b>
Gains on investment sales	95	134
Realised gains on derivatives	146	450
Unrealised gains on derivatives	-	77
Foreign currency gains	698	52
Fair value change gain	23 866	7 263
Dividends received	88	--
<b>Income from investments</b>	<b>24 893</b>	<b>7 976</b>
<b>Dividend from associates</b>	<b>555</b>	<b>454</b>
Operation expenses on investments	53	47
Realised losses on derivatives	174	75
Interest paid	4	19
Foreign currency losses	59	246
Losses on investment sales	79	453
Interest on lease liabilities	8	7
Impairment of shares in subsidiaries	2 950	-955
Unrealised losses on derivatives	335	-
<b>Expense on investments</b>	<b>3 662</b>	<b>110</b>
<b>Impairment and impairment reversal of financial assets</b>	<b>-</b>	<b>3</b>
<b>Total income from (expenses on) investments</b>	<b>23 062</b>	<b>9 795</b>

The loss/gain on the change in fair value is the return on customers' unit-linked investments. The almost 21% return achieved is the highest ever for the Company in both percentage and absolute terms (HUF 23.8 billion).

Returns on unit-linked investments were mainly driven by stock market developments. The BUX outperformed other emerging market indices (and even developed market indices). Most emerging market stock market indices returned between 10% and 20%, but it is worth noting the jump in Chinese indices in September, mainly due to the support package announced at the end of the third quarter, the largest since Covid. The rise was later deemed overdone by the market and a correction started, which may have been strongly influenced by the worsening Chinese economic outlook following Trump's victory. Among emerging

markets, the biggest loser was clearly the Latin American region, given the uncertain economic conditions.

Of the major indices of the developed markets, the S&P500 has shown the biggest rise over 2024, up nearly 25%. The Japanese index also performed well, although it was characterised by huge volatility, and a very sharp fall from mid-July to early August. In addition to the impact of global economic developments, this was also due to heightened geopolitical risks in Asia, such as increased tensions in the China-Taiwan conflict and the North Korean missile tests. Small-cap US stocks and Europe's largest companies performed more modest, while small-cap European stocks achieved negative returns after starting to decline since the end of September.

Unit-linked funds were helped by the weakening of the forint. Among the region's currencies, it was the forint which clearly weakened the most against the euro in 2024. Until the beginning of October, the forint exchange rate against the euro remained below the 400 psychological level, but in the last quarter it even breached the 415 level. In addition to central bank policy, investor mistrust may be a major factor behind the sharp weakening.

The Company's return on its own investments was a profit of HUF 1,117 million in 2023 and HUF 1,591 million in 2024. This growing profit was achieved by the Group mainly by taking advantage of the high yield environment over the last 2-3 years. At the beginning of the year, on the short side of the yield curve, the Group took advantage of the different pricing of discount treasury bills and intra-year government bonds to achieve higher return potential. In addition, we purchased MNB short bonds and made time deposits, as the AKK's (Government Debt Management Agency's) limited issuance and the mutual funds' government bond holding policy promised high demand and thus lower yields in the discount treasury bill market. In the second half of the year of the longer-dated assets the Group acquired predominantly Hungarian and Romanian government bond exposures of the 2026-2028 segment for duration targeting, denominated in foreign currency (USD, EUR), for which the foreign exchange risk was hedged.

The dividend from MBH Fund Management to the Company increased to HUF 555 million from HUF 454 million in 2023.

The line Impairment and impairment reversal of financial assets includes the amount of the impairment recognised to CIG Pannónia Első Magyar Általános Biztosító Zrt., which is explained in detail in Note 24.

## 15 INVESTMENT CONTRACTS

Data in million HUF

PREMIUM AND COMMISSION INCOME, INVESTMENT CONTRACTS	2024	2023
Policy-based premiums	52	6
Fund management fees	76	67
Premiums related to services	154	4
<b>Total premium and commission income</b>	<b>282</b>	<b>77</b>

## 16 EXPENSES

Data in million HUF

	2024	2023
	Total	Total
Salaries and salary contributions	1 825	1 430
Other personal costs	131	102
Advisory and consultancy services	131	173
Training costs	5	2
Marketing and PR costs	140	103
Administration costs	166	152
IT services	417	355
Office rental and operation	86	108
Travelling, and car expenses	135	137
Office supplies, phone, bank costs	115	112
Depreciation and amortisation	250	269
Other costs	277	232
Claim settlement expenses	960	446
<b>Total</b>	<b>4 638</b>	<b>3 621</b>
Aquisition expenses	796	666
Administration, overhead and investment expenses	2 465	2 100
Benefits in kind and claim handling costs	1 158	674
Non-allocable expenses	219	181
<b>Total</b>	<b>4 638</b>	<b>3 621</b>

Overall, expenses have increased by 28% compared to 2023. The biggest increase was in payroll and related benefits, with HUF 395 million, while IT, administration and marketing costs increased significantly, with the growing stock and inflation playing a major role in this. Claims settlement costs increased mainly due to the costs of organising health insurance benefits..

In 2024 HUF 161 million (HUF 144 million in 2023) was related to payroll (incl. salary, bonus and other payments) of the Company's directors under the SRD Act.

The significant leasing contract of the Company is the office lease agreement of the office, effective until 28 February 2029. In addition, in 2021 car leasing contracts with a significant value emerged, with various maturities, averaging 36-60 months. In 2024, the Company paid for short-term office leasing contracts HUF 3 million (HUF 18 million in 2023); while the expenses of low value leasing contracts (water dispenser, printers, dirt carpets) totalled HUF 2 million (HUF 2 million in 2023).

## 17 OTHER RESULT

Data in million HUF		
	2024	2023
Other technical income	6	5
Reinvoiced services	390	250
Other income	31	63
<b>Other (non-financial) income</b>	<b>427</b>	<b>318</b>

Data in million HUF		
	2024	2023
Extraordinary depreciation	-	3
Other expenses	35	67
Provision	110	-
Expenses related to insurance contracts	234	57
Forward-charged expenses	390	251
<b>Other (non-financial) expenses</b>	<b>769</b>	<b>378</b>

Data in million HUF				
<b>Other result</b>	-	<b>342</b>	-	<b>60</b>

The forming of provisions are detailed under Note 38. In addition to provisions, the decrease in other result is due to an increase in expenses related to investment contracts, as the stock of investment contracts increased significantly in 2024.

## 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. Losses accrued until 2015 can be used until 2030 at the latest, but some losses expire earlier. In 2023 the expected recoverable part of the accrued loss decreased (by HUF 254 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 2024, deferred tax assets increased by HUF 149 million.

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 2024 (HUF 486 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 million HUF

	2024	2023
Local business tax, innovation contribution	- 80	- 246
Corporation tax expenses in reporting year	36	- 501
Deferred tax expenses/gains	134	15
<b>Total tax income/(expenses) realised in profit or loss</b>	<b>90</b>	<b>- 732</b>
Deferred tax liabilities arising from financial assets valued at fair value against other comprehensive income	15	- 269
<b>Total tax income/(expenses) realised in other comprehensive income</b>	<b>15</b>	<b>- 269</b>

In 2023, a significant part of the accrued losses were recovered and the deferred tax assets were fully recognized in the financial statements.

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

Data in million HUF

Presentation of effective tax rate	2024	2023
Profit/loss before taxation	605	3 672
Calculated tax income/(expenses) (9%)	- 47	- 308
Change in previously accrued deferred tax asset on losses of prior years	149	- 254
Differences from loss carry forward (unpresented in the prior years, utilized in the actual year)	-	213
Permanent differences	68	192
IFRS 17 transition tax difference		- 328
Local business tax, innovation contribution	- 80	- 246
<b>Total tax income (expenses)</b>	<b>90</b>	<b>- 732</b>

## 19 OTHER COMPREHENSIVE INCOME

Data in million HUF

	2024	2023 módosított
OCI from change in fair value of other financial assets at fair value	-712	3 261
OCI from insurance contracts	474	-1 587
OCI from reinsurance contracts	17	-157
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>-221</b>	<b>1 517</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>	<b>766</b>	<b>1 644</b>
<b>Total other comprehensive income</b>	<b>545</b>	<b>3 161</b>

Other comprehensive income includes 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.

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 at net value, including the impact of its deferred tax.

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.

## 20 EARNINGS PER SHARE

Data in million HUF

	31 December 2024 (A)	31 December 2023 (B)	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders (million HUF)	1 279	2 874	
Weighted average number of shares	93 954 254	93 954 254	
<b>EPS (basic) (HUF)</b>	<b>13.6</b>	<b>30.6</b>	<b>-17</b>

Profit/loss after taxation attributable to the Company's shareholders (million HUF)	1 279	2 874	
Weighted average number of shares	94 428 260	94 428 260	
EPS (diluted) (HUF) calculated	13.5	30.4	
<b>EPS (diluted) (HUF)</b>	<b>13.5</b>	<b>30.4</b>	<b>-16.9</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 13.6. According to IFRS, the maximum value of calculated diluted EPS (HUF 13.5) 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 0.1.

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
31.12.2023	94 428 260	474 006	93 954 254	365	93 954 254
31.12.2024	94 428 260	474 006	93 954 254	365	93 954 254

### 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
31.12.2023	94 428 260	474 006	93 954 254	365	93 954 254

## 21 INTANGIBLE ASSETS

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

Data in million HUF

31 December 2024	Intellectual property, assets value rights	Total intangible assets
<b>Cost</b>		
01 January 2024	2 912	2 912
Increase	218	218
Decrease	-5	-5
31 December 2024	3 125	3 125
<b>Accumulated amortization, impairment</b>		
01 January 2024	-2 250	-2 250
Increase	-207	-207
Decrease	5	5
31 December 2024	-2 452	-2 452
<b>Net book value</b>	<b>673</b>	<b>673</b>

Data in million HUF

31 December 2023	Intellectual property, assets value rights	Total intangible assets
<b>Cost</b>		
01 January 2023	2 753	2 753
Increase	159	159
Decrease	-	-
31 December 2023	2 912	2 912
<b>Accumulated amortization, impairment</b>		
01 January 2023	-2 023	-2 023
Increase	-227	-227
Decrease	-	-
31 December 2023	-2 250	-2 250
<b>Net book value</b>	<b>662</b>	<b>662</b>

## 22 PROPERTY, PLANT AND EQUIPMENT

Data in million HUF

31 December 2024	Office furniture, equipment	Real estates	Work in progress	Total
<b>Cost</b>				
01 January 2024	185	127	9	321
Increase	32	-	-	32
Decrease	-24	-	-7	-31
31 December 2024	193	127	2	322
<b>Accumulated amortization</b>				
01 January 2024	-147	-70	-	-217
Increase	-18	-25	-	-43
Decrease	24	-	-	24
31 December 2024	-141	-95	-	-236
<b>Net book value</b>	<b>52</b>	<b>32</b>	<b>2</b>	<b>86</b>

Data in million HUF

31 December 2023	Office furniture, equipment	Real estates	Work in progress	Total
<b>Cost</b>				
01 January 2023	186	127	1	314
Increase	6	-	8	14
Decrease	-7	-	-	-7
31 December 2023	185	127	9	321
<b>Accumulated amortization</b>				
01 January 2023	-137	-45	-	-182
Increase	-17	-25	-	-42
Decrease	7	-	-	7
31 December 2023	-147	-70	-	-217
<b>Net book value</b>	<b>38</b>	<b>57</b>	<b>9</b>	<b>104</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.

## 23 RIGHT OF USE ASSETS

Data in million HUF

31 December 2024	Office leasing	Car leasing	Total
<b>Cost</b>			
01 January 2024	203	200	403
Increase	225	37	262
Decrease	-209	-10	-219
31 December 2024	219	227	446
<b>Accumulated amortization</b>			
01 January 2024	-111	-117	-228
Increase	-44	-57	-101
Decrease	140	7	147
31 December 2024	-15	-167	-182
<b>Net book value</b>	<b>204</b>	<b>60</b>	<b>264</b>

Data in million HUF

31 December 2023	Office leasing	Car leasing	Total
<b>Cost</b>			
01 January 2023	188	246	434
Increase	15	15	30
Decrease	-	-61	-61
31 December 2023	203	200	403
<b>Accumulated amortization</b>			
01 January 2023	-68	-89	-157
Increase	-43	-64	-107
Decrease	-	36	36
31 December 2023	-111	-117	-228
<b>Net book value</b>	<b>92</b>	<b>83</b>	<b>175</b>

The leased assets are constituted by the property rental of the Company's headquarter building and by the rental of cars.

In the case of the office lease, the contract was renegotiated, which resulted in changes to the terms. The maturity date was changed to February 28, 2029.

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 million HUF

	31 December 2024	31 December 2023
CIG Pannónia First Hungarian General Insurance Company Plc.	6 744	6 694
Pannónia PI-ETA Funeral Service Limited Liability Company	4	4
<b>Subsidiaries</b>	<b>6 748</b>	<b>6 698</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” building.

Ownership:	100%
Cost of equity:	HUF 14,581 million
Accrued impairment:	HUF 7,837 million
Share book value:	HUF 6,744 million
Registered capital:	HUF 1,120 million
Equity:	HUF 6,744 million
Capital reserve:	HUF 12,075 million
Loss after tax:	HUF 2,753 million

The capital was increased at the insurer's subsidiary in 2024 once by HUF 3 billion, which increased the cost of equity to HUF 14,581 million and its registered capital changed to HUF 120 million.

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.

Our Company has already stated in the third quarterly report of CIG Pannónia Life Insurance Plc<sup>7</sup> that the Board of Directors, in the course of its continuous monitoring activities and also with respect to the progress of the proceedings initiated by the Company, decided to conduct a strategic review of the so-called Italian cases<sup>8</sup> covering both litigation and non-litigation strategic elements, which cases affect primarily its wholly owned subsidiary CIG Pannónia First Hungarian General Insurance Company (EMABIT). The objective of the Board of Directors in undertaking this full review was to ensure that, through its result and based on a full analysis of the situation, the Group is prepared in all respects to deal prudently with all potential future scenarios that may arise from these matters. In addition to ensuring prudence, a further objective in the current phase of - in the management's view - stable growth was to ensure room for further development along the strategic objectives by "clearing" the growth path from external and past limiting constraints and negative elements.

The revised data showed that, overall, the total Italian exposure of EUR 504.5 million included in the extraordinary disclosure of information on the Italian cross-border activity previously published on 24 October 2019<sup>9</sup> had been, by the date of this current disclosure, reduced to EUR 14,155,254.49, or less than 3% of the original exposure, with a total of 7 surety bonds with a total value of EUR 16,558.80<sup>10</sup>. All this data was found to support the success of the strategy developed and consistently applied to manage the exposures, which the Company considers to be a factor in favour of the growth path overall.

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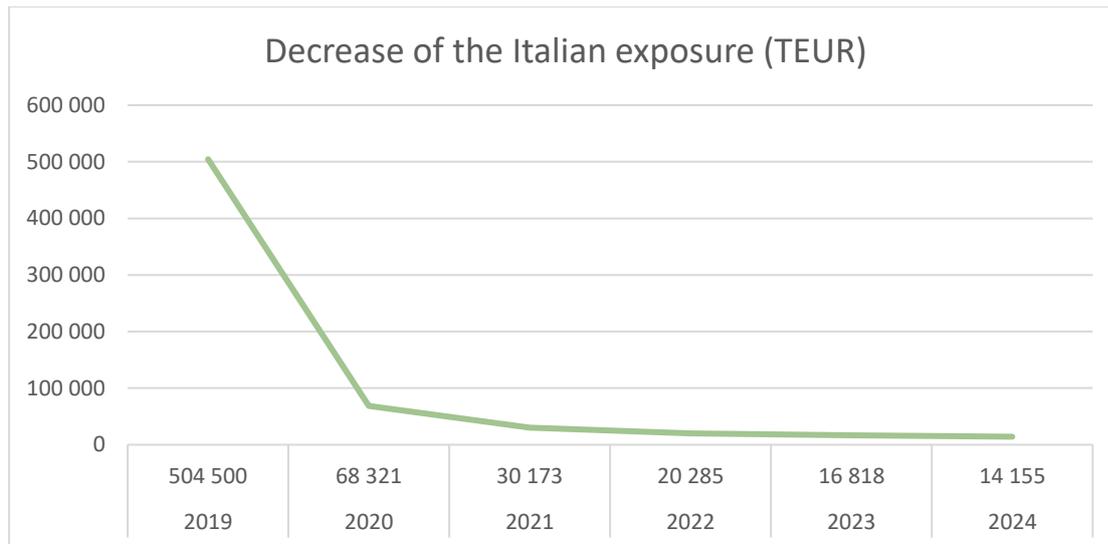
<sup>7</sup> [https://www.bse.hu/site/newkib/en/2024.11./CIG\\_Pannonia\\_Life\\_Insurance\\_Plc.\\_-\\_Quarterly\\_Report\\_Q3\\_2024\\_129160609](https://www.bse.hu/site/newkib/en/2024.11./CIG_Pannonia_Life_Insurance_Plc._-_Quarterly_Report_Q3_2024_129160609)

<sup>8</sup> **Italian cases:** a collective name for the risks and their management that EMABIT has and is facing in its Italian claims cases, covering primarily the management of these cases and the strategy for the management of pending litigation, the status and review of existing claims reserves and regress reserves.

<sup>9</sup>

[https://www.bse.hu/site/newkib/en/2019.10./Extraordinary\\_announcement\\_of\\_damages\\_occurring\\_within\\_the\\_framework\\_of\\_Italian\\_cross-border\\_activities\\_128314606](https://www.bse.hu/site/newkib/en/2019.10./Extraordinary_announcement_of_damages_occurring_within_the_framework_of_Italian_cross-border_activities_128314606)

<sup>10</sup> the remaining amount of EUR 14,138,695.69 includes the 20 surety bonds covered by the so-called expired but extended claim period, which means that EMABIT's coverage for these policies has also been terminated without a claim, but the surety bond allows an additional period for the beneficiaries to report a claim beyond the coverage period



The focus of the review was on the assessment of the status of the litigation cases, in connection with which the formed reserves were also reviewed, and the Company published an extraordinary information on the content and outcome of the review on 28 February 2025.

As stated in the Extraordinary Information, as a result of the process, EMABIT decided to increase certain reserves, taking into account the legal requirements, the interests of the Group and the principle of best estimate. To ensure the implementation of this decision, the Board of Directors of the Company

- (i) increased in December 2024 EMABIT's capital by HUF 3 billion (HUF 30 million in shared capital and HUF 2 970 million in capital reserves)
- (ii) in order to further supplement EMABIT's own funds with subordinated loan capital - in accordance with the investment and borrowing rules applicable to it as an insurer -, initiated negotiations with Hungarikum Biztosítási Alkusz Zrt. (hereafter: Broker), the responsible owner with qualified influence in the Company, since Broker, in connection with its prudent ownership - as required by the Hungarian National Bank and as it itself declared when granted the authorisation to acquire influence - stated<sup>11</sup>, inter alia, that it "...intends to support the reconstruction and recovery of CIG EMABIT, owned by CIG Life Insurance, by all legal means which are compliant and in accordance with its legal status, while at the same time mitigating the damage suffered on the Italian market".

<sup>11</sup> "Operating plan and report on the economic activities of the Hungarikum Biztosítási Alkusz as the offeror with respect to the ordinary shares of CIG Pannónia Life Insurance Plc (ISIN: HU0000180112)" prepared for the mandatory public takeover offer for the shareholders of the Company on 18.06.2021, page 7, paragraph 4 - <https://www.bet.hu/newkibdata/128577094/M%C5%B1k%C3%B6d%C3%A9si%20terv%20%C3%A9s%20az%20aj%C3%A1nlatt%C3%A9l%20gazdas%C3%A1gi%20tevc%C3%A9kenys%C3%A9g%C3%A9r%C5%91%20sz%C3%B3l%C3%B3%20jelent%C3%A9s%202021%2006%2018%20.pdf>

As a result of the negotiations, on 23 December 2024, the Company entered into a subordinated credit facility agreement (the "Agreement") with the Broker as lender for a total amount of HUF 4,000,000,000 in order to fully comply with the legal reserve requirements and to meet potential obligations that may arise in the future, and to enable the Company to support EMABIT's activities with additional resources<sup>12</sup> during the availability period<sup>13</sup> up to the amount of the reserved credit line, if needed, while maintaining the necessary and expected own funds requirements. The Company shall make the necessary resources available to EMABIT as provided for in the Contract. The Company has underlined in its information that no funding has been drawn under the Contract to date.

For the Italian suretyship insurances in the current report, the total amount of claims reported to the Insurer is EUR 21.530 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 11.769 million. Considering the experience of regress procedures, EMABIT modified the amount of regress reserves to EUR 174 thousand.

In possession of the above information, the Company again performed an impairment test of its subsidiary interest at the end of 2024. Thus, the total recognized impairment at the end of 2024 was HUF 7,837 million, the book value of the share equals the individual equity of EMABIT: HUF 6,744 million.

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

1097 Budapest Könyves Kálmán krt. 11, „B” épület.

Ownership:	100 %
Value of the share:	HUF 4 million
Registered capital:	HUF 3 million
Equity:	HUF 6 million
After-tax profit:	HUF 0 million

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

<sup>12</sup> the pricing of the Loan under the Contract (including in particular the applicable interest rate, the availability fee and the early repayment fee) is in line with market standards and has been agreed by the Parties in the framework of an advisory report supported by BIG4

<sup>13</sup> the period from the date of signature of the Agreement until the disbursement of the Loan, but up to a maximum of 2 years, i.e. until 31 December 2026

to comply with the new Civil Code provisions. The year 2024 was closed with a profit of less than HUF 1 million by PI-ETA.

## 25 ASSOCIATES

Data in million HUF

	31 December 2024	31 December 2023
MBH Fund Management Ltd.	52	52
<b>Associated Company</b>	<b>52</b>	<b>52</b>

### **MBH Fund Management Ltd. (formerly : MKB Fund Management Ltd.)**

1068 Budapest, Benczúr utca 11.

Ownership:	7.67%
Value of share:	HUF 52 million
Registered capital:	HUF 806 million
Equity:	HUF 19,672 million
Profit after tax:	HUF 17,280 million

The turnover of MBH Fund Management Ltd. in 2024 was HUF 20,602 million, after-tax profit was HUF 17,280 million, of which HUF 1,099 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, 6.36 percent of the Fund Manager's earnings were allocated to the Company.

The Company received a dividend of HUF 592 million in 2024 and HUF 491 million in 2023 from its associated company.

The Insurer's part of the capital of the MBH Fund Manager in 2024 and 2023 developed as follows:

Data in million HUF

2024	Share capital	Retained earnings of previous years	Valuation reserve	Profit/Loss after taxation	Total
Fund manager	806	1 560	26	17 280	19 672
Issuer's share	7.67%	7.67%	7.67%	6.36%	
<b>Capital per issuer</b>	<b>62</b>	<b>120</b>	<b>2</b>	<b>1 099</b>	<b>1 282</b>

Data in million HUF

2023	Share capital	Retained earnings of previous years	Valuation reserve	Profit/Loss after taxation	Total
Fund manager	806	1 560	89	11 674	14 130
Issuer's share	7.67%	7.67%	7.67%	5.04%	
<b>Capital per issuer</b>	<b>62</b>	<b>120</b>	<b>7</b>	<b>588</b>	<b>776</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 2024 the Insurer had 69 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 million HUF

	31 December 2024	31 December 2023
Equities	38 787	23 532
Government bonds, T-bills	17 832	12 779
Corporate bonds	-	507
Investment funds	61 585	52 062
Derivative instruments	-15	1
Cash and cash equivalents in UL asset funds	9 761	5 471
Other investments	-271	70
<b>Total investments for policyholders of unit-linked life insurance policies</b>	<b>127 679</b>	<b>94 422</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 could not be determined because the underlying financial assets of the Affected Asset Funds have become partially or completely illiquid, i.e. non-marketable assets.

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. As the suspension of the still illiquid asset funds expired on 1 March 2024, along the binding requirements of Bit. 127(7), our Company has settled with its Clients as of 1 March 2024, based on the current market situation at the time of termination, and the illiquid successor funds have been terminated.

The Insurer considered the value of the illiquid Russian successor asset funds to be 0 for the purposes of the 2022 and the 2023 annual report, on the grounds of illiquidity and non-tradability. As a consequence, in the annual report, these asset funds were included under Investments for policyholders of unit-linked life insurance policies and Financial assets - investment contracts and, consequently, under liabilities from unit-linked technical reserves and Financial liabilities - investment contracts, with a value of 0, as they did not meet the asset and liability criteria of the IFRS Framework.

## 27 FINANCIAL ASSETS – INVESTMENT CONTRACTS

	Data in million HUF	
	31 December 2024	31 December 2023
Equities	1 805	1 187
Government bonds, T-bills	830	645
Corporate bonds	-	26
Investment funds	2 866	2 626
Derivative instruments	-1	-
Cash and cash equivalents in UL asset funds	454	276
Other investments	-12	3
<b>Total financial assets – investment contracts</b>	<b>5 942</b>	<b>4 763</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 2024.

The following table shows the asset composition of these funds:

Data in million HUF

MBH Funds underlying investments	31 December 2024	31 December 2023
Equities	3 605	5 686
Government bonds, discounted T-bills	3 223	3 991
Corporate bonds	3 327	2 750
Investment funds	7 275	2 894
Cash and cash equivalents	3 589	5 400
Other investments	-18	-173
<b>Total</b>	<b>21 001</b>	<b>20 548</b>

## 28 FORWARD TRANSACTIONS

Data in million HUF

	31 December 2024	31 December 2023
Financial assets – derivatives	-	109
<b>Financial assets – derivatives</b>	<b>-</b>	<b>109</b>

Forward transactions include transactions entered into for currency hedging purposes.

Data in million HUF

	31 December 2024	31 December 2023
Financial liabilities – derivatives	- 224	-
<b>Financial liabilities – derivatives</b>	<b>- 224</b>	<b>-</b>

## 29 OTHER FINANCIAL ASSETS AT FAIR VALUE

Data in million HUF

	31 December 2024	31 December 2023
Corporate bond	2 450	3 780
Equities	3 456	2 615
Government bonds, discontinued T-bills	16 299	17 939
Mortgage certificates	166	164
<b>Other financial assets at fair value</b>	<b>22 371</b>	<b>24 498</b>

Among the shares the Company records its stake in OPUS GLOBAL Plc.

## 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 million HUF

31 December 2024	Financial assets at fair value through profit or loss	Financial assets valued through amortised cost	Financial assets valued through OCI	Financial liabilities at fair value through profit or loss	Financial liabilities valued through amortised cost
Government bonds	17 832	-	16 299	-	-
Corporate bonds	-	-	2 616	-	-
Shares	38 787	-	3 456	-	-
Investment fund units	61 585	-	-	-	-
Cash (unit-linked & own)	9 761	2 368	-	-	-
Receivables	131	620	-	-	-
Other UL assets	-403	-	-	-	-
Other and intercompany liabilities	-	-	-	-	1 490
Investment contracts	-	-	-	5 942	-
Derivative instruments	-14	-	-	224	-
<b>Total</b>	<b>127 679</b>	<b>2 988</b>	<b>22 371</b>	<b>6 166</b>	<b>1 490</b>

Data in million HUF

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	-	17 940	-	-
Corporate bonds	508	-	3 943	-	-
Shares	23 532	-	2 615	-	-
Investment fund units	52 062	-	-	-	-
Cash (unit-linked & own)	5 471	1 709	-	-	-
Receivables	213	181	-	-	-
Other UL assets	-142	-	-	-	-
Other and intercompany liabilities	-	-	-	-	1 993
Investment contracts	-	-	-	4 762	-
Derivative instruments	110	-	-	-	-
<b>Total</b>	<b>94 533</b>	<b>1 890</b>	<b>24 498</b>	<b>4 762</b>	<b>1 993</b>

Details on how fair values of assets and liabilities are determined are described under Note 3.17.

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

Data in million HUF

31 December 2024	Level 1	Level 2	Level 3	Total
Government bonds	31 114	-	3 017	34 131
Corporate bond	327		2 289	2 616
Equities	42 243	-		42 243
Investment funds	61 585	-	-	61 585
Cash (unit-linked)	9 761	-	-	9 761
Other UL assets	-272	-	-	-272
Derivative instruments	-	-14	-	-14
<b>Total Assets</b>	<b>144 758</b>	<b>-14</b>	<b>5 306</b>	<b>150 050</b>
Liabilities measured on fair value	6 166	-	-	6 166
<b>Total Liabilities</b>	<b>6 166</b>	<b>-</b>	<b>-</b>	<b>6 166</b>

Data in million HUF

31 December 2023	Level 1	Level 2	Level 3	Total
Government bonds	26 728	-	3 991	30 719
Corporate bond	331	-	4 119	4 450
Equities	26 147	-		26 147
Investment funds	52 062	-	-	52 062
Cash (unit-linked)	5 471	-	-	5 471
Other UL assets	72	-	-	72
Derivative instruments	-	110	-	110
<b>Total Assets</b>	<b>110 811</b>	<b>110</b>	<b>8 110</b>	<b>119 031</b>
Liabilities measured on fair value	4 762	-	-	4 762
<b>Total Liabilities</b>	<b>4 762</b>	<b>-</b>	<b>-</b>	<b>4 762</b>

### 30 OTHER ASSETS AND ACCRUALS

Data in million HUF

	'31 December 2024	'31 December 2023
Active accrual of costs	51	40
Accrual of income	-	22
Inventories	4	3
<b>Other assets and accruals total</b>	<b>55</b>	<b>65</b>

### 31 OTHER RECEIVABLES

Data in million HUF

	'31 December 2024	'31 December 2023
Trade receivables	1	-
Receivables from investment fund fee	37	35
Advance payments to suppliers and state	424	28
Other receivables	3	-
<b>Total of other receivables</b>	<b>465</b>	<b>63</b>

### 32 INTERCOMPANY RECEIVABLES

Data in million HUF

	'31 December 2024	'31 December 2023
Receivables against EMABIT	155	118
<b>Intercompany receivables</b>	<b>155</b>	<b>118</b>

### 33 CASH AND CASH EQUIVALENTS

Data in million HUF

	'31 December 2024	'31 December 2023
Demand deposits	1 205	742
Fixed deposits	1 163	967
<b>Total cash and cash equivalents</b>	<b>2 368</b>	<b>1 709</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 million HUF

2024 Type of provision	Excl. LC	LfRC		LfIC for contracts measured under GMM	LfIC for contracts measured under PAA		Total
		Accrued acquisition cost	LC		PVCF	RA	
<b>Opening insurance contract assets</b>	<b>2 380</b>	-	<b>-930</b>	<b>-363</b>	<b>-28</b>	<b>-1</b>	<b>1 058</b>
<b>Opening insurance contract liabilities</b>	<b>-101 028</b>	-	<b>-614</b>	<b>-3 725</b>	<b>-653</b>	<b>-114</b>	<b>-106 134</b>
Insurance revenue	14 896	-	-	-	-	-	14 896
Insurance service expenses							
- Incurred benefits and expenses	-	-	-	-5 962	-3 182	-47	-9 191
- Changes that relate to past service - adjustments to LfIC	-	-	-	1 112	43	40	1 195
- Losses on onerous contracts and reversal of those losses	-	-	216	-	-	-	216
- Amortisation of insurance acquisition cash flows	-4 598	-	-	-	-	-	-4 598
- Impairment of acquisition cost asset	-	-	-	-	-	-	0
Insurance finance expenses through profit and loss	-22 139	-	-68	-140	-6	-	-22 353
Insurance finance expenses through OCI	422	-	51	-	-	-	473
Net foreign exchange income or expense	-1 088	-	-3	-12	-58	55	-1 106
Investment components	14 477	-	-	-14 477	-	-	-
Total changes in statement of profit and loss and OCI	1 970	-	196	-19 479	-3 203	48	-20 468
Premiums received	-41 603	-	-	-	-	-	-41 603
Claims paid	-	-	-	15 544	1 523	-	17 067
Directly attributable expenses paid	-	-	-	3 363	1 659	-	5 022
Acquisition cost paid	5 761	-	-	-	-	-	5 761
Total cash flows	-35 842	-	-	18 907	3 182	-	-13 753
<b>Closing insurance contract assets</b>	<b>1 660</b>	-	<b>-17</b>	<b>-379</b>	<b>-137</b>	<b>-6</b>	<b>1 121</b>
<b>Closing insurance contract liabilities</b>	<b>-134 180</b>	-	<b>-1 331</b>	<b>-4 281</b>	<b>-565</b>	<b>-61</b>	<b>-140 418</b>

2023 Type of provision	Excl. LC	LfRC		LfIC for contracts measured under GMM	LfIC for contracts measured under PAA		Total
		Accrued acquisition cost	LC		PVCF	RA	
<b>Opening insurance contract assets</b>	<b>1 686</b>	-	<b>-521</b>	<b>-132</b>	<b>-16</b>	<b>0</b>	<b>1 017</b>
<b>Opening insurance contract liabilities</b>	<b>-89 827</b>	-	<b>-335</b>	<b>-2 060</b>	<b>-427</b>	<b>-72</b>	<b>-92 721</b>
Insurance revenue	11 815	-	-	-	-	-	11 815
Insurance service expenses							
- Incurred benefits and expenses	-	-	-	-3 984	-1 946	-95	-6 025
- Changes that relate to past service - adjustments to LfIC	-	-	-	187	117	54	358
- Losses on onerous contracts and reversal of those losses	-	-	-525	-	-	-	-525
- Amortisation of insurance acquisition cash flows	-3 875	-	-	-	-	-	-3 875
- Impairment of acquisition cost asset	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-7 808	-	-52	-310	-16	-	-8 186
Insurance finance expenses through OCI	-1 468	-	-111	-8	-	-	-1 587
Net foreign exchange income or expense	643	-	-	4	-	-2	645
Investment components	15 059	-	-	-15 059	-	-	-
Total changes in statement of profit and loss and OCI	14 366	-	-688	-19 170	-1 845	-43	-7 380
Premiums received	-30 550	-	-	-	-	-	-30 550
Claims paid	-	-	-	15 120	705	-	15 825
Directly attributable expenses paid	-	-	-	2 154	902	-	3 056
Acquisition cost paid	5 677	-	-	-	-	-	5 677
Total cash flows	-24 873	-	-	17 274	1 607	-	-5 992
<b>Closing insurance contract assets</b>	<b>2 380</b>	-	<b>-930</b>	<b>-363</b>	<b>-28</b>	<b>-1</b>	<b>1 058</b>
<b>Closing insurance contract liabilities</b>	<b>-101 028</b>	-	<b>-614</b>	<b>-3 725</b>	<b>-653</b>	<b>-114</b>	<b>-106 134</b>

Data in million HUF

2024 – by portfolio groups	Group life insurance	Individual accident and health insurance	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
<b>Opening insurance contract assets</b>	<b>58</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>974</b>	<b>8</b>	<b>1 058</b>
<b>Opening insurance contract liabilities</b>	<b>-576</b>	<b>-246</b>	<b>-16 034</b>	<b>-77 379</b>	<b>-11 312</b>	<b>-534</b>	<b>-53</b>	<b>-106 134</b>
Insurance revenue	4 912	665	472	3 683	374	2 779	2 011	14 896
Insurance service expenses								
- Incurred benefits and expenses	-2 924	-305	-226	-1 952	-488	-1 596	-1 700	-9 191
- Changes that relate to past service - adjustments to LfIC	-17	100	120	627	360	-66	71	1 195
- Losses on onerous contracts and reversal of those losses	19	-8	72	2	7	-4	128	216
- Amortisation of insurance acquisition cash flows	-2 030	-197	-173	-1 126	-42	-676	-354	-4 598
- Impairment of acquisition cost asset	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-6	-1	-3 699	-18 123	-597	53	20	-22 353
Insurance finance expenses through OCI	-	-	-	-	605	-108	-24	473
Net foreign exchange income or expense	-	-	-284	-808	-14	-	-	-1 106
Investment components	-	-	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	-46	254	-3 718	-17 697	205	382	152	-20 468
Premiums received	-4 851	-647	-12 158	-16 980	-1 690	-2 887	-2 390	-41 603
Claims paid	1 401	122	2 275	10 925	1 144	792	408	17 067
Directly attributable expenses paid	1 599	60	214	1 330	125	614	1 080	5 022
Acquisition cost paid	2 100	178	409	2 005	22	711	336	5 761
Total cash flows	249	-287	-9 260	-2 720	-399	-770	-566	-13 753
<b>Closing insurance contract assets</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>847</b>	<b>213</b>	<b>1 121</b>
<b>Closing insurance contract liabilities</b>	<b>-376</b>	<b>-261</b>	<b>-29 012</b>	<b>-97 796</b>	<b>-11 506</b>	<b>-795</b>	<b>-672</b>	<b>-140 418</b>

2023 - by portfolio groups	Group life insurance	Individual accident and health insurance	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
<b>Opening insurance contract assets</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388</b>	<b>573</b>	<b>1 017</b>
<b>Opening insurance contract liabilities</b>	<b>-512</b>	<b>-191</b>	<b>-11 990</b>	<b>-71 296</b>	<b>-8 373</b>	<b>-152</b>	<b>-207</b>	<b>-92 721</b>
Insurance revenue	3 586	420	265	3 456	407	2 552	1 129	11 815
Insurance service expenses								
- Incurred benefits and expenses	-1 796	-245	-133	-1 583	-354	-1 110	-804	-6 025
- Changes that relate to past service - adjustments to LfIC	80	90	29	154	146	-87	-54	358
- Losses on onerous contracts and reversal of those losses	-5	7	-101	-39	-135	-	-252	-525
- Amortisation of insurance acquisition cash flows	-1 508	-137	-102	-1 228	-36	-607	-257	-3 875
- Impairment of acquisition cost asset	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-13	-3	-1 293	-6 450	-494	-6	73	-8 186
Insurance finance expenses through OCI	-	-	-	-	-2 173	493	93	-1 587
Net foreign exchange income or expense	-1	-	104	535	7	-	-	645
Investment components	-	-	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>343</b>	<b>132</b>	<b>-1 231</b>	<b>-5 155</b>	<b>-2 632</b>	<b>1 235</b>	<b>-72</b>	<b>-7 380</b>
Premiums received	-3 341	-399	-5 231	-15 096	-1 752	-2 835	-1 896	-30 550
Claims paid	666	39	2 108	10 818	1 275	606	313	15 825
Directly attributable expenses paid	856	46	129	1 238	134	383	270	3 056
Acquisition cost paid	1 414	145	181	2 112	36	815	974	5 677
<b>Total cash flows</b>	<b>-4-5</b>	<b>-169</b>	<b>-2 813</b>	<b>-928</b>	<b>-307</b>	<b>-1 031</b>	<b>-339</b>	<b>-5 992</b>
<b>Closing insurance contract assets</b>	<b>58</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>974</b>	<b>8</b>	<b>1 058</b>
<b>Closing insurance contract liabilities</b>	<b>-576</b>	<b>-246</b>	<b>-16 034</b>	<b>-77 379</b>	<b>-11 312</b>	<b>-534</b>	<b>-53</b>	<b>-106 134</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

2024	Data in million HUF			
	BEL	RA	CSM	Total
<b>Opening insurance contract assets</b>	<b>3 896</b>	<b>-569</b>	<b>-2 346</b>	<b>981</b>
<b>Opening insurance contract liabilities</b>	<b>-99 821</b>	<b>-1 551</b>	<b>-3 940</b>	<b>-105 312</b>
Changes related to current services				
- CSM recognized in profit and loss	-	-	1 910	1 910
- Risk Adjustment recognized in profit and loss	-	403	-	403
- Experience adjustments	-444	-516	-	-960
Changes related to future services				
- Contracts initially recognized in the period	2 375	-277	-2 102	-4
- Changes in estimates that adjust CSM	792	-73	-719	-
- Changes in estimates that result in onerous contracts or reversal of losses	-18	-142	-	-160
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	655	457	-	1 112
Insurance finance expenses through profit and loss	-22 093	0	-254	-22 347
Insurance finance expenses through OCI	473	-	-	473
Net foreign exchange income or expense	-1 056	-12	-38	-1 106
Total changes in statement of profit and loss and OCI	-19 316	-160	-1 203	-20 679
Premiums received	-36 106	-	-	-36 106
Claims paid	15 544	-	-	15 544
Directly attributable expenses paid	3 363	-	-	3 363
Acquisition cost paid	3 485	-	-	3 485
Total cash flows	-13 714	-	-	-13 714
<b>Closing insurance contract assets</b>	<b>4 434</b>	<b>-571</b>	<b>-2 803</b>	<b>1 060</b>
<b>Closing insurance contract liabilities</b>	<b>-133 330</b>	<b>-1 766</b>	<b>-4 685</b>	<b>-139 781</b>

Data in million HUF

2023	BEL	RA	CSM	Total
<b>Opening insurance contract assets</b>	<b>2 982</b>	<b>-354</b>	<b>-1 667</b>	<b>961</b>
<b>Opening insurance contract liabilities</b>	<b>-87 301</b>	<b>-1 290</b>	<b>-3 421</b>	<b>-92 012</b>
Changes related to current services	-	-	-	-
- CSM recognized in profit and loss	-	-	1 371	1 371
- Risk Adjustment recognized in profit and loss	-	403	-	403
- Experience adjustments	386	-454	0	-68
Changes related to future services	-	-	-	-
- Contracts initially recognized in the period	2 132	-283	-1 884	-35
- Changes in estimates that adjust CSM	603	-166	-437	-
- Changes in estimates that result in onerous contracts or reversal of losses	-452	-151	0	-603
Changes that relate to past service	-	-	-	-
Changes that relate to past service - adjustments to LfIC	21	165	-	186
	-	-	-	-
Insurance finance expenses through profit and loss	-7 917	-	-255	-8 172
Insurance finance expenses through OCI	-1 587	-	-	-1 587
Net foreign exchange income or expense	632	10	7	649
Total changes in statement of profit and loss and OCI	-6 182	-476	-1 198	-7 856
	-	-	-	-
Premiums received	-26 809	-	-	-26 809
Claims paid	15 120	-	-	15 120
Directly attributable expenses paid	2 146	-	-	2 146
Acquisition cost paid	4 119	-	-	4 119
Total cash flows	-5 424	-	-	-5 424
<b>Closing insurance contract assets</b>	<b>3 896</b>	<b>-569</b>	<b>-2 346</b>	<b>981</b>
<b>Closing insurance contract liabilities</b>	<b>-99 821</b>	<b>-1 551</b>	<b>-3 940</b>	<b>-105 312</b>

2024 – by portfolio groups	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Opening insurance contract assets	0	0	0	974	7 981	
Opening insurance contract liabilities	-16 034	-77 379	-11 312	-534	-53	-105 312
Changes related to current services						
- CSM recognized in profit and loss	79	640	90	892	209	1 910
- Risk Adjustment recognized in profit and loss	6	217	11	107	62	403
- Experience adjustments	8	-231	-216	-481	-40	-960
Changes related to future services	-	-	-	-	-	-
- Contracts initially recognized in the period	-2	-1	-3	2	0	-4
- Changes in estimates that adjust CSM	-	-	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	53	-18	-31	-18	-146	-160
Changes that relate to past service	-	-	-	-	-	-
Changes that relate to past service - adjustments to LfIC	120	627	360	-66	71	1 112
Insurance finance expenses through profit and loss	-3 699	-18 123	-597	53	19	-22 347
Insurance finance expenses through OCI	-	-	604	-107	-24	473
Net foreign exchange income or expense	-283	-807	-15	-1	-	-1 106
Total changes in statement of profit and loss and OCI	-3 718	-17 696	203	381	151	-20 679
Premiums received	-12 158	-16 981	-1 689	-2 886	-2 392	-36 106
Claims paid	2 275	10 925	1 144	791	409	15 544
Directly attributable expenses paid	214	1 330	124	614	1 081	3 363
Acquisition cost paid	409	2 005	22	711	338	3 485
Total cash flows	-9 260	-2 721	-399	-770	-564	-13 714
Closing insurance contract assets	-	-	-	847	213	1 060
Closing insurance contract liabilities	-29 012	-97 796	-11 508	-796	-672	-139 784

2023 – by portfolio groups	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
Opening insurance contract assets	-	-	-	388	573	961
Opening insurance contract liabilities	-11 990	-71 296	-8 373	-152	-201	-92 012
Changes related to current services						
- CSM recognized in profit and loss	8	556	83	682	42	1 371
- Risk Adjustment recognized in profit and loss	6	238	27	92	40	403
- Experience adjustments	18	-135	-89	65	73	-68
Changes related to future services	-	-	-	-	-	-
- Contracts initially recognized in the period	-	-28	-	-7	-	-35
- Changes in estimates that adjust CSM	-	-	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	-102	-24	-139	4	-342	-603
Changes that relate to past service	-	-	-	-	-	-
Changes that relate to past service - adjustments to LfIC	29	154	146	-87	-56	186
Insurance finance expenses through profit and loss	-1 293	-6 450	-493	-6	70	-8 172
Insurance finance expenses through OCI	-	-	-2 173	494	92	-1 587
Net foreign exchange income or expense	106	532	9	2	-	649
Total changes in statement of profit and loss and OCI	-1 228	-5 157	-2 629	1 239	-81	-7 856
Premiums received	-5 235	-15 096	-1 753	-2 838	-1 887	-26 809
Claims paid	2 108	10 814	1 274	606	318	15 120
Directly attributable expenses paid	129	1 246	134	383	254	2 146
Acquisition cost paid	182	2 110	35	814	978	4 119
Total cash flows	-2 816	-926	-310	-1 035	-337	-5 424
Closing insurance contract assets	-	-	-	974	7	981
Closing insurance contract liabilities	-16 034	-77 379	-11 312	-534	-53	-105 312

### 34.3 Reserves for profit and loss on new contracts

Data in million HUF

2024	Non-onerous contracts	Onerous contracts	Total
Present value of estimates of future cash inflows	25 631	5 451	31 082
Present value of estimates of future cash outflows	23 269	5 438	28 707
- incl. claims and directly attributable expenses	20 441	5 223	25 664
- incl. acquisition cash flows	2 828	215	3 043
Present value of cash flows	-2 362	-13	-2 375
Risk adjustment for non-financial risk	273	4	277
Contractual service margin	2 089	13	2 102
<b>Insurance Contract Liabilities</b>	<b>0</b>	<b>4</b>	<b>4</b>

Data in million HUF

2023	Non-onerous contracts	Onerous contracts	Total
Present value of estimates of future cash inflows	18 767	2 590	21 357
Present value of estimates of future cash outflows	16 637	2 587	19 224
- incl. claims and directly attributable expenses	14 029	2 240	16 269
- incl. acquisition cash flows	2 608	347	2 955
Present value of cash flows	-2 130	-3	-2 133
Risk adjustment for non-financial risk	261	22	283
Contractual service margin	1 869	16	1 885
<b>Insurance Contract Liabilities</b>	<b>0</b>	<b>35</b>	<b>35</b>

## 34.4 Claims run-off

2024

Data in million HUF

Gross Cumulative Claim Payment	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
At end of the year it incurred	7 877	11 551	14 375	15 146	13 436	15 558	15 534	18 660	18 673	-
1 year later	7 987	11 784	14 801	15 601	13 522	15 879	15 556	18 393	-	-
2 years later	8 006	11 820	14 818	15 480	13 440	15 848	15 367	-	-	-
3 years later	8 033	11 860	14 775	15 469	13 418	15 791	-	-	-	-
4 years later	8 014	11 861	14 772	15 460	13 313	-	-	-	-	-
5 years later	8 015	11 794	14 719	15 393	-	-	-	-	-	-
6 years later	7 990	11 795	14 696	-	-	-	-	-	-	-
7 years later	7 990	11 793	-	-	-	-	-	-	-	-
8 years later	7 990	-	-	-	-	-	-	-	-	-
Cumulative gross claims paid	-7 988	-11 790	-14 689	-15 364	-13 253	-15 648	-14 907	-17 309	-15 454	-
Gross liabilities - incurred from 2016 to 2025	3	3	6	29	60	143	459	1 084	3 220	5 007
Gross liabilities - incurred before 2016	-	-	-	-	-	-	-	-	-	3
Investment Contracts	-	-	-	-	-	-	-	-	-	-164
Profit sharing	-	-	-	-	-	-	-	-	-	0
Claims settlement cost	-	-	-	-	-	-	-	-	-	32
Claims payable	-	-	-	-	-	-	-	-	-	-1
Effect of discounting	-	-	-	-	-	-	-	-	-	-220
Risk adjustment	-	-	-	-	-	-	-	-	-	771
<b>Gross liabilities for incurred claims</b>	<b>-</b>	<b>5 428</b>								

2024

Data in million HUF

Reinsurance Cumulative Claim Recovery	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
At end of the year it incurred	-16	-81	-22	-106	-225	-101	-442	-786	-835	-
1 year later	-16	-14	-45	-124	-89	-58	-384	-848	-	-
2 years later	-9	-6	-62	-30	-69	-74	-380	-	-	-
3 years later	-9	-6	-24	-29	-64	-74	-	-	-	-
4 years later	-9	-6	-24	-30	-64	-	-	-	-	-
5 years later	-9	-6	-24	-30	-	-	-	-	-	-
6 years later	-8	-6	-20	-	-	-	-	-	-	-
7 years later	-8	-6	-	-	-	-	-	-	-	-
8 years later	-8	-	-	-	-	-	-	-	-	-
Cumulative gross claims paid	8	6	20	30	64	72	332	786	295	-
Gross liabilities - incurred from 2016 to 2025	-	-	-	-	-	-2	-48	-63	-540	-652
Gross liabilities - incurred before 2016	-	-	-	-	-	-	-	-	-	-
Investment Contracts	-	-	-	-	-	-	-	-	-	-
Profit sharing	-	-	-	-	-	-	-	-	-	-126
Claims settlement cost	-	-	-	-	-	-	-	-	-	-
Claims payable	-	-	-	-	-	-	-	-	-	248
Effect of discounting	-	-	-	-	-	-	-	-	-	18
Risk adjustment	-	-	-	-	-	-	-	-	-	-143
<b>Reinsurance recovery for claims incurred</b>	<b>-</b>	<b>-655</b>								

2024

Data in million HUF

Net Cumulative Claim Payment	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
At end of the year it incurred	7 861	11 470	14 353	15 040	13 210	15 457	15 092	17 874	17 839	-
1 year later	7 971	11 770	14 755	15 477	13 433	15 821	15 171	17 544	-	-
2 years later	7 997	11 814	14 756	15 451	13 371	15 775	14 987	-	-	-
3 years later	8 024	11 853	14 751	15 439	13 354	15 718	-	-	-	-
4 years later	8 006	11 855	14 748	15 430	13 249	-	-	-	-	-
5 years later	8 006	11 788	14 696	15 363	-	-	-	-	-	-
6 years later	7 982	11 789	14 675	-	-	-	-	-	-	-
7 years later	7 982	11 787	-	-	-	-	-	-	-	-
8 years later	7 982	-	-	-	-	-	-	-	-	-
Cumulative gross claims paid	-7 979	-11 784	-14 669	-15 334	-13 189	-15 576	-14 575	-16 523	-15 159	-
Gross liabilities - incurred from 2016 to 2025	3	3	6	29	60	141	411	1 021	2 680	4 352
Gross liabilities - incurred before 2016	-	-	-	-	-	-	-	-	-	6
Investment Contracts	-	-	-	-	-	-	-	-	-	-164
Profit sharing	-	-	-	-	-	-	-	-	-	-126
Claims settlement cost	-	-	-	-	-	-	-	-	-	32
Claims payable	-	-	-	-	-	-	-	-	-	247
Effect of discounting	-	-	-	-	-	-	-	-	-	-201
Risk adjustment	-	-	-	-	-	-	-	-	-	628
<b>Net liabilities for incurred claims</b>	-	-	-	-	-	-	-	-	-	<b>4 773</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 million HUF

2024	LfRC		LfIC for contracts measured under GMM	LfIC for contracts measured under PAA		Total	
	Excl. LC	Accrued acquisition cost		LC	PVCF		RA
<b>Opening reinsurance contract assets</b>	-404	-	558	167	337	1	659
<b>Opening reinsurance contract liabilities</b>	-85	-	2	1	-9	-	-91
Net income or expense from reinsurance contracts held							
- Allocation of reinsurer premium	-1 183	-	-	-	-	-	-1 183
- Amounts recoverable for claims and other expenses	-	-	-	795	277	1	1 073
- Changes that relate to past service - adjustments to LfIC	-	-	-	98	-152	1	-53
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-67	-	-	-	-67
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-	-
Reinsurance finance income through profit and loss	7	-	-	8	-	-	15
Reinsurance finance income through OCI	17	-	-	-	-	-	17
Net foreign exchange income or expense	-1	-	-	-	28	-	27
Investment components	-	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	-1 160	-	-67	901	153	2	-171
Premiums paid to reinsurer net of commission	1 326	-	-	-	-	-	1 326
Directly attributable expenses paid	-	-	-	-	-	-	-
Recoveries from reinsurance	-	-	-	-671	-225	-	-896
Total cash flows	1 326	-	-	-671	-225	-	430
<b>Closing reinsurance contract assets</b>	-248	-	493	375	256	3	879
<b>Closing reinsurance contract liabilities</b>	-75	-	-	23	-	-	-52

2024	Group life insurance	Individual accident and health insurance	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
<b>Opening reinsurance contract assets</b>	19	307	-	10	8	315	659
<b>Opening reinsurance contract liabilities</b>	-9	-	-19	-1	-62	-	-91
Net income or expense from reinsurance contracts held							
- Allocation of reinsurer premium	-136	-89	-40	-32	-200	-686	-1 183
- Amounts recoverable for claims and other expenses	103	478	-191	-117	147	653	1 073
- Changes that relate to past service - adjustments to LfIC	-7	-478	194	117	54	67	-53
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	-2	-65	-67
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-	-
Reinsurance finance income through profit and loss	-1	3	-1	-	-	14	15
Reinsurance finance income through OCI	-	-	1	-1	3	14	17
Net foreign exchange income or expense	2	71	-29	-17	-	-	27
Investment components	-	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-39</b>	<b>-15</b>	<b>-66</b>	<b>-50</b>	<b>2</b>	<b>-3</b>	<b>-171</b>
Premiums paid to reinsurer net of commission	121	160	10	7	225	803	1 326
Directly attributable expenses paid	-	-	-	-	-	-	-
Recoveries from reinsurance	-57	-140	-3	0	-132	-564	-896
<b>Total cash flows</b>	<b>64</b>	<b>20</b>	<b>7</b>	<b>7</b>	<b>93</b>	<b>239</b>	<b>430</b>
							0
<b>Closing reinsurance contract assets</b>	<b>35</b>	<b>312</b>	<b>-29</b>	<b>-16</b>	<b>79</b>	<b>498</b>	<b>879</b>
<b>Closing reinsurance contract liabilities</b>	<b>-</b>	<b>-</b>	<b>-49</b>	<b>-18</b>	<b>-38</b>	<b>53</b>	<b>-52</b>

Data in million HUF

2023	LfRC		LC	LfIC for contracts measured under GMM	LfIC for contracts measured under PAA		Total
	Excl. LC	Accrued acquisition cost			PVCF	RA	
<b>Opening reinsurance contract assets</b>	-16	-	-	23	273	-	280
<b>Opening reinsurance contract liabilities</b>	-888	-	410	-13	-	-	-491
Net income or expense from reinsurance contracts held							
- Allocation of reinsurer premium	-682	-	-	-	-	-	-682
- Amounts recoverable for claims and other expenses	-	-	-	621	247	1	869
- Changes that relate to past service - adjustments to LfIC	-	-	-	49	-94	-	-45
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	150	-	-	-	150
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-	-
Reinsurance finance income through profit and loss	-45	-	-	1	1	-	-43
Reinsurance finance income through OCI	-160	-	-	3	-	-	-157
Net foreign exchange income or expense	1	-	-	-	-13	-	-12
Investment components	0	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	-886	-	150	674	141	1	80
Premiums paid to reinsurer net of commission	1 301	-	-	-	-	-	1 301
Directly attributable expenses paid	-	-	-	-	-	-	-
Recoveries from reinsurance	-	-	-	-516	-86	-	-602
Total cash flows	1 301	-	-	-516	-86	-	699
<b>Closing reinsurance contract assets</b>	-404	-	558	167	337	1	659
<b>Closing reinsurance contract liabilities</b>	-85	0	2	1	-9	0	-91

Data in million HUF

2023	Group life insurance	Individual accident and health insurance	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
<b>Opening reinsurance contract assets</b>	12	231	-	11	8	18	280
<b>Opening reinsurance contract liabilities</b>	-	-	-14	-	-38	-439	-491
Net income or expense from reinsurance contracts held							
- Allocation of reinsurer premium	-15	-149	-11	-20	-223	-264	-682
- Amounts recoverable for claims and other expenses	10	197	6	8	125	523	869
- Changes that relate to past service - adjustments to LfIC	7	-101	1	0	2	46	-45
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	3	147	150
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-	-
Reinsurance finance income through profit and loss	1	-	-4	1	4	-45	-43
Reinsurance finance income through OCI	-	-	-4	2	-68	-87	-157
Net foreign exchange income or expense	-	-12	-	-	-	-	-12
Investment components	-	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>3</b>	<b>-65</b>	<b>-12</b>	<b>-9</b>	<b>-157</b>	<b>320</b>	80
Premiums paid to reinsurer net of commission	27	161	13	16	241	843	1 301
Directly attributable expenses paid	-	-	-	-	-	-	-
Recoveries from reinsurance	-32	-20	-6	-9	-108	-427	-602
<b>Total cash flows</b>	<b>-5</b>	<b>141</b>	<b>7</b>	<b>7</b>	<b>133</b>	<b>416</b>	699
<b>Closing reinsurance contract assets</b>	<b>19</b>	<b>307</b>	<b>-</b>	<b>10</b>	<b>8</b>	<b>315</b>	<b>659</b>
<b>Closing reinsurance contract liabilities</b>	<b>-9</b>	<b>-</b>	<b>-19</b>	<b>-1</b>	<b>-62</b>	<b>-</b>	<b>-91</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 million HUF

2024	BEL	RA	CSM	Total
<b>Opening reinsurance contract assets</b>	-257	180	403	326
<b>Opening reinsurance contract liabilities</b>	-413	82	250	-81
Changes related to current services				
- CSM recognized in profit and loss	-	-	-225	-225
- Risk Adjustment recognized in profit and loss	-	-6	-	-6
- Experience adjustments	-10	134	-	124
Changes related to future services				
- Contracts initially recognized in the period	-63	20	44	1
- Changes in estimates that adjust CSM	-496	-4	500	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	-66	-66
Changes that relate to past service	-	-	-	-
Changes that relate to past service - adjustments to LfIC	185	-87	-	98
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Insurance finance expenses through profit and loss	-40	-	52	12
Insurance finance expenses through OCI	17	-	-	17
Net foreign exchange income or expense	-	-	-	-
Total changes in statement of profit and loss and OCI	-407	57	305	-45
Premiums paid to reinsurer net of commission	1 041	-	-	1 041
Directly attributable expenses paid	-	-	-	-
Recoveries from reinsurance	-671	-	-	-671
Total cash flows	370	-	-	370
<b>Closing reinsurance contract assets</b>	<b>-401</b>	<b>244</b>	<b>778</b>	<b>621</b>
<b>Closing reinsurance contract liabilities</b>	<b>-306</b>	<b>75</b>	<b>180</b>	<b>-51</b>

Data in million HUF

2024	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
<b>Opening reinsurance contract assets</b>	-	9	-	317	326
<b>Opening reinsurance contract liabilities</b>	-19	-	-62	-	-81
Changes related to current services					
- CSM recognized in profit and loss	-1	2	-38	-188	-225
- Risk Adjustment recognized in profit and loss	-1	-3	-21	19	-6
- Experience adjustments	-4	-15	8	135	124
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	1	1
- Changes in estimates that adjust CSM	-	-	-	-	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	-2	-64	-66
Changes that relate to past service	-	-	-	-	-
Changes that relate to past service - adjustments to LfIC	-	-	31	67	98
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-
	-	-	-	-	-
Insurance finance expenses through profit and loss	-	1	-	11	12
Insurance finance expenses through OCI	1	-1	3	14	17
Net foreign exchange income or expense	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-5</b>	<b>-16</b>	<b>-19</b>	<b>-5</b>	<b>-45</b>
Premiums paid to reinsurer net of commission	12	6	220	803	1 041
Directly attributable expenses paid	-	-	-	-	-
Recoveries from reinsurance	-3	-	-105	-563	-671
<b>Total cash flows</b>	<b>9</b>	<b>6</b>	<b>115</b>	<b>240</b>	<b>370</b>
<b>Closing reinsurance contract assets</b>	<b>-</b>	<b>2</b>	<b>67</b>	<b>552</b>	<b>621</b>
<b>Closing reinsurance contract liabilities</b>	<b>-15</b>	<b>-3</b>	<b>-33</b>	<b>-</b>	<b>-51</b>

Data in million HUF

2023	BEL	RA	CSM	Total
<b>Opening reinsurance contract assets</b>	<b>-272</b>	<b>62</b>	<b>248</b>	<b>38</b>
<b>Opening reinsurance contract liabilities</b>	<b>-873</b>	<b>89</b>	<b>294</b>	<b>-490</b>
Changes related to current services				
- CSM recognized in profit and loss	-	-	-51	-51
- Risk Adjustment recognized in profit and loss	-	-5	-	-5
- Experience adjustments	134	91	-	225
Changes related to future services				
- Contracts initially recognized in the period	-209	19	191	1
- Changes in estimates that adjust CSM	213	21	-234	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	151	151
Changes that relate to past service	-	-	-	-
Changes that relate to past service - adjustments to LfIC	65	-15	-	50
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Insurance finance expenses through profit and loss	-98	-	54	-44
Insurance finance expenses through OCI	-157	-	-	-157
Net foreign exchange income or expense	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-52</b>	<b>111</b>	<b>111</b>	<b>170</b>
Premiums paid to reinsurer net of commission	1 045	-	-	1 045
Directly attributable expenses paid	-	-	-	-
Recoveries from reinsurance	-518	-	-	-518
<b>Total cash flows</b>	<b>527</b>	<b>-</b>	<b>-</b>	<b>527</b>
<b>Closing reinsurance contract assets</b>	<b>-257</b>	<b>180</b>	<b>403</b>	<b>326</b>
<b>Closing reinsurance contract liabilities</b>	<b>-413</b>	<b>82</b>	<b>250</b>	<b>-81</b>

Data in million HUF

2023	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage insurance and account protection	Total
<b>Opening reinsurance contract assets</b>	-	11	8	19	38
<b>Opening reinsurance contract liabilities</b>	-14	-	-38	-438	-490
Changes related to current services					
- CSM recognized in profit and loss	-1	-1	-38	-11	-51
- Risk Adjustment recognized in profit and loss	-1	-1	-1	7	-5
- Experience adjustments	-3	-10	-25	263	225
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	1	1
- Changes in estimates that adjust CSM	-	-	-	-	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	3	148	151
Changes that relate to past service	-	-	-	-	-
Changes that relate to past service - adjustments to LfIC	1	-	2	47	50
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-
Insurance finance expenses through profit and loss	-4	1	4	-45	-44
Insurance finance expenses through OCI	-4	2	-68	-87	-157
Net foreign exchange income or expense	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-12</b>	<b>-9</b>	<b>-132</b>	<b>323</b>	<b>170</b>
Premiums paid to reinsurer net of commission	13	15	173	844	1 045
Directly attributable expenses paid	-	-	-	-	-
Recoveries from reinsurance	-6	-8	-73	-431	-518
<b>Total cash flows</b>	<b>7</b>	<b>7</b>	<b>100</b>	<b>413</b>	<b>527</b>
<b>Closing reinsurance contract assets</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>317</b>	<b>326</b>
<b>Closing reinsurance contract liabilities</b>	<b>-19</b>	<b>-</b>	<b>-62</b>	<b>-</b>	<b>-81</b>

### 35.3 Reserves for profit and loss on new reinsurance contracts

Data in million HUF

	Originated in net gain	Originated in net loss	Total
<b>2024</b>			
Present value of estimates of future cash inflows	-	187	187
Present value of estimates of future cash outflows	-	250	250
Present value of cash flows	-	-63	-63
Risk adjustment for non-financial risk	-	20	20
Contractual service margin	-	43	43
<b>Reinsurance contract assets</b>	-	-	-

 Data in million  
 HUF

	Originated in net gain	Originated in net loss	Total
<b>2023</b>			
Present value of estimates of future cash inflows	-	174	174
Present value of estimates of future cash outflows	-	383	383
Present value of cash flows	-	-209	-209
Risk adjustment for non-financial risk	-	19	19
Contractual service margin	-	190	190
<b>Reinsurance contract assets</b>	-	-	-

### 36 INVESTMENT CONTRACTS

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

	Data in million HUF	
	2024	2023
Opening balance on 1 January	4 763	5 167
Written premium	1 006	481
Fees deducted	-132	-77
Release of reserves due to claim payments and benefits	-745	-1 211
Investment result	998	400
Other changes	52	3
<b>Balance on 31 December</b>	<b>5 942</b>	<b>4 763</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 million HUF	
	2024	2023
Opening balance on 1 January	203	319
Increase	262	30
Derecognition	-89	-19
Paid leasing fees	115	127
Of which: interest	8	7
Decrease of liabilities	107	120
Difference due to exchange rate	9	-7
<b>Balance on 31 December</b>	<b>278</b>	<b>203</b>

### 38 PROVISIONS

In connection with provisions, the following changes took place in 2023 and 2024:

	Data in million HUF	
	31 December 2024	31 December 2023
Provision on 1 January	127	196
Provision release	-93	-99
Provision allocation	269	30
<b>Provision on 31 December</b>	<b>303</b>	<b>127</b>

In 2023 and 2024, the Company made provisions for the following items:

Data in million HUF

Provision for expected liabilities	Expected payment period	31 December 2024	31 December 2023
Provision for litigation	1-2 year	70	-
Provision for expected obligation	<1 year	70	31
Other reserves for investment contracts	<1 year	163	33
Provision for personal expenses related to reorganization	<1 year	-	63
<b>Összesen</b>		<b>303</b>	<b>127</b>

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

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 in 2023.

## 39 OTHER LIABILITIES

Data in million HUF

	31 December 2024	31 December 2023
Trade payables	309	107
Liabilities to fund managers	102	143
Liabilities to employees	138	111
Social contribution and taxes	137	638
Other liabilities	43	29
Accrued expenses and deferred income	415	328
Advance payments of subsidies	120	207
<b>Other liabilities and provision total</b>	<b>1 264</b>	<b>1 563</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. The line advance payments of subsidies includes the amount of the advance not yet used.

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 million HUF

	31.12.2023	Cash flows	Transfer	Currency differences	Other	31.12.2024
Treasury shares	- 32					-32
Lease liabilities	203	- 106	173	8		278
Other liabilities	1 563	- 4		- 45	- 250	1 264
Payables to shareholders	33	-3 116	3 120			37
<b>Total financing liabilities</b>	<b>1 767</b>	<b>-3 226</b>	<b>3 293</b>	<b>-37</b>	<b>-250</b>	<b>1 547</b>

Data in million HUF

	31.12.2022	Cash flows	Transfer	Currency differences	Other	31.12.2023
Treasury shares	- 32					-32
Lease liabilities	319	- 121	11	- 6		203
Other liabilities	940	- 7		6	624	1 563
Payables to shareholders	30	-1 700	1 703			33
<b>Total financing liabilities</b>	<b>1 257</b>	<b>-1 828</b>	<b>1 714</b>	<b>-</b>	<b>624</b>	<b>1 767</b>

## 40 INTERCOMPANY LIABILITIES

Data in million HUF

	31 December 2024	31 December 2023
Liabilities against EMABIT	189	67
<b>Intercompany liabilities</b>	<b>189</b>	<b>67</b>

## 41 SHARE CAPITAL AND CAPITAL RESERVE

As of December 31, 2024, 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	"Series A" ordinary shares
<b>94 428 260</b>	<b>94 428 260</b>	

Summary of nominal value of issued shares in 2024 and 2023:

Share series	Nominal value (HUF/share)	Issued shares	Total nominal value (THUF)
Series "A"	33	94 428 260	3 116 133

## 42 TREASURY SHARES

Description	Date of acquiring	Number of own shares	Par value of treasury shares (million HUF)	Cost of treasury shares (million HUF)
Series „A” shares – as a gift for free	2014.05.11	1 196 750	48	-
Transfer of series "A" ordinary shares to MKB Bank as consideration for a minority interest	2017.07.04	-92 744	- 4	-
of which: sales in employee share-based payment program	2018.10.15	-230 000	- 9	-
of which: sales in employee share-based payment program	2018.11.07	-160 000	- 6	-
of which: sales in employee share-based payment program	2019.04.05	-340 000	- 14	-
Conversion of shares		-374 006	- 15	-
Conversion of shares		374 006	12	-
Purchase of series "A" shares	2021.03.30	100 000	3	32
<b>31.12.2023</b>		<b>474 006</b>	<b>16</b>	<b>32</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 million HUF

	31 December 2024	31 December 2023
Difference in fair value of financial assets for sale	-1 422	-1 462
Difference in fair value of insurance contracts	862	389
Difference in fair value of reinsurance contracts	17	-1
Difference in fair value of deferred tax	133	119
<b>Other reserves</b>	<b>-410</b>	<b>-955</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 positive evaluation difference of OPUS explain HUF 407 million (HUF -435 million in 2023), while the negative evaluation difference of government bond portfolios explain HUF -1,829 million (HUF -1,027 million in 2023).

The difference in fair value of insurance and reinsurance contracts includes the portion of the revaluation of insurance and reinsurance assets and liabilities, where the so-called OCI option was elected. (For details see Note 3.6.8.4.)

## 44 EQUITY CORRELATION TABLE

### Equity correlation 2024

Data in million HUF

IFRS statement of financial position items	Notes	Registered capital	Capital reserve	Treasury shares	Other Reserves	Retained earnings		Equity in total
Accounting Act. 114/B § items		Registered capital	Capital reserve		Revaluation reserve	Retained earnings	Profit/loss after taxation	Equity in total
<b>Balance on 31 December 2023</b>		<b>3 116</b>	<b>4 019</b>	<b>-32</b>	<b>-955</b>	<b>13 426</b>	<b>2 940</b>	<b>22 514</b>
<b>Transfer of profit after tax to retained earnings</b>		-	-	-	-	2 940	-2 940	-
<b>Total comprehensive income</b>								
Other comprehensive income	19	-	-	-	545	-	-	545
Profit tax in reporting year		-	-	-	-	-	695	695
<b>Transactions with equity holders recognized directly in equity</b>								
Dividend payments	48	-	-	-	-	-3 116	-	-3 116
<b>Balance 31 December 2024</b>		<b>3 116</b>	<b>4 019</b>	<b>-32</b>	<b>-410</b>	<b>13 250</b>	<b>695</b>	<b>20 638</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 2023

Data in million HUF

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 2022 (restated)</b>		<b>3 116</b>	<b>4 019</b>	<b>-32</b>	<b>-4 116</b>	<b>15 127</b>	<b>0</b>	<b>18 114</b>
<b>Total comprehensive income</b>								
Other comprehensive income	19	-	-	-	3 161	-	-	3 161
Profit tax in reporting year		-	-	-	-	-	2 940	2 940
<b>Transactions with equity holders recognized directly in equity</b>								
Dividend payments	48	-	-	-	-	-1 701	-	-1 701
<b>Balance 31 December 2023</b>		<b>3 116</b>	<b>4 019</b>	<b>-32</b>	<b>-955</b>	<b>13 426</b>	<b>2 940</b>	<b>22 514</b>

## 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.

As stated in Note 24 the Company published extraordinary information on February 28, 2025 regarding the review of EMABIT's Italian guarantor claim reserves. As a result of the process, EMABIT decided to increase certain reserves, taking into account the legal requirements, the interests of the Group and the principle of best estimate. To ensure the implementation of this decision, the Board of Directors of the Company

- (i) increased in December 2024 EMABIT's capital by HUF 3 billion (HUF 30 million in shared capital and HUF 2 970 million in capital reserves)
- (ii) in order to further supplement EMABIT's own funds with subordinated loan capital - in accordance with the investment and borrowing rules applicable to it as an insurer -, initiated negotiations with Hungarikum Biztosítási Alkusz Zrt. (hereafter: Broker). As a result of the negotiations, on 23 December 2024, the Company entered into a subordinated credit facility agreement (the "Agreement") with the Broker as lender for a total amount of HUF 4,000,000,000 in order to fully comply with the legal reserve requirements and to meet potential obligations that may arise in the future, and to enable the Company to support EMABIT's activities with additional resources<sup>14</sup> during the availability period<sup>15</sup> up to the amount of the reserved credit line, if needed, while maintaining the necessary and expected own funds requirements. The Company shall make the necessary resources available to EMABIT as provided for in the Agreement, within the framework of which it concluded a subordinated credit facility agreement with EMABIT on December 30, 2024, similar to the above Agreement, in the amount of HUF 2,000,000,000. No funding has been drawn under the Agreements to date.

At the end of 2024, the Company had no any other contingent liabilities.

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<sup>14</sup> the pricing of the Loan under the Contract (including in particular the applicable interest rate, the availability fee and the early repayment fee) is in line with market standards and has been agreed by the Parties in the framework of an advisory report supported by BIG4

<sup>15</sup> the period from the date of signature of the Agreement until the disbursement of the Loan, but up to a maximum of 2 years, i.e. until 31 December 2026

## **46 COMMITMENTS FOR CAPITAL EXPENDITURE**

As at 31 December 2024 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 10 million in 2024 (HUF 8 million in 2023). No advance or loan was paid to them.

The Company has used the services of Hunquest Hotels Zrt. for HUF 6 million (HUF 1 million in 2023).

The Company has entered into insurance contracts with companies controlled by the members of the Board of Directors and the Supervisory Board with the following premiums:

- Opus Global Plc with the value of HUF 2 million in 2024
- Euroleasing cPlc with the value of HUF 11 million in 2024, HUF 1 million in 2023

### **47.2 Transactions with subsidiary companies**

Pannonia PI-ETA Funeral Services Ltd. charged HUF 11 million for funeral services to the Company (HUF 8 million in 2023). The revenue recognised by Pi-ETA Funeral Services Ltd. from the Company was HUF 1 million in 2024 (HUF 1 million in 2023).

The Company invoiced to CIG Pannónia First Hungarian General Insurance Company (EMABIT) HUF 1,035 million for joint employment (HUF 890 million in 2023) and HUF 385 million for cost transfer (HUF 244 million in 2023). In addition, the Company carried out a capital increase worth HUF 3,000 million.

The Company paid an operating contribution of HUF 6 million to MRP. In 2023, this amount was as well HUF 6 million.

### 47.3 Transactions with associated companies

MBH Fund Manager Ltd. invoiced the followings to the Company in 2024:

- The unit-linked portfolio management fee<sup>16</sup> was HUF 467 million (HUF 368 million in 2023) and net unit-linked fund management fee of HUF 311 million (HUF 30 million in 2023).
- Own portfolio management fee was HUF 44 million, in 2023 portfolio management fee was HUF 40 million.

Furthermore, CIG Pannónia Life Insurance Plc. invoiced HUF 0 million mediated services to MBH Fund Management Ltd. in 2024. (It was HUF 0 million in 2023).

### 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 Zrt. in the amount of HUF 891 million and EUR 135 thousand (HUF 506 million in 2023),
- from HUNBankbiztosítás Kft. in the amount of HUF 3 million (HUF 7 million in 2023),
- from HUNPénzügyi Tervező Kft. in 2023 in the amount of HUF 91 million and EUR 25 thousand,
- from HUNPartner Kft. in 2023 in the amount of HUF 33 million,
- from HUNInsurance Kft. in 2023 in the amount of HUF 2 million,
- and from HUNBenefits Digitális Tárca Szolgáltató és Kereskedelmi Kft. in the amount of HUF 243 million and EUR 12 thousand (HUF 140 million and EUR 1 thousand in 2023).

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 in 2023 presented above is the turnover of HUNInsurance Kft., HUNPénzügyi Tervező Kft. and HUNPartner Kft. in the first half of 2023.

On 31 December 2024, the Insurer has the following obligations with other related parties, which Insurer presented under the line *Liabilities from insurance transactions*:

- Towards Hungarikum Biztosítási Alkusz Zrt. in the amount of HUF 19 million and EUR 10 thousand (HUF 39 million and EUR 2 thousand in 2023). The Company also recognizes a receivable towards Hungarikum Biztosítási Alkusz Zrt. of HUF 312 million at the reporting date due to the payment of commission advances (HUF 308 million in 2023).

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<sup>16</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.

- Towards HUNBankbiztosítás Kft. in 2024 the amount did not reach HUF 1 million (HUF 1 million in 2023).
- Towards HUNPénzügyi Tervező Kft. the Company recognizes a receivable of HUF 0 (EUR 306 in 2023).
- Towards HUNBenefits Digitális Tárca Szolgáltató és Kereskedelmi Kft. in the amount of HUF 1 million.

In 2023 the Company purchased used tangible assets from HUNInsurtech Kft. in the amount of HUF 292 thousand, in 2024 no similar transaction was concluded. 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 2024 its turnover amounted to HUF 291 million (HUF 204 million in 2023). The Insurer has a liability of HUF 113 million 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 108 million. In 2024 the Company did not request services 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. In 2024, the Company purchased services worth HUF 121 million from HUNExpert Kft. As at 31.12.2024, the Company has an outstanding liability of HUF 10 million towards the partner.

The Company used administrative services from its parent company Hungarikum Biztosítási Alkusz Zrt. for a gross amount of HUF 10 million and acquired vouchers for HUF 6 million.

No transactions occurred with other related parties.

## **48 EVENTS AFTER THE BALANCE SHEET**

There were no significant post-balance sheet events in the life of the Company.

## 49 STATEMENT

Separate Financial Statements and Business Report of CIG Pannónia Life Insurance Plc. for the year 2024, 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 26 March 2025 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 2024 it does not plan to pay dividends. Thus, the proposal of the Board of Directors for the use of the 2024 after-tax profit is to transfer it to the profit reserve.

Budapest, 26 March 2025

Dr. István Fedák  
*Chief Executive Officer*

Alexandra Tóth  
*Chief Accounting Officer*

Géza Szabó  
*Chief Actuary*

# **CIG PANNÓNIA LIFE INSURANCE PLC .**

**BUSINESS REPORT FOR THE YEAR  
2024**

26 March 2025

## **REPORT ON THE DEVELOPMENT AND BUSINESS PERFORMANCE OF THE COMPANY**

By 2024, we have achieved the main objectives of the first phase of our Growth Strategy: we have laid the foundations for the operations of a composite insurer and with above-market growth and a consolidated premium income of HUF 53 billion we have entered the stage of mid-sized insurers. This year, we also started to create the success for the upcoming period: we launched the so-called Innovation Project, which aims to create the capabilities needed to achieve our strategic goals of further broadening our product portfolio and improving our customer management capabilities.

As a publicly traded company, our performance is always important to us, as we need to offer our investors a competitive investment alternative. **Our profit excluding one-off effects of HUF 6.7 billion represents a result-premium ratio of 12%**, which provides us with a prominent position among insurers. However, one-off effects have directly impacted our reported result this year: the HUF 900 million in extra profit tax and the HUF 4.6 billion loss on Italian surety insurance, mainly due to reserve increases to ensure prudent operations, means that **the Group's capital increased by HUF 1.3 billion in 2024.**

As a supervised financial institution, our solvency capital ratio is of key importance to us - an element of our strategic vision. With a subordinated loan capital of HUF 4 billion provided by our controlling shareholder, our consolidated **capital adequacy ratio is ~~190~~194%**, **our standalone capital adequacy is ~~194~~201%**, which is higher than that of many domestic insurance companies with higher premium income. The performance of all our sales channels - to varying degrees - increased compared to previous periods. The development in our premiums sold through the banking channel is particularly impressive, with a 57% increase.

Overall, this year can be assessed in two ways in many respects: the reported result is moderate, but excluding one-off effects, our 12% result-premium ratio is outstanding in the domestic market. We have joined the group of mid-sized insurers and with it we have started to implement the next phase of our strategy in order to differentiate ourselves in the market through the high level of service our customers receive from us.

The Company's economic performance in 2024 is the result of four effects:

- the 34% annual increase in our premiums clearly indicates the growth in business performance, our technical result excluding one-off effects exceeded HUF 3 billion, representing a 60% annual increase
- the one-off effects mentioned above (totalling HUF 5.5 billion) resulted in a negative reported technical result, causing a loss of HUF 1.4 billion
- there was a decline in forint yields in 2024, but the return on our investments was significant, coming close to HUF 2 billion
- the Group result of our stake in MBH Fund Management exceeded HUF 1 billion. Because of **these latter two items our result after tax became a profit of HUF 1.3 billion.**

## **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 – mainly 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 under Notes 3.16 and 3.17.

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

- credit risk exposure primarily arises on premium receivables from insurance policy holders, receivables from reversed commissions, on debt securities and bank deposits, which are managed using both financial and legal means
- liquidity and cash-flow risk management are based on daily monitoring, to which the updating of the portfolio of easy-to-sell, marketable securities and the management of unforeseeable cash-flow problems are aligned;
- interest risks principally arise on insurance and reinsurance assets and liabilities, and the underlying collateral securities. Risk management is also supported by the continuous monitoring of asset-liability matching;
- in 2024 the Company hedged its portfolio in unit-linked investments, and its own investments;
- the Company 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 under Note 6.6.

## **PRESENTATION OF THE COMPANY'S FINANCIAL SITUATION IN 2024**

**Our accounting result after tax in 2024 was a profit of HUF 695 million, following HUF 2,940 million in 2023.** The decrease is primarily due to the impairment recognized on EMABIT, which was only partially offset by the increase in our dividend from the Fund Manager.

Our technical result increased by a total of HUF 581 million compared to 2023, which is the result of two opposing effects. Compared to last year the performance of (unit-linked and regular) savings products (i.e. products valued using the VFA methodology) increased our result significantly. The increase in performance was partly due to the relative stability of the forint yield curve, with yields in 2024 not falling as much as a year ago. The decrease in the yield curve in 2023 led to an increase in the claims reserves of the Insurer, which worsened the financial result of the portfolio in 2023. Performance was also boosted by the high unit-linked return achieved, which also increases the insurer's profit through the deduction of proportionate management fees, and the revision of the RBNS claims reserves, which also had a positive impact on the performance of VFA products. The decline in performance was mainly caused by the increase in loss ratios of group life insurance products, which are evaluated in both methodologies.

**Group life, accident and health products** (annual profit decline: HUF 404 million): The claims ratio of the group service financing insurance portfolio deteriorated compared to the previous year. Due to the high claims ratios in the portfolio, the Insurer also recognised a loss component. The increase in claims ratios and the recognition of a loss component this year reduced the portfolio group result in a year-to-year comparison. The Company has already taken the necessary steps to restore the profitability of the product group in the first quarter, with respect to the new policies, as a result of which the loss of the total portfolio group experienced during the year was reduced by the end of the year.

**Individual accident and health insurance products** (annual profit improvement: HUF 108 million): The Insurance Company's profitable individual accident insurance portfolio (which includes the Company's 'Bajtárs' products) has grown significantly, and so has the Insurer's result.

**Single premium UL products** (annual profit improvement: HUF 327 million): The portfolio group's result of last year was adversely affected by the fact that the insurance company – in line with the requirements of IFRS17 – recognised one-off losses, so-called loss components, due to the change in estimates for future services. In addition, in 2023, the amount of the so-called risk adjustment related to the increase in claims reserves increased, which also worsened the result for the comparative period. There was no need to recognise similar losses for 2024, therefore, our result increased in the year-on-year comparison.

In addition to the above, at the end of 2024, the Insurer reviewed the portfolio group's RBNS claims reserves. If, based on the Insurer's experience, the final claims expenditure for outstanding claims was lower than the value of the RBNS claims reserve following the filing of the claim, but prior to the claim being closed, the Insurer reduced (devalued) the claims reserve (by a multiplier based on empirical data) to the level it estimates to be the final claims expenditure for the claim. This review of the claims reserves improved the portfolio group's result this year.

**Regular premium UL products** (annual profit improvement: HUF 578 million): The portfolio group's contract service margin (CSM, which is the sum of the positive results expected for the future periods of the contracts) increased compared to the previous year, mainly due to the value of new business and the achieved returns. The portfolio group's return was HUF 18 billion, which was HUF 12.6 billion above the level forecasted at the end of 2023. On the higher-than-expected assets higher proportional management fees can be charged, resulting in an increase in the CSM. Thus, both the CSM release and the result increased on a year-on-year comparison. For the portfolio group, renewal commissions were lower than forecasted at the beginning of the period (year-end 2023), which also improved this year's result.

In addition, this portfolio group is also affected by the RBNS claims reserves review's effect already mentioned for the single premium products.

**Traditional regular premium savings products** (annual profit increase: HUF 199 million): The previous year's result was negatively impacted by the fact that at the end of 2023, due to a change in the estimates for future services, the Insurer recognised loss components for the portfolio group. There was no loss component recognition, nor an increase in the risk adjustment of a similar proportion this year, which increased our result year-on-year. Furthermore, for the portfolio group, the excess insurance services provided were below the level forecasted at the beginning of the period (year-end 2023), which also improved the result for 2024.

**Risk life insurance products** (annual profit decline: HUF 148 million): The portfolio group's result decreased compared to the same period of the previous year due to higher than expected claims ratios of group life, accident and health insurance (valued using the GMM valuation model). In addition, the CSM of the 'Otthon Harmónia' risk life insurance portfolio (and the release of the CSM increasing the result) decreased due to changes in estimates for future services at the end of 2024 related to the product. The portfolio group's result was improved compared to the same period last year by an increase in the portfolio of risk life insurance policies, however, these positive impacts on profit did not offset the negative impacts of the changes in estimates and the high claims ratios of group insurance policies.

**Credit coverage insurance and account protection products** (annual profit decline: HUF 86 million): There were several large, partially offsetting

effects on the performance of the portfolio group. The driver of the profit improvement is the increase in the contract portfolio and the Insurer's own retention. There was no need to recognise a loss component in the year under review, the loss recognised in the non-life segment at the end of the previous year and the related reinsurance provisions were released by the insurer. The change in the estimates for future expected cash flows resulted in a higher CSM release for the direct CSM than for the reinsurance CSM, which increased the result year-on-year. Another important factor in the decrease in results is that in the first half of 2023, significant insurance premiums collected for previous periods increased the result, which was not achieved this year.

### **Volume of sales**

Our premium income increased for all valuation methodology (portfolio) groups, up 35% year-on-year overall.

Premium income from our unit-linked (UL) insurance increased by more than HUF 8.7 billion, driven by a lower and less volatile yield environment compared to 2023.

A more significant increase in premiums is seen in group life, accident and health insurance, with an annual increase of HUF 1.8 billion, which is also the result of the portfolio's growth.

The premium growth in risk life insurance (HUF 137 million) was mainly due to the launch of our new product, CIG360 Life, Accident and Health Insurance.

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## **IMPLEMENTATION OF BUSINESS POLICY GOALS IN 2024**

Our primary objective for the year was to increase premiums, which can provide a basis and a sound financial background for moving forward. We feel that with the premium increase analysed above, we have successfully achieved this goal and at the same time have launched our IT, business process improvement project assuring the future.

We believe that our organisation must be adapted to market changes in order to remain competitive. We have made progress both in terms of headcount and in qualitative indicators, such as halving our fluctuation rate and increasing our employee satisfaction rate, which will be reported in more detail later in this Annual Report.

Feedback from the market made us realise, that the classic life insurance product needs a market renewal: under the brand CIG360 we entered the market with a significantly broader range of services in early summer 2024 and sales figures show the successful reception of the product. We also planned to rework the unit-linked (UL) insurances in 2024 as well to meet renewing regulatory requirements. The relevant changes in the regulatory environment, however, have made these tasks to be reallocated to 2025 due to the complexity of the subject.

This year we have continued to pay special attention to our partners and to develop our business relationships. We regularly ask for and receive feedback from our partners on our products, our work and the customer focus of our processes. With these experiences, we are constantly improving our workflows.

We have also targeted ESG as an area, where we wanted to develop in 2024. In line with the relevant legal framework and the MNB's recommendation, the Insurer took a further step in 2024 to implement organisational and process changes for sustainability. As a first step, we have identified the ESG aspects as a priority area in the ongoing review of our business strategy, which will set the framework for our operations. In addition, we have formed a team of experts for the Insurer to assess how climate risks affect the insurance company's risk management processes and capital adequacy position. We have found that though not in the short term, but in the longer term the management of the risks caused by global warming can significantly affect us. We are actively developing methodologies and tools to be able to meet the corresponding insurance needs of our clients in the future. Pursuant to Section 95/E, the Insurer is not obliged to prepare a sustainability report, but it prepares it on a voluntary basis and publishes it on its website.

## **BUSINESS POLICY GOALS OF CIG PANNÓNIA LIFE INSURANCE PLC. FOR 2025**

2025 will be dedicated to laying the foundations of success for the years ahead. We believe that we can meet the expectations of our owners, the ever-changing business environment, the process of customer needs becoming unique in the insurance market with a flexible and dedicated team of experts, a modern IT environment, a tailored product range and controlled processes in line with the regulatory environment.

We make no secret of our goal to further increase our insurance portfolio. Due to the characteristics of the domestic insurance market, operating efficiently and showing results – and thus, as a listed company, paying dividends to our owners – is only possible through economies of scale.

For efficient operation the use of modern IT solutions is indispensable. Also in this area, we are renewing our IT system - in modern terms, our IT ecosystem - with new, fresh ideas and solutions to adapt it to the opportunities of the 21st century.

All successful business development is built on dedicated colleagues. We want to build on our achievements in 2024 in increasing employee satisfaction, reducing staff fluctuation, training managers and improving the professional knowledge-base of our colleagues. We want to connect the IT developments with the development of the digital skills - competences - of our organisation.

We also intend to further deepen our partnerships - bank insurance, complementary insurance products - along mutual benefits, objectives and interests.

We cannot grow successfully with a non-competitive product range that is not in line with the regulatory environment, thus we will continue to upgrade our products over the coming years. In 2025, we will incorporate the changes in the UL insurance regulatory regime into our products.

In 2026, we will present a so-called integrated report in which we will present our ESG<sup>17</sup> activities and results, and our financial results together. Preparing for this also means developing our organisational, process and analytical skills, as a result of which we hope for the expansion of our services in the longer term.

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<sup>17</sup> For the relevant MNB recommendation see: <https://zoldpenzugyek.mnb.hu/supervisory-tools/esg-recommendation>

## SUBSEQUENT EVENTS IN ACCORDANCE WITH SUPPLEMENTARY NOTES

There were no significant other post-balance sheet events in the life of the Company.

## OWNERSHIP STRUCTURE, RIGHTS ATTACHING TO SHARES

**The ownership structure of CIG Pannónia Life Insurance Plc. (31. December 2024)**

Owners description	Number of shares	Ownership ratio	Voting right
Domestic private individual	28 146 200	29.81%	29.81%
Domestic institution	64 824 153	68.65%	68.65%
Foreign private individual	64 549	0.07%	0.07%
Foreign institution	23 153	0.02%	0.02%
Nominee, domestic private individual	1 158 518	1.23%	1.23%
Nominee, foreign private individual	28 000	0.03%	0.03%
Nominee, foreign institution	176 722	0.19%	0.19%
Unidentified item	6 965	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 "unidentifiable item" in the shareholders' register.

The owners of the Company are private and legal persons residing in Hungary and abroad, as of 31 December 2024 the number of owners is 5,472. Over 10 percent ownership is present at Hungarikum Alkusz, who has a 58.73 percent stake with 55,460,487 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 HUF 33 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**

In 2024, we have made progress on both quantitative and qualitative indicators. Our headcount grew by 10% - from 188 at the end of 2023 to 207 in 2024 -, while fluctuation halved, and employee satisfaction increased.

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>18</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. We have identified three key areas to develop our workplace based on a people-centred workplace

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<sup>18</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

culture: (i) Employee retention, career development (ii) Employee training, shaping the culture of attitude (iii) Workplace culture.

In our experience, there was some change in 2024 in terms of workplace retention as a comprehensive programme for our colleagues. Flexibility remains the basic expectation of the employer, and this has essentially become a "hygiene" factor - i.e. it cannot increase employee satisfaction itself, but its absence can decrease it - including both working hours and keeping wages at market levels. However, the need for a secure future, for creating career paths, for learning and for improving the professional knowledge-base has strengthened.

In light of its business strategy and opportunities, the Insurers have implemented the following programmes during 2024 to retain their colleagues and improve their employment conditions:

- Developing and implementing professional development plans
- We applied for support from GINOP Plus<sup>19</sup> to improve the professional knowledge of our colleagues, which application was positively evaluated and the training has already been launched in four topics
- We have launched an "idea competition programme" to reward staff ideas that bring efficiency to workplace processes
- The programme to support higher education activities has been introduced
- A regular staff scheme has been introduced with which we support our longer-serving colleagues
- Performance indicators have been developed for the application of short and long-term incentives, and these indicators are measured and used in performance reviews

We believe that the above programmes have helped us to reduce fluctuation: we have halved this indicator in 2024.

### Fluctuation trends over the last three years

	2022	2023	2024
Total number of employees	199	188	207
Ratio of leaving employees against the total number of employees	28.1%	33.5%	15.5%

<sup>19</sup> GINOP Plus-3.2.1-21 "Improving adaptability and productivity of workers and enterprises through workforce development" labour market programme

Similarly to 2023, in 2024 we also asked colleagues to share their views on CIG Pannónia Group's benefits, strategy, customer focus, leadership and the quality of internal collaboration in an employee satisfaction survey. The aim of the survey was not only to get a picture again of the current situation, but also to compare it with last year's results, to also measure ourselves against this, and to set ourselves appropriate targets for 2025 to help maintain and even increase employee satisfaction. The satisfaction index increased from 7.2 last year to 8.0 on a scale of 1-10. The survey has been analysed and evaluated and is currently being translated into actions. Essentially, we received more positive answers to all questions, than a year ago. The most positive responses are still related to the CIG Pannónia Group's work community and team, and we received the most remarks for improvement related to increasing internal efficiency. We have made progress in addressing the workload of our colleagues - this is clear from the survey results - but we still have a lot of work to do in this matter.

We introduced minor changes and fine-tuned our remuneration system - more specifically its performance-based payments - this year. In departments where our colleagues have direct client contact - the sales area, the operations area, the areas responsible for corporate property insurance and vehicle insurance - we have maintained a system of monthly performance-based payments. However, for the departments not mentioned - in summary: areas with less direct customer contact - we have phased out monthly performance-based payments and will focus on longer-term incentives from 2024.

We believe it is important to train our future leaders, therefore we have launched a multi-year leadership development programme for 11 of our colleagues. The aim of the programme is to provide tailored support to our management team. The multi-element programme - from a 360-degree questionnaire to learning the skills and practices needed to become an authentic leader - supports our colleagues over a longer period. We plan to use modern management practices to support joint work becoming increasingly successful and raising internal efficiency.

The project work approach established in 2023 was further developed in practice in 2024 and will be continued in 2025. We have launched the implementation phase of our Innovation Project, which helps learning how to put the agile methodology into practice.

## **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 organisation;
- 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 concerned report 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.
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## **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

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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>20</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.
Members:	István János Fedák dr. Zsuzsanna Ódorné Angyal (from 10.08.2023 until 02.02.2024) Gábor Dakó Miklós dr.

### SUPERVISORY BOARD

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In compliance with the provisions of the Business Insurance Act, the Supervisory Board directs the internal audit organization, as well as develops

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<sup>20</sup> <https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>

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>21</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>22</sup>.

Members of the Supervisory Board:

Chairman:	János Tima
Members:	Erika Vada
	Ildikó Ginzer

#### AUDIT COMMITTEE

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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>23</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;

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<sup>21</sup> <https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>

<sup>22</sup> <https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>

<sup>23</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:

Chairman:	Erika Vada
Members:	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

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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>24</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

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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.

#### PROJECT MANAGEMENT DIRECTORATE

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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.

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<sup>24</sup> a term as defined in the Disclosure Rules

## REMUNERATION AND NOMINATION COMMITTEE

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The Remuneration and Nomination Committee operated by the Founder 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

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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

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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:

Primary CEO, Chief Executive Officer:	István János Fedák dr.
Chief Financial Officer:	Árpád Szűcs
Deputy CEO responsible for corporate governance and prudential compliance:	Gábor Miklós Dakó dr.
Deputy Chief Sales Officer:	Zoltán Kőrösi
Deputy CEO Retail Division:	Antal Kóka
Deputy CEO for Legal and Business Support:	Dávid Kozma dr.
Chief Accounting Officer:	Alexandra Tóth
Chief lawyer and Data protection officer:	Dávid Kozma dr.
Chief actuary:	Géza Szabó
Responsible for actuarial function:	Melinda Márton Gábor Varga
Chief Risk Officer and Responsible for risk management:	Norbert Kozma (until 13.09.2024) Gábor Veitz (from 12.12.2024)
Head of internal audit:	Erika Marczi dr.
Head of compliance:	Katalin Déri dr.
Responsible for consumer protection:	Dávid Kozma dr. (from 01.01.2024)

Senior doctor: Katalin Halász dr.

Investment relations: Gábor Miklós Dakó dr. (until 30.09.2024)

Szulamit Sári dr. (from 01.10.2024)

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,
- s) belonging to an interest group,
- t) 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/ 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/ 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/ directors, who are underrepresented, causes a positive effect that ripples through the entire career ladder.

2. The Board of Directors expects to achieve the right balance and has set a target for the right balance for mid-directors. At the non-executive level, the Boards of Directors of the Companies targeted the proportion of women to reach 40 percent. We have achieved this ratio in recent years, and the proportion of women in these positions actually even increased, from 42% in 2023 to 49% in 2024.

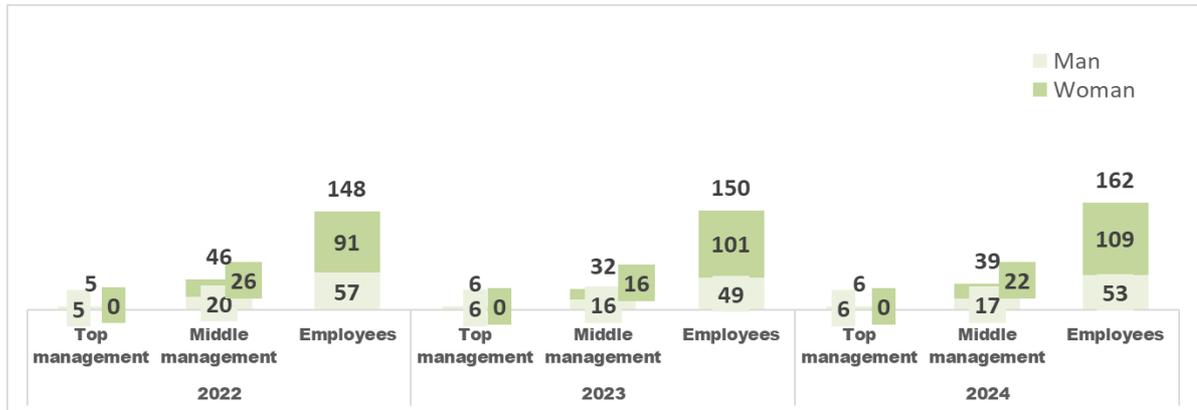
#### ACHIEVING GENDER BALANCE IN 2024

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The female-male ratios of the Boards of Directors and Supervisory Boards, which include the executive management, were as follows: (i) of the four members of the Board of Directors one was a woman until February 2, 2024, and thereafter there were no women among the three members (ii) of the three members of the Supervisory Boards two 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.

Total headcount of men and women in the CIG Pannónia Group, by employee category



## 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 2023 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, 26 March 2025

Dr. István Fedák

*Chief Executive Officer*

Alexandra Tóth

*Chief Accounting Officer*

Géza Szabó

*Chief Actuary*

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