



**CIG PANNÓNIA**  
INSURANCE



**2024**

**ANNUAL  
REPORT**

PREPARED ACCORDING TO  
THE INTERNATIONAL FINANCIAL  
REPORTING STANDARDS  
ACCEPTED BY  
THE EUROPEAN UNION

# 2024 ANNUAL REPORT



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# PRESIDENTIAL WELCOME

Ladies and Gentlemen,  
Dear Shareholders,

In 2024, CIG Pannónia Insurers continued the growth trajectory that had characterized us in the previous two years: our consolidated premium income grew well above the market growth rate to more than HUF 57 billion. Based on the performance of the last financial year alone - excluding the pre-calculated value of the extra profit tax - the profit-generating capacity of our companies reached HUF 6.74 billion

This impressive result is inevitably reduced by the impact of our responsible financial measures<sup>1</sup> related to the claims of the so-called Italian cases - arising under the previous management of the company -, which led to a consolidated profit after tax of HUF 1.27 billion.

In this respect, the management of the insurers will continue to follow the principle they communicated earlier: in the course of our operation we will not compromise on following the regulations and we will fully meet our obligations arising from legal compliance. For us, this is not just a legal, but also an ethical and credibility issue: we want to resolve any arising difficulties once and for all, not delay them or cover them up.

We believe that it is in the interest of both the insurers and the shareholders to conclude the dispute procedures on the most favourable terms possible. This will ensure that these past cases no longer undermine our otherwise excellent current achievements which we can indeed be proud of.

Because the insurers' operation has been very successful for years now.

As we prognosed, one of the keys to this has been our partnership with MBH Bank. Although this relationship has a very short history compared to other banking sales models, it is developing so dynamically that we are close to achieving a market leadership position in this sub-market within a year or two. However, as you can read in the annual report, we are pleased to share that our other distribution channels also grew by around 20% or more, while our consolidated capital adequacy ratio (194%) remains well above the Hungarian National Bank's (MNB's) expectations. Thanks and praise go to all our colleagues.

Our insurers have avoided major claims in recent years. This is mainly due to our prudent underwriting policy, despite the dynamic growth, but even this cannot completely exclude the possibility of a major claim in our portfolio in the future. Natural disasters related to the rising risk of climate change are just one of such possible events.

The increasing regulatory pressure every year does not make it easier for insurers to operate either. European and national regulators are creating legal norms for ever new areas that directly affect the activities of insurers, making their operations increasingly complex and costly. On the one hand, this makes it difficult for new entrants to enter the insurance market; on the other hand, it puts strong pressure on the profitability of already active market players. The latter is exacerbated by the introduction of new taxes, such as the extra profit tax, which we hope will be phased out this year.

It is reason for confidence that we do not have a competitor in the Hungarian market, which can consistently reach similar growth as we do. We are able to increase our market share year after year, as a result of which we have outgrown small insurers and became a stable, medium-sized player in the market. As we indicated in previous letters to shareholder: there is no stopping, the next goal is to chase the "big ones".

Our strengthened market position requires new goals. To this end,

**„our consolidated premium income grew well above the market growth rate to more than HUF 57 billion”**

**„we have outgrown small insurers and became a stable, medium-sized player in the market”**

1. On 23 December 2024, the Life Insurance Company entered into a so-called subordinated loan capital agreement with Hungarikum Biztosítási Alkusz Zrt. Also, on 30 December 2024, a subordinated loan capital agreement was concluded between the Life Insurer, as 100% owner of EMABIT, and EMABIT. In addition, on 20 December 2024, the Life Insurer carried out a capital increase in EMABIT in the amount of HUF 3 billion.

this year we will take a detailed look at the path we have taken in recent years and create a new market strategy. The so-called innovation project launched in 2024 at the insurers, which will make our operations significantly simpler, faster and more customer-friendly, is already underway in this spirit. Our goal is to create a modern operation with a strong future value, so that our current results can be sustained in the longer term.

In view of the so-called Italian cases, the Board of Directors of CIG Pannónia Life Insurance Plc. does not propose to the General Meeting the payment of dividends this year. We intend this to be a one-off decision, specifically designed to help settle the past once and for all.

Our aim in this regards is for the company to return next year to the dividend payout path previously set. In the meantime, the 24.5% increase in our share price in 2024 may provide some relief for you, followed by a further significant appreciation this year (up to the writing of this letter). We see this latter as a sign of the capital market's continued trust.

We firmly believe that we are on the right track: the financial situation and operations of the insurers are stable, our

growth and organic profitability are outstanding. The CIG share continues to be a "good story", so much so that we are very close to being even the best in the Hungarian capital market. For this we ask for your continued trust and support!

With the greatest respect,

Dr. Péter Bogdánffy  
MBA  
President of  
the Board of Directors



**„the management of the insurers will continue to follow the principle they communicated earlier: in the course of our operation we will not compromise on following the regulations and we will fully meet our obligations arising from legal compliance”**



**Dr. Bogdánffy  
Péter MBA**

President of  
the Board of  
Directors

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# HISTORY

The Insurer was founded at the end of 2007 by well-known and acknowledged Hungarian public figures and insurance experts under the name of CIG Central European Insurance Company Ltd.; the company started operations in 2008. Since the autumn of 2010, when it was first listed on the stock exchange, the Insurer has operated as CIG Pannónia Life Insurance Plc. (Company, Issuer). The intention of the founders was to create an insurance company—run by a Hungarian management, focusing on the Hungarian market and serving domestic needs—which was to become a dominant player in the domestic market. The prevalence of the principle of mutuality was an important element of this, i.e. we wanted our shareholders to become clients, and vice versa. This was the rationale behind the public offering of CIGPANNONIA shares in 2010 and their listing on the Budapest Stock Exchange. Of the Company's shareholders, more than 98 percent are Hungarian private individuals or Hungarian enterprises<sup>2</sup>.

Starting operations in 2011, CIG Pannónia First Hungarian General Insurance Company Ltd. (EMABIT) is a non-life subsidiary 100% owned by CIG Pannónia Life Insurance Plc. It focuses on Hungarian small and medium-sized enterprises, state- and municipality-owned institutions, companies, trade chambers, associations and societies. EMABIT's Italian cross-border activity, based on its niche market strategy, has resulted in a loss that has also shaken the subsidiary's solvency capital in 2020. Due to the presented strategic, impressive growth targets, that also affect the future strategic elements of the companies included in the scope of consolidation (together: the CIG Pannónia Group), it was of particular importance that the deficiencies (so-called Italian cases<sup>3</sup>) revealed as a result of the proceedings of the Hungarian Financial Supervisory Authority (HFSA) against EMABIT are fully and sustainably handled and remedied in accordance with the regular review.

At the operational level, CIG Pannonia Group has taken clear steps already in 2021 to enable EMABIT to restart operations, which was done in 2022 and set on a dynamic growth path in 2023, which continued in 2024. In 2024, the Boards of Directors of CIG Pannónia Life Insurance Plc and EMABIT have again carried out a strategic review of the Italian cases, covering both litigation and non-litigation elements. Together with the continuous review of existing claim reserves and regress reserves, we move ahead along a modified

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strategy for the mitigation of the risks that remain present in EMABIT's Italian claims cases, but which are – through the passing of time as a legal fact – reducing and evaporating year-by-year, and the legal fact of the passing of time, and for related legal cases (while at the same time taking into account the current state of litigation).

The Board's thorough review, which started in 2024, aims:

- (i) as a result of it and on the basis of a comprehensive situation analysis, to ensure that the CIG Pannónia Group is prepared in all respects to deal prudently with all future scenarios that may arise from these cases, and
- (ii) in addition to ensuring prudence, to provide room for further development in line with strategic objectives by "clearing out" external and past obstacles and negative elements in the current phase of stable growth, as the management sees it.

The current state of play and details of the review are discussed in the sections on the presentation of our Growth Strategy, the steps of the Growth Strategy review and the assessment of the situation resulting from cross-border activities.

In 2023, our Company's reporting methodology changed radically in line with and based on the obligations that apply to us. We are ready and prepared for this transformation. We have achieved our goal and continue to ensure the reliant operation in compliance with IFRS 17. Our company also reported on the key features of the methodology in its quarterly reports for 2024 and provided a retrospective review of the relevant results for the 2023 financial year. We still consider it important in 2024, taking into account the IFRS 17 standards, to formulate and provide to the public in an even more intensive and objective manner all relevant information that helps investors to objectively assess the Issuer. This was and is the purpose of the quarterly presentation of the consolidated profit after tax, adjusted for the increase in reserves due to Italian suretyship products and the extra-profit tax effects, in order to periodically reflect on the growth potential of our Company and the results thereof, and we have continued our efforts to present accounting differences arising from deviations from the previous regime in their full context, with explanations, so that the results of the actual implementation of the Growth Strategy can be factually distinguished from past events.

## **Presentation of our Growth Strategy, steps for reviewing the Growth Strategy**

In connection with restarting the operation, the Company has already in its report for the fourth quarter of 2020 projected that, considering both the insurance sector and the complementing capital market presence, it will develop a strategy, which redefines CIG Pannonia Group's place and position, focusing

<sup>2</sup> Source: Keler Zrt.

<sup>3</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.

on external growth and internal transparency. The positioning of the Company and the foundation of its expansion were the tasks of the year 2021, during which, in addition to providing outstanding customer service, the primary goal was the group-level strategy, the individual steps of which have been communicated continuously and consistently by the Company during 2021-2024, showing the role of each smaller and larger event and information which belong to the regular and extraordinary information to be published in this strategy.

***We have now completed four years in this respect, which demonstrates our commitment and achievements in a traceable manner and, in our view, gives us the necessary confidence to fully implement our strategy.***

The content of each of our actions in the 2024 financial year fitted well within the framework of the published Growth Strategy<sup>4</sup>, which included the directions and targets for development, and which's key elements were published in a regular manner, presented in our regular publications, demonstrating and contextualizing the goal and the steps towards achieving it, which is to transform CIG Pannónia Group in the upcoming period into reliable insurers which can be described as having composite activities, are of decisive size and with a stable background, having a portfolio of both life and non-life insurance products. By today this goal is not just a vision anymore: we have taken it to the next level through our results, ensuring increased transparency alongside the growth.

The steps taken to achieve objectives set out in the Growth Strategy for 2021-2026 - namely that the Company, in its current operations and also in the medium term

- planned and plans to focus on an intensive growth in gross premium income and technical income, and
- in addition to growth it puts emphasis on profitability, which it seeks to achieve through new insurance products and the widest possible use of sales channels
- have guided the 2024 financial year in a measurable and transparent way.

To achieve its strategic goals the Company has already in 2021 taken steps to create stable – quasi – composite insurance foundations in the short term, and to further broaden the product portfolio and improve client management capabilities in the medium and long terms, and considered that the Growth Strategy has reflected and summarized for investors the objectives, directions and the tools necessary to achieve these, along which the Company's management expects that the Company's presence in the insurance and capital markets has and will be modellable in the medium and long term. This mindset was embodied in the periodic reports, consistently applying the comparability toolkit for each period under review.

A prerequisite for the development of a group-wide strategy was for EMABIT to be able to contribute to the development of a dynamic growth model by relaunching its operations. In order to achieve this, the Company, while monitoring EMABIT's capital needs continuously, in its founding member role, decided to and then increased the share capital of EMABIT in accordance with the information published on 26 March 2021 , on 30 December 2021<sup>5</sup>, on 30 September 2022<sup>6</sup>, on 23 August 2023<sup>7</sup>, and then on 20 December 2024<sup>8</sup>, with the goal to finance the Company's operation, ensuring amongst others the safe level of provisioning arising from the so-called Italian cases and to maintain the necessary, required and safe solvency capital compliance. As a result, the share capital of EMABIT was increased by a further HUF 30,000,000, raising the new share capital of EMABIT to HUF 1,120,000,000, i.e. HUF one billion and hundred and twenty million.

As background to the capital increase announced on 20 December 2024, the "legacy" element of the Growth Strategy's implementation elements needs to be highlighted, namely the steps taken and the results achieved so far in managing the exposure arising from the Italian cases in a transparent and prudent manner, as required by the MNB, keeping in mind the investors' interests. The current process of managing the exposure arising from these cases, in addition to ensuring the stability of operations, is indeed designed to remove this burden – arising from past elements' risks – to the implementation of our strategy. The revised data showed that, overall, the total Italian

4. [https://www.bet.hu/site/newkib/en/2021.07./Creating\\_and\\_Adopting\\_a\\_Strategy\\_128587253](https://www.bet.hu/site/newkib/en/2021.07./Creating_and_Adopting_a_Strategy_128587253)  
 5. [https://www.bet.hu/newkibdata/128539880/CIG\\_EMABIT\\_decision\\_20210326\\_ENG.pdf](https://www.bet.hu/newkibdata/128539880/CIG_EMABIT_decision_20210326_ENG.pdf)  
 6. [https://www.bet.hu/newkibdata/128656775/CIG\\_EMABIT\\_döntés\\_2021229\\_ENG.pdf](https://www.bet.hu/newkibdata/128656775/CIG_EMABIT_döntés_2021229_ENG.pdf)  
 7. [https://www.bet.hu/newkibdata/128788621/CIG\\_EMABIT\\_decision\\_20220930\\_ENG.pdf](https://www.bet.hu/newkibdata/128788621/CIG_EMABIT_decision_20220930_ENG.pdf)  
 8. [https://www.bet.hu/newkibdata/128941454/CIG\\_EMABIT\\_decision\\_20220823\\_ENG.pdf](https://www.bet.hu/newkibdata/128941454/CIG_EMABIT_decision_20220823_ENG.pdf)  
 9. [https://www.bet.hu/newkibdata/129175624/Extraordinary\\_information\\_EMABIT\\_capital\\_increase\\_20241220\\_ENG.pdf](https://www.bet.hu/newkibdata/129175624/Extraordinary_information_EMABIT_capital_increase_20241220_ENG.pdf)

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 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. 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. The key to the assessment of the status of the ongoing litigation, which is a priority for the provisioning process, is compliance with the provisioning rules, which the Company has addressed based on expert modelling of the outcome of the litigation, on the one hand by increasing the capital of the subsidiary, decided and implemented in December 2024 as described above, and on the other hand by further supplementing EMABIT's solvency capital with subordinated loan capital.

Parallel to ensuring the supervised activities of EMABIT as a subsidiary, the Company has and will continuously ensure the guarantee elements of the operation with a view to strengthening sales, the internal lines of defence and the capital position.

#### **Tasks and results achieved in line with the Growth Strategy:**

I. Already in 2021, the CIG Pannónia Group focused on developing a new organizational structure, adapted to the Growth Strategy, including hiring professional employees for the launched property and liability insurance business, and to review or if needed to create new products. This work, the "customization" of the organization, has been mainly completed for the Company in 2021. This work, i.e. the "customization" of the organization, is constantly present in the case of the Company through the adaptation of its core internal document, the Organizational and Operational Rules - which contains the basic provisions for the operation, organization and management system of the Company - to the operational processes.

Ensuring that the internal drivers and controls for growth is continuously present in parallel with management expectations, at the level of the core document, following organizational, task and authority changes combining strategic and prudential objectives.

II. Also, in 2024 CIG Pannonia Group successfully - and demonstrating impressive results - concentrated on strengthening its sales areas. In addition, it continued the development of the organizational unit of the Deputy Chief Sales Officer of Banking Insurance, which was launched on 1 December 2021, expanding the Company's management capacities in the first step. This was part of the CIG Pannónia Group's strategic concept and thus an element of the organizational model change that has been adapted and optimized for the organization. The 20-year framework agreement, concluded in 2023, along which MBH Bank Plc. distributes and sells exclusively on all of its sales channels life and non-life insurance products from the CIG Pannónia Group,

plays a key role in the life and strategy of the CIG Pannónia Group, and fits well into this organizational framework. In 2024, our Company continued to strengthen its banking sales channels, as part of which it entered into a strategic agreement with MBH Duna Bank Zrt (Duna Bank), a subsidiary of MBH Bank. Based on this agreement, Duna Bank will also distribute and sell exclusively CIG Pannónia Group products in all of its sales channels for products in the life and non-life insurance sectors, further strengthening our market presence and long-term growth ambitions. On the basis of these framework agreements and in order to take full advantage of the synergies inherent in the bank-insurer cooperation and thus to facilitate the exclusive insurance sales activities of Magyar Bankholding Zrt., its member banks and Euroleasing Zrt., the CIG Pannónia Group has continuously developed its sales areas during the period under review, which development and organic growth have defined the insurer's operations also in 2024.

III. Strengthening our sales areas is an ongoing task, and the banking and independent broker and alternative sales channels are the drivers of our growth, as their outstanding performance enabled CIG Pannónia Group to generate significant premium income in the period under review.

As part of its organizational development, the CIG Pannonia Group is interested in creating an organizational environment, in which outstanding customer care is guaranteed by the fact that colleagues perform their tasks with motivation and appropriate professionalism. The company's management is committed to providing all of this through open, transparent communication and mutual trust. To this end, we continued to develop our professional team through a strategic motivation map for the entire organisation, the mapping of individual motivation concepts, and the development and application of transparent and uniform rules for the elements of salaries and other benefits. This work received a new momentum in 2024, adapting to external market and economic conditions and to internal expectations, based on the results of which individual performance indicators related to the jobs, areas of expertise and projects were also applied to the organisation as a whole, and which indicators will include the ESG-compatible indicators from 2025 onwards, in line with the MNB's Green Recommendation for the organisation-specific development of sustainable finance performance indicators.

IV. Among the steps of the current year embedded in the Growth Strategy, we highlight that

a. the Ministry of Economic Development (1011 Budapest, Vám utca 5-7.) as the contracting authority selected us as the successful bidder based on the best insurance premium offer in the open EU tender procedure for child and youth accident insurance for one year with a net insurance service premium of HUF 90,201,960, i.e. ninety million two hundred and one thousand nine hundred and sixty for 12 months (HUF/stock flat rate /12 months), and also the Company and EMABIT have concluded a framework agreement with MBH Duna Bank Zrt. (registered office: 9022 Győr, Árpád út

93.; company registration number: 08-10-001869 (Duna Bank)) for a fixed term until 30.06.2042. Based on the framework agreement, according to the implementation and timing of the terms and conditions set out therein, Duna Bank, as a subsidiary of MBH Bank Plc (with which CIG Pannónia Group cooperates under a long-term strategic agreement as a key element of its Growth Strategy), will distribute and sell exclusively CIG Pannónia Group products in all of its sales channels for products in the life and non-life insurance sectors.

- b. Univerzál Beszerző Kft. (registered office: 1114 Budapest, Hamzsabégyi út 37.) as the contracting authority selected us as the successful bidder in the procurement procedure I. KGFB-CASCO-CSÉB insurance procurement 2025-2026 for group life and accident insurance services with the best premium offer of a net annual premium of HUF 122,146,609, i.e. one hundred twenty-two million, one hundred forty-six thousand, six hundred and nine forints per year. Our Company was also selected as the successful bidder in the procurement procedure of II. KGFB-CASCO-CSÉB insurance procurement 2025-2026 for additional group life and accident insurance services sponsored likewise by Univerzál Beszerző Kft. for a two-year period with a net bid of HUF 192,903,037 annually, i.e. one hundred and ninety-two million, nine hundred and three thousand and thirty-seven forints per year<sup>14</sup>.

V. The specific steps of the implementation of the Growth Strategy - implemented in the year under review - were presented in the periodic report in accordance with the methodology required under the IFRS 17 regime, but also providing investors with a sufficient basis for comparison and interpretation.

VI. In parallel with the implementation of the strategy, we have started to expand the investor relations area, as a result of which starting from the first day of the last quarter, i.e. 1 October 2024, our Company' investor relations duties are - within the strengthened organisational framework of corporate governance competence - carried out under the coordination of Dr. Szulamit Sápi, the Deputy CEO also responsible for the area and an employee of CIG Pannónia Life Insurance Plc.

#### Steps following the transformation of the ownership structure

The business year of 2021 meant a change in the ownership structure and at the same time the strengthening our Company's largest owner's presence, as well as the manifestation of a stable and predictable ownership thinking. The underlying intentions of these concepts and the presence of a stable background were confirmed already in the year 2023<sup>15</sup> in the ownership activity shown during the decision-making process of the Company's Annual General Meeting, and especially in 2024, when Hungarikum Insurance Broker cPlc (registered office: 8086 Felcsút, Fő utca 65.; company registration number: 07-10-001617)

(**Broker**), declaring and confirming its previous statement that "... it intends to support the reconstruction and the recovery of CIG EMABIT, owned by CIG Life Insurance with all regulatory-conform and compliant legal means, and at the same time to mitigate the damages suffered in the Italian market", in order to ensure compliance with the provision regulations arising from the Italian cases, it provided a so-called subordinated loan credit of HUF 4,000,000,000<sup>16</sup> to the Company in order to maintain full compliance with the provisioning rules required by law and any liabilities that may arise in the future, and for the reason that, in addition to maintaining the necessary and expected solvency capital requirement, the Company can, if necessary, support EMABIT's activities with additional resources up to the amount of the reserved credit line during the availability period. Broker did not increase the number of shares it holds in the Company in the current year.

#### Assessment of the situation resulting from cross-border activities

The Boards of Directors of the CIG Pannonia Group, as already stated in the section "Presentation of our Growth Strategy, steps for reviewing the Growth Strategy", have carried out a strategic review of the Italian cases, covering both litigious and non-litigious elements, taking into account the passage of time, the progress of the proceedings previously initiated by the Group, the review of the provisioning and thus the need to make any corrections necessary.

During the review, the provisioning was also reviewed as part of the assessment of the status of litigation. 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) decided to increase EMABIT's capital by HUF 3,000,000,000, and
- (ii) on 23 December 2024 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 during the availability period up to the amount of the reserved credit line, if needed, while maintaining the necessary and expected solvency capital requirements<sup>17</sup>.

Our Company wishes to emphasize that the provisioning/availability of the above resources, based on the prudent taking of the necessary measures, fully ensures the financing of operations along the growth path, as well as the full provisioning for the Italian exposures, while ensuring the necessary, expected and safe solvency capital compliance.

14. [https://www.bet.hu/newkibdata/129171905/UniverzAl\\_Apply\\_20241217\\_EN.pdf](https://www.bet.hu/newkibdata/129171905/UniverzAl_Apply_20241217_EN.pdf)

15. [https://www.bet.hu/newkibdata/128941576/HUN\\_proportion%20of%20ownership\\_20230823\\_EN.pdf](https://www.bet.hu/newkibdata/128941576/HUN_proportion%20of%20ownership_20230823_EN.pdf)

16. At market conditions revealed by an external, BIG4 consultant

17. No funding has been drawn under the Contract described in point (ii) until the issuing of this report.

**"The business year of 2021 meant a change in the ownership structure and at the same time the strengthening our Company's largest owner's presence, as well as the manifestation of a stable and predictable ownership thinking."**

### Others

Our Insurer realizes certain life-insurance services through the activities of Pannónia PI-ETA Tribute Service Ltd., which is another 100% owned subsidiary of CIG Pannónia Life Insurance Plc. This company basically provides funeral-related services to customers who, in their life insurance contracts, applied for the services necessary for their final rest.

Also at the end of 2018, the CIG Pannónia Employee Stock Ownership Plan Organization (MRP Organization) was founded as a legal entity serving to implement the Company's remuneration guidelines. The aim is that by ensuring their interest, the employees, who are covered by the MRP and have special importance with respect to the Group's ability to generate income, contribute increasingly to the successful and effective operation of the Group. It is worth emphasizing that the Company's management - in order to achieve the growth and transparency goals- unified its remuneration system, which remuneration system is a single remuneration system consisting of three pillars, and fully taking into account the respective legislation, recommendations and supervisory practices, which includes also remuneration within the framework of the MRP Organization, also extending to the Company's subsidiaries. In our opinion and conviction, the set of rules published in full on the Company's website promote sound and effective risk management and do not encourage

risk-taking within the Company or its subsidiaries that exceed the risk exposure limits of the Company and/or its subsidiaries. The regulation further contributes to the strategy of the Company and the CIG Pannónia Group by strengthening the organization-level thinking and activities of the persons covered by each regulator by establishing an appropriate, properly structured and activity-specific system of interests -strengthening the sufficient independence of the internal lines of defense-, and encouraging work which increases the Company's performance and helps achieve the Company's set out goals.

In 2011, CIG Pannónia Life Insurance Plc. and its strategic partner Pannónia Pension Fund jointly founded Pannónia Investment Services Ltd. as a company that provides portfolio management services, primarily for institutional customers (mainly insurance companies and investment funds). In 2013, it was transformed into an investment fund manager, taking the name Pannónia CIG Fund Management and then later - after the Company's General Meeting decided on a change of the ownership structure - MKB-Pannónia Fund Management Ltd., which was created by the merger of Pannónia CIG Fund Management, an institutional asset management company, and MKB Investment Fund Management, an investment fund management company. The merger of the two fund managers belonging to the corporate group, Budapest Fund Management Ltd.<sup>18</sup> and MKB-Pannónia Fund Management Ltd., took place in accordance with Magyar Bankholding's merger schedule on 31 August 2022. The company formed by the merger of MKB-Pannónia Fund Management and Budapest Fund Management carried out their activities under the name MKB Fund Management Ltd., and operates from 1 May 2023 as MBH Fund Management Ltd. At the merged fund manager - in which, instead of the previous 16%, the ownership ratio of our company changed to 7.67% due to the merger - the size of the managed assets reaches almost HUF 1,200 billion - of which nearly HUF 700 billion are assets managed in investment funds, and HUF 500 billion are related to asset management for institutional clients (pension funds, insurance companies).



<sup>18</sup>. Budapest Fund Management Ltd. was founded in 1992 as a wholly owned subsidiary of Budapest Bank, a member of the Budapest Bank Group, and has been present in the Czech Republic as well since 2007. In the two decades following its formation, the company has become one of the leading asset management companies in the Hungarian market. We launched our first derivative guaranteed fund in June 2004. In addition to the "traditional" investment funds, Budapest Fund Management has also developed a modern and even globally unique product. The Budapest Investment Card combines the best features of an investment fund and a bank card.

# INFORMATION FOR SHAREHOLDERS

<b>Registering authority:</b>	Budapest Metropolitan Court as Court of Registration
<b>Registration number:</b>	01-10-045857
<b>Tax number:</b>	14153730-4-44
<b>Registered address:</b>	1097 Budapest, Könyves Kálmán krt. 11, Building B
<b>Mailing address:</b>	1476 Budapest, Pf.: 325
<b>E-mail address:</b>	info@cig.eu
<b>Fax number:</b>	+36 1 247 2021

## Investor relations contact:

**Szulamit Sári dr.**<sup>19</sup>  
(investor.relations@cig.eu)  
+36 70 372 5138)

## Personally responsible auditor:

**Molnár Andrea Kinga**  
(address: 2096 Üröm,  
Kormorán u. 16/B;  
mother's name: Dr. Mária Ibolya  
Kovács; Chamber registration  
number: 007145)

## Auditor:

**FORVIS MAZARS Könyvszakértő  
és Tanácsadói Kft.**  
(registered address:  
1139 Budapest, Fiastyúk utca 4., 2. em;  
company registration  
number: 01-09-078412;  
tax number: 10618684-2-43;  
Chamber ID: 000220)

## SHARE REGISTER

As of November 1, 2010, the Central Securities Depository Private Limited Company (KELER Zrt.) will perform the share register management tasks of the Company (Company registration number: 01-10-042346, Registered office: 1074 Budapest, Rákóczi út 70-72.).

## SHAREHOLDER STRUCTURE

### SHAREHOLDERS WITH AN OWNERSHIP EXCEEDING 5% IN THE TRADED SERIES<sup>20</sup> (2024)

Name	Ownership (%)	Number of shares
Hungarikum Insurance Broker Ltd.	58.73	55,460,487
Free float: 41,27%		

Note: When determining free float, shareholders owning 5% or more of the entire securities portfolio were disregarded, as well as the part of the securities portfolio held by fund managers of which it can be ascertained on the basis of an available certificate issued by the fund manager that the relevant person holds a quantity of securities constituting 5% or more of the entire securities portfolio.

PRODUCT FEATURES	
Share type:	Ordinary share
Security type:	Registered
Creation of the securities:	Dematerialized
ISIN code:	HU0000180112
Ticker:	CIGPANNONIA
Face value:	HUF 33
Quantity admitted to trading (pcs):	94,428,260
Stock exchange category:	Prémium

## CALENDAR OF CORPORATE EVENTS FOR THE YEAR 2025<sup>21</sup>

DATE OF EVENT	EVENT
28 February 2025	Annual report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q4 2024
18 March 2025	Publication of the General Meeting's (Invitation) notice
27 March 2025	Proposals related to the agenda items of the Annual General Meeting of CIG Pannónia Life Insurance Plc. to be held on 17 April 2025
17 April 2025	Annual General Meeting, publishing of full documentation Publication of the CIG Pannónia Plc Group Sustainability Report
30 May 2025	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1 2025
29 August 2025	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q2 2025
29 November 2025	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q3 2025

<sup>20</sup> [https://www.bet.hu/newkibdata/128941576/HUN\\_proportion%20of%20ownership\\_20230823\\_EN.pdf](https://www.bet.hu/newkibdata/128941576/HUN_proportion%20of%20ownership_20230823_EN.pdf)  
<sup>21</sup> [https://www.bet.hu/newkibdata/129178188/CIG\\_2025\\_calendar.pdf](https://www.bet.hu/newkibdata/129178188/CIG_2025_calendar.pdf)

The Company published the Company Event Calendar for 2024 on 29 December 2023 in the official publication places, while the Company Event Calendar for 2025 was published on 31 December 2024.



## PRESENCE ON THE REGULATED MARKET

Our Company's listing on the stock exchange is an important element of our strategy, in which the creation of shareholder value and the profitability aspects of our dynamic expansion play a key role, alongside and as the basis of our dividend payment targets. For these reasons, it is important to see and understand our position in the capital markets at national, regional and sectoral level.

## GENERAL OVERVIEW OF THE DOMESTIC STOCK MARKET IN 2024

Performance of major domestic stocks and stock indices, 2024



Last year, the BUX was among the best performing indices in the world, with growth of over 90 percent in forint, and the equity and corporate bond markets have both increased several times in size over the past few years, but the share of domestic institutional investors, though not significantly, has continued to decline,

Looking at domestic stock markets, turnover increased by 24.5 percent to HUF 11.8 billion a day in the year under review, with the share of domestic investors at 22 percent, slightly below the 2023 level. We see that in terms of valuation the Hungarian market is still historically one of the "cheaper" markets, which is worth comparing with the Romanian market, where valuations have risen above the 10-year average, and can therefore no longer be considered a cheap equity market. This undervaluation also played a role in the trend of domestic stock price strengthening in 2024, in addition to the significantly improving fundamentals for issuers in general (for example, the acquisitions of 4iG Plc,

which led to a significant consolidation in the Hungarian telecom market). As last year, Magyar Telekom performed exceptionally well, doubling again in 2024. It is apparent behind this performance, that investors are increasingly looking at it as a real asset. In our view, OTP has successfully managed to decouple itself from the impact of Hungarian regulation, which is strongly reflected in its share price as well, which rose by 41.5%, a spectacular increase among blue-chips. Richter's 24.5% rise was supported by the substantial weakening of the forint, while MOL was essentially flat in 2024, excluding dividends paid.



**"Last year, the BUX was among the best performing indices in the world..."**

**"the Hungarian market is still historically one of the "cheaper" markets"**

## SECTORAL OUTLOOK – OUR POSITION WITHIN THE SECTOR

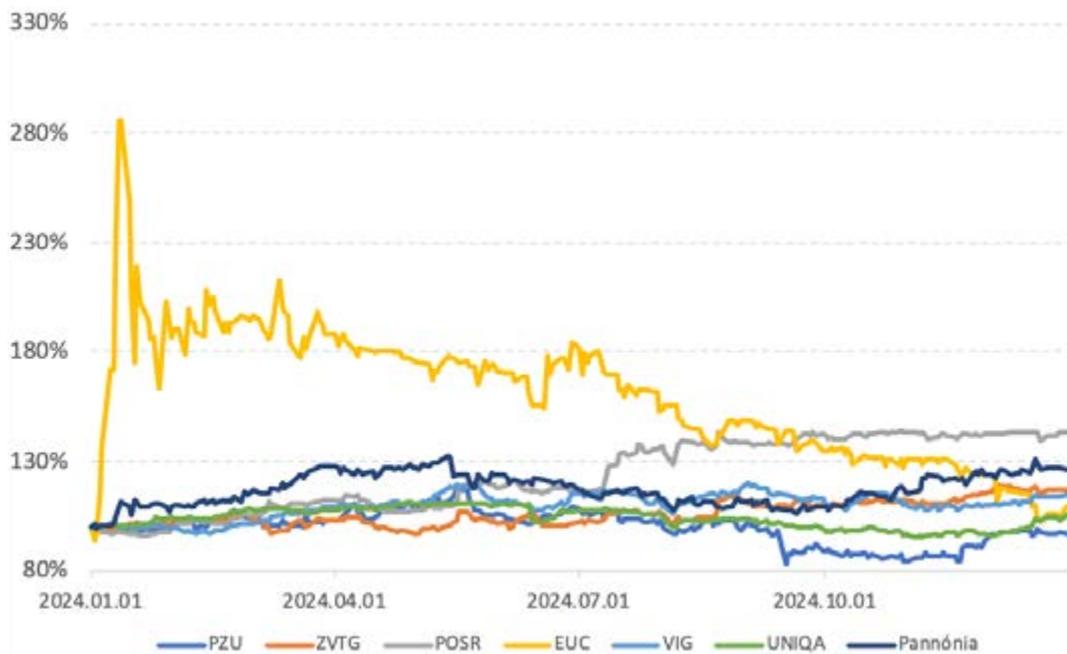
By 2024, the stock market valuation of the region's insurers has gradually improved to above book value (P/BV above 1x), and is also on a gradually rising trajectory (P/E ratio of 8-10x) relative to annual expected after-tax profits. Despite the changing regulatory environment and uncertain macroeconomic trends, CIG Pannónia's share price is relatively high compared to its regional peers, reflecting the Company's relatively faster growth potential and pace (especially in the non-life business) and the continued investor trust in its shares.

Based on the share price and total shareholder return of European insurance companies in the regulated market, CIG Pannónia Plc was among the top European insurance companies based on its stock market performance last year, despite the fact that the domestic insurance sector continued to face a number of regulatory challenges that significantly impacted the profitability of domestic insurers. CIG Pannónia

Plc's share price rose by 26.2 percent in HUF and 17.3 percent in EUR last year, while taking into account the impact of the dividend payment after 2023, the total shareholder return was close to 38 percent in HUF and even 28 percent in EUR.

**With this performance, the return on our company's shares far exceeded the total annual return on the shares of our main competitors in the domestic market, and significantly outperformed the annual return of the ETF tracking the SXIP Index of almost 23 percent (SXIPEX GY Equity), which covers the entire European insurance market.** Although the necessity to set aside reserves for cross-border claims relating to the Italian suretyship business, which is no longer ongoing, may temporarily cast a shadow over the performance of our shares on the stock exchange, we expect that this year their appreciation on the Budapest Stock Exchange will continue and that they will maintain their hereby presented prominent position in an international comparison as well.

**Share prices of CIG PANNONIA and insurance companies in Central and Eastern Europe**



PZU PW Equity: POWSZECHNY ZAKLAD UBEZPIECZE	EUC PW Equity: EUKO SA
ZVTG SV Equity: ZAVAROVALNICA TRIGLAV DD	VIG AV Equity: VIENNA INSURANCE GROUP AG
POSR SV Equity: POZAVAROVALNICA SAVA DD	UNIQA AV Equity: UNIQA INSURANCE GROUP AG
PANNONIA HB Equity: CIG PANNONIA LIFE INSURANCE-A	

## ABOUT US

Our expectation - also published in the previous year, but already projected in our 2022 report - has been confirmed, that in 2024 we will continue to achieve share price levels reflecting even better on our performance on the Budapest Stock Exchange, which performance became visible and calculable through our strategy in 2023, also in an international comparison.

We are convinced that the performance of our shares on the stock market is beyond the increased investor interest in Hungarian assets – which is, however, still below our expectations for our own shares – the result of a number of consistent and forward-looking business policy actions taken by our company in recent years to improve profitability and capital position. The beneficial impact of these strategic measures was clearly reflected in last year's spectacular improvement in our result when cleaned off of the sector-specific taxes and the temporary impact of the so-called Italian cases, and in the growth of our market share, which by today is an apparent trend also in the non-life insurance business line. We believe that the hectic regulatory environment, which still cannot be

modelled, and the negative impact of special taxes resulting from "transitional" regulations can also affect our ability to pay dividends, and thus also leave a mark on our share price, which therefore, in our view, did not fully reflect in 2024 the growth potential that - we believe - is implied by our medium-term comprehensive strategic plan, which is currently under renewal, and our achieved and published results during the year.

This growth potential remains, in the management's view, despite the fact that our efforts to close the Italian cases that have arisen in the past and are being managed by the current management of the CIG Pannónia Group, have entered a new phase from the second half of 2024, during which the inevitable steps to ensure compliance with the provisioning rules and to close the cases have been taken<sup>22</sup>. It is important to underline, however, that our previously announced and currently reviewed **Growth Strategy cannot be backed up and our predictable dividend policy cannot be continued without settling this past situation.** Our market strength and our performance and numbers, as described in this Report, served as a basis for this.

### CIG Pannonia share price and turnover 2024



**"Growth Strategy cannot be backed up and our predictable dividend policy cannot be continued without settling this past situation."**



“the result of a number of consistent and forward-looking business policy actions taken by our company in recent years to improve profitability and capital position.”



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“The aim therefore remains to consistently implement our strategy for meaningful corporate and group growth, while fully reviewing it.”

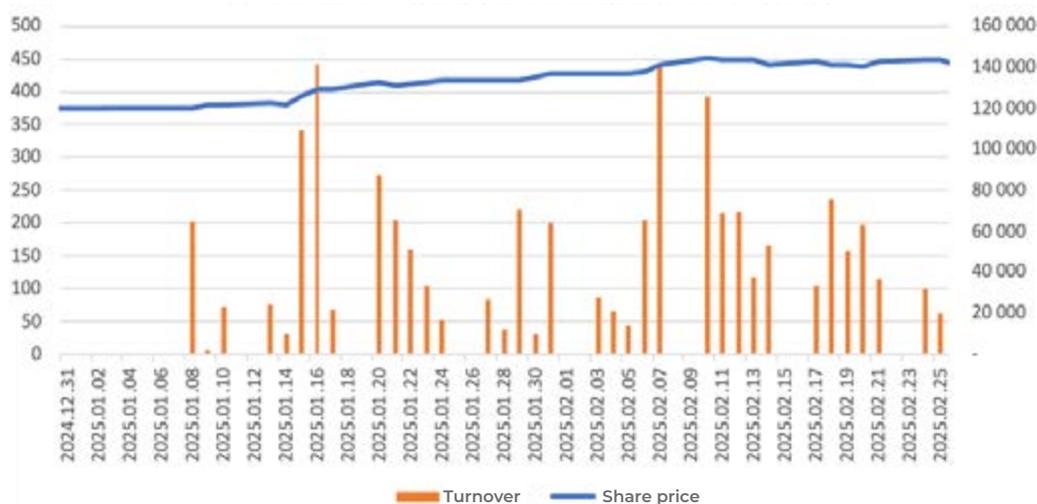
Our assessment continues to be, that the increase in the value of our shares in 2024 was largely driven by our stable ownership, our predictable conservative dividend policy that promotes shareholder value creation, our transparent operation and consistent communication with the capital markets, including the preparation of our interim and annual financial statements in accordance with International Financial Reporting Standards (IFRS 17), mandatory since 2023, which provide retrospective and comparative information.

**Our dividend policy has not changed.** For this year, despite the results for the past year, the Company's management does not / did not propose to pay a dividend, which is justified by the necessity to resolve the past situation as soon as possible (by this we mean the prudent decision that ensures safety for all circumstances and is best suited to the long-term objectives of shareholders), but which does not represent a change of strategy. The aim therefore remains to consistently implement our strategy for meaningful corporate and group growth, while fully reviewing it. Within this, among others, the profitable operation following the successful rebuilding of the property insurance (non-life) sales and business in the Hungarian market, the change of the personal insurance sales

product mix, the continuous correction of the core sales figures, the continuous development of sales channels, and the conscious expansion of the existing sales capacity are all important aspects, which, of course, require the creation of resources commensurate with the task and the internal financing of the tasks, not least reflecting on creating a safe level of medium- and long-term reserves required for dynamic growth. Our Company is now able to demonstrate that it has taken substantial steps – traceable for years - towards the full achievement of the outlined objectives and is therefore progressing in line with the Growth Strategy<sup>23</sup> announced on 19 July 2021.

## SHARE PRICE PERFORMANCE TO DATE IN 2025 AND FUTURE (EXTERNAL) FUNDAMENTAL EXPECTATIONS THAT COULD AFFECT THE SHARE PRICE

CIG Pannonia share price and turnover until 25.02.2025



The results achieved by the Company in 2024 and the steps taken so far in 2025 confirm that the path we have embarked on is the right one, but it is important to see and to show, that the resolution of the risks inherent in the Italian cases of the past and the steps to be taken to achieve this (in particular the adjustment of the provisioning to the risks as required by accounting rules and the need to ensure the continued levels of solvency capital required for safe operation) are at the same time a guarantee in the medium and long term of the full realisation of the above-mentioned owner (shareholder) interest. It should therefore be stressed that the Company's management, in line with the above predictable dividend policy, has taken and will continue to take steps to ensure that any circumstances that hinder the achievement and consistent implementation of the above objectives are eliminated.

It is necessary to underline here that independent analyses of our company in 2024 have also indicated that CIG Pannónia Life Insurance Plc is financially stable, with a reassuringly high capital adequacy ratio, even after the necessary and, in our view, sufficient provisions.

Looking at our company's share price movements and turnover data so far in 2025, we see even more support for what we have presented above in relation to 2024<sup>24</sup>.

**"the resolution of the risks inherent in the Italian cases of the past and the steps to be taken to achieve this are at the same time a guarantee in the medium and long term of the full realisation of the above-mentioned owner (shareholder) interest"**

<sup>24</sup>. In order to ensure the completeness of the independent analyses, as no price quotations were provided in 2024, and as the service provider that has been providing this service until now does not wish to continue this activity in 2025, our company has proposed to conclude an agreement with a new analyst company.

## (EXTERNAL) FUNDAMENTAL EXPECTATIONS THAT CAN INFLUENCE THE FUTURE PRICE OF OUR SHARES

It is also important to present the factors that temper the optimistic outlook for our capital market expectations, based on the forward-looking internal processes of our Company. This includes the risk of regulatory burdens and macroeconomic developments affecting the insurance sector, which may affect the developments of profitability and the penetration of insurance products in unexpected ways. There are also risk factors whose impact cannot be modelled yet / is difficult to model. We consider below areas as a risk and/or a difficult to assess:

- » rising interest rates and yields, as inflation rebounds, should in principle be supportive of future investment outcomes in the medium term, but may dampen economic activity and hence income generation;
- » the pricing of insurance products will follow inflation, albeit with a lag, but the increase in the pricing of insurance services will inevitably be constrained over time as pricing competition between market players intensifies;
- » in 2024, the premium income of Hungarian insurers increased by 12.4% thanks to inflation indexation, but this year it is expected to increase by only a single digit, according to MABISZ' expectations, thus in real terms last year's premium income is on about the same level as in 2005 and 2019, i.e. still well below the 2007 peak, with premium income currently totalling at 2% of the GDP, compared to around 3.7% in 2007 (penetration is low in international in life insurance in particular comparison);
- » the number of policies managed by insurers is close to 14 million, after a 3% increase last year, but the number of policies per capita (1.56) is still considered to be very low. Hungary ranks in the lower half of the EU average in this respect, not only because of the lesser number of insurances but also because of their declining real value, and although there is a high growth potential at hand in all segments, the tax burden on insurers makes it particularly advisable to be cautious about expectations;
- » the level of employment, rising real wages, consumption growth, tourism boom, credit turnaround, booms in housing, the car market and the construction industry are expected to have a positive impact on the outlook for the insurance sector, but it should be considered a warning sign, that while the Hungarian population has one of the highest savings rates in the EU, insurance reserves are among the lowest and represent a declining share of household financial assets (while the steady decline in technical provisions in recent years has stopped and the stock of provisions has not declined in nominal terms, their real value is at 2017 levels, and their share within the household financial assets has fallen by a third in 10 years);
- » the demand for insurance products is mostly inelastic, i.e. cycle-independent, and the insurance sector is one of the most resilient sectors to changes in the macroeconomic environment, however, there is still a high degree of uncertainty surrounding the economic outlook for this year and, indirectly, the development potential of the insurance market, given the rising geopolitical tensions, the unfolding global tariff war, the acceleration of de-globalisation, rising inflation and interest rate trajectories, weaker external demand for domestic goods, deteriorating fiscal balances, and the evolution of domestic income and savings;
- » although the domestic demographic trends are far from reassuring, the number of pension insurance policies is growing dynamically (more, than 500,000 such policies exist now, two and a half times more than in 2016, and awareness of pension insurance products among savers is high at 57.9%, ahead of which only government bonds are, the number of policies rises by more than 30 thousand annually), at the same time in the case of domestic insurance penetration a slight attrition is seen and remains low in European comparison (in 2024, MABISZ-affiliated insurers achieved a total premium income of HUF 1,777 billion, representing a 12.4% market size increase compared to the previous year);
- » home insurance concentration is high (market share of the top 5 insurers in this segment is above 87%), penetration of home insurance is stable at 73-74%, the stock of qualified consumer-friendly home insurances (MFO) is growing rapidly (their number is now over 90,000), accounting for 2.7% of the stock, the market for business property insurance and credit coverage insurance is expected to continue its dynamic growth, as is that of the adoption of EU compulsory motor liability insurance rules and the rise of e-commerce;
- » insurers are preparing for the MNB's "Etikus 2.0" regulation, the elements of which will enter into force in two phases, i.e. from 1 July 2025 and 1 January 2026, respectively, with three new elements - the TKM regulation, the unit-linked recommendation and the POG recommendation - to promote the spread of life insurances with transparent cost-benefit (return and yield) value propositions, prevent mis-selling, create quality customer relationships, comply with conflict of interest rules, promote transparency and increase penetration, the impact of which cannot yet be fully modelled;

» it is still uncertain whether the extra profit tax on insurers will remain in force next year, but it is likely that the insurance sector will remain a significant buyer of Hungarian government securities this year, given that insurers can reduce their extra profit tax burden by 100% for life insurance and 40% for non-life insurance through their purchases of government securities, and that the measure also has a competitive effect (small and very large insurers are disadvantaged, while medium-sized insurers benefit from a tax burden linked to the evolution of the stock of government securities). Thanks to the government securities purchases, the extra profit tax liability of insurers may be halved in 2025, and the sector may pay HUF 64 billion this year, compared to HUF 102 billion last year. However, the "traditional" insurance tax is expected to be around HUF 152 billion, compared to HUF 138 billion last year. Therefore the total sum of the insurance surtax and insurance tax paid may fall from 13.9 percent to 11.2 percent of the total premium income;

» in our view - and understanding the state demand for it, but nonetheless - the insurance extra profit taxes also have a market distorting effect. As domestic insurers are under pressure from high taxes, trying to index the price of their products, compulsory and "head-heavy" products have spread in the Hungarian insurance market, while casco penetration decreased and single-premium life insurances have declined. The extra profit tax favours cross-border services, puts foreign market players in a good position (foreign service providers have a tax advantage due to the lower tax rate), cross-border insurances gain ground at the expense of domestic ones, which may inevitably lead to the disappearance, pricing out of certain policies and products from the market.

## OUR CAPITAL MARKET COMMUNICATION AS A TOOL TO HELP US ACHIEVE OUR GOALS

Already in 2021 our Company was committed to providing its shareholders and potential investors with a predictable vision as a stock market player, so that the short- and medium-term tasks ahead of us and our responses to those tasks form a unified system outlining our vision of a predictable growth trajectory for our investment environment. This vision was embodied in our Growth Strategy and served, we hope, as a guide for our investors throughout 2024 as well in assessing the performance of each of our regular and extraordinary briefings.

In our assessment, the measurable steps we have taken in 2021 and built upon in 2022, 2023 and 2024, documented in their process and communicated in a transparent manner (including the informative manner of our quarterly reports as well) – which ensuring a proper comparison reveal, that we have put the CIG Pannonia Group on a growth path, along which growth path the proper handling of the Italian cases is ensured as well – continue to underpin our belief and conviction that as a domestic insurance company present on the domestic regulated market, our growth turnaround is lasting and successful.

We believe that for an objective assessment of the share price, in order to provide investors with good quality regular information and valuations on a company issuing shares, objective communication is not only required from the Company, but it is also important that investment service providers or analysts provide independent analysis helping investors/potential investors, and we are thus committed to publishing independent analysis of our company as part of the Budapest Stock Exchange's market development program, backed by our Company's periodic reports. The analyses, prepared and published in English, are available both on the BSE website<sup>25</sup> and so far (in 2024) through the investment service providers that produced them.



**“Already in 2021  
our Company was  
committed to providing  
its shareholders and  
potential investors with a  
predictable vision as  
a stock market  
player”**

**DUE THE COMPANY'S PRESENCE ON THE CAPITAL MARKET THE BOARD OF DIRECTORS SIMILARLY AND CONSISTENTLY TO LAST YEAR HIGHLIGHTS**

1

the transparency of the strong and stable ownership background, which is ensured for investors through the influence of a direct, decisive and professionally based domestic owner and its declared conservative investment policy,

4

the presence of the public shareholding, which is the basis for sufficient liquidity and shareholder control, as well as the guarantee of the long-term presence on the regulated market.

2

the direct intention of the Company's dominant owner to promote growth, which is prudent and organic, and, consequently, built upon a predictable dividend policy, while utmost ensuring the independence of management,

3

the proportionate, well-thought-through and consistent human resource management, which in 2024 also provided the opportunity to implement each step of the Growth Strategy as a listed company, taking the interests of shareholders into account, while ensuring cost-effectiveness and strict management rules, and

**In our view, all of this may still materialize at price levels above the current stock prices, where we see the possibility of these higher exchange rates as given, when modelling our operation. To this end, the Company has taken and continues to take steps to improve its reporting system to ensure an increasingly comprehensive and transparent measurement.**



## ENSURING ESG COMPLIANCE WITHIN THE FRAMEWORK OF THE STRATEGY

As a listed company, our Company intends to build on the benefits of the regulated market presence in connection with the spread of the ESG approach and the HSFA expectations (Green Recommendation<sup>26</sup>) building upon it. We believe that the so-called green shift in the insurance sector, the identification of environmental risks and the focus on digitalisation are not only affecting the day-to-day operations of the insurance sector, but also have an increasingly significant impact on the undertaken investment activities. For all these reasons, the renewal of our product range in this direction is not only important for the sustainable operation but also influences the Company's stock market image. Ensuring compliance with the ESG framework progresses on two parallel but interlinked tracks.

On the one hand, in the course of the Growth Strategy review, the Company will incorporate into its business model the climate change and environmental risks and opportunities arising from its operations. It analyses climate change and environmental risks that could potentially affect the effectiveness of the insurer's existing and future strategies and the resilience of the business model. This work will identify the short, medium and long-term risks and opportunities arising from climate change and

environmental deterioration in the business environment, taking into account the materiality principle.

On the other hand, both from a regulated market presence and from an insurance perspective, the progress steps along the ESG's complex requirement system are managed at project level, which are manifested in a separate annual sustainability report concerning the same time period, and in the presentation of the objectives set for the long-term<sup>27</sup>. In 2024, we made significant progress towards achieving our sustainability goals. Thus, the relevant expectations and their monitoring system have been incorporated into our internal policies and guidelines, and our organisational structure has been complemented with an ESG unit, whose tasks and responsibilities are set out in our Organisational and Operational Rules, to ensure the integration of ESG aspects into our corporate governance and decision-making processes. These measures have brought our operations even closer in line with the sustainability requirements and the expectations set out in the Green Recommendation, ensuring that ESG considerations are strategically important in our company's long-term operations and decision-making processes

## ENSURING DORA COMPLIANCE

To comply with the EU Digital Operational Resilience Act (DORA)<sup>28</sup>, our Company has taken a number of important steps in 2024 to ensure digital operational resilience. As part of this, we have updated our internal policies and procedures and introduced new policies to bring them in line with cyber security requirements and new legislation on the security of financial systems. In line

with the requirements of the Act, we aim to strengthen the Company's risk management and IT infrastructure and to further complete the internal control mechanisms to ensure continued operational resilience. Through these measures, the Company is committed to effectively manage digital risks and maintain financial stability.

## REVIEW OF THE STRATEGY

During the period under review, as part of an internal project and using internal resources, the Company started the review of the Growth Strategy announced earlier on 19 July 2021, as a result of which through defining both short-term and long-term strategic focus areas the compliance of the Company's unified strategy, including development directions and objectives, and narrowed

down to organic growth objectives, with the changed regulatory requirements will also be ensured. This includes, in particular, the integration of the ESG focus into the strategy as well as the review and possible necessary adjustment of the business focus areas that ensure the growth path.

26. Recommendation No. 12/2023 (XI.27.) of the Magyar Nemzeti Bank (HFS) on climate change and environmental risks and the integration of environmental sustainability aspects in the activities of insurance companies (<https://www.mnb.hu/letoltes/12-20123-biztositoi-zold-ajanlas.pdf>)

27. The Sustainability report is an unrestricted public document, not yet integrated with the financial report at this stage, but published in accordance with specific market standards at the same time as the financial report, on material information of non-financial performance, including various Environmental, Social and Governance aspects.

28. Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011



## DISCLOSURE INFORMATION

We continuously have and will inform the shareholders and all interested parties about the events and measures affecting the Group on the website of the Budapest Stock Exchange <https://bet.hu> (list of issuers, under the heading CIG Pannónia Plc. Publications), on the website <https://kozvetetelek.mnb.hu> and on the website of the Company: <https://www.cigpannonia.hu>. Starting 20 March 2023, the Stock Exchange contact person was Gábor Dakó dr., Deputy CEO of the Company, responsible also for this area, which tasks will be carried out from 1 October 2024 - within the strengthened organisational framework of corporate governance competence and as a result of its further expansion - under the coordination of Szulamit Sápi dr., Deputy CEO of the Company responsible also for this area as an employee of the Company.<sup>29</sup>

### Company's investor contact in the 2024 business year until 1 October 2024:

Name:	Gábor Dakó dr., Investor Contact Person, Deputy CEO for Corporate Governance and Prudential Compliance
E-mail:	<a href="mailto:investor.relations@cig.eu">investor.relations@cig.eu</a>
Phone:	+36 70 372 5138

### Company's investor contact from 1 October 2024:

Name:	Szulamit Sápi dr., Investor Contact Person, Corporate Governance Manager
E-mail:	<a href="mailto:investor.relations@cig.eu">investor.relations@cig.eu</a>
Phone:	+36 70 372 5138

<sup>29</sup> [https://www.bet.hu/newkibdata/129133481/CIG\\_IR\\_contact\\_20241001\\_en.pdf](https://www.bet.hu/newkibdata/129133481/CIG_IR_contact_20241001_en.pdf)

# CORPORATE GOVERNANCE

## Members of the Board of Directors in 2024 were:



Dr. István Fedák received an MBA in foreign trade in Economics from the Budapest University of Economics in 1998 and a law degree from the Pázmány Péter Catholic University, Faculty of Law and Political Sciences in 2002. He is a Certified Public Accountant. He started his career as a risk manager at Creditanstalt Rt, then became a business development manager at Magyar Factor Rt., before becoming the company's CRO. After completing his law degree, he joined Fedák Law Office, later MFB Development Bank. Between 2008 and 2015, he held financial and executive positions at companies of the OT INDUSTRIES Group. After that, he was the managing director of Eurobond Kft. for one year. Starting in 2016 he was financial and legal deputy CEO of Keszthelyi Holding Ltd., from 2017 to 2020, he was also Managing Director of Agenta Consulting Ltd. Since 16 January 2023 he is CEO of the Company and of EMABIT: He is proficient in English and German.

Areas of competence:	insurance and financial markets, business strategy and business modeling, governance system, regulatory requirements
Expiration of mandate as a member of the Board of Directors:	19.04.2027



Dr. Péter Bogdánffy graduated from the Faculty of Law and Political Sciences at the Attila József University in Szeged. In parallel, he completed German and European business law training at the University of Potsdam. He received a Master of Business Administration degree in 2014 at CEU Business School New York's university in Budapest. He began his professional career as a lawyer at Noerr Law Firm in 2000 and then worked as a colleague of Faludi Wolf Theiss Law Firm. Between 2008 and 2011 he was a member of the Board of Directors of Siemens cPlc.; in addition, as senior lawyer, he directed all legal activities Siemens' companies in Hungary. Starting in 2011, he was member of the Board of Directors and deputy CEO of BROKERNET Investment Holding cPlc., starting in 2012 he was chairman of the Board of Directors of BROKERNET Investment Holding cPlc. and member of the Supervisory Board of Quantis Alpha cPlc. From 2013 to 2015 he was a member of the Supervisory Board of CIG Pannónia Life Insurance Plc., following which he acted as a self-employed management consultant, and from May 2016 as a lawyer. Since February 2019 he has been a member of the Supervisory Board of Keszthelyi Holding cPlc., later member of the Board of HUNFedezetkezelő cPlc. In addition to his law degree and his professional qualification in law, he speaks German as a mother-tongue, and is proficient in English. He is a member of the Budapest Bar Association and the Hungarian Corporate Compliance Association.

Areas of competence:	insurance and financial markets, business strategy and business modeling, governance system, regulatory requirements
Expiration of mandate as a member of the Board of Directors:	19.04.2027



Dr. Gábor Miklós Dakó obtained his diploma in 1998 at the Janus Pannonius University Faculty of Public Science and Law, and then broadened his knowledge through brokerage training and corporate law training. He has a professional qualification in law. He started his professional career in 1998 at the State Supervisory Authority of Money and Capital Markets (ÁPTF), then at a law firm specializing in capital market transactions, and later at the Hungarian Financial Supervisory Authority/Hungarian National Bank, where he held positions of legal advisor, deputy head of department, then head of department and director in different areas, i.e. capital markets, authorization and market supervision. From 2018, he is a lawyer specializing in the capital market at Kertész és Társai Law Office, then from 2019 he is the deputy CEO responsible for corporate governance at OPUS GLOBAL Plc. He is co-author of the book "Major Commentary on the Law on Investment Enterprises", as well as author of numerous essays on the capital market, and member of educational, capital market and issuer professional committees. He has knowledge of the English language.

Member of the Board of Directors of CIG Pannónia Life Insurer Plc. and CIG Pannónia First Hungarian General Insurance cPlc. from 10 August 2023 until 2 February 2024<sup>30</sup>. Zsuzsanna Ódorné Angyal graduated from the University of Agricultural Sciences in Gödöllő as an economist with a specialisation in finance and accounting and with a qualification as a certified public accountant, and then graduated as an engineering teacher. At Szent István University, she expanded her professional knowledge with postgraduate studies at faculty of Agricultural Experts of the European Union. She also has the qualifications as a tax consultant, payroll administrator, social security administrator and internal auditor. She started her professional career in small businesses, then from 2009 she first managed the direct relations of the subsidiaries of OPUS GLOBAL Plc. and then coordinated and supervised the activities of the economic and management (finance, accounting, controlling) and the compliance area. From 2017 for two years she was the CEO of OPUS GLOBAL Plc., then until 31 December 2022, as the company's operational Deputy CEO, she coordinated the day-to-day operations, overall management, consolidation and preparation of the financial statements of the Group. She speaks English and German.

Areas of competence:	financial and equity markets, IR, business and investment strategy and business modeling, governance system design and operation, regulatory framework and requirements, compliance, ESG
Expiration of mandate as a member of the Board of Directors:	19.04.2027

Areas of competence:	financial and equity markets, business strategy and business modeling, governance system design and operation, financial analysis, regulatory framework and requirements
Date of her resignation as a member of the Board of Directors:	02.02.2024

30. [https://bet.hu/site/newkib/hu/2024.02./RENDKIVULI\\_TAJEKOZTATAS\\_vezeto\\_allasu\\_szemely\\_lemondasrol\\_129014195](https://bet.hu/site/newkib/hu/2024.02./RENDKIVULI_TAJEKOZTATAS_vezeto_allasu_szemely_lemondasrol_129014195)

### Members of the Supervisory Board:



**Erika Vada**

member of the Supervisory Board



**János Tima**

member of the Supervisory Board, chair of the Supervisory Board

Erika Vada is an economist, certified public accountant and tax consultant. Her audit qualifications cover the areas of budget, IFRS, issuance, financial institutions and investment companies. She started her professional career at Taurus as an economist, then continued as a senior employee of the APEH. She held the positions of team leader, head of department and managing director at the Ministry of Finance's Compensation Office and ÁPV Rt. She is the majority owner and managing director of PRIM-AUDIT 2005 Kft. During her career, she holds elected positions in the supervisory boards of several large companies (Kisalföld Volán Rt., Volánbusz Rt., Bábolna Rt.). Since 2015, she has been a member of the National Board of the Hungarian Chamber of Auditors. She has numerous publications on taxation and accounting. She speaks English. Her areas of competence include insurance and financial markets, business strategy and business modeling, governance systems, financial and actuarial analysis, regulatory frameworks and requirements.

Areas of competence:	insurance and financial markets, business strategy and business modeling, governance system, financial and actuarial analysis, regulatory framework and requirements
Expiration of mandate as a member of the Supervisory Board:	11.08.2028

János Tima, member of the Supervisory Board and its chair since 17 June 2019, worked in the financial field in a senior positions from 2005 to 2017 at Provident cPlc., Budapest Bank Plc. and FHB Kereskedelmi Bank cPlc. Between 2013 and 2017, he was the financial director of Mészáros és Mészáros Ltd. He is currently a member of the Board of Directors of TV2 cPlc. and chairman of the Board of Directors at Media Vivantis Ltd., concurrently managing director of B+T Management Ltd., BussinesHelp Ltd., Oktatech Nonprofit Ltd., Pro-Kvóta 2044 Non-profit ltd. and AV Progress Ltd., furthermore he is CEO of Magyar Broadcasting Co. cPlc. He is member of the supervisory boards of Veszprém Handball cPlc., OPUS GLOBAL Plc., V-Híd cPlc. and Diósgyőr FC Ltd. He is chairman of the supervisory boards of HUNGUEST Hotels cPlc. and IKO HOLDING Ltd.

Areas of competence:	business strategy and business modeling, governance system
Expiration of mandate as a member of the Supervisory Board:	19.04.2027



**Ildikó Ginzer**

is a member of the Supervisory Board (since 5 May 2022).

In 2005, Ildikó Ginzer graduated from the Faculty of Economics of the Corvinus University of Budapest, Department of Business Administration, and obtained the qualification of an economist and certified economist teacher with an excellent grading. She deepened her professional knowledge abroad in France in the fields of strategic management, corporate finance and valuation, and later completed the SEED School For Educations and Executive Development International Leadership Program. She started her professional career in 2004 at Raiffeisen Bank, where she worked in various management positions, and in 2016 she successfully applied for the position of Deputy CEO for Risk Management at MKB Bank Plc., where her task was to manage the bank's risk management and debt collection area, she was directly responsible for the development of the risk strategy at the bank group level, the operation of valuation systems and

appointed Deputy CEO for Commercial Operation of MKB Bank, where her task became to coordinate all of the bank's business (retail, corporate, small business, private bank) and financial and capital market areas.

Currently, she holds the position of Deputy CEO Responsible for Standard Affairs at Magyar Bankholding cPlc., in which she manages the retail, micro and small business areas of the bank at the holding level. She is also a member of the Board of Directors of Euroleasing Real Estate cPlc., MBH Mortgage Bank Plc., Budapest Leasing cPlc., Fundamenta Lakáskassza cPlc. and MBH Investment Bank cPlc., and Chairman of the Supervisory Board of MBH Investment Fund Management cPlc. She is proficient in English and has basic German and French language skills. Since 5 May 2022 she is independent member of the Company's Supervisory Board.

Areas of competence:	financial and equity markets, IR, business and investment strategy and business modelling, governance system design and operation, regulatory framework and requirements, compliance
Expiration of mandate as a member of the Supervisory Board:	19.04.2027

# LIFE INSURANCE PRODUCTS

Our state-of-the-art, individual and grouped products, and the flexible services offered therein provide safe and personalized solutions for the needs arising from the various situations in life. Our product range includes life and pension insurances both with investment and insurance risk components, with one-time or regular premiums, which offer guaranteed returns or the follow customers' investment decisions, as well as accident and sickness insurance.

## 1. Pension insurances

Our pension insurances comply in all respects with the Magyar Nemzeti Bank's 1/2017 (I.12.) recommendations on pension insurances, and tax allowances are available for the payments made for these products.

### **Pannónia Pension Policy<sup>E</sup>**

To create financial security for the years of retirement, this product offers investments from a 7-year period and is linked to an investment unit with regular premium payment. The client choosing the scheme decides upon the placement of the capital in investment structures (asset funds) with different performance potentials, taking the investment risk in order to achieve the desired goal. The accumulated investments can be increased in addition with occasional payments. Customers who hold on to their long-term objectives are rewarded with a loyalty bonus.

### **Pannónia Klikk Pension Insurance**

This product is designed to serve our customers about to retire. It has all the most important features of the Pannónia Pension Policy<sup>E</sup> as listed above, but can be contracted for a maximum of 7 years. It bears moderate cost levels adjusted for the relatively short accumulation period.

### **Pannónia Értékmegőrző Pension Insurance**

This form of pension insurance with traditional reserving, regular premium payments and favorable cost levels can be contracted for a period of at least 5 years, in which the insurer assumes a guaranteed return (thus a guaranteed service) and bears the investment risk. The service guaranteed upon the regular premiums can be increased through occasional payments. The product's loyalty bonus also contributes to the start of the retirement years.

### **Pannónia Gravis<sup>E</sup> Pension Insurance**

This single premium payment, unit-linked pension insurance offers a very favorable cost structure, available from a period of 5 years. It aims to increase the investments already available with state support at a higher rate than bank deposits. The investment is made through direct investment in asset funds with different risks and expected returns based on the client's decision. The insurance offers a wide range of asset funds, with the help of which it is possible to compile a unique investment portfolio. The capital to be accumulated can be increased with occasional payments and a loyalty bonus.

## 2. General purpose investment life insurances

Similar to our pension insurances, our general purpose investment life insurances also meet the requirements for ethical life insurance schemes set out in Magyar Nemzeti Bank's 8/2016. (VI.30.) recommendation and in the relevant provisions of Act LXXXVIII of 2014 on insurance activities.

### **Pannónia Esszencia<sup>E</sup> Investment Life Insurance**

This form of investments with regular premium payments is available both on HUF and EUR bases, is linked to an investment unit and is available from a period of 7 years. The customer can determine the length of the investment period and the expiration of the contract according to his own accumulation goals. The contractor decides on the investment of its capital in investment structures (asset funds) with different performance potential in order to achieve the desired goal. The capital to be accumulated can be increased by occasional payments. We reward our customers with a loyalty bonus.

### **Pannónia Klikk Life Insurance**

This is a unit-linked life insurance offering flexible access with particularly favorable initial costs. Due to its moderate initial costs, it suits the achievement of not only long-term, but also short- and medium-term investment goals.

### **Pannónia Ametiszt Life Insurance**

This insurance scheme is available both on HUF and EUR bases, with a single premium payment, linked to an investment unit, with an particularly favorable cost structure, from a period of 5 years. Its aim is to increase the investment already available with a higher return than bank deposits. The investment is made through direct investment in asset funds with different risks and expected returns based on the client's decision. The insurance offers a wide range of asset funds, with the help of which it is possible to compile a unique investment portfolio. The capital to be accumulated can be increased with occasional payments and a loyalty bonus.

### **Pannónia Mentor Life Insurance**

This form of investment includes traditional reserving, regular premium payments and can be contracted for a period of at least 5 years, in which the insurer assumes a guaranteed return (thus a guaranteed service) and bears the investment risk. In addition to its investment element, there is an emphasis on the insurance (death) protection built into the product (providing lump sum and annuity services).

### **3. Life, accident and health risk insurances**

Products in this category do not include an investment element and provide financial assistance in the event of unexpected tragedies, accidents and illnesses.

#### **CIG360 Life-, Accident and Health Insurance**

This traditional risk insurance product has regular premium payment and is contracted for a definite duration, providing amongst others coverage for death, disability and deared diseases. Thanks to its modular structure and the available complementary insurances, the scope and level of the insurance coverage can be personalized to the needs of our clients.

#### **Pannónia Bajtárs Accident Insurance**

Individual accident insurance, which can also be extended to children, that provides coverage for sixteen types of accident risks, offers four service packages and a claim settlement time guarantee.

### **4. Group insurances based on individual entry**

Within the framework of our strategic collaborations, we offer simple and transparent insurance schemes for our partners' residential clientele that are adapted to our partners' basic products.

#### **MVM Product Line**

With our four special life, accident and illness group insurance products, we offer MVM Next's residential customers traditional insurance protection that can be contracted through phone and without any risk assessment:

- Otthon Gondoskodás Group Accident and Invoice Protection Insurance;
- Otthon Vitál Group Health Insurance;
- Otthon Alkony Group Grace Life Insurance;
- Otthon Harmónia Group Risk Life Insurance.

#### **Group bank insurances**

A product line developed for the clientele of MBH Bank and subsidiaries with features related to basic banking products:

- credit coverage insurances (mortgage, personal loan, consumer credit, credit card, vehicle leasing);
- insurance providing income replacement services;
- life insurance with supplementary health insurance coverage;
- accident insurance.

#### **PannonMed group health insurance products**

The service financing health insurance product range created for members of the MBH "Gondoskodás" Health Fund:

- PannonMed Bázis Group Health Insurance,
- PannonMed+ Group Health Insurance.

### **5. Traditional group insurances**

Our group insurances allow employers to provide their employees with life, accident and health insurance protection.

#### **Pannónia Group Life, Accident and Health Insurance**

This traditional risk insurance can be customized in a wide range and includes single or regular premium payments. From a range of more than thirty items for coverage, our corporate clients can tailor their employees' (potentially differentiated) life, accident and health insurance protection to their own needs.

#### **Pannónia Elixír Group Health Insurance**

A regular premium scheme, which makes domestic private home healthcare services available to our clients. The pre-designed or client-parameterised insurance packages can include outpatient specialist and inbound care, laboratory and diagnostic tests, same-day surgery services, screening tests, physiotherapy, vaccinations, dietetic advice, patient transport, maternity care, surgery and hospital daily allowance, and second medical opinion services

# NON-LIFE INSURANCE PRODUCTS

## OUR RESIDENTIAL PROPERTY INSURANCE PRODUCTS

Our residential property insurance products can be divided into three broad groups.

Our **home insurance products** offer an optimal solution for our individual clients, while our **travel insurance products** include traditional individual travel insurances, group fixed-day, and built-in and optional products that can be linked to a bank card. Our **vehicle insurance products** provide adequate insurance coverage for our fleet customers and we also offer a group casco solution for our financing partners. In addition to the above, our company offers group insurance solutions.

### 1. Home insurance products

#### CIG Pannónia LakóTárs Home Insurance

Our modern individual home insurance combined with bundled and additional insurances provides optimal insurance protection for all segments. The policy can be concluded for real estate and movable property combined, or according to the clients' wishes, only for real estate or only movable property. The insurance is also available for holiday homes as well as properties under construction.

#### CIG Pannónia LakóTárs Extra Home Insurance

Our company successfully applied on the Hungarian National Bank's Certified Consumer Friendly Home Insurance (MFO) tender and became the eighth insurer to be awarded the MNB MFO certification.

Our LakóTárs Extra product offers customer-friendly solutions to the greatest extent, with a traceable claims settlement process and digital business solutions. Our customers can enter into a contract with permanently occupied buildings, self-owned properties and rented properties as well, which can be extended to buildings next to the building (pavement, pool), outbuildings (garage, storage), solar panels, solar collectors, and heat pumps.

### 2. Travel insurances

#### CIG Pannónia Iránytű Travel Insurance

The customers of our individual travel insurance can choose the protection that best suits them from seven packages.

The packages extend to travels within and outside of Europe with a limit of up to HUF100 million per accident / illness. We offer a solution for road and air travel, with or without cancellation protection, for physical work and sport activities.

We also recommend this option to our corporate clients, where instead of individual policies, the company can buy a number of covered days at a discounted rate and extend the travel insurance coverage to their employees with a simple notification.

#### Group Travel Insurance Linked to Bank Cards

This option provides travel insurance coverage for customers with debit and credit cards issued by MBH Bank in two ways. The built-in coverage provides the cardholder with travel insurance automatically linked to the type of card, while the optional coverage allows the policyholder to choose a higher level of individual or family coverage to be linked to his/her card.

#### MBH Bank App – Group Travel Insurance

Our innovative travel insurance option has been developed in partnership with MBH Bank for the bank's customers who have downloaded and use the bank's new app. The app makes it quick and easy to take out individual travel insurance, including family coverage. With the right settings and permissions, the app sends a push message to the customer when it detects a change of mobile operator, reminding them of the possibility to take out travel insurance. If insurance is taken out, the premium is also paid via the app.

#### Vista Travel Insurance

Our Company has signed a strategic cooperation agreement with VISTA Utazási Irodák Ltd., within the framework of which, by a joint development with Vista, a customized travel and travel insurance product was created, in line with Vista's needs. This product is available in all Vista offices and online.

#### Telekom Group Travel Insurance

Our group travel insurance product developed for Magyar Telekom Plc provides continuous protection for Telekom customers who have chosen to purchase insurance coverage as a Telekom customer. In addition to the two basic cover packages, customers have the option to take out four additional cover packages to tailor travel insurance protection to their travel habits.

### 3. Our vehicle insurance products

#### Fleet Casco Insurance

Our fleet casco solution is a great choice for all our business customers with its wide range of excesses and excellent service. Our product provides full coverage for the vehicle fleet of all our customers. For our partners, direct availability, fast service, and the competitiveness of our services, as well as the possibility of unique solutions, guarantee good and long-term cooperation.

#### **Integrated Casco Insurance**

In 2023, we have further expanded our motor vehicle insurance services. From 1 March this year, our integrated Casco product is available, offering group insurance solutions for our financing partners.

#### **Group Purchase Price Insurance**

In 2024, our Company introduced purchase price insurance product recommended for car owners, which provides coverage for the difference between the casco reimbursement and the purchase price at the time of taking out the policy in the event of a vehicle's total loss.

### **4. Our other residential property insurance products**

#### **Group Extended Guarantee Insurance**

Our insurance product provides coverage for the breakdown / internal breakdown of certain technical instruments beyond their guarantee period or for the accidental breakdown of these instruments.

#### **Cyber Insurance and Cyber Insurance Plus for group insurances**

In 2024, we launched our group product for small and medium-sized businesses, which provides insurance coverage to protect online purchases, safeguard electronic payments and provide assistance in the event of hacker attacks.

## **CORPORATE PROPERTY INSURANCE PRODUCTS**

### **1. Corporate property insurances**

#### **Corporate fire and elemental damage insurance**

Corporate fire and elemental damage insurance consists of a basic insurance and additional insurances that can be selected as desired, thus it provides insurance protection to our customers in a personalized way, taking into account the unique needs of businesses.

#### **All Risks corporate property insurance**

What makes All Risks property insurance unique is that any insurance event that is not an excluded risk is automatically covered. It is typically tailored to the specific needs of industrial manufacturing companies, but thanks to its comprehensive nature, it provides adequate protection for all of our clients, regardless of their industry.

#### **All risk property insurance for unmanned aerial vehicles (drones)**

The property insurance of unmanned aerial vehicles (drones) provides comprehensive property insurance protection for the drones our clients use for industrial purposes.

### **2. Engineering insurances**

#### **Construction and erection all risks (CAR-EAR) insurances**

Our construction and erection insurances provide our clients insurance coverage for damages incurring at different civil engineering works. The insurance covers the entire construction process (Chapter I) and also provides coverage for damages caused to third parties (Chapter II).

#### **All risks property insurance for machinery and equipment:**

The all risks property insurance for machinery and equipment provides comprehensive insurance protection for our clients' industrial machines and equipment.

#### **All risks property insurance for electronic equipment**

All risks property insurance for electronic equipment provides comprehensive insurance protection for our clients' electrical machines and electronic equipment.

### 3. Corporate liability insurances

#### Traditional liability insurances

##### General liability insurance

General liability insurance is the first pillar of our clients' insurance protection, providing insurance coverage to mitigate the burdens and consequences of unintentional damage outside its contractual relationships.

##### Service liability insurance

Our service liability insurance product covers our clients for damages caused to their customers during the performance of their contractual obligations.

##### Employers' liability insurance

The employer's liability insurance covers the damages suffered by our client's employee as a result of an accident at work, as well as social security claims for compensation due to an accident at work.

##### Environmental pollution liability insurance

Environmental pollution liability insurance is designed to provide our customers with insurance coverage for environmental damages caused by their typical business activities.

##### Product liability insurance

Our product liability insurance protects our customers against damages caused by defective products manufactured, imported

or distributed by their business. The coverage can be extended to damages caused by subcontractors, as well as damages caused by part-products.

##### Professional liability insurance

In addition to the traditional liability insurance products, we also offer our clients special products that take into account the specificities of their activities and profession, covering their specific risks. We offer our clients insurance coverage for the following activities and professions:

- a. Investment managers
- b. Vehicle Authenticity Inspectors
- c. Service Station
- d. Organizers of practical trainings
- e. Event organizers
- f. Accommodation service providers
- g. Designers
- h. Operators of unmanned aerial vehicles (drones)

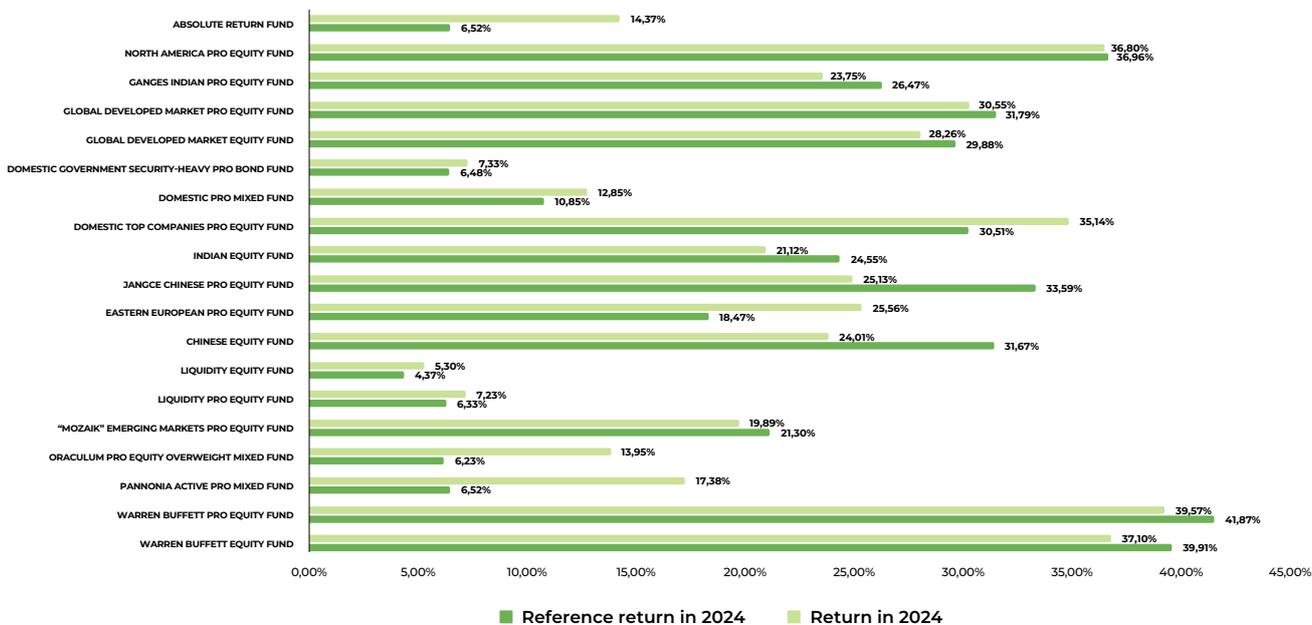
##### Surety insurance

In the case of a guarantee or surety insurance, our Company covers the financial losses that the beneficiary would suffer if our client did not fulfill its contractual obligations. This type of insurance is not a traditional insurance, but a credit-type legal relationship, the main feature of which is the insurer's automatic right of recovery



## THE PERFORMANCE OF CIG PANNÓNIA LIFE INSURANCE PLC. UNIT-LINKED LIFE INSURANCE'S OPTIONAL ASSET FUNDS\* (31.12.2024)

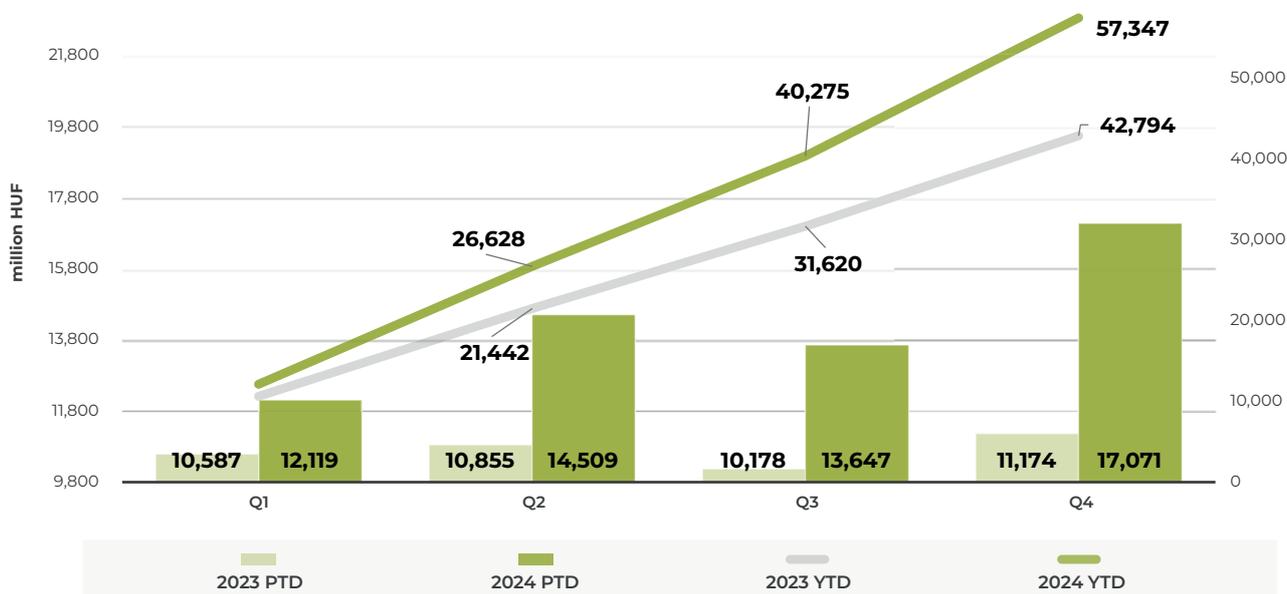
Returns of major asset funds in 2024 relative to the reference return



## ASSESSMENT OF OUR BUSINESS PERFORMANCE IN 2024

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 premium income of HUF 57 billion we have entered the stage of mid-sized insurers. In recent years, we have met our strategic objectives, therefore it became timely to review the formed strategy and adapt it to our changed market situation and the likewise changed market environment, which work has started. 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.

Quarterly premium income 2024 vs 2023



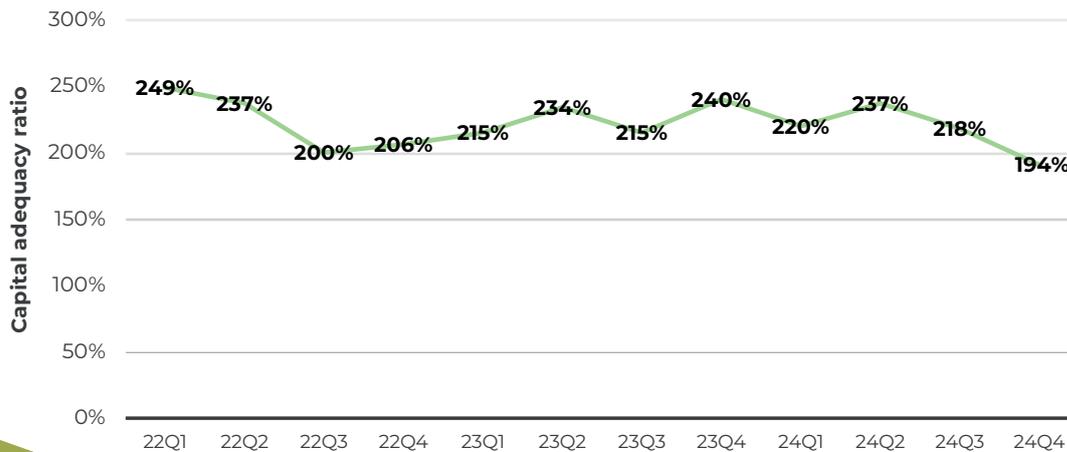
As a publicly traded company, our performance is always important to us, as we need to offer our investors a competitive investment alternative. Our premium growth was outstanding in the insurance sector as a whole, and our profitability - excluding the increase in provisions for Italian cases - improved significantly. We achieved substantial growth in all our key sales channels, strengthening our market position. However, when determining the result, extra profit tax and HUF 4.6 billion loss on Italian surety insurance - mainly due to reserve increases to ensure prudent operations - arose, which means **that the Group's capital increased by HUF 1.3 billion in 2024.**

### Quarterly profit after tax 2024 vs. 2023



Not only as a supervised financial institution, but also as a prudent economic actor, the level of our solvency capital is important to us, which was at the end of the year - at a consolidated level (**capital adequacy ratio 194%**), i.e. significantly above the 150% level required by the MNB as the supervisory authority.

### Change in the consolidated solvency capital adequacy ratio (SCR)



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



"We make no secret of our goal to further increase our insurance portfolio."



## OUR BUSINESS GOALS FOR THE FINANCIAL YEAR 2025

The financial year 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 continuously 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>31</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.

**dr. István Fedák**  
CEO

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

PREPARED ACCORDING TO  
THE INTERNATIONAL FINANCIAL  
REPORTING STANDARDS  
ACCEPTED BY THE EUROPEAN UNION

**CONSOLIDATED FINANCIAL  
STATEMENTS AND  
CONSOLIDATED BUSINESS  
REPORT FOR THE YEAR 2024**



**Consolidated Statement of Comprehensive Income**

Data in million HUF

	Notes	2024	2023
Insurance Revenue	10	27 294	21 349
Insurance service expenses	11	- 26 196	- 17 856
Reinsurance expense – allocation of premium	12	- 5 732	- 3 516
Amount of recoverables from reinsurance	12	3 178	1 890
<b>Insurance service result</b>		<b>- 1 456</b>	<b>1 867</b>
Interest income calculated using the effective interest method	13	1 869	1 917
Investment income	13	25 410	8 514
Impairment and impairment reversal of financial assets	13	-4	2
Investment expenses	13	-853	- 1 126
Yield on Associates	13	1 060	571
<b>Investment income</b>		<b>27 482</b>	<b>9 878</b>
Insurance financial result	14	- 23 645	- 7 589
Reinsurance financial result	14	172	15
Change in the fair value of liabilities relating to investment contracts	15	- 1 049	-403
<b>Financial result</b>		<b>- 24 522</b>	<b>- 7 977</b>
Premium and commission income from investment contracts	15	282	77
Other operating costs	16	-301	-233
Other (non-financial) income	17	120	197
Other (non-financial) expenses	17	-423	-172
<b>Profit/Loss before taxation</b>		<b>1 182</b>	<b>3 637</b>
Tax income/expenses	18	-37	- 778
Deferred tax income/expenses	18	134	15
<b>Profit/Loss after taxation</b>		<b>1 279</b>	<b>2 874</b>
OCI from change in fair value of other financial assets at fair value	19	-826	3 627
OCI from insurance contracts	19	394	- 1 672
OCI from reinsurance contracts	19	115	-257
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>		<b>-317</b>	<b>1 698</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>		<b>766</b>	<b>1 643</b>
<b>Other comprehensive income</b>		<b>449</b>	<b>3 341</b>
<b>Total comprehensive income</b>		<b>1 728</b>	<b>6 215</b>
	megj.	2024	2023
Profit/loss after taxation attributable to the Company's shareholders	20	1 279	2 874
Weighted average number of shares (thou.)	20	93 954	93 954
<b>EPS (basic)</b>		<b>13,6</b>	<b>30,6</b>
Profit/loss after taxation attributable to the Company's shareholders	20	1 279	2 874
Weighted average number of shares (thou.) (diluted)	20	94 428	94 428
<b>EPS (diluted)</b>		<b>13,5</b>	<b>30,4</b>

**Consolidated 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	991	934
Property, plant and equipment	22	96	117
Right-of use assets	23	444	271
Deferred tax asset	18	486	337
Investment in associates	24	1 282	777
Insurance contract assets	32	1 145	1 242
Reinsurance contract assets	33	3 985	2 558
Investments for policyholders of unit-linked life insurance policies	25	127 680	94 424
Financial asset - Investment contracts	26	5 942	4 763
Financial asset - derivatives	27	-	130
Other financial assets at fair value	28	38 395	35 979
Other assets and prepayments	29	81	80
Other receivables	30	548	149
Cash and cash equivalents	31	2 597	2 492
<b>Total Assets</b>		<b>183 672</b>	<b>144 253</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	32	149 816	110 220
Reinsurance contract liabilities	33	366	376
Financial liabilities -Investment contracts	34	5 942	4 763
Financial liabilities-derivatives	27	224	-
Lease liabilities	35	470	314
Provisions	36	339	262
Other liabilities	37	4 588	5 021
Liabilities to shareholders		37	33
<b>Total Liabilities</b>		<b>161 782</b>	<b>120 989</b>
<b>Net Assets</b>		<b>21 890</b>	<b>23 264</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	38	3 116	3 116
Capital reserve	38	1 153	1 153
Treasury shares	39	-32	- 32
Other reserves	40	-491	- 940
Retained earnings		18 144	19 967
<b>Equity attributable to the Company's shareholders</b>		<b>21 890</b>	<b>23 264</b>
Non-controlling interest		-	-
<b>Total Shareholder's Equity</b>		<b>21 890</b>	<b>23 264</b>

### Consolidated Changes in Equity 2024

Data in million HUF

	Notes	Share capital	Capital Reserve	Treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2023		3 116	1 153	-32	- 940	19 967	23 264	-	23 264
<b>Total Comprehensive income</b>									
Other comprehensive income	19				449		449		449
Profit in reporting year						1 279	1 279	-	1 279
<b>Transactions with equity holders recognized directly in Equity</b>									
Dividend payments						- 3 102	- 3 102		- 3 102
<b>Balance on 31 December 2024</b>		<b>3 116</b>	<b>1 153</b>	<b>-32</b>	<b>- 491</b>	<b>18 144</b>	<b>21 890</b>	<b>-</b>	<b>21 890</b>

### Consolidated Changes in Equity 2023

Data in million HUF

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

**Konzolidált cash flow kimutatás**

Data in million HUF

	megj.	2024	2023
Profit/loss after taxation		1 279	2 874
<b>Modifying items</b>			
Depreciation and amortization	16	485	489
Booked/reversed impairment, debt cancelled	17	4	-2
Result of assets sales	13	-386	122
Exchange rate changes	13	-797	241
Share of the profit or loss of associates	13	-1 097	-607
Income taxes	18	44	765
Deferred tax	18	-134	-15
Income on interest	13	-1 869	-1 917
Result of derivatives	13	473	-678
Provisions	17	77	-258
Income on dividend	13	-72	-
Termination of leasing assets	23	-27	5
Interest cost	13	4	20
<b>Change of active capital items:</b>			
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	25	- 33 255	- 8 220
Increase / decrease of financial assets – investment contracts (-/+)	26	- 1 179	404
Increase / decrease assets resultant of reinsurance (-/+)	33	- 1 312	- 1 465
Increase / decrease of other assets and active accrued and deferred items (-/+)	29	527	-387
Increase / decrease of liabilities resultant of reinsurance (-/+)	33	-10	-177
Increase / decrease of insurance contract liabilities (+/-)	32	39 990	12 232
Increase / decrease of investment contracts (+/-)	34	1 179	-404
Increase / decrease of insurance contracts assets (+/-)	32	97	-136
Increase / decrease of other liabilities (+/-)	37	-389	2 307
Increase / decrease capital owner liability (+/-)		3	3
Paid income taxes	18	-972	-288
<b>Cash flows from operating activities</b>		<b>2 663</b>	<b>4 908</b>

**Consolidated Statement of Cash Flows – cont'd**

Data in million HUF

<b>Cash flow from investing activities</b>	<b>Notes</b>	<b>2024</b>	<b>2023</b>
Purchase of debt instruments (-)	28	- 128 861	- 37 634
Sales of debt instruments (+)	28	127 732	31 846
Purchase of tangible and intangible assets (-)	21,22	-358	-242
Sales of tangible and intangible assets (+)	21,22	-	1
Result of derivatives	13	-119	606
Interest received	13	1 455	1 352
Dividend received	13	664	491
<b>Cash flow from investing activities</b>		<b>513</b>	<b>- 3 580</b>
<b>Cash flow from financing activities</b>			
Interest paid	13	-4	-20
Lease instalments payment	35	-151	-166
Lease interest payment	35	-15	-9
Repayment of loans and their interests	37	-	-7
Dividend payment		- 3 100	- 1 690
<b>Cash flow from financing activities</b>		<b>- 3 270</b>	<b>- 1 892</b>
Impacts of exchange rate changes		199	-37
<b>Net increase / decrease of cash and cash equivalents (+/-)</b>		<b>105</b>	<b>-601</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2 492</b>	<b>3 093</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>2 597</b>	<b>2 492</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

CIG Pannónia Life Insurance Plc. (hereinafter: Company or Insurer) is a public limited company registered in Hungary, which was established at 26 October 2007 as a private limited company. Registered seat: 11 Könyves Kálmán Krt. Building B, 1097 Budapest, Hungary.

Internet access: [www.cigpannonia.hu](http://www.cigpannonia.hu)

The Company and its consolidated undertakings, representing together the CIG Pannónia Group, deal with the sale of unit-linked life insurance, term life insurance, endowment insurance, health insurance, pension insurance, accident insurance riders, non-life insurance, within that mainly property, casco and purchase price insurance, suretyship insurance, asset insurance and travel- and home insurance. Following the obtainment of the insurance permit issued by the Hungarian Financial Supervisory Authority (HFSA), the Company has carried out insurance activities from the first calendar year of its operation, from May 2008. Its primary activity was underwriting life insurance policies. The Group launched its non-life insurance activity in 2010, while health insurance activity was launched in 2012.

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 BUX index basket, which summarizes the price of the shares with the largest capitalization traded on the BSE.

The Group carries out its activities in Hungary. Regarding the cross border activities, the Group has no foreign assets and liabilities.

Hungarikum Biztosítási Alkusz Zrt. (registered office: 8086 Felcsút, Fő utca 65.; Company registration number 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, Andrássy 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 (Growth Strategy), which contains development directions and objectives, narrowed down to organic growth targets - which was 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 gross insurance premium income and technical result, and to focus besides growth on profitability, which it intends to achieve through new insurance products and by making fuller use of the sales channels.

In the second quarter of 2021, the Company has already focused on the development and finalization of a new organizational structure in line with the Growth Strategy. In the autumn of 2021, the Company relaunched its non-life insurance business, entering the market with large enterprise liability insurance, property insurance and motor vehicle 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 entered into a partnership agreement with UNION Vienna Insurance Group Biztosító Zrt. (registered office: 1082 Budapest, Baross u. 1., company registration number: 01-10-041566) on 11 November 2021. Thanks to the agreement EMABIT 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 entered the residential market with its Iránytű passenger and Lakótárs home insurances, moreover, based on the information provided by the Hungarian National Bank on 9 March 2022, it was also awarded the Qualified Consumer-Friendly Home Insurance certification.

On 22 February 2022, the Company and EMABIT entered into a 20-year framework agreement with MKB Bank Nyrt. and Magyar Bankholding Zrt. (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

<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)

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.

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 legal predecessor of MBH Gondoskodás Egészségpénztár (MKB-Pannónia Egészség- és Önszegélyező 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 make fuller use of 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 travel cancellation insurance products of CIG Pannónia Első Magyar Általános Biztosító Zrt., the property insurance member of the insurer, to its customers.

EMABIT and Magyar Telekom Plc. (registered office: 1097 Budapest, Könyves Kálmán krt. 36. company registration nr: 01-10-041928) (Telekom) have concluded a group extended guarantee

insurance contract with each other on 21 December 2023. The Agreement has been entered into for a fixed term of 36 months, it being understood that unless otherwise stated by either of the Contracting Parties, until 180 (one hundred and eighty) days prior to the end of the fixed term, the Agreement shall become indefinite in duration after the expiry of the fixed term.

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.

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, with a public share ratio of 41.27%.

Pursuant to Article 61 of the Act CXX of 2001 on the capital market, the shareholder holding directly and indirectly above 10% of the voting shares and voting rights: Hungarikum Biztosítási Alkusz Zrt., with 54,311,374 shares, a 57.83% share.

Insurer implemented Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (MAR) 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.

**Address of the insurer: 1097, Budapest,  
Könyves Kálmán krt. 11. B épület  
Phone number: +36-1-5-100-200  
Internet contact: [www.cigpannonia.hu](http://www.cigpannonia.hu)**

The following entities of the Company were fully consolidated in the consolidated financial statements:

Name of subsidiary	Activity	Country	Share at 31.12.2024	Share at 31.12.2023
CIG Pannónia Első Magyar Általános Biztosító Zrt.	Non-life insurance	Hungary	100%	100%
Pannónia PI-ETA Funeral Services Ltd.	Funeral services	Hungary	100%	100%
CIG Pannónia Életbiztosító Munkavállalói Részvénytulajdonosi Program Szervezet	Remuneration	Hungary	-	-

The following affiliate company of the Insurer is continued to be consolidated by equity method in the consolidated financial statements.

Name of affiliate	Activity	Country	Share at 31.12.2024	Share at 31.12.2023
MBH Fund Manager Ltd.	Fund management; portfolio management	Hungary	7,67%	7,67%

The calculation's method of the shares in company is described in Note 3.2.

The Company has no other subsidiaries, associated companies or joint ventures on 31 December 2024.

#### Auditors of The Group:

In case of CIG Pannónia Életbiztosító Nyrt., CIG Pannónia Első Magyar Általános Biztosító Zrt. and CIG Pannónia Életbiztosító Munkavállalói Részvénytulajdonosi Program Szervezet:

Forvis Mazars Ltd.

1139 Budapest, Váci Greens, Fiastyúk utca 4-8., 2nd floor, Chamber ID: 000220

Kinga Molnár Andrea, registered auditor, Chamber registration number: 007145

The professional auditor charged the following fees for its services in respect of the business year 2024:

For CIG Pannónia Életbiztosító and CIG Pannónia Első Magyar Általános Biztosító Zrt. the audit of the annual consolidated and individual financial statements of the Insurers prepared in accordance with International Financial Reporting Standards ('IFRS') and issuance of Auditor's Report thereon (including the audit of report of based on Solvency II) and the issuance of the so-called supplementary report according to subsections 4-7 of section 71 of the Act LXXXVIII of 2014 on the Insurance Business (individual supervisory report), in addition the verification of the information contained in the remuneration report along the SRD Act: HUF 65,000 thousand + 1% + VAT.

For CIG Pannónia Életbiztosító Munkavállalói Részvénytulajdonosi Program Szervezet the review of the individual financial statements and issuance of Auditor's Report thereon (for the annual accounts and the interim balance sheet). The full amount is HUF 1,780 thousand + 2% + VAT.

The auditing is not required in case of the other companies of The Group.

#### Signatories to the Financial Statements:

Dr István János Fedák (Primary Chief Executive Officer)

1026 Budapest, Küküllő street 6.

Géza Szabó (Chief Actuary)

1123 Budapest, Csörsz street 13.

Public data of the person compiling financial statements:

Alexandra Tóth (Financial Director, Chief Accounting Officer)

1132 Budapest, Csanády street 4/A.

Registration number: 206 012

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

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

These consolidated 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).

### 2.2. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: assets and liabilities from insurance contracts, assets and liabilities from reinsurance contracts, derivative financial instruments, financial instruments at fair value through profit or loss, and financial instruments at fair value against other comprehensive result.

### 2.3. Functional and presentation currency

The consolidated financial statements are presented in Hungarian forints (HUF), which is the Group's presentation currency. The Hungarian forint (HUF) is the functional currency for all of the Group's businesses in its operations. The financial statements are presented in Hungarian forints (HUF), rounded to the nearest million, except as indicated.

### 2.4. 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 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 Group are presented in Note 4 Estimates and Assumptions.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1. Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and the results of operations at the Company and its consolidated undertakings. Subsidiary undertakings are the entities in which the Group directly or indirectly has the power to govern the financial and operational activities. (See Note 1.) In the case of jointly controlled companies, the Group applies the requirements of IFRS 11 Joint Arrangements. Jointly controlled companies are firms which the Group controls jointly with other parties. The joint control of these companies takes place on the basis of a contract agreement, which requires the unanimous decision of the parties in respect of both the strategic and operational issues of the jointly controlled company.

In the case of jointly controlled companies, the Group decided to apply the equity method, according to IAS 28 Investments in Associates and Joint Ventures.

### 3.2. The consolidation standards' (IFRS 10, IFRS 11, IFRS 12) effects on the financial statements

According to the IFRS 10 Consolidated Financial Statements the Group's investments should be reviewed under the control model to determine whether they must be included in the consolidation. During the examination the Group identified three different asset groups: these are

- investments among the investments executed for policyholders of unit-linked life insurance policies (in terms of the consolidation of the investment funds),
- investments among the financial assets – investment contracts (in terms of the consolidation of the investment funds) and
- the investments in jointly controlled companies and in affiliates.

Under the control model, the Group examines the aspects defined under IFRS 10 related to the above investments, after considering which the previous presentation of investment units recorded as investments for the benefit of unit-linked life insurance policyholders and investment units recorded as financial assets - investment contracts meets the requirements of IFRS 10.

The Group holds a 7.67% share in MBH Fund Management Ltd. The distribution of the result of the MBH Fund Management Ltd. among the owners is not based on the ownership ratios, but on the basis of the effectiveness of the portfolios related to

the owners. The Articles of Association of the Fund Manager defines the rights of preference shareholders, and the owners' rights concerning on the control and management of the Fund Manager. Based on the above, MBH Fund Manager Ltd. does not qualify a joint venture based on IFRS 11. At the same time, according to the Articles of Association of the Fund Manager the Group has a significant influence over the Fund Manager therefore its interest is later on consolidated by using the equity method in the consolidated financial statements in accordance with IAS 28 in the line of Associated companies.

### 3.3. 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 consolidated 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).

### 3.4. 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 instalment or the single premium, as well as any top-up premiums that they wish to pay together with the first regular instalment 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 Group classifies a unit-linked policy as an insurance policy if the initial settled premium is positive and the maximum of the guaranteed insurance amount, the risk excess service and all supplementary insurance amounts related to the policy is at least 5% of the initial settled premium, or if the initial settled premium is zero and the sum of the guaranteed insurance amount, the risk excess service and all supplementary insurance amounts related to the policy 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.

### 3.5. Investment contracts

#### 3.5.1. Division of investment contracts, premiums paid

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

- to a financial liability, that 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 Group's investment contracts include unit-linked contracts that do not meet the definition of an insurance contract. (See note 3.4.)

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 3.5.4.

For the accounting of premiums charged in the framework of investment contracts as income, see note 3.5.5.

### 3.5.2. Benefits

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

### 3.5.3. Acquisition and overhead costs

Acquisition and overhead costs comprise all direct and indirect costs arising from the sale of investment contracts. All acquisition and overhead costs are expensed as incurred. The portion of the accounted acquisition costs, which is covered by subsequent premiums for the investment contract, or if the policy is cancelled, then by returned commissions from brokers, is deferred until the cost coverage is received by the Group. The Group 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 Group cancels the deferral and accounts the cost to profit or loss (under Other non-financial expenses).

### 3.5.4. Liabilities

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

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

### 3.5.5. Premium and commission income from investment contracts

Premium income includes various premiums charged on investment and insurance policies, the amount of which is determined by the product conditions (e.g. administration fee, management fee, fee for changing the asset fund, risk fee). Fees charged for investment management services provided are recognized as revenue in the period when the services are provided, for single premium contracts, the fund-proportional management fee dominating the deductions is a similar amount for each year. In the case of contracts with regular fees, the deduction of the management fee varies in proportion to the managed assets. The contract conclusion and administration fees are charged by the Group at the beginning of the term, at the same time as the service - i.e. registration and creation of the contract in the systems - is incurred. The costs charged to the customer in relation to the payment of the services are recognized when the services are paid for.

### 3.6. Transition to IFRS 17 (effective from 01.01.2023)

Since the Group did not take advantage of the option of preliminary application of IFRS 17, it applied IFRS 17 for the first time for the business year starting on 1 January 2023. The date of the first application of IFRS 17 is therefore 1 January 2023, and the date of transition to IFRS 17 - the beginning of the annual reporting period immediately preceding the date of the first application of IFRS 17, hereinafter referred to as "Transition Date" or "Date of Transition" - is 1 January 2022.

The Group must already present the 2022 business year, as the comparative year to be included in the 2023 financial year, in accordance with IFRS 17.

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

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

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

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

#### 3.6.1. FRA transition approach at the Group

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

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

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

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

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

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

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

### 3.6.2. FVA transition approach at the Group

Decisions when applying the FVA method

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

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

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

The 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 Group makes always use of the option to present the obligation to compensate for claims incurred before the acquisition of these contracts as LIC (and not as LRC), in this way not quantifying / calculating CSM / loss component for these (IFRS 17.C22A).

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

The Group defines the yield curve used for the initial recognition (locked-in yield curve) and the yield curve observed at the claim 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 Group applies the OCI option.

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

As the underlying assets are held by the Group in all cases, the Transition Date cumulative OCI, where relevant, is reported consistently with the Transition Date cumulative OCI of the underlying items for the Group's GICs valued in the VFA model and subject to the FVA method after the Transition Date. If the underlying items have a cumulative OCI gain (loss) on the

Transition Date, the Group recognizes the same amount of cumulative OCI as a loss (gain) in its insurance liabilities on the Transition Date (IFRS 17.C24(c)).

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

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

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

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

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

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

where

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

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

The Group captures the value of  $\text{FV}_{\text{GIC}}$  as follows

$$\text{FV}_{\text{GIC}} = \text{PVCF}_{\text{IFRS 13}} + \text{FVRA} + \text{Adj}_{\text{CD}}$$

$\text{PVCF}_{\text{IFRS 13}}$ : the present value of future current cash flows in accordance with IFRS 13 discounted with a risk-free return on

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

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

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

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

#### The essence and calculation of the FVA method in the case of reinsured GICs at the Group

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

$$\text{CSM}_{\text{VB}} = (\text{PVCF}_{\text{VB}}^{\text{IFRS 13}} - \text{PVCF}_{\text{VB}}^{\text{IFRS 17}}) + (\text{FVRA}_{\text{VB}} - \text{RA}_{\text{VB}}^{\text{IFRS 17}})$$

and

$$\text{FVRA}_{\text{VB}} = \text{RA}_{\text{VB}}^{\text{IFRS 17}} \cdot \frac{\text{FVRA}_{\text{direkt}}^{\text{IFRS 17}}}{\text{RA}_{\text{Direct}}^{\text{IFRS 17}}}$$

In the above formulas

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

Acquisition and transition of insurance stocks

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

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

existing at the beginning of the contract or at the time of their subsequent amendment (and not at the time of acquisition) (see also the chapter discussing the transition to IFRS 17)

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

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

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

### 3.7. IFRS 17 Insurance contracts

#### 3.7.1. Important issues in IFRS 17

##### 3.7.1.1. Classification of insurance, reinsurance and investment contracts

The contracts under which the Group assumes a significant insurance risk are considered insurance contracts. Reinsurance contracts are those contracts of the Group under which it transfers significant insurance risk of the underlying insurance contracts. Both insurance and reinsurance contracts expose the Group to financial risks. (See notes 3.4 and 3.5.)

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

According to the rules of IFRS 17, an insurance contract remains an insurance contract until all the rights and obligations included in it cease (that is, they are fulfilled, cancelled or expired), unless, based on the relevant rules of IFRS 17, the contract is derecognized from the books due to the amendment of the contract and the amended contract is recognized in the books (as a new contract).

A new contract recognized in the books may be classified as an investment contract based on the criteria mentioned above. The Group does and did not sell investment contracts containing discretionary profit sharing.

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

##### 3.7.1.2. Separation of insurance and reinsurance contracts into components

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

The principles and order of separation are as follows:

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

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

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

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

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

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

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

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

### 3.7.1.3. 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).

### 3.7.1.4. Insurance contract portfolios, cohorts, date of initial recognition

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

Profitability is determined at the contract level based on the sum of the present value of the expected future cash flows and the value of the risk adjustment for the given contract (initial profit content). The risk adjustment is determined at the contract level. Among the categories defined in the standard, the Group uses the following profitability groups for GMM and VFA evaluation models:

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

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

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

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

The Group applies the provisions of the standard for initial recognition in accordance with the relevant principles of IFRS 17, by considering the date of issue as the date used for initial

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

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

### 3.7.1.5. Year to date approach

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

### 3.7.1.6. Contract limits (direct and reinsurance)

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

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

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

- the rider insurances in question are typically not sold separately
- if the main insurance is cancelled, the rider insurance is also cancelled, and
- it is not typical for the rider insurances in question to be 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 Group takes into account contracts not yet recognized from the direct underlying stock of the held reinsurance contract in question, i.e. also the cash flows of these contracts.

The Group assessed its held reinsurance contracts and found that most of the "legal contracts" can be 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.

### **3.7.1.7. Cash flows of insurance/reinsurance contracts in general**

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

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

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

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

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

- direct acquisition costs
- other acquisition costs
- claim settlement costs
- investment and management costs
- administrative and maintenance costs
- other costs charged to the insured/policyholder
- costs related to the provision of services in kind.

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

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

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

The timing of the projected cash flow:

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

The Group prepares monthly cash flow estimates.

### **3.7.1.8. Insurance acquisition cash flows**

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

The Group divides acquisition costs into two groups

- direct acquisition costs
- other acquisition costs

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

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

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

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

### **3.7.1.9. Management of insurance tax and insurance surtax**

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

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

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

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

Mutualisation is only relevant in the case of the Company, since only the Company has products where mutualisation can be considered and the Group does not use the exemption allowed by the European Union when adopting IFRS 17, according to which - based on the choice of accounting policy - insurance

contracts with direct profit sharing which have a cash-flow effect on the cash-flow of other insurance contracts, contracts issued more than one year apart can also be classified in a GIC.

This primarily occurs in the 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.

### 3.7.1.11. 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). When the investment component occurs, it is transferred from the LRC directly to the LIC and then paid from there.

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

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

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

### 3.7.1.12. Application of yield curves during IFRS 17 calculations

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

The types of yield curves used are:

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

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

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

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

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

The yield curve observed at the time of claim 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").

### 3.7.1.13. Management of foreign exchange insurances

The Group does not separate the currency derivatives embedded in its insurance contracts if they do not contain a leverage and an optional feature, and 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 Group takes the currency into account and groups insurance contracts exposed to different currencies into separate portfolios. Thus, for example, insurance contracts belonging to the same product group but exposed to different currencies are classified in separate portfolios. When classifying portfolios according to currency, the Group classifies those insurance contracts in a single portfolio, in which the premium and/or claim is denominated in the same currency. The Group considers all contract groups in a given currency portfolio and the entirety of these contract groups (i.e. all future cash flows and risk adjustments) to be denominated in the currency of the portfolio.

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

In order to convert the projected values of future cash flows into the currency of the portfolio, the Group uses the monthly forward exchange rates calculated between the relevant future cash flow and the currency of the portfolio as at the reference

date of the projection, i.e. 1 January of the year in the case of an early projection or the last day of the period in the case of a late (end-of-period) projection.

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

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

### 3.7.2. Insurance contracts - liability for remaining coverage (LRC)

#### 3.7.2.1. General measurement model (GMM)

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

#### Initial recognition

The Group recognizes (prepaid) premiums received before the initial 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 Group:

- a) if the contract group is profitable at its initial recognition and there is a contractual service margin (hereinafter: CSM) at the time of its initial recognition, the value of the CSM at the time of initial recognition is modified;
- b) 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 Group currently has not identified any experience variance related to premiums and insurance acquisition cash-flows that is not related to a future service, therefore it currently treats all as related to future service.

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

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

The mentioned reversals can be in the following directions:

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

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

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

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

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

#### **CSM release is done as follows**

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

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

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

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

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

#### **Loss component release**

In the GMM and VFA valuation models, at the time of initial recognition, if the performance cash flows embody a net cash

outflow, then the amount of the loss is immediately recognized by the Group 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 Group systematically divides the following changes in performance cash flows between the loss component and the liability for the remaining coverage taken without the loss component:

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

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

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

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

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

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

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

The release of the risk adjustment is only relevant for contract groups valued with GMM and VFA, because in the case of the PAA valuation model, risk adjustment is only included in the IFRS17

calculations in the case of unprofitable contracts, even there only as a final risk adjustment (therefore, the release is not relevant).

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

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

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

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

#### **Initial recognition**

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

#### **Subsequent valuation**

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

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

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

- a) There is no separate interest settlement on the CSM.
- 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 Group, unlike the GMM valuation model, can choose whether to apply the risk mitigation approach according to paragraph 17.B115 of IFRS. The Group does not use the mentioned approach and the accompanying special accounting - i.e. the recognition of certain effects attributable to changes in the time value of money and

changes in financial assumptions not in the CSM, not in the insurance finance income and expenses, as a departure from the main rule of the VFA.

### 3.7.2.3. Premium allocation approach (PAA)

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

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

#### **Initial recognition**

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

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

#### **Investment component**

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

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

#### **Insurance acquisition costs**

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

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

#### **Unprofitable contracts**

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

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

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

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

#### 3.7.3.1. Claim reserves and claim payment obligations

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

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

#### 3.7.3.2. Initial recognition

Liability for incurred claims related to the group of insurance contracts is valued at the value of the future cash-flows related to the incurred claims, adjusted by the time value of money of the future cash-flow and the effect of financial risk. The LIC recognized in relation to the incurred claims also includes the risk adjustment for non-financial risks related to these claims. When applying the premium allocation approach, if the cash flows are expected to be settled within one year or less from the date of the claim, discounting of the cash flows is not required, but the Group does not take advantage of this relief and discounts these cash flows within one year.

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

#### 3.7.3.3. 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 Group uses the yield curve observed at the time of the claim insurance to determine insurance financial income or expenses (including interest settlement).

#### 3.7.3.4. Experience variances and risk adjustment change management

Experience variances affecting LIC can be grouped as follows:

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

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

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

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

##### General

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

The Group quantifies the LIC RA for claims incurred in a given reporting period by separating the LIC RAs calculated for the last day of the reporting period, generated at a higher (company or SII LoB) level, into GICs and, within these, into claim years. The LIC RA for the given reporting period as a claim year will therefore be the LIC RA for the claims incurred in the given reporting period. The LIC RA is calculated based on a different methodology for life insurance and non-life insurance, however, within life insurance uniformly for GICs valued according to the GMM, VFA and PAA models, and within non-life insurance also uniformly for GICs assessed according to the PAA and GMM models, except that the Group uses a different calculation methodology for annuity and non-annuity claims LICs.

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

#### Calculation of LIC RA for life insurance

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

#### Calculation of LIC RA for non-life insurance

The RA of the non-life insurance LIC is determined by EMABIT using the quantile approach, applying at many points the logic of the S2 Regulation (2015/35 EU Commission Regulation) and the parameters defined there. Basically, EMABIT assumes that the claim reserve follows a lognormal distribution for non-life insurance contract groups on a given reporting date, with its expected value being approx. the value calculated for the reporting date. The lognormal distribution is determined according to this assumption and the values adjusted to the EMABIT confidence level (the quantile of 80% applied by the Company) from the relative standard deviation given in Annex 2 of the S2 Regulation (for the given S2 LoB).

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

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

#### 3.7.4. Reinsurance contracts held - asset for remaining coverage (ARC) of reinsurance

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

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

##### Classification into contract groups

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

### *Absence of oneorus contract groups*

Another important difference – which follows from the standard itself – is that the held reinsurance contracts cannot be 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 Group expects due to uncertain future cash flows, but how much risk it transferred to the reinsurer through the given contract.

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

### *Acquisition costs*

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

### *Allocated costs*

For held reinsurance, the Group has no allocated costs.

### *Investment component*

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

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

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

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

In the first step, the Group divides the amounts expected from the reinsurance company into two and then classifies them into the categories of premium reduction or investment component based on whether the given commission item was "only withheld" from the premium or was remitted by the reinsurance company. The above also means that the amounts actually paid/accounted for as claim recoveries may have to be accounted for as an investment component under IFRS17.

### *Partner risk*

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

### *Loss recovery component*

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

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

- o 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)
- o 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.

### 3.7.5. Reinsurance contracts held – assets for incurred claims (AIC)

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

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

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

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

### 3.7.6. Contract amendments, derecognition of contracts

The Group 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

### 3.7.7. 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 Group in the same transaction but for other assets (e.g. related investments) or liabilities.

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

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

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

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

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

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

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

The Loss recovery component

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

The Group 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.

### 3.7.8. Presentation

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

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

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

#### 3.7.8.1. Presentation in the statement of comprehensive income

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

- for insurance contracts under “Financial result from insurance transactions”
- for reinsurance contracts under “Financial result from reinsurance”.

#### 3.7.8.2. Insurance revenue

Under insurance revenue the Group recognizes following:

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

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

#### 3.7.8.3. Insurance service result (income and expense)

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

The Group accounts for the change in Risk Adjustment in the insurance service result under “Expenses for insurance services” because, in accordance with point 17.81 of IFRS, it does not separate the change in Risk Adjustment between insurance financial income and expense and insurance services result. This is also where the Group accounts for experience variances (separated from changes in the discount rate and changes due to possible financial risks).

#### 3.7.8.4. Insurance financial result

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

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

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

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

In the case of choosing the OCI option for insurance contract groups valued with the GMM valuation model, the Group 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 Group applies the OCI option, because the Group holds the underlying items in each case, it must recognize in profit or loss an amount by allocating the periodic insurance finance income or expense that eliminates the accounting mismatch related to the income or expense recognized in profit or loss for the underlying items held.

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

For contract groups valued in the PAA model, the Group uses for OCI calculations the discount rates applied at the time of the 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 Group divides the exchange rate difference into parts to be recognized in profit or loss and in other comprehensive income. The division is made by the Group calculating the following value:

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

for the calculation of all period movements, where discounting can be interpreted, the Company uses locked-in discount rates.

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

The difference between the total foreign exchange rate difference and the foreign exchange rate difference accounted for in the result is accounted for by the Group in other comprehensive income, in the case of insurances under Financial result from insurance transactions, in the case of reinsurance under Financial result from reinsurance.

### 3.7.8.5. Presentation of reinsurance contracts

The Group presents income or expenses from held reinsurance contracts separated from expenses or income from issued insurance contracts.

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

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

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

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

### 3.8. Investment income and expenses

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).

### 3.9. Leases

According to IFRS 16 the contract is a lease or contains a lease, if it transfers the right to control the use of an identified asset for a period of time in exchange for a fee. One asset can be identified, if the lessee has the right to obtain substantially all

the economic benefits of the use, and the lessee controls the use of the asset. Short term leases (less than 12 months without a purchase option) and low value assets are excluded from the standard as simplification option.

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

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

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

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

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 Company treats it as an operating lease.

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 office lease contract is terminated at 28.02.2029, the length of the car rental contracts ranges between 22 and 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 finance lease in accordance with IFRS 16. The value of the right of use asset will equal the discounted present value of the leasing payments, which were depreciated linearly by the Company over the lifetime of the contract.

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

### 3.10. Income from state subsidies

When presenting state subsidies, the Group 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 Group has opted for net accounting and will thus deduct from expenses. The cost-reducing item (the amount of subsidy for the costs incurred) is entered in the financial statements in accordance with the principle of matching.

### 3.11. Employee benefits

The Insurer applies IAS 19 to the settlement of employee benefits. Employee benefits are all forms of remuneration given by an entity for the service provided by employees are not only cash benefits but also benefits in kind.

Grouping Employee Benefits:

- Short-term employee benefits.
- Post-employment benefits.
- Other long-term employee benefits.
- Severance payments.

On 29 November 2018, the Group 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 the 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 the earnings to be distributed, and defines its revenue and liabilities.

On 05.04.2019 CIG Pannónia Life Insurance Plc. transferred its own 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 optional commitment, decreased by the option fee paid by MRP.

During the grant date valuation and the subsequent valuation date valuation of employee share based payments was determined using the Cox-Ross-Rubinstein binomial tree method. To determine the value of the options, the risk-free yield for model calculations was determined by the relevant risk-free yield curves published by EIOPA, and the exchange rate standard deviation was determined using the experimental exchange rate data. In assessing this option, the Company took into account the trading data of CIGPANNONIA shares for the last two years. Performance bonuses for fulfilling and superseding the company's budget 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. Since 2021, if the bonus targets are met, 70% of the payments through the MRP are due in cash to the employees, while 10-10-10% of the bonus is due in shares in the following years through the MRP. In this case, 70% of the bonus is an employee benefit accounted for under IAS 19. Regardless of the position of the parties, the remaining 30% is, as defined in the remuneration policy, executed in the form of shares and is therefore a share-based payment under IFRS 2.

The main attributes of the benefit are as follows. The date the benefit is granted is the date on which the parties mutually understood the terms of the benefit. This is the date when the parties sign the bonus agreement. The bonus vesting period is 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 whether it is paid in cash or in shares. Based on the above, the Group presents this benefit as the fixed amount falling for the given year against the equity, accounted for continuously. 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 the shareholders' expectation that the Company's model based on predictable, conservative dividend payments can be realized in the medium and long term, as well as to the obligation to bear the public burdens acting against this, and the impact of this on the Company's KPIs - the conditions for payment based on the MRP Remuneration do not exist as a whole, i.e. the 2023 and 2024 reports do not contain share-based payments.

In the Group's consolidated financial statements, the shares transferred to MRP are presented as treasury shares (as items decreasing equity), while receivables and liabilities of the option granted to MRP are consolidated. Transactions related to treasury shares are recognised in equity in accordance with the IAS 32 standard and are not recognized in profit or loss in the consolidated financial statements. Dividends paid on MRP treasury shares are not recognized as dividend payments in the consolidated financial statements.

### 3.12. Income taxes

Income tax costs include current and deferred taxes. Current and deferred taxes are charged to profit or loss, unless they are related to an item which must be accounted through equity or other comprehensive income, because then they must be recognized in equity or in other comprehensive income together with the related income. Current income tax is the tax expected to be paid

on the taxable profit of the reporting year, calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is accounted for the temporary differences between the accounting values of assets and liabilities in the statement of financial position and their values for tax purposes. Deferred tax assets are recognized for unutilized tax losses if it is likely that sufficient taxable profit will be available in the future 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 Group's business plans and the effective tax rate. The Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

### 3.13. Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the given item. Amortization is recognized on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives and the amortization method are reviewed at the end of each annual reporting period, with the effects of any changes in estimates being accounted for on a prospective basis. Subsequent expenditure related to intangible assets is capitalized only if this results in future economic benefits for the Group. All other subsequent costs are accounted for as expense in the period when incurred. The Group 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 3.1. Goodwill is subsequently presented at cost less any impairment losses.

### 3.14. Property, plant and equipment

All items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the given item. 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 3.16)

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

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

### 3.15. Impairment of non-financial assets

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

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

### 3.16. Financial assets

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

#### 3.16.1. Initial recognition

All financial assets are initially displayed and derecognized on the trade date when the Group 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 Group according to the relevant standard. The principles for determining fair value are described in Note 3.18.

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

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

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

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

##### 3.16.2.1. Equity instruments

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 Group 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 into account ALCO's recommendation.

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

### 3.16.2.2. Debt instruments

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

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

The Group 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:

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

When defining the business model, the Group takes into account the frequency, value and schedule of sales from the given portfolio in previous periods, the reason for the sales and expectations for future sales activity.

**The Group 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.

- the financial asset is held by the Group 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 Group classifies all other debt instrument-type financial assets in the category valued at fair value through profit or loss.

### 3.16.3. Business model test

The Group'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, whether the cash flows from the financial asset arise from the collection of contractual cash flows, the sale of financial assets, or both.

In the case of its financial assets, the Group 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 and non-life insurance contracts
- Own investments (multiple portfolios)
- Derivatives
- Cash accounts and bank deposits
- Other financial receivables (these include: trade receivables, loans granted, 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 Group has established that the business model of these portfolios is Other business model.

The business model of traditional (non-unit-linked) life insurance and non-life insurance contracts with its financial assets serving as collateral for reserves is such, that the Group, 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 Group 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 Group 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 Group 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 Group'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 Group defines sub-portfolios as necessary and establishes the business model for each sub-portfolio separately.

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

If the Group acquires or creates financial asset(s) that cannot be included in any of the portfolios already documented from a business model perspective, the Group 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 Group classifies these assets in the appropriate portfolio for its insurance or investment contracts and defines the business model accordingly (i.e. a new portfolio is not documented for business model test purposes).

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

At the time of initial recognition, the Group 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").

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

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

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

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

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

The Group 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 Group in other comprehensive income until the financial asset is derecognized or reclassified.

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

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

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

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

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

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

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

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

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

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

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

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

The Group 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 Group reclassifies its financial assets, it must apply the reclassification prospectively from the date of reclassification. The Group 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 Group applies the reclassification in accordance with IFRS 9.

### **3.16.9. Derecognition of financial assets**

Before assessing whether and to what extent it is appropriate to derecognize a financial asset, the Group determines whether to apply the derecognition requirements to a part or all of a financial asset.

The Group 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 Group, or the Group writes off the financial asset in whole or in part.

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

The Group must recognize the rights and obligations arising or retained as a result of the transfer as separate assets or liabilities. When derecognizing debt instruments valued at fair value against other comprehensive income, the accumulated profit or loss previously recognized in other comprehensive income must be reclassified from other comprehensive income to the profit or loss.

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

In the case of financial assets valued at amortized cost, the result on derecognition is determined as the difference between the book value and the consideration received (including any new assets received, less any liabilities assumed) and is shown in profit or loss, under other investment income or investment expenses. On the derecognition of certain financial assets, the Group applies IFRS 9.

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

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

The replacement 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 Group 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 Group 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 the 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.

### 3.17. Impairment of financial assets

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

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

#### 3.17.1. General rules of impairment

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

#### 3.17.2. Special rules of impairment

##### 3.17.2.1. 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 Group 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 Group 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 Group 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 Group 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 Group uses the original effective interest rate (in the case of a floating interest rate paper, it discounts with the current effective interest rate). The Insurer recognizes the expected credit loss as the difference between the resulting weighted cash-flow present value and the gross book value at the reporting date.

### 3.17.2.2. Impairment of cash and cash equivalents

The Group 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 Group considers the impairment of cash and cash equivalents to be 0.

### 3.17.2.3. Impairment of intercompany receivables

For financial receivables from subsidiaries and associated companies, the Group 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 Group 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 Group recognizes the expected credit loss as the difference between the resulting weighted cash-flow present value and the gross book value on the reporting date

### 3.17.2.4. Impairment of trade receivables and other receivables

The Group 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.

### 3.17.2.5. Recognition of impairment for expected credit losses in the financial statements

The Group 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 Group in the supplementary notes. At the same time, in the comprehensive income statement, the amount of the impairment loss for the given year appears under Financial assets impairment and reversal.

### 3.17.3. Write-off of financial assets

The Group 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 Group reduces the gross book value of the financial asset against the amount of expected credit loss recognized.

### 3.18. Determination of fair values

A number of the Group'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 Group 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 and published (before T day) over-the-counter weighted by trade volume average net price 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.

### 3.19. Cash and cash equivalents

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

### 3.20. Financial liabilities

The Group 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 Group 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 Group 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 Group on this basis to the key management personnel of the Insurer.

The Group classifies liabilities into the following categories:

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

Financial liabilities valued at amortized cost upon initial recognition are valued by the Group 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 Group values received loans, other liabilities, liabilities from financial reinsurance, liabilities to the owner and intercompany liabilities at amortized cost.

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

The Group 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 Group 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 Group 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 Group 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 Group 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 Group may, however, reallocate accumulated profits or losses within its own equity. The Group initially classifies all liabilities arising from unit-linked life insurance contracts that do not meet the classification criteria of insurance contracts as liabilities valued at fair value through profit or loss. (See: contract classification, investment contracts.) It values futures and derivatives at fair value through profit or loss.

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

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

The Group 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 Group. This is usually the case when:

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

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

### 3.21. Provisions

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

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

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

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

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

### 3.22. Share capital and capital reserve

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs. Capital increases are accounted for in equity when the Group 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 Group disclose its assets and liabilities in the comprehensive statement of financial position in the order of liquidity (according to IAS 1.60). The net assets – assets minus liabilities – equals to the shareholders' equity.

### 3.23. Other reserves

Under other reserves the Group recognizes the difference between the cost net of impairment and the fair value of securities valued against other comprehensive result, and changes in fair values accounted under other comprehensive income.

When the Group 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).

### 3.24. Treasury shares

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

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

### 3.25. 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 shares during the year after deducting the average number of preference equities held over the period.

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

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

### 3.26. Contingent liabilities

Contingent liabilities are not recognized in the consolidated 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 consolidated

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 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 (insurance 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.

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 Revenue from Contracts with Customers

IFRS 15 excludes insurance contracts from its scope, so its introduction may have a lower impact on the Group's earnings on other non-insurance activities. (Due to the standard exclusions, most of the Insurer's activities are not covered by the standard as they are subject to the requirements of IFRS 17 and IFRS 9. Relevant transactions from the standpoint of the standard are other non-insurance activities, typically the accounting of income from investment contracts, the re-invoicing of services and the sale of assets.

Contracts that do not comply with the terms of the insurance contract and describe some service contract are within the scope of IFRS 15 and apply the new 5-step model of IFRS 15 from the identification of the contract until booking the revenue to the income statement.

According to the Standard, a vendor can count on revenue when it supplies the goods or services to the buyer and in the amount they are entitled to for the goods or services concerned.

The Group 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 outlined 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 Group has the following two operating segments: life insurance activity in the European geographic segment and non-life insurance activity in the European geographic segment. These two activities also determine the strategic divisions of the Group. The Group offers different products and services to its customers in these divisions, the sale of which is supported by various marketing tools. The divisions also have partly common managements. The management of the Group quarterly monitors and evaluates the performance of the divisions separately. All essential operating activities, tools and liabilities are located in the European geographic segment in the case of both activities. Based on all this, it is presented in the Notes that we separate the operating segments on the basis of the products sold. The result of the product groups sold in the different operating segments are specified in the Notes.

The following table summarises which services belong to which portfolio group.

Portfolio group / Segment	Life insurance segment	Non-life insurance segment
<b>Group life, accident and health insurance</b>	<ul style="list-style-type: none"> <li>- group life, accident and health insurance</li> <li>- group service financing insurance</li> <li>- MVM Accident and Health Insurance packages</li> </ul>	
<b>Individual accident and health insurance</b>	<ul style="list-style-type: none"> <li>- traditional accident and health insurance</li> </ul>	
<b>Single premium UL</b>	<ul style="list-style-type: none"> <li>- life insurance linked to single-premium investment units in Euro and Forint</li> </ul>	
<b>Regular premium UL</b>	<ul style="list-style-type: none"> <li>- life insurance linked to regular-premium investment units in euro and forint</li> </ul>	
<b>Traditional regular premium life savings insurance</b>	<ul style="list-style-type: none"> <li>- traditional regular-premium grace, savings and pension insurance</li> </ul>	
<b>Risk life insurance</b>	<ul style="list-style-type: none"> <li>- traditional regular-premium risk life insurance</li> </ul>	
<b>Credit coverage insurance</b>		<ul style="list-style-type: none"> <li>- credit coverage insurance</li> <li>- MVM account protection insurance</li> </ul>
<b>Vehicle insurance</b>		<ul style="list-style-type: none"> <li>- fleet casco</li> <li>- integrated casco</li> <li>- purchase price insurance</li> </ul>
<b>Corporate property insurance</b>		<ul style="list-style-type: none"> <li>- industrial property insurance</li> <li>- liability insurance</li> <li>- technical insurance</li> <li>- D&amp;O</li> <li>- drone insurance</li> </ul>
<b>Suretyship insurance</b>		<ul style="list-style-type: none"> <li>- Hungarian suretyship insurance</li> <li>- Italian suretyship insurance (run-off portfolio)</li> </ul>
<b>Retail property insurance</b>		<ul style="list-style-type: none"> <li>- travel insurance</li> <li>- home insurance</li> </ul>

The Group presents in the Notes the breakdown of assets and liabilities according to segments as well as the congruency of the information presented by segments with the consolidated financial statements.

The Group recognizes separately, by segments, all assets, liabilities, income and expenses that can clearly be assigned to one of the operating segments or can be distributed using a reasonable projection base. Since the Group manages these two operating segments in separate accounting systems before consolidation, this separation is ensured.

## 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 Group considers all future cash flows within the limits of each contract in the group. When forecasting insurance cash flows, the Group models future cash-flows of the life- and health insurance policies and relating expenses, therefore its forecasts include premium income, commission payments, reversed commissions, costs arising from managing existing insurance policies, (partial) surrenders, death and maturity benefits, furthermore payments related to modalities including health risk.

The best estimate of the liabilities in the non-life segment includes a forecast of the expected outgoing and incoming cash flow elements for the duration of the contract.

The forecasts take into account claims and claims expense payments, acquisition cost payments, operating cost payments related to the maintenance of contracts, taxes on premium and tax expenditure, future premiums and expenses and recoveries related to reinsurance contracts.

### 4.2. Estimates and assumptions relating the model

#### 4.2.1. Life insurance segment

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.

### 4.2.2. Non-life insurance segment

The Company has determined the level of reserves by homogeneous product groups, which includes the forecast of future liabilities for active contracts concluded up to the balance sheet date and the future expenditure on claims already incurred. The best estimate of the liabilities is equal to the probability-weighted average of future cash flows, taking into account the money's time value and uncertainty.

The best estimate of liabilities includes a forecast of the expected outgoing and incoming cash flow elements for the duration of the contract.

Non-life insurance reserves are formed of two parts: liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

The Company estimates its liability for incurred losses using procedures in accordance with the Hungarian law and the actuarial standards. The Company determines the reserves for incurred and reported claims on an itemized basis, based on the size of the claim, while the reserves for incurred but not reported claims are determined on an approximate basis, based on the ratio of earned premiums, or on a chain-ladder method based on the claims run-off triangle, taking into account the quantity and quality of claims empirical data accumulated since the launch of the product.

The Company determines its best estimate for the liabilities of outstanding coverage by taking into account future premiums, claims payments related to future related claims events and costs and taxes.

### 4.3. Estimates and assumptions relating to the parameters

#### 4.3.1. Life insurance segment

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.

#### 4.3.1.1. 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.

#### 4.3.1.2. 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:

	Mortalitási faktor (2024)	Mortalitási faktor (2023)
Unit-linked biztosítások	27%	31%
Pannónia Bárka Életbiztosítás	30%	25%
Pannónia Alkony Kegyeleti Biztosítás	106%	120%
Otthon Alkony Kegyeleti Életbiztosítás	21%	18%
Otthon Harmónia Kockázati Életbiztosítás	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.

#### 4.3.1.3. Cancellation and premium non-payment

The applied cancellation and premium 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 premium 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.

#### 4.3.1.4. 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				
	1	2	3	4	5
Forint (liquid)	6,6%	6,5%	6,4%	6,6%	6,7%
Euró (liquid)	2,3%	2,1%	2,1%	2,3%	2,4%

	2023				
	1	2	3	4	5
Forint (liquid)	8,0%	5,1%	5,0%	5,2%	5,4%
Euró (liquid)	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				
	1	2	3	4	5
Return on assets	4,8%	4,8%	4,8%	4,8%	4,9%

	2023				
	1	2	3	4	5
Return on assets	4,5%	4,5%	4,6%	4,7%	4,7%

#### 4.3.1.5. 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>2</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).

#### 4.3.1.6. Risk adjustment for non-financial risk

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

#### 4.3.1.7. 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.

#### 4.3.1.8. 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 they are included within the liabilities for the incurred claims).

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

<sup>2</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

## 4.3.2. Non-life insurance segment

### 4.3.2.1. Contractual limits

The contractual limit, i.e. the effective obligation to provide insurance contract services, ends when the entity is practically able to reassess the risks of the policyholder and, as a result, determine a price or benefit level that fully reflects those risks.

#### Insurances with a fixed term

The contractual limits for term property insurances are the same as the duration of the contract. In the case of regular premium payments, the relevant conditions allow the contractor to terminate the contract after the 3rd anniversary, and therefore the contractual term is 3 years.

In the case of group insurances with a fixed term, the policies were taken out for a long-term purpose, usually in combination with a life insurance coverage. The insurer does not have the option to cancel these contracts before the end of the contracted term, therefore the contractual limit is the same as the insurance term.

#### Annually renewable non-life insurance

The majority of property insurance policies have a term of one year, as the insurer has the right to cancel the insurance policy or reprice the risks taken after the policy anniversary date, according to the relevant terms and conditions.

#### Reinsurances held

In the case of held reinsurance contracts, the insurer shall also take into account contracts not yet recognized in the direct underlying portfolio of the held reinsurance contract in question, i.e. the cash flows of these contracts.

The insurer has assessed the held reinsurance contracts and found that most of the "legal contracts" are terminable on calendar anniversaries, and therefore these contracts have a limit of one year either in the sense that they cover claims incurred in a calendar year (LOD) or in the sense that they cover risks assumed in a calendar year (RAD).

For contracts not terminable at the end of the calendar year, the contractual limits are the same as those in the legal contract.

The Company reviews the assumptions specific to contracts 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 insurance technical processes on an ongoing (quarterly) 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.

### 4.3.2.2. Assumptions for claims ratio and claims expenditure

For the Company the claims expenditure arising from insurance contracts and the related claims settlement costs are one of the most important pillars of the reserves to be created. The estimate is based on a claims ratio that varies by product and is based on past experience data. Claims ratio assumptions are determined by the empirical claims ratio per product, claims costs incurred and premiums earned in the current year.

The related claims expenditure assumptions are based on the Company's business plans. The ratio of expected claims settlement costs based on business plans to the expected claims expenditure determines the percentage of the assumption.

### 4.3.2.3. Assumptions for operating costs and other acquisition costs

Operating costs refer to the costs incurred to maintain the insurance contracts until maturity, while other acquisition costs refer to the internal sales support costs incurred for new contracts. The basis for these cost assumptions is the projected cost data for the following year in the strategic plan, the allocation basis for costs is the annualised contract portfolio premium, and the cash flow forecasts are adjusted for inflation.

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

### 4.3.2.4. Assumptions for acquisition costs

Acquisition costs are the commission-type payments associated with the acquisition of insurance policies. The acquisition cost expenditure is based on past experience data. The experience acquisition cost ratios per product used in the cash flow forecasts are determined by the ratio of acquisition costs incurred to premiums earned in the current year.

### 4.3.2.5. Assumptions for tax and surtax

Under current legislation, the Company is liable to pay so-called insurance tax and extra profit tax on the basis of its insurance income. The cash flow forecasts include these tax liabilities, the underlying assumptions are determined by the ratio of the expected tax expense to the expected premium income for the contract or product, based on its business plans.

### 4.3.2.6. Assumptions for cancellation

The assumptions for cancellation include contract terminations due to the lapse of interest or the non-payment of premiums. The

cancellation ratio is less relevant for one-year property insurance contracts, but highly relevant for long-term contracts, the main reason for which is that in the case of concluded short-term property insurance policies, it is not possible to cancel at the customer's request before the expiry date or anniversary. In the case of long-term contracts, if cancellation rates increase, the Company loses significant profits. In the case of single-premium suretyship insurances, cancellations occur in extremely rare cases, which is why we apply a near-zero cancellation probability.

When determining the assumption, the Company examines what proportion of the contracts (still active at the beginning of the insurance year) are cancelled in each insurance year. The Company measures the ratios by product group.

#### 4.3.2.7. Yields and discount rates

To prepare the cash flow forecasts, as the assumed yield we use values derived from risk-free yield curves modified by the appropriate illiquidity premium.

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

	2024				
	1	2	3	4	5
Forint (liquid)	6,6%	6,5%	6,4%	6,6%	6,7%
Euró (liquid)	2,3%	2,1%	2,1%	2,3%	2,4%

#### 4.3.2.8. Risk adjustment for non-financial risks

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 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 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. The shocked parameters are derived using the assumptions of the non-life risk sub-modules of the Solvency II standard formula.

#### 4.3.2.9. Determining the coverage units

The Company determines the coverage unit for all of its insurances at the value of the maximum sum insured. In the Company's cash flow forecasts, the coverage unit is set for each product in accordance with this.

	2023				
	1	2	3	4	5
Forint (liquid)	8,0%	5,1%	5,0%	5,2%	5,4%
Euró (liquid)	3,4%	2,2%	1,9%	2,0%	2,2%

#### 4.4. 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.

##### Life insurance segment

Data in million HUF

2024	Group life	Individual accident and health	Single UL	Regular UL	Traditional regular life savings	Risk life	Credit coverage and account protection 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

## Életbiztosítási szegmens

Data in million HUF

2023	Group life	Individual accident and health	Single UL	Regular UL	Traditional regular life savings	Risk life	Credit coverage and account protection insurance	Total
<b>CSM</b>								
Increase of mortality/ claim ratio	-	-	-	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	- 13	- 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	- 14	- 91
Increase of non-payment	-	-	- 1	- 55	-	- 9	- 8	- 74

**Non-life segment**

Data in million HUF

2024	CSM		P&L		Equity	
	Direct	Reins	Direct	Reins	Direct	Reins
<b>Credit coverage</b>						
Increase of claim ratio	38	38	15	-16	14	17
Decrease of claim ratio	-38	-38	-15	16	-14	-17
Increase of cost ratio	64	-	25	-	24	-
Decrease of cost ratio	-64	-	-25	-	-24	-
Increase of nonpayment	23	17	7	-7	6	8
Decrease of nonpayment	-20	-15	-8	8	-7	-9
<b>Fleet CASCO</b>						
Increase of claim ratio	-	-	24	-8	24	8
Decrease of claim ratio	-	-	-23	8	-23	-8
Increase of cost ratio	-	-	-	-	-	-
Decrease of cost ratio	-	-	-	-	-	-
Increase of nonpayment	-	-	-	-	-	-
Decrease of nonpayment	-	-	-	-	-	-
<b>Corporate property</b>						
Increase of claim ratio	10	-	43	-32	43	32
Decrease of claim ratio	-10	-	-42	31	-42	-31
Increase of cost ratio	3	-	2	-	2	-
Decrease of cost ratio	-3	-	-2	-	-2	-
Increase of nonpayment	-	-	-	-	-	-
Decrease of nonpayment	-	-	-	-	-	-
<b>Suretyship</b>						
Increase of claim ratio	3	3	2	-2	2	2
Decrease of claim ratio	-3	-3	-2	2	-2	-2
Increase of cost ratio	1	-	1	-	1	-
Decrease of cost ratio	-1	-	-1	-	-1	-
Increase of nonpayment	-	-	-	-	-	-
Decrease of nonpayment	-	-	-	-	-	-
<b>Retail property</b>						
Increase of claim ratio	-	-	7	-6	7	6
Decrease of claim ratio	-	-	-7	6	-7	-6
Increase of cost ratio	-	-	-	-	-	-
Decrease of cost ratio	-	-	-	-	-	-
Increase of nonpayment	-	-	-	-	-	-
Decrease of nonpayment	-	-	-	-	-	-

**Non-life segment**

Data in million HUF

2023	CSM		P&L		Equity	
	Direct	Reins	Direct	Reins	Direct	Reins
<b>Credit coverage</b>						
Increase of claim ratio	2	-39	43	-11	-42	13
Decrease of claim ratio	-2	39	-43	11	42	-13
Increase of cost ratio	2	-	35	-	-35	-
Decrease of cost ratio	-2	-	-35	-	35	-
Increase of nonpayment	1	-23	5	-8	-5	12
Decrease of nonpayment	-1	23	-5	7	5	-11
<b>Fleet CASCO</b>						
Increase of claim ratio	-	-	16	-	-16	-
Decrease of claim ratio	-	-	-18	-	18	-
Increase of cost ratio	-	-	1	-	-1	-
Decrease of cost ratio	-	-	-3	-	3	-
Increase of nonpayment	-	-	-1	-	1	-
Decrease of nonpayment	-	-	-	-	-	-
<b>Corporate property</b>						
Increase of claim ratio	7	-	4	-	-4	-
Decrease of claim ratio	-7	-	-4	-	4	-
Increase of cost ratio	2	-	2	-	-2	-
Decrease of cost ratio	-2	-	-1	-	1	-
Increase of nonpayment	-	-	-	-	-	-
Decrease of nonpayment	-	-	-	-	-	-
<b>Suretyship</b>						
Increase of claim ratio	-	-2	1	-1	-1	1
Decrease of claim ratio	-	2	-1	1	1	-1
Increase of cost ratio	1	-	1	-	-1	-
Decrease of cost ratio	-1	-	-1	-	1	-
Increase of nonpayment	-	-	-	-	-	-
Decrease of nonpayment	-	-	-	-	-	-
<b>Retail property</b>						
Increase of claim ratio	-	-	2	-	-2	-
Decrease of claim ratio	-	-	-3	-	3	-
Increase of cost ratio	-	-	-	-	-	-
Decrease of cost ratio	-	-	-1	-	1	-
Increase of nonpayment	-	-	-	-	-	-
Decrease of nonpayment	-	-	-	-	-	-

## 5. CHANGES IN ACCOUNTING POLICIES

### 5.1. Effects of the mandatory used standards – from 1 January 2024 – on the consolidated 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 consolidated 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 Group accepts insurance risk by underwriting insurance policies (and policies including such components), and the 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. The death risk of individuals in Hungary represents the highest exposure to insurance risk for the Group. In the case of the non-life insurance company, insurance risk relates to the products, thus, in the case of property insurances cumulated risk is the highest in the event of natural disasters, whereas in the case of motor car insurances, it is necessary to ensure the appropriate risk management of claim payments up to any incidental limit. Uncertainty surrounding the timing, frequency and extent of claims under the related policies are risk factors affecting the Group.

The Group sells the following products:

Life insurances

- (a) unit-linked policies
- (b) term life insurance policies
- (c) whole-life insurance policies
- (d) endowment life insurance policies
- (e) term-fix endowment life insurance policies
- (f) traditional pension insurance policies
- (g) accident insurance
- (h) accident and medical benefit rider
- (i) waiver of premium rider in case of death
- (j) group life- and accident insurance
- (k) credit insurance

Health insurance

- (l) health insurance and health insurance with claim exemption bonus
- (m) health insurance rider

Non-life insurances

- (n) property insurance policies
- (o) liability insurance policies
- (p) casco insurance policies
- (q) suretyship-related insurance policies
- (r) group credit coverage and account protection policies
- (s) home insurance policies
- (t) travel insurance policies
- (u) insurances for various financial losses
- (v) extended guarantee policies

Risk management strategy constitutes a key element of the Group'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 Group 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 Group received a special role in identifying the risks. The members of the Risk Management Committee are those persons, who understood the aspects of Group's business, management and risks and able to propose to reduce the risk effectively.

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

Currently we have assessed the following risks to be the most significant:

1. The capital adequacy risk arising from the impact of the Italian operation
2. Technological risk – complexity of process, product and IT
3. Pricing, positioning risk
4. Risk of outsourced activities
5. Risks of the innovation project
6. 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 taking insurance risk, creating reserves, handling liquidity and concentration risks and handling operational and compliance risks. The operation of reinsurance and other risk reduction techniques are integrated part of the system.

### 6.3. Underwriting strategy

The purpose of the underwriting strategy is to prevent the Group 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 Group establishes appropriate risk pools for risks so as to ensure that the risk fluctuation level applied by the Group remains below a level deemed acceptable by the Group.

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

#### 6.3.2. Continuous monitoring of limit compliance

The Group 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 the 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 Group'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.

In the case of non-life insurance policies the managers responsible for the development of the products are also the leaders of underwriting. According to the commitment policy the underwriters decide on the acceptance of risks that cannot be accepted automatically, after the thorough examination of such risks.

#### 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 Group 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 Group 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 Group has a written reinsurance regulation 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 Group deemed the following criteria important when selecting reinsurers:

The reinsurer must be rated by one of the main international rating institutions. The Group 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 Group 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 Group.

#### 6.4. Concentration of insurance risks

The Group 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 Group'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 Group primarily underwrites insurance risks in the territory of the Hungary, but its operations also cover other countries in the region (Slovakia, Romania, and Italy). 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 Group 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).

In the case of non-life insurance policies, choosing the appropriate so-called catastrophe limits is of utmost importance and is an indispensable part of the management of risk cumulation. In order to determine the required limit, the Group uses the helps and models of the reinsurance partners.

##### 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 Group 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 Group establishes other technical reserves to manage this risk and monitors the mortality rates of the insured.

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

##### 6.4.4. Customer options

The Group 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 Group 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 Group 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 Group records several such key risks in the portfolio.

The Group'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 Group 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 sold by the Group, as well as of 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 allowance, surgical reimbursement, burn injury, bone fracture and cost reimbursement	- costs
	- 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
Non-life insurances	Terms and conditions	Key factors affecting future cash flows
Property insurance	- damages to insured properties due to specific events	- actual occurrence of events against assumptions
	- all risk (for non-excluded covers) compensation for all occurring damages	- evolution of average claims payments
	- technical insurance usually with all risk coverage	- actual costs against assumptions
Liability insurance	- for damages on behalf of the insured, which the insured caused to third persons	- actual occurrence of events against assumptions
	- when the Insured is considered liable for the damage according to the rules of law	- evolution of average claims payments
	- for damages caused in the course of the insured person's professional activities	- actual costs against assumptions
Casco insurance	- for damages which occur to the insured motor vehicle due to specific events	- actual occurrence of events against assumptions
		- evolution of average claims payments
		- actual costs against assumptions
Suretyship insurance	- the Insurer issues promissory notes against the previously defined partner rating limits	- actual occurrence of events against assumptions
	- the risk of the Insurer is the claim enforcement from the beneficiary in line with the promissory notes' conditions	- evolution of average claims payments
		- actual costs against assumptions

Non-life insurances	Terms and conditions	Key factors affecting future cash flows
Group credit coverage and account protection insurance	- the insurance provides benefits for damages related to the insured's incapacity to work or unemployment	- actual occurrence of events against assumptions
		- evolution of average claims payments
		- actual costs against assumptions
Home insurance	- benefits for the risks of fire and elemental damage and other property damages related to the movable and immovable property of the insured  - also covers assistance and accident insurance benefits in connection with insurance events	- actual occurrence of events against assumptions
		- evolution of average claims payments
		- actual costs against assumptions
Travel insurance	- benefits for the risks of accident, illness, property and other financial losses arising during travel and staying abroad  - also covers assistance and legal settlement benefits in connection with the insurance events	- actual occurrence of events against assumptions
		- evolution of average claims payments
		- actual costs against assumptions
Insurances for various financial losses	- provides assistance in the event of the customer losing their job or being unable to work for a longer period of time  - provides coverage for risks inherent in activities related to the use of bank cards, online transactions and our digital presence	- actual occurrence of events against assumptions
		- evolution of average claims payments
		- actual costs against assumptions
Purchase price insurance	- benefits for the financial loss of the insured vehicle in the event of total damage (salvage category 'scrap') or theft	- actual occurrence of events against assumptions
		- evolution of average claims payments
		- actual costs against assumptions
Pupil insurance	- extended accident and travel insurance for children, which complements the national accident insurance, and also covers travel insurance benefits abroad in the premium package  - available online only  - a selected school foundation or association receives a donation, grant from CIG Pannonia equal to 10% of the premium paid by the Policyholder	- actual occurrence of events against assumptions
		- evolution of average claims payments
		- actual costs against assumptions
asset insurance	- the group product is only available to Telekom subscribers when purchasing a new TV, non-SIM-enabled laptop, tablet or games console  - the product includes property insurance, extended warranty, fire and elemental damage, accidental breakdown and theft/robbery coverage	- actual occurrence of events against assumptions
		- evolution of average claims payments
		- actual costs against assumptions

## 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 Group classifies financial instruments into different categories based to their type and purchase intent (see notes 3.16 and 3.20).

The Group 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 Group 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 Group's asset-liability management is to match insurance and investment contracts according to their nature from the asset and liability side.

The Group'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 Group'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 Group; changes in interest rates and exchange rates have a direct impact on the Group's profit or loss and equity.

Liquidity risk is the risk that the Group 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 Group 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 Group 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 Group'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 Group. The maximum credit risk exposure at the reporting dates was as follows:

Data in million HUF

	31 December 2024	31 December 2023
Government bonds	49 866	40 840
Corporate bonds	3 735	6 482
Shares	44 048	27 334
Investment funds	64 451	54 688
Cash	12 812	8 239
Receivables	688	373
Other financial assets	- 438	- 19

In case of the government bonds, which form a defining part of financial assets, the credit risk exposure is considered not significant by the Group, 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	1 581	1 644
Impairment accounted for in the current year against the result	100	-
Reversal of impairment	-	-64
<b>Closing balance on 31 December</b>	<b>1 680</b>	<b>1 581</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	548	-	2 780	-
Overdue between 0 and 30 days	-	-	-	-
Overdue between 31 and 120 days	-	-	-	-
Overdue between 121 and 360 days	-	-	-	-
Overdue by more than a year	1 680	-1 680	1 581	-1 581
<b>Total</b>	<b>2 228</b>	<b>-1 680</b>	<b>4 361</b>	<b>-1 581</b>

On 31 December 2024, the Group 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 Group 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 Group 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 Group'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 Group as at the reporting date of the statement of financial position.

#### Financial assets and liabilities, provisions and lease liabilities:

Data in million HUF

31 December 2024	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
<b>Liabilities<sup>3</sup></b>	<b>11 597</b>	<b>11 125</b>	<b>9 011</b>	<b>259</b>	<b>639</b>	<b>1 208</b>	<b>8</b>
Of these lease liabilities	469	525	89	73	119	244	-
Government bonds	49 865	66 337	21 602	3 676	9 632	5 700	25 727
Corporate bonds	3 737	4 295	35	721	365	2 054	1 120
Shares	44 048	-	-	-	-	-	-
Investment funds	64 451	-	-	-	-	-	-
Cash	12 812	12 812	12 812	-	-	-	-
Receivables	687	687	687	-	-	-	-
Other financial assets	-422	-422	-422	-	-	-	-
Derivatives	-16	-16	-16	-	-	-	-
<b>Total assets</b>	<b>175 162</b>	<b>83 693</b>	<b>34 698</b>	<b>4 397</b>	<b>9 997</b>	<b>7 754</b>	<b>26 847</b>

<sup>3</sup> investment contracts, other liabilities and provisions, leasing obligations

Data in million HUF

31 December 2023	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>10 391</b>	<b>10 493</b>	<b>8 958</b>	<b>274</b>	<b>640</b>	<b>621</b>	<b>-</b>
Of these lease liabilities	314	385	94	94	180	17	-
Government bonds	40 840	56 023	8 562	10 834	7 642	5 362	23 624
Corporate bonds	6 481	7 230	2 501	182	882	2 502	1 163
Shares	27 334	-	-	-	-	-	-
Investment funds	54 688	-	-	-	-	-	-
Cash	8 239	8 239	8 239	-	-	-	-
Receivables	373	373	372	1	-	-	-
Other financial assets	- 149	- 149	- 149	-	-	-	-
Derivatives	131	21	- 15	36	-	-	-
<b>Total assets</b>	<b>137 937</b>	<b>71 737</b>	<b>19 510</b>	<b>11 053</b>	<b>8 524</b>	<b>7 864</b>	<b>24 787</b>

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

Data in million HUF

2024	Assets arising from insurance transactions			Liabilities arising from insurance transactions			Total
	LfRC <sup>4</sup>	LfIC <sup>5</sup>	Subtotal	LfRC	LfIC	Subtotal	Total
Within 1 year	- 1 217	239	- 978	888	7 811	8 699	7 721
Within 2 years	- 909	42	- 867	4 752	848	5 600	4 733
Within 3 years	- 699	11	- 688	7 606	276	7 882	7 194
Within 4 years	- 530	4	- 526	9 554	93	9 647	9 121
Within 5 years	- 399	-	- 399	11 890	19	11 909	11 510
Over 5 years	- 905	-	- 905	93 939	36	93 975	93 070
	<b>-4 659</b>	<b>296</b>	<b>-4 363</b>	<b>128 629</b>	<b>9 083</b>	<b>137 712</b>	<b>133 349</b>

Data in million HUF

2023	Assets arising from insurance transactions			Liabilities arising from insurance transactions			Total
	LfRC <sup>4</sup>	LfIC <sup>5</sup>	Összesen	LfRC	LfIC	Összesen	Mind-összesen
Within 1 year	-891	221	-669	622	2 833	3 455	2 786
Within 2 years	-717	27	-690	3 720	1 331	5 051	4 361
Within 3 years	-572	4	-568	6 018	597	6 614	6 046
Within 4 years	-455	-	-455	7 901	29	7 930	7 475
Within 5 years	-360	-	-360	9 070	6	9 076	8 717
Over 5 years	-1 076	-	-1 076	69 849	5	69 854	68 778
	<b>-4 071</b>	<b>253</b>	<b>-3 818</b>	<b>97 181</b>	<b>4 801</b>	<b>101 982</b>	<b>98 164</b>

4. liability for remaining coverage  
5. liability for incurred claims

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

Data in million HUF

2024	Assets arising from insurance transactions			Liabilities arising from insurance transactions			Total
	LfRC	LfIC	Subtotal	LfRC	LfIC	Subtotal	Total
Within 1 year	588	- 837	- 249	138	- 74	64	- 185
Within 2 years	373	- 115	258	104	- 8	96	354
Within 3 years	216	- 13	203	34	- 2	32	235
Within 4 years	148	- 4	144	30	- 1	29	173
Within 5 years	100	-	100	25	-	25	125
Over 5 years	180	-	180	112	-	112	292
	<b>1 605</b>	<b>- 969</b>	<b>636</b>	<b>443</b>	<b>-85</b>	<b>358</b>	<b>994</b>

Data in million HUF

2023	Assets arising from insurance transactions			Liabilities arising from insurance transactions			Total
	LfRC	LfIC	Subtotal	LfRC	LfIC	Subtotal	Total
Within 1 year	568	-238	329	103	-50	52	382
Within 2 years	400	-95	306	49	-6	44	349
Within 3 years	267	-7	261	47	-1	46	307
Within 4 years	202	-	202	39	-	39	241
Within 5 years	151	-	151	30	-	30	181
Over 5 years	425	-	425	133	-	133	559
	<b>2 014</b>	<b>-340</b>	<b>1 674</b>	<b>402</b>	<b>-57</b>	<b>345</b>	<b>2 019</b>

**6.6.3. Foreign exchange risk**

The Group underwrites insurance and investment contracts denominated in forint and euro. The Group 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 2024 and 2023:

31 December 2024	CSM		Result		Equity
	EUR	EUR	USD	EUR	EUR
Year-end FX rate	410,09	410,09	393,6	410,09	410,09
Possible change (+)	10%	10%	10%	10%	10%
Possible change (-)	10%	10%	10%	10%	10%
Impact of FX rate increase on financial assets (million forints)	-	513	356	-	-
Impact of FX rate decrease on financial assets (million forints)	-	-513	-356	-	-
Impact of FX rate increase on financial liabilities (million forints)	-	-96	-353	-	-
Impact of FX rate decrease on financial liabilities (million forints)	-	96	353	-	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies (million forints)	-380	-418	-	- 8 211	-
Impact of FX rate decrease on liabilities from insurance and reinsurance policies (million forints)	372	412	-	8 189	-

	31 December 2023			Equity EUR
	CSM EUR	Result EUR	Result USD	
Year-end FX rate	382,78	382,78	346	382,78
Possible change (+)	10%	10%	10%	10%
Possible change (-)	10%	10%	10%	10%
Impact of FX rate increase on financial assets (million forints)	-	178	260	-
Impact of FX rate decrease on financial assets (million forints)	-	-178	-260	-
Impact of FX rate increase on financial liabilities (million forints)	-	-90	-259	-
Impact of FX rate decrease on financial liabilities (million forints)	-	90	259	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies (million forints)	-92	-39	-	-5 599
Impact of FX rate decrease on liabilities from insurance and reinsurance policies (million forints)	33	26	-	5 558

#### 6.6.4. Interest rate risk

The Group 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 Group offsets interest rate risk by choosing assets with low interest rate sensitivity. The risk management is supported by the continuous monitoring of asset-liability matching.

The Group's own investments also carry an interest rate risk.

The following table presents the Group'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	53 601	47 321
Floating interest	-	-
<b>Interest-bearing assets</b>	<b>53 601</b>	<b>47 321</b>

The Group'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
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	Increase	Decrease	Increase
Liabilities from insurance and reinsurance contracts	- 15	159	- 123	61	- 1 205	1 473
Financial assets and liabilities	-	-	- 554	590	-	-
	- 15	159	- 678	651	- 1 205	1 473

Data in million HUF

2023 Modified	CSM		Result		Equity	
	Increase	Decrease	Increase	Increase	Decrease	Increase
Liabilities from insurance and reinsurance contracts	- 123	250	- 47	- 5	- 1 264	- 1 666
Financial assets and liabilities	-	-	- 578	620	-	-
	- 123	250	- 625	616	- 1 264	- 1 666

#### 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. Exposure to the share price is only relevant for the life segment.

Data in million HUF

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

Data in million HUF

2023	CSM	Result	Equity
Liabilities from insurance and reinsurance contracts	- 283	- 164	- 6 586
Financial assets and liabilities	-	-	- 261
	- 283	- 164	- 6 847

## 7. CAPITAL ADEQUACYS

The Group'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 Group'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 Group 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 is a complex, risk-based solvency requirement, risk-based supervisory regulations were introduced 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.

The Group ongoing fulfils and puts a great emphasis on the solvency requirements according to Solvency II. The consolidated available solvency capital of the Group as at 31.12.2024 is almost two times as much as the solvency capital requirement, therefore it significantly exceeds the 150 percent Solvency Capital Requirement of the Supervisory Authority (which contains a 50 percentage volatility puffer).

Data in million HUF / %

	31.12.2024	31.12.2023 <sup>6</sup>
Available solvency capital for SCR	26 214	20 683
Available solvency capital for MCR	21 760	20 409
Solvency capital requirement (SCR)	13 542	9 554
Minimal capital requirement (MCR)	4 093	4 155
Solvency capital adequacy (to SCR)	194%	216%
Solvency capital adequacy (to MCR)	532%	491%

<sup>6</sup> The value of "Solvency Capital that can be taken into account to cover the Solvency Capital Requirement" as of 31.12.2023 includes the amount established in the annual Solvency II report, which has changed slightly compared to the published report.

## 8. FINANCIAL INFORMATION BY SEGMENTS

2024 – Consolidated statement of comprehensive income by segment and by portfolio group

Data in million HUF

	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 and account protection insurance	Other life segment	Life segment 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>
Other comprehensive income	-	-	-	1	604	- 105	-10	55	545
<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>

## 2024 – Consolidated statement of comprehensive income by segment and by portfolio group (cont'd)

Data in million HUF

	Credit coverage and account protection insurance	Fleet Casco	Corporate Property Insurance	Surety insurance	Retail Property Insurance	Other non-life segment	Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Insurance revenue	3 601	2 686	5 221	468	637	-	12 613	-	-215	27 294
Insurance service expenses	- 3 487	- 2 202	- 3 016	- 4 658	-463	-	-13 826	-	8	-26 196
Reinsurance expense- allocation of premium	-947	-863	- 2 201	-286	-350	-	-4 647	-	98	-5 732
Amount recoverables from reinsurance	954	631	412	63	165	-	2 225	-	-	3 178
<b>Insurance service result</b>	<b>121</b>	<b>252</b>	<b>416</b>	<b>- 4 413</b>	<b>-11</b>	<b>-</b>	<b>- 3 635</b>	<b>-</b>	<b>- 109</b>	<b>-1 456</b>
Interest income calculated using the effective interest method	-	-	-	-	-	593	593	-	-	1 869
Investment income	-	-	-	-	-	534	534	300	-317	25 410
Impairment and reversed impairment of Financial assets	-	-	-	-	-	- 4	- 4	-	-	- 4
Investment expenses	-	-	-	-	-	-141	-141	- 368	3 318	- 853
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	15	490	1 060
<b>Investment income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>982</b>	<b>982</b>	<b>- 53</b>	<b>3 491</b>	<b>27 482</b>
Insurance financial result	-	-	-48	-137	-1	-	- 186	-	-	-23 645
Reinsurance financial result	101	-	-	29	-	-	130	-	-	172
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	-	-	-1 049
<b>Financial results</b>	<b>101</b>	<b>-</b>	<b>-48</b>	<b>-108</b>	<b>- 1</b>	<b>-</b>	<b>-56</b>	<b>-</b>	<b>-</b>	<b>-24 522</b>
Premium and commission income from investment contracts	-	-	-	-	-	-	-	-	-	282
Other operating costs	-	-	-	-	-	- 77	- 77	- 18	13	- 301
Other (non-financial) income	-	-	-	-	-	76	76	18	-401	120
Other (non-financial) expenses	-	-	-	-	-	- 42	- 42	-	388	- 423
<b>Profit/loss before taxation</b>	<b>222</b>	<b>252</b>	<b>368</b>	<b>- 4 521</b>	<b>-12</b>	<b>939</b>	<b>- 2 752</b>	<b>- 53</b>	<b>3 382</b>	<b>1 182</b>
Tax income / (expenses)	-	-	-	-	-	-	-	-	7	- 37
Deferred tax income / (expenses)	-	-	-	-	-	-	-	-	-	134
<b>Total profit/loss after taxation</b>	<b>222</b>	<b>252</b>	<b>368</b>	<b>- 4 521</b>	<b>-12</b>	<b>939</b>	<b>- 2 752</b>	<b>- 53</b>	<b>3 389</b>	<b>1 279</b>
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-	- 115	- 115	-	-	- 826
OCI from insurance contracts	-17	-36	-8	-16	-2	-	- 79	-	-	394
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>52</b>	<b>-35</b>	<b>14</b>	<b>-13</b>	<b>-</b>	<b>- 114</b>	<b>- 96</b>	<b>-</b>	<b>-</b>	<b>- 317</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>-</b>	<b>-</b>	<b>766</b>
<b>Other comprehensive income</b>	<b>52</b>	<b>-35</b>	<b>14</b>	<b>-13</b>	<b>-</b>	<b>-114</b>	<b>-96</b>	<b>-</b>	<b>-</b>	<b>449</b>
<b>Total comprehensive income</b>	<b>274</b>	<b>217</b>	<b>382</b>	<b>- 4 534</b>	<b>-12</b>	<b>825</b>	<b>- 2 848</b>	<b>- 53</b>	<b>3 389</b>	<b>1 728</b>

## Consolidated statement of financial position 2024

Data in million HUF

ASSETS	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Intangible Assets	673	318	-	-	991
Property, plant and equipment	87	9	-	-	96
Right-of-use assets	264	180	-	-	444
Deferred tax assets	486	-	-	-	486
Subsidiaries	6 748	-	-	- 6 748	-
Associated companies	51	-	-	1 231	1 282
Insurance contract assets	1 120	25	-	-	1 145
Reinsurance contract assets	878	3 107	-	-	3 985
Investments for policyholders of unit-linked life insurance policies	127 680	-	-	-	127 680
Financial assets – investments contracts	5 942	-	-	-	5 942
Financial asset - Derivatives	-	-	-	-	-
Other financial assets at fair value	22 370	16 025	-	-	38 395
Other assets and accruals	54	27	-	-	81
Other receivables	467	78	-	3	548
Treasury share	-	-	176	- 176	-
Receivables from associates	155	189	325	- 669	-
Cash and cash equivalents	2 368	202	27	-	2 597
<b>Total Assets</b>	<b>169 343</b>	<b>20 160</b>	<b>528</b>	<b>- 6 359</b>	<b>183 672</b>
<b>LIABILITIES</b>					
Insurance contract liabilities	140 418	9 398	-	-	149 816
Reinsurance contract liabilities	52	314	-	-	366
Financial liabilities – Investment contracts	5 942	-	-	-	5 942
Financial liabilities - Derivatives	224	-	-	-	224
Lease liabilities	279	191	-	-	470
Provisions	303	36	-	-	339
Other liabilities	1 263	3 322	3	-	4 588
Intercompany payables	189	155	-	- 344	-
Liabilities to shareholders	37	-	-	-	37
<b>Total Liabilities</b>	<b>148 707</b>	<b>13 416</b>	<b>3</b>	<b>- 344</b>	<b>161 782</b>
<b>NET ASSETS</b>	<b>20 636</b>	<b>6 744</b>	<b>525</b>	<b>- 6 015</b>	<b>21 890</b>
<b>Shareholder's Equity</b>					
Registered capital	3 116	1 120	229	- 1 349	3 116
Capital reserve	4 019	12 075	-	- 14 941	1 153
Treasury shares	-32	-	-	-	-32
Other reserve	-41	- 80	-	-	-491
Retained earnings	13 944	- 6 371	296	10 275	18 144
<b>Total shareholder's equity</b>	<b>20 636</b>	<b>6 744</b>	<b>525</b>	<b>- 6 015</b>	<b>21 890</b>

## 2023 – Consolidated statement of comprehensive income by segment and by portfolio group

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 and account protection insurance	Other life segment	LIFE 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>

## 2023 – Consolidated statement of comprehensive income by segment and by portfolio group (cont'd)

Data in million HUF

2023 cont'd	Credit coverage and account protection insurance	Fleet Casco	Corporate Property Insurance	Surety insurance	Retail Property Insurance	Other Non-li-fie segment	Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Insurance revenue	2 663	2 428	3 607	492	344	-	9 534	-	-	21 349
Insurance service expenses	-1 990	-2 948	-2 215	- 299	-337	-	-7 789	-	-	-17 856
Reinsurance expense- allocation of premium	- 232	- 583	-1 673	- 208	-138	-	-2 834	-	-	-3 516
Amount recoverables from reinsurance	- 203	638	322	2	157	-	916	-	-	1 890
<b>Insurance service result</b>	<b>238</b>	<b>-465</b>	<b>41</b>	<b>-13</b>	<b>26</b>	<b>-</b>	<b>-173</b>	<b>-</b>	<b>-</b>	<b>1 867</b>
Interest income calculated using the effective interest method	-	-	-	-	-	665	665	-	-	1 917
Investment income	-	-	-	-	-	538	538	149	-149	8 514
Impairment and reversed impairment of Financial assets	-	-	-	-	-	-1	-1	-	-	2
Investment expenses	-	-	-	-	-	-281	-281	-70	-885	-1 126
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	9	108	571
<b>Investment income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>921</b>	<b>921</b>	<b>88</b>	<b>- 926</b>	<b>9 878</b>
Insurance financial result	- 7	- 22	- 47	29	-1	-	- 48	-	-	-7 589
Reinsurance financial result	35	- 2	3	33	1	-	70	-	-	15
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	-	-	- 403
<b>Financial results</b>	<b>28</b>	<b>-24</b>	<b>-44</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-7 977</b>
Premium and commission income from investment contracts	-	-	-	-	-	-	-	-	-	77
Other operating costs	-	-	-	-	-	-47	-47	-15	10	- 233
Other (non-financial) income	-	-	-	-	-	124	124	15	-260	197
Other (non-financial) expenses	-	-	-	-	-	-44	-44	-	250	- 172
<b>Profit/loss before taxation</b>	<b>266</b>	<b>-489</b>	<b>-3</b>	<b>49</b>	<b>26</b>	<b>954</b>	<b>803</b>	<b>88</b>	<b>- 926</b>	<b>3 637</b>
Tax income / (expenses)	-	-	-	-	-	-31	-31	-	-	- 778
Deferred tax income / (expenses)	-	-	-	-	-	-	-	-	-	15
<b>Total profit/loss after taxation</b>	<b>266</b>	<b>-489</b>	<b>-3</b>	<b>49</b>	<b>26</b>	<b>923</b>	<b>772</b>	<b>88</b>	<b>- 926</b>	<b>2 874</b>
OCI from change in fair value of other financial assets at fair value	40	-	-	-	-	365	405	-	-	3 626
OCI from insurance contracts	19	- 33	- 56	-13	-2	-	- 85	-	-	-1 672
OCI from reinsurance contracts	- 103	- 14	16	- 2	3	-	- 100	-	-	- 257
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>- 82</b>	<b>- 47</b>	<b>- 40</b>	<b>- 15</b>	<b>-</b>	<b>364</b>	<b>180</b>	<b>-</b>	<b>-</b>	<b>1 697</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>-</b>	<b>-</b>	<b>1 644</b>
<b>Other comprehensive income</b>	<b>-82</b>	<b>-47</b>	<b>-40</b>	<b>-15</b>	<b>-</b>	<b>364</b>	<b>180</b>	<b>-</b>	<b>-</b>	<b>3 341</b>
<b>Total comprehensive income</b>	<b>184</b>	<b>-536</b>	<b>-43</b>	<b>34</b>	<b>26</b>	<b>1 287</b>	<b>952</b>	<b>88</b>	<b>- 926</b>	<b>6 215</b>

## Consolidated statement of financial position 2023

Data in million HUF

ASSETS	CIG Life Insurance segment	CIG Non-Life insurance segment	Other	Adjusting items of financial statement deduction (consolidation)	Total
Intangible Assets	661	273	-	-	934
Property, plant and equipment	105	12	-	-	117
Right-of-use assets	175	96	-	-	271
Deferred tax assets	337	-	-	-	337
Subsidiaries	6 698	-	-	- 6 698	-
Associated companies	52	-	-	725	777
Insurance contract assets	1 058	184	-	-	1 242
Reinsurance contract assets	659	1 899	-	-	2 558
Investments for policyholders of unit-linked life insurance policies	94 424	-	-	-	94 424
Financial assets – investments contracts	4 763	-	-	-	4 763
Financial asset - Derivatives	109	21	-	-	130
Other financial assets at fair value	24 498	11 481	-	-	35 979
Other assets and accruals	66	14	-	-	80
Other receivables	63	82	1	3	149
Treasury share	-	-	139	-139	-
Receivables from associates	119	67	413	-599	-
Cash and cash equivalents	1 709	756	27	-	2 492
<b>Total Assets</b>	<b>135 496</b>	<b>14 885</b>	<b>580</b>	<b>- 6 708</b>	<b>144 253</b>
<b>LIABILITIES</b>					
Insurance contract liabilities	106 134	4 086	-	-	110 220
Reinsurance contract liabilities	91	285	-	-	376
Financial liabilities – Investment contracts	4 763	-	-	-	4 763
Financial liabilities - Derivatives	-	-	-	-	-
Lease liabilities	203	111	-	-	314
Provisions	126	136	-	-	262
Other liabilities	1 565	3 455	1	-	5 021
Intercompany payables	67	118	-	-185	-
Liabilities to shareholders	33	-	-	-	33
<b>Total Liabilities</b>	<b>112 982</b>	<b>8 191</b>	<b>1</b>	<b>-185</b>	<b>120 989</b>
<b>NET ASSETS</b>	<b>22 514</b>	<b>6 694</b>	<b>579</b>	<b>- 6 523</b>	<b>23 264</b>
<b>Shareholder's Equity</b>					
Registered capital	3 116	1 090	243	- 1 333	3 116
Capital reserve	4 019	9 105	-	- 11 971	1 153
Treasury shares	-32	-	-	-	- 32
Other reserve	-955	15	-	-	- 940
Retained earnings	16 366	- 3 516	336	6 781	19 967
<b>Total shareholder's equity</b>	<b>22 514</b>	<b>6 694</b>	<b>579</b>	<b>- 6 523</b>	<b>23 264</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.

In the non-life insurance segment, our technical result decreased by HUF 3,428 million, which is due to two effects:

- (i) For typically short-term policies (PAA valuation method): the improvement of a total HUF 1,129 million in the result of fleet casco and corporate property policies is quite significant compared to the reference period.
- (ii) The decrease in the result on the portfolio of policies valued using the GMM methodology is caused by the increased claims reserves of the Italian suretyship products (HUF -4,519 million).

**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 37 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.

**Vehicle insurance products** (annual profit improvement: HUF 883 million):

The reason behind the improvement in profit is basically due to the decrease in claims costs and expenses – i.e. the claims ratio. The reduction in the claims ratio was facilitated by the streamlining of the insurance portfolio, changing premiums in line with claims cost increases. In addition, the change in insurance tax legislation also had a positive impact on profit. As a result of the significant reduction in the combined ratio, the loss component recognised at the end of the previous year was released by the Insurer in full.

**Corporate property insurance products** (annual profit improvement: HUF 246 million):

The product group is characterized by a low claims ratio. Factors affecting profitability include, in addition to the acquisition costs linked to the policies, the reinsurance contracts taken out to cover own risks and the reduction in their costs.

The revenue recognition is based on the ratio of services rendered to services expected at the end of the period, defined by product

group. The Insurer assesses the cohorts of direct products and the numerous related reinsurance contracts independently of each other. The change in result has two main drivers: the Insurer's premium income was significantly higher than in the same period of the previous year and it increased its retention, i.e. less reinsurance coverage was necessary in 2024 than in the previous financial year.

**Suretyship insurance products** (annual profit decline: HUF 4,570 million):

The profit decline of HUF 4,519 million in the Italian suretyship insurances is explained by a combination of three effects:

- i) In the last quarter of 2024, a significant reserve increase was necessary to cover litigation claims, which includes a risk adjustment under IFRS 17.
- ii) The Insurer has reviewed and updated the additional claims reserves in the normal course of business.
- iii) The Insurer fulfilled its claims payment and claims settlement expenditure obligations in respect to outstanding claims in the financial year 2024.

The profitability of the Hungarian suretyship products decreased by HUF 51 million compared to the reference period, mainly due to higher claims ratios and a deterioration in claims ratio assumptions.

**Retail property insurance products** (annual profit decline: HUF 31 million):

The decline in profit is the result of several effects. The increase in the stock of products that have been running for 2-3 years improves the result, while new product launches still generate a loss in the first periods due to start-up and other overhead costs. The combination of these two effects still slightly decreased the result on a year-on-year basis.

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

**2024.**

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 and account protection insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
<b>Opening insurance contract assets</b>	-	-	-	- 2 346	-	-	-	-	- 2 346
<b>Opening insurance contract liabilities</b>	- 23	- 3 036	- 745	- 54	- 151	- 192	- 244	-	- 4 445
Changes related to current services									
- CSM recognized in profit and loss	79	640	90	892	519	249	236	3	2 705
Changes related to future services									
- Contracts initially recognized in the period	- 83	- 965	- 64	- 726	- 264	- 98	- 366	-	- 2 566
- Changes in estimates that adjust CSM	- 292	- 139	- 42	- 40	- 1 218	- 313	124	- 4	- 1 920
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	-	-	- 226	- 30	- 25	- 52	-	- 333
Net foreign exchange income or expense	- 3	- 31	- 3	-	-	-	-	-	- 37
<b>Closing insurance contract liabilities</b>	- 1	1	-	- 2 437	- 367	-	-	-	- 2 804
<b>Opening insurance contract assets</b>	- 321	- 3 532	- 764	- 63	- 777	- 379	- 302	- 1	- 6 139

**2023.**

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 and account protection insurance	Corporate Property Insurance	Surety Insurance	Total
<b>Opening insurance contract assets</b>	-	-	-	-	-	-	-	<b>- 1 667</b>
<b>Opening insurance contract liabilities</b>	<b>- 46</b>	<b>-1 886</b>	<b>-1 408</b>	<b>-30</b>	<b>-62</b>	-	<b>- 62</b>	<b>- 3 494</b>
Changes related to current services								
- CSM recognized in profit and loss	8	556	83	682	73	101	208	1 711
Changes related to future services								
- Contracts initially recognized in the period	-70	- 527	- 97	-890	-317	- 197	-333	- 2 431
- Changes in estimates that adjust CSM	84	-1185	675	-287	200	- 66	-1	-580
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	-	-	-209	-43	- 30	-56	-338
Net foreign exchange income or expense	1	6	1	-	-	-	-	8
<b>Closing insurance contract liabilities</b>	-	-	-	<b>- 2 346</b>	-	-	-	<b>- 2 346</b>
<b>Opening insurance contract assets</b>	<b>- 23</b>	<b>-3 036</b>	<b>-746</b>	<b>-55</b>	<b>-149</b>	<b>- 192</b>	<b>- 244</b>	<b>- 4 445</b>

A viszontbiztosítási szerződésekre is értelmezhető a CSM fogalma.

## 2024.

Data in million HUF

Contractual Service Margin - reinsurance	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Surety insurance	Retail property insurance	Total
<b>Opening reinsurance contract assets</b>	-	-	-	<b>2 584</b>	<b>254</b>	-	<b>2 838</b>
<b>Opening reinsurance contract liabilities</b>	<b>6</b>	<b>4</b>	<b>240</b>	-	-	-	<b>250</b>
Changes related to current services							
- CSM recognized in profit and loss	-1	2	-38	-934	-260	-5	-1 236
Changes related to future services							
- Contracts initially recognized in the period	-	-	44	-	453	12	509
- Changes in estimates that adjust CSM	1	-6	-85	981	-207	-4	680
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-2	-182	-	-	-184
Reinsurance finance expenses through profit and loss	-	-	18	235	43	-	296
Net foreign exchange income or expense	-	-	-	-	-	-	-
<b>Closing reinsurance contract assets</b>	-	-	-	<b>2 499</b>	<b>283</b>	<b>3</b>	<b>2 785</b>
<b>Closing reinsurance contract liabilities</b>	<b>6</b>	-	<b>177</b>	<b>186</b>	-	-	<b>369</b>

## 2023.

Data in million HUF

Contractual Service Margin - reinsurance	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Surety insurance	Total
<b>Opening reinsurance contract assets</b>	-	<b>-8</b>	<b>208</b>	<b>729</b>	<b>88</b>	<b>1 017</b>
<b>Opening reinsurance contract liabilities</b>	<b>11</b>	-	<b>11</b>	<b>273</b>	-	<b>295</b>
Changes related to current services						
- CSM recognized in profit and loss	-1	-1	-38	-563	-174	-777
Changes related to future services						
- Contracts initially recognized in the period	-	-	190	-76	300	414
- Changes in estimates that adjust CSM	-5	14	-159	2 415	-1	2 264
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	3	-282	-	-279
Reinsurance finance expenses through profit and loss	1	-1	25	88	39	152
Net foreign exchange income or expense	-	-	-	-	-	-
<b>Closing insurance contract assets</b>	-	-	-	<b>2 584</b>	<b>254</b>	<b>2 838</b>
<b>Closing reinsurance contract assets</b>	<b>6</b>	<b>4</b>	<b>240</b>	-	-	<b>250</b>

## The expected release of CSM (contractual service margin) – insurance contracts

Data in million HUF

2024	1 year	2 year	3 year	4 year	5 year	5 year above	Total
Credit coverage insurance	405	252	159	107	72	149	1 144
Corporate Property Insurance	224	123	30	1	-	-	378
Surety insurance	1	-	-	-	-	-	1
Single premium UL	167	91	40	4	1	-	303
Traditional regular premium life savings insurance	72	63	56	44	29	55	319
Risk life insurance	85	80	74	68	61	398	766
Regular premium UL	514	380	311	256	209	830	2 500
Total	563	441	363	309	271	1 585	3 532
<b>Összesen</b>	<b>2 031</b>	<b>1 430</b>	<b>1 033</b>	<b>789</b>	<b>643</b>	<b>3 017</b>	<b>8 943</b>

Data in million HUF

2023	1 year	2 year	3 year	4 year	5 year	5 year above	Total
Credit coverage insurance	50	33	22	15	10	24	154
Corporate Property Insurance	110	60	20	2	-	-	192
Surety insurance	132	80	20	7	2	-	241
Single premium UL	7	5	3	2	1	4	22
Traditional regular premium life savings insurance	74	70	67	63	58	412	744
Risk life insurance	491	372	301	246	201	789	2 400
Regular premium UL	489	388	320	272	236	1 332	3 037
<b>Total</b>	<b>1 353</b>	<b>1 008</b>	<b>753</b>	<b>607</b>	<b>508</b>	<b>2 561</b>	<b>6 790</b>

## The expected release of CSM (contractual service margin) – reinsurance contracts

Data in million HUF

2024	1 year	2 year	3 year	4 year	5 year	5 year above	Total
Credit coverage insurance	- 831	-558	- 379	- 266	- 186	-463	- 2 683
Retail property insurance	- 3	-	-	-	-	-	-3
Surety insurance	-154	-86	- 38	- 3	-	-	-281
Risk life insurance	- 48	-34	- 26	- 16	- 13	-42	-179
Regular premium UL	- 1	-1	- 1	- 1	- 1	-3	-8
<b>Total</b>	<b>-1 037</b>	<b>- 679</b>	<b>-444</b>	<b>-286</b>	<b>-200</b>	<b>- 508</b>	<b>-3 154</b>

## The expected release of CSM (contractual service margin) – reinsurance contracts

Data in million HUF

2023	1 year	2 year	3 year	4 year	5 year	5 year above	Total
Credit coverage insurance	- 610	- 442	- 339	- 264	- 206	- 723	-2 584
Surety insurance	- 146	- 79	-20	-7	-2	-	- 254
Traditional regular premium life savings insurance	-1	-1	-1	-	-	-1	-4
Risk life insurance	-77	- 44	-30	-23	-15	- 50	- 239
Regular premium UL	-1	-1	-1	-1	-	-3	-7
<b>Total</b>	<b>- 835</b>	<b>- 567</b>	<b>- 391</b>	<b>- 295</b>	<b>- 223</b>	<b>- 777</b>	<b>-3 088</b>

The following table shows the breakdown of the CSM of insurance contracts by the migration methods for the life segment as detailed under Note 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 resulting in loss-making contracts or the release of previous losses	-	-	-	1	1
Financial result on reinsurance transactions recognised in profit or loss	-	11	2	-	13
<b>Closing balance</b>	<b>2</b>	<b>914</b>	<b>201</b>	<b>24</b>	<b>1 141</b>

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 and account protection insurance	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 resulting in loss-making contracts or the release of previous losses	-	-	-	225	27	252
Financial result on reinsurance transactions recognised in profit or loss	3	20	2	-	-	25
<b>Closing balance</b>	<b>319</b>	<b>2 619</b>	<b>564</b>	<b>2 476</b>	<b>369</b>	<b>6 347</b>

Data in million HUF

Fair value 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 resulting in loss-making contracts or the release of previous losses	-	-	-	1	1
Financial result on reinsurance transactions recognised in profit or loss	-	-	-	-	-
<b>Closing balance</b>	<b>1</b>	<b>378</b>	<b>301</b>	<b>22</b>	<b>702</b>

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 and account protection insurance	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 resulting in loss-making contracts or the release of previous losses	-	-	-	207	46	254
Financial result on reinsurance transactions recognised in profit or loss	- 1	- 6	- 1	-	-	- 8
<b>Closing balance</b>	<b>22</b>	<b>2 659</b>	<b>444</b>	<b>2 377</b>	<b>82</b>	<b>5 584</b>

The non-life segment has moved in its entirety at fair value.

## 10. INSURANCE INCOME

2024.

Data in million HUF

Amounts relating to changes in LfRC	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 and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
- Expected benefits incurred	-	-	53	234	122	465	929	-	249	26	14	2 092
- Expected expenses incurred	-	-	161	1 468	119	639	1 263	-	73	43	6	3 772
- Change in the risk adjustment	-	-	5	216	1	107	162	-	19	13	1	524
- CSM recognized	-	-	79	640	90	892	519	-	249	236	3	2 708
Recovery of acquisition cash flows	-	-	173	1 126	42	676	2 467	-	259	150	88	4 981
Experience adjustments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Contracts not measured under PAA</b>	-	-	<b>471</b>	<b>3 684</b>	<b>374</b>	<b>2 779</b>	<b>5 340</b>	-	<b>849</b>	<b>468</b>	<b>112</b>	<b>14 077</b>
<b>Contracts measured under PAA</b>	<b>4 913</b>	<b>665</b>	-	-	-	-	<b>218</b>	<b>2 600</b>	<b>4 301</b>	-	<b>520</b>	<b>13 217</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>5 558</b>	<b>2 600</b>	<b>5 150</b>	<b>468</b>	<b>632</b>	<b>27 294</b>

2023.

Data in million HUF

Amounts relating to changes in LfRC	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 and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
- Expected benefits incurred	-	-	49	239	147	766	719	-	211	64	-	2 195
- Expected expenses incurred	-	-	101	1 198	115	406	609	-	55	36	-	2 520
- Change in the risk adjustment	-	-	6	237	27	91	161	-	24	17	-	563
- CSM recognized	-	-	8	556	83	682	73	-	101	208	-	1 711
Recovery of acquisition cash flows	-	-	102	1 228	36	607	1 965	-	167	166	-	4 271
Experience adjustments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Contracts not measured under PAA</b>	-	-	<b>266</b>	<b>3 458</b>	<b>408</b>	<b>2 552</b>	<b>3 527</b>	-	<b>558</b>	<b>491</b>	-	<b>11 260</b>
<b>Contracts measured under PAA</b>	<b>3 583</b>	<b>420</b>	-	-	-	-	<b>263</b>	<b>2 430</b>	<b>3 049</b>	-	<b>344</b>	<b>10 089</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>3 790</b>	<b>2 430</b>	<b>3 607</b>	<b>491</b>	<b>344</b>	<b>21 349</b>

The following table shows the breakdown of insurance revenues by the transition methods for the life segment as detailed in section 3.6

Data in million HUF

Insurance revenue 2024	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 and account protection insurance	Total
Fair value approach	-	-	6	899	181	46	-	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 insurance	Individual accident and health insurance	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Total
Fair value approach	-	-	21	785	237	51	-	1 093
Full retrospective approach	3 586	420	245	2 672	170	2 501	1 128	10 722

## 11. INSURANCE SERVICE EXPENSES

### 2024.

Data in million HUF

Incurring benefits	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 and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
Incurring benefits	1 326	244	11	622	365	982	1 151	1 589	715	53	174	7 232
Incurring directly attributable expenses	1 599	60	214	1 330	123	614	2 136	289	559	21	60	7 005
Losses on onerous contracts and reversal of those losses	- 19	8	- 72	- 2	- 7	4	-450	-134	-8	-	- 10	- 690
Changes that relate to past service - adjustments to LfIC	17	- 100	- 120	-627	- 360	66	-130	-197	-200	4 435	2	2 786
Insurance acquisition costs	2 030	197	173	1 126	42	676	2 636	655	1 942	150	236	9 863
<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>5 343</b>	<b>2 202</b>	<b>3 008</b>	<b>4 659</b>	<b>462</b>	<b>26 196</b>

### 2023.

Data in million HUF

Incurring benefits	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 and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
Incurring benefits	936	199	3	337	220	727	993	2 639	548	321	214	7 137
Incurring directly attributable expenses	859	46	129	1 246	134	383	644	282	371	19	23	4 136
Losses on onerous contracts and reversal of those losses	5	- 7	101	39	135	-	-337	-42	-60	-2	- 13	- 181
Changes that relate to past service - adjustments to LfIC	- 80	- 90	- 29	-154	- 146	87	-40	-508	-166	-206	- 33	-1 365
Insurance acquisition costs	1 508	137	102	1 228	36	607	2 102	576	1 521	166	146	8 129
<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>3 362</b>	<b>2 947</b>	<b>2 214</b>	<b>298</b>	<b>337</b>	<b>17 856</b>

## 12. RESULT ON REINSURANCE

2024.

Data in million HUF

Expected expenses for contracts not measured under PAA	Group life, insurance	Individual accident and health insurance	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
- Expected recovery of claims and other expenses	-	-	7	15	131	667	-	-	25	9	854
- Change in the risk adjustment	-	-	1	3	21	13	-	-	1	1	40
- CSM recognized	-	-	1	-2	38	934	-	-	260	5	1 236
- Experience adjustments	-	-	-	-	-	-	-	-	-	-	-
Expected expenses for contracts measured under PAA	135	89	31	16	9	54	920	2 014	-	334	3 602
<b>Allocation of reinsurer premium</b>	<b>135</b>	<b>89</b>	<b>40</b>	<b>32</b>	<b>199</b>	<b>1 668</b>	<b>920</b>	<b>2 014</b>	<b>286</b>	<b>349</b>	<b>5 732</b>
Amounts recovered for claims and other expenses	103	478	- 191	- 117	147	1 393	553	665	65	162	3 258
Incurred directly attributable expenses	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - recoverable claims and other expenses	-7	- 478	194	117	54	400	78	-254	-2	3	105
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	-2	-183	-	-	-	-	- 185
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>1 610</b>	<b>631</b>	<b>411</b>	<b>63</b>	<b>165</b>	<b>3 178</b>
<b>Net expense from reinsurance contracts held</b>	<b>39</b>	<b>89</b>	<b>37</b>	<b>32</b>	<b>-</b>	<b>58</b>	<b>289</b>	<b>1 603</b>	<b>223</b>	<b>184</b>	<b>2 554</b>

## 2023.

Data in million HUF

Expected expenses for contracts not measured under PAA	Group life, insurance	Individual accident and health insurance	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
- Expected recovery of claims and other expenses	-	-	9	18	107	-123	-	-	28	-	39
- Change in the risk adjustment	-	-	1	1	10	32	-	-	5	-	49
- CSM recognized	-	-	1	1	38	563	-	-	174	-	777
- Experience adjustments	-	-	-	-	-	-	-	-	-	-	-
Expected expenses for contracts measured under PAA	27	83	32	15	74	24	585	1 673	-	138	2 651
<b>Allocation of reinsurer premium</b>	<b>27</b>	<b>83</b>	<b>43</b>	<b>35</b>	<b>229</b>	<b>496</b>	<b>585</b>	<b>1 673</b>	<b>207</b>	<b>138</b>	<b>3 516</b>
Amounts recovered for claims and other expenses	8	192	16	6	124	845	656	402	2	183	2 434
Incurred directly attributable expenses	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - recoverable claims and other expenses	8	-99	-4	-2	3	-45	-20	-80	-	-26	-265
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	3	-282	-	-	-	-	-279
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>518</b>	<b>636</b>	<b>322</b>	<b>2</b>	<b>157</b>	<b>1 890</b>
<b>Net expense from reinsurance contracts held</b>	<b>11</b>	<b>-10</b>	<b>31</b>	<b>31</b>	<b>99</b>	<b>-22</b>	<b>-51</b>	<b>1 351</b>	<b>205</b>	<b>-19</b>	<b>1 626</b>

### 13. RESULT ON INVESTMENTS

Data in million HUF

	2024	2023
Effective interest income	1 869	1 917
<b>Interest income based on effective interest method</b>	<b>1 869</b>	<b>1 917</b>

Data in million HUF

	2024	2023
Gains on investment sales	395	421
Realised gains on derivatives	55	681
Unrealised gains on derivatives	-	73
Foreign currency gains	1 023	77
Fair value change gain	23 866	7 262
Dividend received	71	-
<b>Income from investments</b>	<b>25 410</b>	<b>8 514</b>

#### Return on associated companies

1 060

571

Operation expenses on investments	82	92
Unrealised losses on derivatives	356	-
Realised losses on derivatives	174	75
Interest paid	4	-
Foreign currency losses	141	397
Realised foreign exchange losses on investments	81	551
Lease interests	15	11
<b>Expense on investments</b>	<b>853</b>	<b>1 126</b>
<b>Impairment and impairment reversal of financial assets</b>	<b>4</b>	<b>- 2</b>
<b>Total income from (expenses on) investments</b>	<b>27 482</b>	<b>- 9 878</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 2,045 million in 2023 and HUF 2,556 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.

In addition to the above, we also realised a high increase in the Group's profit on our stake in MBH Fund Management Ltd., which amounted to HUF 1,060 million in 2024, while being HUF 571 million in 2023.

## 14. FINANCIAL RESULT

### 2024.

Data in million HUF

Insurance contracts	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 and account protection insurance	Vehicle	Corporate property insurance	Surety insurance	Retail property insurance	Total
Interest accreted to insurance contracts	-7	-2	-1 429	-5 522	-607	48	19	-	-48	-41	-1	-7 590
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	-41	-36	-8	-16	-2	394
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	-	-	-	-	-96	-	-1 202
<b>Total insurance financial result</b>	<b>-6</b>	<b>-2</b>	<b>-3 982</b>	<b>-18 929</b>	<b>-7</b>	<b>-54</b>	<b>-23</b>	<b>-36</b>	<b>-56</b>	<b>-153</b>	<b>-3</b>	<b>-23 251</b>

### 2024.

Data in million HUF

Reinsurance contracts	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 and account protection insurance	Vehicle	Corporate property insurance	Surety insurance	Retail property insurance	Total
Interest accreted to reinsurance contracts	-	3	-	-2	-	-	115	-	-	29	-	145
Change in financial assumptions through P&L	-1	-	-	1	-	-	-	-	-	-	-	-
Change in financial assumptions through OCI	-	-	-	1	-1	3	84	1	22	3	2	115
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 financial result</b>	<b>1</b>	<b>74</b>	<b>-</b>	<b>-30</b>	<b>-18</b>	<b>4</b>	<b>199</b>	<b>1</b>	<b>22</b>	<b>32</b>	<b>2</b>	<b>287</b>

**2023.**

Data in million HUF

Insurance contracts	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 and account protection insurance	Vehicle	Corporate property insurance	Surety insurance	Retail property insurance	Total
Interest accreted to insurance contracts	-9	-2	-1 635	-9 301	-465	8	79	-22	-47	-50	-1	-11 445
Change in financial assumptions through P&L	-4	-1	341	2 852	-31	-15	-16	-	-	-	-	3 126
Change in financial assumptions through OCI	-	-	-	-	-2 172	493	111	-33	-56	-13	-2	-1 672
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	-	-	-	-	79	-	729
<b>Total insurance financial result</b>	<b>-13</b>	<b>-3</b>	<b>-1 188</b>	<b>-5 914</b>	<b>-2 659</b>	<b>487</b>	<b>175</b>	<b>-55</b>	<b>-103</b>	<b>16</b>	<b>-4</b>	<b>-9 261</b>

**2023.**

Data in million HUF

Reinsurance contracts	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 and account protection insurance	Vehicle	Corporate property insurance	Surety insurance	Retail property insurance	Total
Interest accreted to reinsurance contracts	1	1	-	-1	1	4	-9	-2	3	33	1	32
Change in financial assumptions through P&L	-	-	-	-5	1	-	-	-	-	-	-	-4
Change in financial assumptions through OCI	-	-	-	-4	2	-68	-190	-14	16	-2	3	-257
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 financial result</b>	<b>1</b>	<b>-11</b>	<b>-</b>	<b>-11</b>	<b>4</b>	<b>-64</b>	<b>-198</b>	<b>-16</b>	<b>19</b>	<b>31</b>	<b>3</b>	<b>-242</b>

## 15. INVESTMENT CONTRACTS

Data in million HUF

	2024	2023
<b>Premium and commission income, investment contracts</b>		
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
Salaries and salary contributions	3 088	2 614
Other personal costs	229	171
Advisory and consultancy services	504	438
Training costs	5	4
Marketing and PR costs	243	174
Administration costs	285	234
IT services	662	528
Office rental and operation	152	181
Travelling, and car expenses	187	182
Office supplies, phone, bank costs	138	129
Depreciation and amortisation	323	331
Other administration costs	359	358
Claim handling costs	1 053	537
<b>Other operating costs total</b>	<b>7 228</b>	<b>5 881</b>
Aquisition expenses	1 568	1 412
Administration, overhead and investment expenses	3 685	3 118
Benefits in kind and claim handling costs	1 674	1 118
Non-allocable expenses	301	233
<b>Other operating costs total</b>	<b>7 228</b>	<b>5 881</b>

Costs have overall increased by 23% compared to 2023. The biggest increase was in payroll and related benefits, which rose by HUF 474 million, while IT, administration and marketing costs increased significantly, driven by the growing stock and inflation. Claims settlement costs increased mainly due to the costs of organising health insurance benefits

Among payroll in 2024 HUF 321,345 thousand (HUF 288,470 thousand in 2023) was related to salary, bonus and other payments of the Group's directors according to the SRD Act.

The Group's significant lease agreement is the agreement of the office for real estate leasing, 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 3 million (HUF 3 million in 2023).

## 17. OTHER RESULT

Data in million HUF

	2024	2023
<b>Other (non-financial) income</b>		
Other technical income	22	16
Other income	58	68
Release of provision	40	113
<b>Other operating income</b>	<b>120</b>	<b>197</b>

Data in million HUF

	2024	2023
<b>Egyéb (nem pénzügyi) ráfordítások</b>		
Extraordinary depreciation	-	- 3
Other technical expenses	-18	- 12
Other expenses	-55	- 59
Fines	-8	- 41
Provisioning	-110	-
Expenses related to investment contracts	-232	- 57
<b>Total other expenses</b>	<b>-423</b>	<b>-172</b>
<b>Other result</b>	<b>-303</b>	<b>25</b>

The forming and release of provisions are detailed under Note 36. 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)

The corporate tax rate with respect to operations in Hungary is 9% from 2017 regardless of the tax base.

The Group 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 Group decreased deferred tax asset by HUF 254 million because as a result of the transition to IFRS 17, a significant part of the Group's accrued losses (HUF 7,293 million) have been recovered. In 2024, deferred tax assets increased by HUF 149 million.

Based on the Company strategy plans, there will be taxable income in the future which the Group can offset with the loss carried forward in the Life insurer. Deferred tax assets set at the end of 2024 (in an amount of HUF 486 million) are expected to be realised in the mid-term, i.e. the tax savings expected to be realised based on the insurer's business plans and the tax rate. The following table shows the corporate 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	- 265
Corporation tax expenses in reporting year	43	- 513
Deferred tax expenses/gains	134	15
<b>Total tax income/(expenses) realised in profit statement</b>	<b>97</b>	<b>- 763</b>
Deferred tax liabilities arising from available-for-sale financial assets	15	- 269
<b>Total tax income/(expenses) realised in other comprehensive income</b>	<b>15</b>	<b>- 269</b>

In 2023 and 2024 the following asset typed differences arose in profit or loss/other comprehensive income (of EMABIT), whose tax-effects have not been recognized in the financial statements, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

#### Changes in unrecognized deferred tax

Data in million HUF

	31 December 2024	Change	31 December 2023
Deductible temporary differences	- 5	- 89	84
Loss carried forward	7 443	3 107	4 336
<b>Total</b>	<b>7 438</b>	<b>3 018</b>	<b>4 420</b>

Of the unrecognized deductible temporary differences less than HUF 1 million in assets would have resulted against other comprehensive income. In 2023, a liability of HUF 9 million would have resulted against other comprehensive income.

The table below provides a numerical reconciliation of tax expenditure and profit before tax multiplied by the applicable tax rates.

Data in million HUF

Presentation of effective tax rate	2024	2023
Profit/loss before taxation	1 182	3 637
Calculated tax income/(expenses) (9%)	-99	-303
Recognition of the unrecognised deferred tax assets relating to the losses of prior years	149	-254
Unrecognised deferred tax assets on losses in the current year	-280	25
Difference - from deferred losses – of unrecognised deferred tax assets in the previous period but recognised in the current year	-	213
Other unrecognised temporary differences	8	58
Tax difference of the transition to IFRS 17	-	-328
Permanent differences	399	91
Local business tax, innovation contribution	-80	-265
<b>Total tax income (expenses)</b>	<b>97</b>	<b>-763</b>

## 19. OTHER COMPREHENSIVE INCOME

Data in million HUF

	2024	2023
OCI from change in fair value of other financial assets at fair value	-826	3 627
OCI from insurance contracts	394	-1 672
OCI from reinsurance contracts	115	-257
<b>Comprehensive income, would be reclassified to profit or loss in the future</b>	<b>-317</b>	<b>1 698</b>
<b>Comprehensive income, wouldn't be reclassified to profit or loss in the future</b>	<b>766</b>	<b>1 643</b>
<b>Total other comprehensive income</b>	<b>449</b>	<b>3 341</b>

The change in the fair value of financial assets that are valued at fair value against other comprehensive income, shown under other comprehensive income that can be reclassified to the profit or loss in the future, includes the net value of deferred taxes recognized in this comprehensive income.

Other comprehensive income that cannot 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

	2024	2023
Consolidated Profit/loss after taxation attributable to the Company's shareholders (HUF million)	1 279	2 874
Weighted average number of ordinary shares (thousand)	93 954	93 954
<b>Earnings per share (basic) (HUF)</b>	<b>13,6</b>	<b>30,6</b>

	2024	2023
Modified consolidated profit/loss after taxation attributable to the Company's shareholders (HUF million)	1 279	2 874
Weighted average number of ordinary shares (thousand)	94 428	94 428
Calculated earnings per share (diluted) (HUF) - calculated	13,5	30,4
<b>Earnings per share (diluted) (HUF)</b>	<b>13,5</b>	<b>30,4</b>

The issued interest-bearing shares and treasury shares shall not be treated as ordinary shares in EPS calculation, therefore they cannot be taken into account in the calculation of the weighted average number of ordinary shares.

The treasury shares transferred to MRP was taken into account as treasury shares in the weighted average number of ordinary shares. From an accounting point of view, the company included in the MRP consolidation and the dividend received from it have been consolidated.

In accordance with IAS 33.4 the earnings per share of the Company equal the consolidated Group's earnings per share. In line with this, the earnings per share as stated above are based accordingly on the consolidated earnings after taxes.

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 diluted earnings per share the treasury shares transferred to MRP were treated as dilution effect, because those may increase the average number of outstanding shares if will be called. The dilution effect is less than 0.1 HUF.

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

### 2024.

Date	Issued ordinary share (item)	Treasury shares (item)	Number of shares outstanding (item)	Number of days*	Weighted average
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 share (item)	Treasury shares (item)	Number of shares outstanding (item)	Number of days*	Weighted average
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 property includes purchased and externally developed software. The increase in intellectual property is primarily related to the improvement of the insurance technical administration system.

The decrease in intellectual property is related to intangible assets that the Company no longer uses and has therefore removed from its books.

Data in million HUF

31.12.2024	Intellectual property, assets value rights	Goodwill	Total intangible assets
<b>Cost</b>			
01.01.2024	3 560	38	3 598
Increase	332	-	332
Decrease	- 8	-	- 8
<b>31.12.2024</b>	<b>3 884</b>	<b>38</b>	<b>3 922</b>
<b>Accumulated amortization, impairment</b>			
01.01.2024	-2 626	- 38	-2 664
Increase	- 275	-	- 275
Decrease	8	-	8
<b>31.12.2024</b>	<b>-2 893</b>	<b>- 38</b>	<b>-2 931</b>
<b>Net book value</b>	<b>991</b>	<b>-</b>	<b>991</b>

Data in million HUF

31.12.2023	Intellectual property, assets value rights	Goodwill	Total intangible assets
<b>Cost</b>			
01.01.2023	3 333	38	3 371
Increase	227	-	227
Decrease	-	-	-
<b>31.12.2023</b>	<b>3 560</b>	<b>38</b>	<b>3 598</b>
<b>Accumulated amortization, impairment</b>			
01.01.2023	-2 341	- 38	-2 379
Increase	- 285	-	- 285
Decrease	-	-	-
<b>31.12.2023</b>	<b>-2 626</b>	<b>- 38</b>	<b>-2 664</b>
<b>Net book value</b>	<b>934</b>	<b>-</b>	<b>934</b>

## 22. PROPERTY, PLANT AND EQUIPMENT

Data in million HUF

31.12.2024	Office furniture, equipment	Real estates	Work in progress	Total
<b>Cost</b>				
01.01.2024	234	128	9	371
Increase	33	-	-	33
Decrease	-36	-	-7	-43
<b>31.12.2024</b>	<b>231</b>	<b>128</b>	<b>2</b>	<b>361</b>
<b>Accumulated amortization</b>				
01.01.2024	-191	-63	-	-254
Increase	-20	-27	-	-47
Decrease	36	-	-	36
<b>31.12.2024</b>	<b>-175</b>	<b>-90</b>	<b>-</b>	<b>-265</b>
<b>Net book value</b>	<b>56</b>	<b>38</b>	<b>2</b>	<b>96</b>

Data in million HUF

31.12.2023	Office furniture, equipment	Real estates	Work in progress	Total
<b>Cost</b>				
01.01.2023	236	127	1	364
Increase	6	1	8	15
Decrease	-8	-	-	-8
<b>31.12.2023</b>	<b>234</b>	<b>128</b>	<b>9</b>	<b>371</b>
<b>Accumulated amortization</b>				
01.01.2023	-179	-36	-	-215
Increase	-19	-27	-	-46
Decrease	7	-	-	7
<b>31.12.2023</b>	<b>-191</b>	<b>-63</b>	<b>-</b>	<b>-254</b>
<b>Net book value</b>	<b>43</b>	<b>65</b>	<b>9</b>	<b>117</b>

Among the Company's property plant and equipment there are no such properties not in use, because those are derecognized from the books.

In 2023 and 2024 IT equipment, small value office equipment and furniture were written off, therefore the office furniture and equipment column decreased on the accumulated amortization rows.

## 23. RIGHT OF USE ASSETS

### Használati-jog eszközök

Data in million HUF

31.12.2024	Office leasing	Car leasing	Total
<b>Cost</b>			
01.01.2024	337	277	614
Increase	401	57	458
Decrease	- 362	-10	- 372
<b>31.12.2024</b>	<b>376</b>	<b>324</b>	<b>700</b>
<b>Accumulated amortization</b>			
01.01.2024	- 187	-156	- 343
Increase	- 84	-79	- 163
Decrease	243	7	250
<b>31.12.2024</b>	<b>- 28</b>	<b>-228</b>	<b>- 256</b>
<b>Net book value</b>	<b>348</b>	<b>96</b>	<b>444</b>

Data in million HUF

31.12.2023	Office leasing	Car leasing	Total
<b>Cost</b>			
01.01.2023	313	332	645
Increase	24	35	59
Decrease	-	- 90	-90
<b>31.12.2023</b>	<b>337</b>	<b>277</b>	<b>614</b>
<b>Accumulated amortization</b>			
01.01.2023	-115	-121	-236
Increase	- 72	- 86	-158
Decrease	-	51	51
<b>31.12.2023</b>	<b>- 187</b>	<b>- 156</b>	<b>- 343</b>
<b>Net book value</b>	<b>150</b>	<b>121</b>	<b>271</b>

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

Data in million HUF

	31 December 2024	31 December 2023
MBH Alapkezelő Zrt.	1 282	777
<b>ASSOCIATED COMPANIES</b>	<b>1 282</b>	<b>777</b>

The revenue of the MBH Fund Manager Ltd. in 2024 was HUF 20,602 million, its profit after tax was HUF 17,280 million, of which HUF 1,099 million went to the Group.

MBH Fund Manager Ltd.'s Articles of Association declares rights of the owners of the preference shares, which is embodied in the Company owners' rights to control and manage the Company. Due to the preference shares, the CIG Pannónia Életbiztosító Zrt. delegated 1 member to the Board of Directors of MBH Fund Manager Ltd.

The allocation of the profit of MBH Fund Manager Ltd. among its owners based not on their ownership stake, but also the allocation of the profit among the owners is according to their rate of contribution to the results of the Fund Manager. More profit centres were set up at the Fund Manager and the allocation of the results to the profit centres is based on the Profit Centre Allocation Regulation. From 2015 on the Group's part of the result is the result of the insurance profit centre. In 2024, 6.36% percent of the result of the Fund Manager was allocated to the Group.

The Group obtained dividend from its associated company in the amount to HUF 592 million in 2024, and HUF 491 million in 2023.

The Group has not identified any significant credit, interest rate, foreign exchange rate or liquidation risk in connection with the MBH Fund Manager. The only relevant risk for the Fund Manager might be the fair value risk, that the Group does not consider significant knowing the business plans and performance of the Fund Manager.

The Group's part of the capital of the MBH Fund Manager in 2023 and in 2024:

Data in million HUF

2024	Share capital	Retained earnings of previous years	Revaluation reserve	After tax profit	Shareholders' equity
Fund Manager	806	1 560	26	11 674	19 672
Group's share	7,67%	7,67%	7,67%	5,04%	
<b>Capital per Group</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	Revaluation reserve	After tax profit	Shareholders' equity
Fund Manager	806	1 560	89	11 674	14 130
Group's share	7,67%	7,67%	7,67%	5,04%	
<b>Capital per Group</b>	<b>62</b>	<b>120</b>	<b>7</b>	<b>588</b>	<b>777</b>

## 25. INVESTMENTS FOR POLICYHOLDERS OF UNIT-LINKED LIFE INSURANCE POLICIES

Data in million HUF

	31 December 2024	31 December 2023
Equities	38 787	23 532
Government bonds, discounted T-bills	17 832	12 779
Corporate bonds	-	508
Investment funds	61 585	52 062
Derivative instruments	-15	1
Cash, and cash equivalent	9 761	5 471
Other investments	-270	71
<b>Total investments for policyholders of unit-linked life insurance policies</b>	<b>127 680</b>	<b>94 424</b>

Investments executed for policyholders of unit-linked life insurance policies ensue in separate the Group unit-linked funds in accordance with policy terms and conditions. At the end of 2024 the Group 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 instruments in transit, and the fee liabilities of the funds.

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):

- o Urál Oroszországi Részvény Eszközalap
- o Urál Oroszországi Pro Részvény Eszközalap
- o Euró Alapú Urál Oroszországi Részvény Eszközalap
- o 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 2023 annual reports, 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 Technical provisions and Financial liabilities - investment contracts, with a value of 0, as they did not meet the asset and liability criteria of the IFRS Framework.

## 26. FINANCIAL ASSETS – INVESTMENT CONTRACTS

Data in million HUF

	31 December 2024	31 December 2023
Equities	1 805	1 187
State bonds, discounted T-bills	830	645
Corporate bonds	-	26
Investment funds	2 866	2 626
Derivative instruments	- 1	-
Cash and cash equivalents in unit-linked 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 part of these funds were owned by the Group at the end of 2024.

The following table shows the asset composition of these funds:

Data in million HUF

MBH Fund's underlying investments	31 December 2024	31 December 2023
Equities	3 605	5 686
Government bonds, discounted T-bills	2 085	3 991
Corporate bonds	2 637	2 750
Investment funds	6 556	2 894
Cash and cash equivalents	6 135	5 401
Other investments	- 17	- 174
<b>Total</b>	<b>21 001</b>	<b>20 548</b>

## 27. FORWARD TRANSACTIONS

Data in million HUF

	31 December 2024	31 December 2023
Forward transactions	-	109
Futures transactions	-	21
<b>Financial assets – forward transactions</b>	<b>-</b>	<b>130</b>

Adatok millió forintban

	31 December 2024	31 December 2023
Forward transactions	-224	-
<b>Financial liabilities – forward transactions</b>	<b>-224</b>	<b>-</b>

Forward transactions include forward and future transactions entered into for currency risk management purposes.

## 28. OTHER FINANCIAL ASSETS AT FAIR VALUE

Data in million HUF

	31 December 2024	31 December 2023
Corporate bond	3 569	5 784
Equities	3 456	2 615
Government bonds, discounted treasury bills	31 204	27 416
Mortgage certificates	166	164
<b>Total available-for-sale financial assets</b>	<b>38 395</b>	<b>35 979</b>

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

### 28.1. Accounting classification and fair values

The following table presents the Group'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 measured at amortized cost	Fair value financial assets through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized costs
Government bonds	17 832	-	31 204	-	-
Corporate bonds	-	-	3 735	-	-
Equity	38 787	-	3 456	-	-
Investment notes units	61 586	-	-	-	-
Cash (unit-linked & own)	9 761	2 597	-	-	-
Receivables	134	548	-	-	-
Other UL assets	- 404	-	-	-	-
Other liabilities	-	-	-	-	4 625
Investment contracts	-	-	-	5 942	-
Derivative instruments	- 16	-	-	224	-
<b>Total:</b>	<b>127 680</b>	<b>3 145</b>	<b>38 395</b>	<b>6 166</b>	<b>4 625</b>

Data in million HUF

31 December 2023	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	Fair value financial assets through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized costs
Government bonds	12 779	-	27 417	-	-
Corporate bonds	508	-	5 947	-	-
Equity	23 532	-	2 615	-	-
Investment notes units	52 062	-	-	-	-
Cash (unit-linked & own)	5 471	2 492	-	-	-
Receivables	213	149	-	-	-
Other UL assets	- 142	-	-	-	-
Other Liabilities	-	-	-	-	5 630
Investment contracts	-	-	-	4 763	-
Derivative instruments	131	-	-	-	-
<b>Total:</b>	<b>94 555</b>	<b>2 641</b>	<b>35 979</b>	<b>4 763</b>	<b>5 630</b>

The Group provides details on how fair values of assets and liabilities are determined under Note 3.18.

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	44 327	1 692	3 017	49 036
Corporate bonds	540	-	3 195	3 735
Shares	42 243	-	-	42 243
Investment fund units	61 586	-	-	61 586
Unit-linked cash	9 761	-	-	9 761
Receivables and other unit-linked assets	- 270	-	-	- 270
Derivative instruments	-	- 16	-	- 16
<b>Total assets</b>	<b>158 187</b>	<b>1 676</b>	<b>6 212</b>	<b>166 075</b>
Liabilities measured at fair value	5 942	224	-	6 166
<b>Total Liabilities</b>	<b>5 942</b>	<b>224</b>	<b>-</b>	<b>6 166</b>

Data in million HUF

31 December 2023	Level 1	Level 2	Level 3	Total
Government bonds	33 525	-	6 671	40 196
Corporate bonds	766	-	5 689	6 455
Shares	26 146	-	-	26 146
Investment fund units	52 062	-	-	52 062
Unit-linked cash	5 471	-	-	5 471
Receivables and other unit-linked assets	72	-	-	72
Derivative instruments	15	116	-	131
<b>Total assets</b>	<b>118 057</b>	<b>116</b>	<b>12 360</b>	<b>130 533</b>
Liabilities measured at fair value	4 763	-	-	4 763
<b>Total Liabilities</b>	<b>4 763</b>	<b>-</b>	<b>-</b>	<b>4 763</b>

## 29. OTHER ASSETS AND ACCRUALS

Data in million HUF

	31 December 2024	31 December 2023
Active accrual of costs	77	55
Active accrual of income	-	22
Inventories	4	3
<b>Other assets and accruals total</b>	<b>81</b>	<b>80</b>

## 30. OTHER RECEIVABLES

Data in million HUF

	31 December 2024	31 December 2023
Trade receivables	2	-
Receivables from investment fund management	37	33
Advance payments to suppliers and state	503	105
Other receivables	6	11
<b>Total of other receivables</b>	<b>548</b>	<b>149</b>

## 31. CASH AND CASH EQUIVALENTS

Data in million HUF

	31 December 2024	31 December 2023
Demand deposits	1 434	831
Fixed deposits	1 163	1 661
<b>Total cash and cash equivalents</b>	<b>2 597</b>	<b>2 492</b>

## 32. ASSETS AND LIABILITIES FROM INSURANCE CONTRACTS

### 32.1. Movement table of liabilities for remaining coverage (LRC) and liabilities for incurred claims (LIC)

Data in million HUF

2024	LfRC		LfIC for contracts measured under GM	LfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
Opening insurance contract assets	2 570	-930	-363	-33	-2	1 242
Opening insurance contract liabilities	-101 921	-1 070	-5 477	-1 580	-172	-110 220
Insurance revenue	27 294	-	-	-	-	27 220
Insurance service expenses						
- Incurred benefits and expenses	-	-	-7 809	-6 323	-105	-14 237
- Changes that relate to past service - adjustments to LfIC	-	-	-3 220	341	93	-2 986
- Losses on onerous contracts and reversal of those losses	-	690	-	-	-	690
- Amortisation of insurance acquisition cash flows	-9 863	-	-	-	-	-9 863
- Impairment of acquisition cost asset	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-22 105	-85	-167	-6	-	-22 443
Insurance finance expenses through OCI	410	49	-10	-55	-	394
Net foreign exchange income or expense	-1 089	-3	-105	-60	55	-1 202
Investment components	14 477	-	-14 477	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>9 044</b>	<b>651</b>	<b>-25 788</b>	<b>-6 103</b>	<b>43</b>	<b>-22 153</b>
Premiums received	-55 411	-	-	-	-	-55 411
Claims paid	-	-	16 450	3 670	-	20 120
Directly attributable expenses paid	-	-	4 445	2 494	-	6 939
Acquisition cost paid	10 812	-	-	-	-	10 812
<b>Total cash flows</b>	<b>-44 599</b>	<b>-</b>	<b>20 895</b>	<b>6 164</b>	<b>-</b>	<b>-17 540</b>
Closing insurance contract assets	-762	-17	2 975	-981	-70	1 145
Closing insurance contract liabilities	-134 144	-1 332	-13 708	-571	-61	-148 816

Data in million HUF

2024	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 and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
Opening insurance contract assets	58	18	-	-	-	974	192	-	-	-	-	1 242
Opening insurance contract liabilities	-576	-246	-16 034	-77 379	-11 312	-534	- 753	-760	- 882	-1 706	- 38	-110 220
Insurance revenue	4 912	665	472	3 683	374	2 779	5 560	2 600	5 150	468	631	27 294
Insurance service expenses	-	-	-	-	-	-	-	-	-	-	-	-
- Incurred benefits and expenses	-2 924	-305	-226	-1 952	- 488	-1 596	-3 287	-1 878	-1 274	- 73	-234	- 14 237
- Changes that relate to past service - adjustments to LfIC	-17	100	120	627	360	- 66	130	197	200	-4 435	-2	- 2 786
- Losses on onerous contracts and reversal of those losses	19	-8	72	2	7	- 4	450	134	8	-	10	690
- Amortisation of insurance acquisition cash flows	-2 030	-197	-173	-1 126	- 42	- 676	-2 636	- 655	-1 942	- 150	-236	- 9 863
- Impairment of acquisition cost asset	-	-	-	-	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-6	-1	-3 699	-18 123	- 597	53	20	-	- 48	- 41	-1	- 22 443
Insurance finance expenses through OCI	-	-	-	-	605	- 108	- 42	- 36	- 7	- 16	-2	394
Net foreign exchange income or expense	-	-	- 284	- 808	- 14	-	-	-	-	- 96	-	- 1 202
Investment components	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-46</b>	<b>254</b>	<b>-3 718</b>	<b>-17 697</b>	<b>205</b>	<b>382</b>	<b>195</b>	<b>362</b>	<b>2 087</b>	<b>-4 343</b>	<b>166</b>	<b>- 22 153</b>
Premiums received	- 4 851	-647	- 12 158	-16 980	-1 690	-2 887	-6 219	-2 615	-6 304	- 418	-642	- 55 411
Claims paid	1 401	122	2 275	10 925	1 144	792	840	1 662	394	389	176	20 120
Directly attributable expenses paid	1 599	60	214	1 330	125	614	2 134	289	494	21	59	6 939
Acquisition cost paid	2 100	178	409	2 005	22	711	2 303	584	2 195	114	191	10 812
<b>Total cash flows</b>	<b>249</b>	<b>- 287</b>	<b>- 9 260</b>	<b>-2 720</b>	<b>- 399</b>	<b>-770</b>	<b>- 942</b>	<b>-80</b>	<b>-3 221</b>	<b>106</b>	<b>- 216</b>	<b>- 17 540</b>
Closing insurance contract assets	61	-	-	-	-	847	213	2	-	-	22	1 145
Closing insurance contract liabilities	- 376	-261	-29 012	-97 796	-11 506	-795	-1 521	-480	-2 016	-5 943	- 110	-149 816

Data in million HUF

2023	LfRC		LfIC for contracts measured under GM	LfIC for contracts measured under PAA		TOTAL
	Excl. LC	Excl. LC		Excl. LC	LC	
	<b>Opening insurance contract assets</b>	1 783		-534	- 120	
<b>Opening insurance contract liabilities</b>	-89 939	- 1 403	-3 866	- 994	-113	-96 315
Insurance revenue	21 349	-	-	-	-	21 349
Insurance service expenses	-	-	-	-	-	-
- Incurred benefits and expenses	-	-	-5 237	-5 888	- 151	-11 276
- Changes that relate to past service - adjustments to LfIC	-	-	498	774	92	1 364
- Losses on onerous contracts and reversal of those losses	-	180	-	-	-	180
- Amortisation of insurance acquisition cash flows	-8 126	-	-	-	-	-8 126
- Impairment of acquisition cost asset	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-7 859	-83	- 325	- 48	-	-8 315
Insurance finance expenses through OCI	-1 431	-160	- 29	- 53	-	-1 673
Net foreign exchange income or expense	646	-	81	-	-	727
Investment components	15 059	-	-15 059	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>19 638</b>	<b>- 63</b>	<b>-20 071</b>	<b>-5 215</b>	<b>-59</b>	<b>-5 770</b>
Premiums received	-40 714	-	-	-	-	-40 714
Claims paid	-	-	15 716	3 030	-	18 746
Directly attributable expenses paid	-	-	2 501	1 587	-	4 088
Acquisition cost paid	9 881	-	-	-	-	9 881
<b>Total cash flows</b>	<b>-30 833</b>	<b>-</b>	<b>18 217</b>	<b>4 617</b>	<b>-</b>	<b>-7 999</b>
<b>Closing insurance contract assets</b>	<b>2 570</b>	<b>-930</b>	<b>- 363</b>	<b>-33</b>	<b>-2</b>	<b>1 242</b>
<b>Closing insurance contract liabilities</b>	<b>- 101 921</b>	<b>- 1 070</b>	<b>-5 477</b>	<b>-1 580</b>	<b>-172</b>	<b>- 110 220</b>

Data in million HUF

2023	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 and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
Opening insurance contract assets	56	-	-	-	-	389	661	-	-	-	-	1 106
Opening insurance contract liabilities	- 512	- 191	- 11 990	-71 302	-8 373	-152	- 602	-615	- 601	-1 905	- 72	- 96 315
Insurance revenue	3 586	420	266	3 456	407	2 552	3 791	2 428	3 607	492	344	21 349
Insurance service expenses												
- Incurred benefits and expenses	-1 796	- 245	-133	-1 584	- 354	-1 110	-1 637	-2 921	- 919	- 340	-237	- 11 276
- Changes that relate to past service - adjustments to LfIC	80	90	29	154	146	- 87	39	508	166	206	33	1 364
- Losses on onerous contracts and reversal of those losses	- 5	7	-101	- 39	- 135	-	337	41	60	2	13	180
- Amortisation of insurance acquisition cash flows	-1 508	-137	-102	-1 228	- 36	- 607	-2 100	-575	-1 521	-166	-146	- 8 126
- Impairment of acquisition cost asset	-	-	-	-	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	- 13	- 3	-1 293	-6 450	- 494	- 6	64	- 22	- 47	- 50	-1	- 8 315
Insurance finance expenses through OCI	-	-	-	-	-2 173	493	112	- 33	- 56	- 12	-4	- 1 673
Net foreign exchange income or expense	-	-	104	535	10	-	-	-	-	78	-	727
Investment components	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>344</b>	<b>132</b>	<b>- 1 230</b>	<b>-5 156</b>	<b>-2 629</b>	<b>1 235</b>	<b>606</b>	<b>-574</b>	<b>1 290</b>	<b>210</b>	<b>2</b>	<b>- 5 770</b>
Premiums received	-3 341	- 400	- 5 233	-15 096	-1 753	-2 838	-5 235	-2 378	-3 681	- 440	-319	- 40 714
Claims paid	666	39	2 108	10 814	1 273	606	605	1 984	171	294	186	18 746
Directly attributable expenses paid	856	46	129	1 249	134	383	596	282	371	19	23	4 088
Acquisition cost paid	1 413	146	182	2 112	36	817	2 808	541	1 568	116	142	9 881
<b>Total cash flows</b>	<b>- 406</b>	<b>- 169</b>	<b>- 2 814</b>	<b>- 921</b>	<b>- 310</b>	<b>-1 032</b>	<b>-1 226</b>	<b>429</b>	<b>-1 571</b>	<b>-11</b>	<b>32</b>	<b>- 7 999</b>
Closing insurance contract assets	58	18	-	-	-	974	192	-	-	-	-	1 242
Closing insurance contract liabilities	- 576	- 246	- 16 034	-77 379	-11 312	-534	- 753	-760	- 882	-1 706	- 38	-110 220

**32.2. Movement table for insurance assets and liabilities (best estimate, risk adjustment and contractual service margin)**

Data in million HUF

2024	Consolidated			
	BEL	RA	CSM	Total
<b>Opening insurance contract assets</b>	4 017	- 569	-2 346	1 102
<b>Opening insurance contract liabilities</b>	- 101 674	-2 030	-4 445	- 108 149
Changes related to current services	-	-	-	-
- CSM recognized in profit and loss	-	-	2 708	2 708
- Risk Adjustment recognized in profit and loss	-	543	-	543
- Experience adjustments	- 1 046	- 544	-	- 1 590
Changes related to future services	-	-	-	-
- Contracts initially recognized in the period	2 954	- 450	- 2 565	- 61
- Changes in estimates that adjust CSM	2 192	- 265	- 1 925	2
- Changes in estimates that result in onerous contracts or reversal of losses	400	- 187	-	213
Changes that relate to past service	-	-	-	-
Changes that relate to past service - adjustments to LfIC	- 3 230	10	-	- 3 220
	-	-	-	-
Insurance finance expenses through profit and loss	- 22 103	-	- 334	- 22 437
Insurance finance expenses through OCI	448	-	-	448
Net foreign exchange income or expense	- 1 140	- 23	- 36	- 1 199
<b>Total changes in statement of profit and loss and OCI</b>	<b>- 21 525</b>	<b>- 916</b>	<b>- 2 152</b>	<b>- 24 593</b>
Premiums received	- 41 104	-	-	- 41 104
Claims paid	16 449	-	-	16 449
Directly attributable expenses paid	4 445	-	-	4 445
Acquisition cost paid	5 748	-	-	5 748
<b>Total cash flows</b>	<b>- 14 462</b>	<b>-</b>	<b>-</b>	<b>- 14 462</b>
<b>Closing insurance contract assets</b>	<b>4 459</b>	<b>- 573</b>	<b>- 2 804</b>	<b>1 082</b>
<b>Closing insurance contract liabilities</b>	<b>- 138 103</b>	<b>- 2 942</b>	<b>- 6 139</b>	<b>- 147 184</b>

Data in million HUF

2024	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Corporate Property Insurance	Surety insurance	Retail property insurance	Total
Opening insurance contract assets	-	-	-	974	128	-	-	-	1 102
Opening insurance contract liabilities	-16 034	-77 379	-11 312	-534	-753	- 431	-1 706	-	-108 149
Changes related to current services									
- CSM recognized in profit and loss	79	640	90	892	519	249	236	3	2 708
- Risk Adjustment recognized in profit and loss	6	217	11	107	168	19	13	2	543
- Experience adjustments	8	- 231	- 216	- 481	- 738	80	-4	- 8	-1 590
Changes related to future services									
- Contracts initially recognized in the period	- 2	- 1	- 3	2	- 39	-	-	- 18	- 61
- Changes in estimates that adjust CSM	-	-	-	-	-	-	2	-	2
- Changes in estimates that result in onerous contracts or reversal of losses	53	- 18	- 31	- 18	215	-	-	12	213
Changes that relate to past service	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to LfIC	120	627	360	- 66	131	43	- 4 435	-	-3 220
Insurance finance expenses through profit and loss	-3 699	-18 123	- 597	53	19	-48	-41	- 1	-22 437
Insurance finance expenses through OCI	-	-	604	-107	- 41	8	-16	-	448
Net foreign exchange income or expense	- 283	- 807	- 15	- 1	-	-	-93	-	-1 199
<b>Total changes in statement of profit and loss and OCI</b>	<b>-3 718</b>	<b>-17 696</b>	<b>203</b>	<b>381</b>	<b>234</b>	<b>351</b>	<b>- 4 338</b>	<b>- 10</b>	<b>-24 593</b>
Premiums received	-12 158	-16 981	-1 689	-2 886	-5 955	-974	-420	- 41	-41 104
Claims paid	2 275	10 925	1 144	791	827	92	389	6	16 449
Directly attributable expenses paid	214	1 330	124	614	2 070	50	21	22	4 445
Acquisition cost paid	409	2 005	22	711	2 143	299	114	45	5 748
<b>Total cash flows</b>	<b>-9 260</b>	<b>-2 721</b>	<b>- 399</b>	<b>- 770</b>	<b>- 915</b>	<b>-533</b>	<b>104</b>	<b>32</b>	<b>-14 462</b>
Closing insurance contract assets	-	-	-	847	213	-	-	22	1 082
Closing insurance contract liabilities	-29 012	-97 796	-11 508	-796	- 1 519	- 613	-5 940	-	- 147 184

Data in million HUF

2023	Consolidated			
	BEL	RA	CSM	Total
<b>Opening insurance contract assets</b>	<b>3 064</b>	<b>- 354</b>	<b>-1 667</b>	<b>1 043</b>
<b>Opening insurance contract liabilities</b>	<b>-89 199</b>	<b>-1 850</b>	<b>-3 494</b>	<b>-94 543</b>
Changes related to current services				
- CSM recognized in profit and loss	-	-	1 712	1 712
- Risk Adjustment recognized in profit and loss	-	607	-	607
- Experience adjustments	239	- 468	-	-229
Changes related to future services				
- Contracts initially recognized in the period	2 775	- 442	- 2 429	-96
- Changes in estimates that adjust CSM	721	- 141	-580	-
- Changes in estimates that result in onerous contracts or reversal of losses	34	- 172	-	-138
Changes that relate to past service	-	-	-	-
Changes that relate to past service - adjustments to LfIC	293	206	-	499
Insurance finance expenses through profit and loss	- 7 927	-	-341	- 8 268
Insurance finance expenses through OCI	- 1 619	-	-	- 1 619
Net foreign exchange income or expense	702	17	8	727
<b>Total changes in statement of profit and loss and OCI</b>	<b>- 4 781</b>	<b>-395</b>	<b>- 1 630</b>	<b>- 6 806</b>
Premiums received	- 31 125	-	-	- 31 125
Claims paid	15 716	-	-	15 716
Directly attributable expenses paid	2 501	-	-	2 501
Acquisition cost paid	6 167	-	-	6 167
<b>Total cash flows</b>	<b>- 6 741</b>	<b>-</b>	<b>-</b>	<b>- 6 741</b>
<b>Closing insurance contract assets</b>	<b>4 017</b>	<b>-569</b>	<b>- 2 346</b>	<b>1 102</b>
<b>Closing insurance contract liabilities</b>	<b>-101 674</b>	<b>- 2 030</b>	<b>- 4 445</b>	<b>-108 149</b>

Data in million HUF

2023	Single premium UL	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Corporate Property Insurance	Surety insurance	Total
Opening insurance contract assets	-	-	-	388	655	-	-	1 043
Opening insurance contract liabilities	-11 990	-71 296	-8 373	-152	-602	- 225	-1 905	-94 543
Changes related to current services								
- CSM recognized in profit and loss	8	556	83	682	74	101	208	1 712
- Risk Adjustment recognized in profit and loss	6	238	27	92	197	29	18	607
- Experience adjustments	18	- 135	- 89	65	- 25	176	-239	- 229
Changes related to future services								
- Contracts initially recognized in the period	-	- 28	-	- 7	- 61	-	-	- 96
- Changes in estimates that adjust CSM	-	-	-	-	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	- 102	- 24	- 139	4	130	- 7	-	- 138
Changes that relate to past service	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to LfIC	29	154	146	- 87	36	15	206	499
Insurance finance expenses through profit and loss	-1 293	-6 450	- 494	- 6	64	-39	-50	-8 268
Insurance finance expenses through OCI	-	-	-2 173	493	112	-38	-13	-1 619
Net foreign exchange income or expense	104	535	9	-	-	-	79	727
<b>Total changes in statement of profit and loss and OCI</b>	<b>-1 230</b>	<b>-5 154</b>	<b>-2 630</b>	<b>1 236</b>	<b>527</b>	<b>237</b>	<b>209</b>	<b>-6 805</b>
Premiums received	-5 233	-15 096	-1 753	-2 837	-5 020	-746	-440	-31 125
Claims paid	2 108	10 814	1 274	606	591	29	294	15 716
Directly attributable expenses paid	129	1 246	134	383	550	38	21	2 501
Acquisition cost paid	182	2 107	36	816	2 674	236	116	6 167
<b>Total cash flows</b>	<b>-2 814</b>	<b>- 929</b>	<b>- 309</b>	<b>-1 032</b>	<b>-1 205</b>	<b>-443</b>	<b>- 9</b>	<b>-6 741</b>
Closing insurance contract assets	-	-	-	974	128	-	-	1 102
Closing insurance contract liabilities	-16 034	-77 379	-11 312	- 534	- 753	-431	- 1 706	- 108 149

**32.3. Reserves for profit and loss on new contracts**

Data in million HUF

31.12.2024	Non-onerous contracts	Onerous contracts	Total
Present value of estimates of future cash inflows	27 138	8 694	35 832
Present value of estimates of future cash outflows	24 275	8 603	32 878
- incl. claims and directly attributable expenses	20 836	5 992	26 828
- incl. acquisition cash flows	3 440	2 610	6 050
Present value of cash flows	- 2 862	- 92	- 2 954
Risk adjustment for non-financial risk	310	140	450
Contractual service margin	2 552	13	2 565
<b>Insurance Contract Liabilities</b>	<b>-</b>	<b>61</b>	<b>61</b>

Data in million HUF

2023.12.31	Non-onerous contracts	Onerous contracts	Total
Present value of estimates of future cash inflows	20 115	4 177	24 292
Present value of estimates of future cash outflows	17 403	4 114	21 517
- incl. claims and directly attributable expenses	14 418	2 732	17 150
- incl. acquisition cash flows	2 985	1 382	4 367
Present value of cash flows	- 2 711	- 64	- 2 775
Risk adjustment for non-financial risk	312	130	442
Contractual service margin	2 414	15	2 429
<b>Insurance Contract Liabilities</b>	<b>15</b>	<b>81</b>	<b>96</b>











### 33. ASSETS AND LIABILITIES FROM REINSURANCE CONTRACTS

#### 33.1. Assets for remaining coverage and assets for incurred claims of held reinsurance contracts

Data in million HUF

2024	AfRC		AfIC for contracts measured under GM	AfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
Opening reinsurance contract assets	1 179	677	173	515	14	2 558
Opening reinsurance contract liabilities	-193	2	-2	-185	2	-376
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium	-5 732	-	-	-	-	-5 732
- Amounts recoverable for claims and other expenses	-	-	1 608	1 639	11	3 258
- Changes that relate to past service - adjustments to LfIC	-	-	429	-311	-13	105
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-185	-	-	-	-185
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-
Reinsurance finance income through profit and loss	126	-	19	-	-	145
Reinsurance finance income through OCI	88	-	2	25	-	115
Net foreign exchange income or expense	-1	-	-	28	-	27
Investment components	-	-	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-5 519</b>	<b>-185</b>	<b>2 058</b>	<b>1 381</b>	<b>-2</b>	<b>-2 267</b>
Premiums paid to reinsurer net of commission	6 647	-	-	-	-	6 647
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-	-	-1 602	-1 341	-	-2 943
<b>Total cash flows</b>	<b>6 647</b>	<b>-</b>	<b>-1 602</b>	<b>-1 341</b>	<b>-</b>	<b>3 704</b>
Closing reinsurance contract assets	2 073	494	715	690	13	3 985
Closing reinsurance contract liabilities	41	-	-88	-320	1	-366

Data in million HUF

2024	Group life insurance	Individual accident and health insurance	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
Opening reinsurance contract assets	19	307	-	10	8	1 142	149	742	151	30	2 558
Opening reinsurance contract liabilities	-9	-	-19	-1	-62	-	-101	-182	-2	-	-376
Net income or expense from reinsurance contracts held											
- Allocation of reinsurer premium	-136	-89	-40	-32	-200	-1 666	-920	-2 014	-286	-349	-5 732
- Amounts recoverable for claims and other expenses	103	478	-191	-117	147	1 393	553	665	65	162	3 258
- Changes that relate to past service - adjustments to LfIC	-7	-478	194	117	54	400	78	-254	-2	3	105
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	-2	-183	-	-	-	-	-185
- 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	-	-	115	-	-	29	-	145
Reinsurance finance income through OCI	-	-	1	-1	3	84	1	22	3	2	115
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>143</b>	<b>-288</b>	<b>-1 581</b>	<b>-191</b>	<b>-182</b>	<b>-2 267</b>
Premiums paid to reinsurer net of commission	121	160	10	7	225	1 983	785	2 684	248	424	6 647
Directly attributable expenses paid	-	-	-	-	-	-	-	-	-	-	-
Recoveries from reinsurance	-57	-140	-3	-	-132	-1 380	-535	-413	-105	-177	-2 942
<b>Total cash flows</b>	<b>64</b>	<b>20</b>	<b>7</b>	<b>7</b>	<b>93</b>	<b>603</b>	<b>250</b>	<b>2 271</b>	<b>143</b>	<b>247</b>	<b>3 705</b>
Closing reinsurance contract assets	35	312	-29	-16	79	1 835	158	1 383	129	99	3 985
Closing reinsurance contract liabilities	-	-	-49	-18	-38	53	-148	-133	-28	-5	-366

Data in million HUF

2023	AfRC		AfIC for contracts measured under PAA			Total
	Excl. LC	LC	AfIC for contracts measured under GM	PVCF	RA	
Opening reinsurance contract assets	400	548	33	362	7	1 350
Opening reinsurance contract liabilities	-943	410	- 18	- 2	-	- 553
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium	-3 516	-	-	-	-	-3 516
- Amounts recoverable for claims and other expenses	-	-	934	1 485	13	2 432
- Changes that relate to past service - adjustments to LfIC	-	-	- 37	- 221	- 4	- 262
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	- 279	-	-	-	- 279
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-
Reinsurance finance income through profit and loss	17	-	7	3	-	27
Reinsurance finance income through OCI	- 271	-	9	5	-	- 257
Net foreign exchange income or expense	1	-	-	- 13	-	- 12
Investment components	- 252	-	188	64	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>-4 021</b>	<b>-279</b>	<b>1 101</b>	<b>1 323</b>	<b>9</b>	<b>-1 867</b>
Premiums paid to reinsurer net of commission	5 550	-	-	-	-	5 550
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-	-	- 945	- 1 353	-	- 2 298
<b>Total cash flows</b>	<b>5 550</b>	<b>-</b>	<b>- 945</b>	<b>- 1 353</b>	<b>-</b>	<b>3 252</b>
Closing reinsurance contract assets	1 179	677	173	515	14	2 558
Closing reinsurance contract liabilities	- 193	2	- 2	- 185	2	- 376

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 and account protection insurance	Vehicle insurance	Corporate property insurance	Surety insurance	Retail property insurance	Total
Opening reinsurance contract assets	12	231	-	11	8	447	143	389	74	35	1 350
Opening reinsurance contract liabilities	-	-	- 14	-	- 38	- 440	-	- 57	- 4	-	- 553
Net income or expense from reinsurance contracts held											
- Allocation of reinsurer premium	-15	- 149	-11	-20	-223	-496	-583	- 1 673	-208	-138	- 3 516
- Amounts recoverable for claims and other expenses	10	197	6	8	125	841	658	402	2	183	2 432
- Changes that relate to past service - adjustments to LfIC	7	- 101	1	-	2	-45	-20	-80	-	-26	- 262
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	3	-282	-	-	-	-	- 279
- 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	-10	-2	3	33	1	27
Reinsurance finance income through OCI	-	-	-4	2	-68	-190	-14	16	-2	3	- 257
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>-182</b>	<b>39</b>	<b>- 1 332</b>	<b>-175</b>	<b>23</b>	<b>- 1 867</b>
Premiums paid to reinsurer net of commission	27	161	13	16	241	2 195	759	1 730	266	142	5 550
Directly attributable expenses paid	-	-	-	-	-	-	-	-	-	-	-
Recoveries from reinsurance	-32	- 20	-6	-9	-108	-878	-893	-170	-12	-170	- 2 298
<b>Total cash flows</b>	<b>-5</b>	<b>141</b>	<b>7</b>	<b>7</b>	<b>133</b>	<b>1 317</b>	<b>-134</b>	<b>1 560</b>	<b>254</b>	<b>-28</b>	<b>3 252</b>
Closing reinsurance contract assets	19	307	-	10	8	1 142	149	742	151	30	2 558
Opening reinsurance contract assets	- 9	-	- 19	- 1	- 62	-	- 101	- 182	- 2	-	- 376

**33.2. Movement table of reinsurance assets and liabilities (best estimate, risk adjustment and contractual service margin)**

Data in million HUF

2024	BEL	RA	CSM	Total
<b>Opening reinsurance contract assets</b>	- 1 925	337	2 840	1 252
<b>Opening reinsurance contract liabilities</b>	- 414	82	250	- 82
Changes related to current services				
- CSM recognized in profit and loss	-	-	- 1 236	- 1 236
- Risk Adjustment recognized in profit and loss	-	- 39	-	- 39
- Experience adjustments	618	137	-	755
Changes related to future services	-	-	-	-
- Contracts initially recognized in the period	- 531	24	508	1
- Changes in estimates that adjust CSM	- 644	- 36	680	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	- 184	- 184
Changes that relate to past service	-	-	-	-
Changes that relate to past service - adjustments to LfIC	520	- 91	-	429
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Insurance finance expenses through profit and loss	- 154	-	296	142
Insurance finance expenses through OCI	90	-	-	90
Net foreign exchange income or expense	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>- 101</b>	<b>- 5</b>	<b>64</b>	<b>- 42</b>
Premiums paid to reinsurer net of commission	2 479	-	-	2 479
Directly attributable expenses paid	-	-	-	-
Recoveries from reinsurance	- 1 602	-	-	- 1 602
<b>Total cash flows</b>	<b>877</b>	<b>-</b>	<b>-</b>	<b>877</b>
<b>Closing reinsurance contract assets</b>	<b>- 1 023</b>	<b>327</b>	<b>2 785</b>	<b>2 089</b>
<b>Closing reinsurance contract liabilities</b>	<b>- 540</b>	<b>87</b>	<b>369</b>	<b>- 84</b>

Data in million HUF

2024	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Surety Insurance	Retail property insurance.	Total
<b>Opening reinsurance contract assets</b>	-	9	-	1 089	154	-	1 252
<b>Opening reinsurance contract liabilities</b>	-19	-	-62	-	-1	-	-82
Changes related to current services							
- CSM recognized in profit and loss	-1	2	-38	-934	-260	-5	-1 236
- Risk Adjustment recognized in profit and loss	-1	-3	-21	-12	-1	-1	-39
- Experience adjustments	-4	-15	8	727	40	-1	755
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	-182	-	-	-184
Changes that relate to past service							
Changes that relate to past service - adjustments to LfIC	-	-	31	400	-2	-	429
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	1	-	112	29	-	142
Insurance finance expenses through OCI	1	-1	3	84	3	-	90
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>196</b>	<b>-191</b>	<b>-7</b>	<b>-42</b>
Premiums paid to reinsurer net of commission	12	6	220	1 982	248	11	2 479
Directly attributable expenses paid	-	-	-	-	-	-	-
Recoveries from reinsurance	-3	-	-105	-1 380	-105	-9	-1 602
<b>Total cash flows</b>	<b>9</b>	<b>6</b>	<b>115</b>	<b>602</b>	<b>143</b>	<b>2</b>	<b>877</b>
<b>Closing reinsurance contract assets</b>	<b>-</b>	<b>2</b>	<b>66</b>	<b>1 887</b>	<b>134</b>	<b>-</b>	<b>2 089</b>
<b>Closing reinsurance contract liabilities</b>	<b>-15</b>	<b>-3</b>	<b>-32</b>	<b>-</b>	<b>-29</b>	<b>-5</b>	<b>-84</b>

	Data in million HUF			
2023	BEL	RA	CSM	Total
<b>Opening reinsurance contract assets</b>	- 695	168	1 018	491
<b>Opening reinsurance contract liabilities</b>	- 877	89	295	- 493
Changes related to current services				
- CSM recognized in profit and loss	-	-	- 777	- 777
- Risk Adjustment recognized in profit and loss	-	- 49	-	- 49
- Experience adjustments	798	95	-	893
Changes related to future services				
- Contracts initially recognized in the period	- 518	104	415	1
- Changes in estimates that adjust CSM	- 2 293	28	2 265	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	- 279	- 279
Changes that relate to past service	-	-	-	-
Changes that relate to past service - adjustments to LfIC	- 22	- 15	-	- 37
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Insurance finance expenses through profit and loss	- 128	-	152	24
Insurance finance expenses through OCI	- 262	-	-	- 262
Net foreign exchange income or expense	-	-	-	-
<b>Total changes in statement of profit and loss and OCI</b>	<b>- 2 425</b>	<b>162</b>	<b>1 777</b>	<b>- 486</b>
Premiums paid to reinsurer net of commission	2 602	-	-	2 602
Directly attributable expenses paid	-	-	-	-
Recoveries from reinsurance	- 944	-	-	- 944
<b>Total cash flows</b>	<b>1 658</b>	<b>-</b>	<b>-</b>	<b>1 658</b>
<b>Closing reinsurance contract assets</b>	<b>- 1 925</b>	<b>337</b>	<b>2 840</b>	<b>1 252</b>
<b>Closing reinsurance contract liabilities</b>	<b>- 414</b>	<b>82</b>	<b>250</b>	<b>- 82</b>

Data in million HUF

2023	Regular premium UL	Traditional regular premium life savings insurance	Risk life insurance	Credit coverage and account protection insurance	Surety insurance	Total
<b>Opening reinsurance contract assets</b>	-	11	8	397	75	491
<b>Opening reinsurance contract liabilities</b>	-14	-	-38	- 437	-4	- 493
Changes related to current services						
- CSM recognized in profit and loss	-1	-1	-38	- 563	-174	- 777
- Risk Adjustment recognized in profit and loss	-1	-1	-10	- 32	- 5	- 49
- Experience adjustments	-3	-10	-25	958	- 27	893
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	- 282	-	- 279
Changes that relate to past service	-	-	-	-	-	-
Changes that relate to past service - adjustments to LfIC	1	-	2	- 40	-	- 37
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
Insurance finance expenses through profit and loss	- 4	1	4	- 10	33	24
Insurance finance expenses through OCI	- 4	2	- 68	- 189	- 3	- 262
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>- 158</b>	<b>-175</b>	<b>- 486</b>
Premiums paid to reinsurer net of commission	13	16	173	2 134	266	2 602
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	- 6	- 9	- 73	- 847	- 9	- 944
<b>Total cash flows</b>	<b>7</b>	<b>7</b>	<b>100</b>	<b>1 287</b>	<b>257</b>	<b>1 658</b>
<b>Closing reinsurance contract assets</b>	-	9	-	1 089	154	1 252
<b>Closing reinsurance contract liabilities</b>	-19	-	-62	-	-1	- 82

**33.3. Reinsurance reserves for profit and loss on new contracts**

Data in million HUF

31.12.2024	Net revenue-generating contracts	Net loss-generating contracts	Total
Present value of estimates of future cash inflows	-	344	344
Present value of estimates of future cash outflows	-	- 376	- 376
Present value of cash flows	-	- 531	- 531
Risk adjustment for non-financial risk	-	24	24
Contractual service margin	-	507	507
<b>Liabilities from reinsurance contracts</b>	-	-	-

Data in million HUF

31.12.2023	Net revenue-generating contracts	Net loss-generating contracts	Total
Present value of estimates of future cash inflows	-	256	256
Present value of estimates of future cash outflows	-	775	775
Present value of cash flows	-	- 519	- 519
Risk adjustment for non-financial risk	-	104	104
Contractual service margin	-	415	415
<b>Liabilities from reinsurance contracts</b>	-	-	-

### 34. 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 Notes 3.4 and 3.5), do not contain significant insurance risk.

### 35. LEASE LIABILITIES

Data in million HUF

	31 December 2024	31 December 2023
Balance on 1 January	314	475
Increase	459	59
Derecognition	-149	- 34
Paid leasing fees	181	186
Of which: Interest rate	15	10
Decrease of liabilities	166	176
Difference due to exchange rate	12	- 10
<b>Balance on 31 December</b>	<b>470</b>	<b>314</b>

### 36. PROVISIONS

In respect of provisions, the following changes were made during 2023 and 2024:

Data in million HUF

	2024	2023
Provision on 1 January	262	520
Provision release	-195	-291
Provision allocation	272	33
<b>Provision on 31 December</b>	<b>339</b>	<b>262</b>

The Group formed provisions for the following items in 2023 and 2024:

Data in million HUF

Provision for expected liabilities	Expected payment period	31.12.2024	31.12.2023
Provision for legal fees	1-2 years	35	63
Provision for litigation	1-2 years	70	-
Provision for expected liabilities	1-2 years	29	11
Other reserves of investment contract	1-2 years	163	33
Provision for penalties	6 months or less	41	30
Provision for personal expenses related to reorganization	6 months or less	-	125
<b>Total provisions</b>		<b>339</b>	<b>262</b>

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

One of the most significant items is the provision for legal fees, which includes legal expenses of which the fulfilment is disputed by the insurer; the value of which decreased significantly in 2024, due to closed litigations.

The reserve for investment contracts is the sum of the claim reserves and bonus reserves related to the investment contracts. The provision for restructuring costs was the total of the costs related to organizational changes at the end of 2023.

### 37. OTHER LIABILITIES

Data in million HUF

	31.12.2024	31.12.2023
Trade payables	459	161
Liabilities to fund managers	140	146
Liabilities to employees	157	127
Social contribution and taxes	159	649
Other liabilities	179	485
Accrued expenses and deferred income	570	598
Collateral obligations	2 675	2 443
Advance payments of subsidies	249	412
<b>Other liabilities total</b>	<b>4 588</b>	<b>5 021</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.

Collateral obligations are guarantees paid by policyholders in addition to Hungarian suretyship insurances, which can be involved in the claims settlement in the event of a claim. Their amount increases in line with the growth of the Hungarian suretyship portfolio. Passive accruals 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 instalment 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

	01.01.2024	Cash flows	Reclassi- fication	FX difference	Other	31.12.2024
Treasury shares	- 32	-	-	-	-	- 32
Lease liabilities	314	- 166	309	13	-	470
Other liabilities	5 021	-	-	- 42	- 391	4 588
Liabilities to shareholders	33	- 3 116	3 120	-	-	37
<b>Total liabilities from financing</b>	<b>5 336</b>	<b>- 3 282</b>	<b>3 429</b>	<b>- 29</b>	<b>-391</b>	<b>5 063</b>

Data in million HUF

	01.01.2023	Cash flows	Reclassification	FX difference	Other	31.12.2023
Treasury shares	- 32	-	-	-	-	- 32
Lease liabilities	475	-175	25	-11	-	314
Other liabilities	2 732	-7	-	-11	2 307	5 021
Liabilities to shareholders	30	- 1 700	1 703	-	-	33
<b>Total liabilities from financing</b>	<b>3 205</b>	<b>-1 882</b>	<b>1 728</b>	<b>- 22</b>	<b>2 307</b>	<b>5 336</b>

### 38. SHARE CAPITAL AND CAPITAL RESERVE

As of 31 December 2024 the nominal value and the number of shares issued were as follows:

Share Series	Par value (Forint/share)	Number of share issued	Nominal value (forint)
„A” series	33	94 428 260	3 116 132 580
<b>Share capital</b>	-	-	<b>3 116 132 580</b>

The number of issued ordinary shares is different from outstanding number of shares because of the treasury shares, which are shown in Note 39.

### 39. TREASURY SHARES

Data in million HUF

Designation	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	11.05.2014	1 196 750	48	-
Transfer of series "A" ordinary shares to MKB Bank as consideration for a minority interest	04.07.2017	-92 744	- 4	-
of which: sales in employee share-based payment program	15.10.2018	-230 000	- 9	-
of which: sales in employee share-based payment program	07.11.2018	-160 000	- 6	-
of which: sales in employee share-based payment program	05.04.2019	-340 000	- 14	-
Conversion of shares		-374 006	- 15	-
Conversion of shares		374 006	12	-
Purchase of series "A" shares	30.03.2021	100 000	3	32
<b>31.12.2024</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 provided shares 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 the shares, the Company did not own any CIGPANNONIA shares.

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

#### 40. OTHER RESERVES

Data in million HUF

	31 December 2024	31 December 2023
Difference in fair value of financial assets at fair value against other comprehensive result	-1 426	-1 352
Difference in fair value of insurance contracts at fair value against other comprehensive result	771	377
Difference in fair value of reinsurance contracts at fair value against other comprehensive result	32	- 84
Difference in fair value of deferred tax	132	119
<b>Other reserves</b>	<b>- 491</b>	<b>- 940</b>

Other reserves on the one hand include the difference between the fair value of financial assets valued at fair value against other comprehensive result recognized directly in equity, of which the positive evaluation difference of OPUS explain HUF 407 million (HUF -435 million in 2023), while the negative valuation difference of government bond portfolios explain HUF -1,833 million (HUF -917 million in 2023). The negative valuation difference of government bond portfolios increased mainly due to the upward shift in the yield curve.

In the lines on fair value differences of insurance and reinsurance contracts, the Group presents the portion of the insurance financial result recognised in other comprehensive income when the OCI option is elected.

#### 41. CONTINGENT LIABILITIES

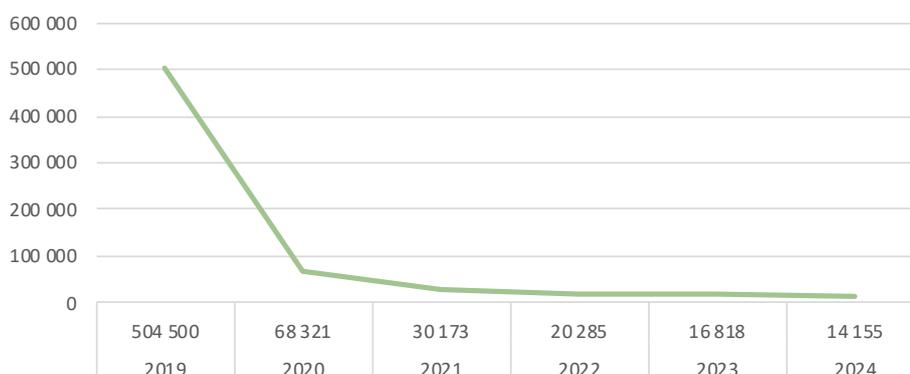
The Group is subject to insurance solvency regulations and it has complied with all regulatory requirements either in accordance with EU Directives or with Hungarian regulations.

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.

**Decrease of the Italian exposure (TEUR)**



7. [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)

8. 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.

9. [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)

10. 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".

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 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. 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. If the amount of the claims to be paid will differ, the difference will change the Insurer's future result and equity. The maximum negative impact of contingent liabilities on the consolidated accounts can be EUR 9.935 million.

## 42. COMMITMENTS FOR CAPITAL EXPENDITURE

The Company had no commitments for capital expenditure as at 31 December 2024 and 31 December 2023.

## 43. RELATED PARTY DISCLOSURES

Related party transactions, as defined by the Group, are business events between the Group and operations of the members of the Board of Directors and the Supervisory Board, beside the transactions with the associates.

### 43.1. Transactions with economic entities under the control of the members of the Board of Directors and the Supervisory Board and their close relatives

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

In 2024 the members of the Board and Supervisory Board received HUF 20 million (in 2023 HUF 15 million) honorarium. No advances or loans were provided to them.

#### *Contracted services*

From companies under the control of the members of the Board of Directors and the Supervisory Board: the Group purchased services from Hungest Hotels Zrt. for HUF 10 million (HUF 1 million in 2023).

The Group 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
- V-Híd cPlc. with the value of HUF 70 million in 2024, HUF 45 million in 2023
- Diósgyőr FC Ltd. with the value of HUF 10 million in 2024, HUF 11 million in 2023
- Euroleasing cPlc with the value of HUF 629 million in 2024, HUF 76 million in 2023

11. "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: HU000180112)" 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%C5%91%20gazdas%C3%A1g%20terv%C3%A9s%C3%A9s%C3%A9s%202021%2006%2018%20.pdf](https://www.bet.hu/newkibdata/128577094/M%C5%B1k%C3%B6d%C3%A9si%20terv%20%C3%A9s%20az%20aj%C3%A1nlatt%C5%91%20gazdas%C3%A1g%20terv%C3%A9s%C3%A9s%C3%A9s%C3%A9s%202021%2006%2018%20.pdf)

12. 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

13. 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

14. Unit-linked portfolio management and fund management fee is charged directly to unit-linked investment fund's net asset value

### 43.2. Transactions with other related parties of the Group

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

- HUF 467 million unit-linked portfolio management fee<sup>14</sup> (in 2023 HUF 368 million), and HUF 311 million unit-linked fund management fee in 2023 HUF 26 million).
- HUF 70 million portfolio management fee relating to own portfolio (turnover with CIG Pannonia Life Insurance Plc was HUF 44 million and HUF 17 million with CIG Pannonia First Hungarian General Insurance Ltd), in 2023 the own portfolio management fee was HUF 53 million.

### 43.3. Transactions with other related parties of the Group

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

- from Hungarikum Alkusz in the amount of HUF 2,629 million (in 2023: HUF 1,590 million),
- from HUNBankbiztosítás Kft. in the amount of HUF 3 million (in 2023 HUF 7 million),
- from HUNPénzügyi Tervező Kft. in 2023 in the amount of HUF 100 million and EUR 25 thousand,
- from HUNInsurance Kft. in 2023 in the amount of HUF 95 million,
- from HUNPartner Kft. in 2023 in the amount of HUF 69 million, and
- HUNBenefits Digitális Tárca Szolgáltató és Kereskedelmi Kft. in the amount of HUF 300 million (in 2023 HUF 141 million).

All services were provided at market prices. The brokers HUNInsurance Kft., HUNPénzügyi Tervező Kft. and HUNPartner Kft. merged into Hungarikum Biztosítási Alkusz Zrt. on 30.06.2023. The turnover presented above is the turnover of HUNInsurance Kft., HUNPénzügyi Tervező Kft. and HUNPartner Kft. in the first half of 2023.

On 31 December 2024, the Group has the following obligations with other related parties (companies related since 2021), which Insurer presented under the line Liabilities from insurance transactions:

- towards Hungarikum Alkusz in the amount of HUF 82 million and EUR 10 thousand (in 2023 HUF 49 million). The Group also recognizes a receivable from Hungarikum Biztosítási Alkusz for paid commission advances in the amount of HUF 395 million on the balance sheet date (in 2023: HUF 385 million).
- towards HUNBankbiztosítás Kft. the amount does not reach HUF 1 million on 31.12.2024, and amounted to HUF 2 million in 2023
- towards HUNBenefits Digitális Tárca Szolgáltató és Kereskedelmi Kft. in the amount of HUF 1 million (in 2023 the amount did not reach HUF 1 million)

In 2022, the Company concluded a marketing agency framework contract with HUNMédia Kft. and in 2024 its turnover amounted to HUF 389 million (in 2023 HUF 258 million). The Group has a liability of HUF 124 million towards the partner on the balance sheet date (in 2023 HUF 132 million).

HUNService Kft. provided the Group 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 124,612 thousand, in 2024 the Group has no turnover with the partner.

From November 2023, the Group uses telephone customer services from HUNExpert Kft., who invoiced HUF 9,186 thousand for the year 2023. In 2024, it had a turnover of HUF 238 million. At the turn of the year, the Group has a liability of HUF 29 million. 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.

## 44. SUBSEQUENT EVENTS

There were no significant subsequent events in the life of the Company.

## 45. STATEMENT

Consolidated Financial Statements and Consolidated 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 consolidated 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 consolidated 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

# CONSOLIDATED BUSINESS REPORT FOR THE YEAR 2024

## REPORT ON THE DEVELOPMENT AND BUSINESS PERFORMANCE OF THE GROUP

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 premium income of HUF 57 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 191%**, 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 RISKS ARISING DURING THE GROUP'S INVESTING ACTIVITY

In addition to investing technical reserves, the Group invested its own investments held for trading – with particular attention to liquidity and risk aspects – mostly 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 utilisation of financial instruments are presented under Notes 3.16 and 3.17.

In addition to managing insurance risks, the Group 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;
- the Group hedged its portfolio in unit-linked investments in 2024, and also hedged its own foreign exchange risks in this way;
- the Insurer has price risk mainly its own investments. The market value of the securities is continuously monitored by the ALM activity.

The Group presents the impact of financial risks on the financial statements in detail under Note 6.6.

## PRESENTATION OF THE GROUP'S FINANCIAL SITUATION IN 2024

**Our consolidated accounting result after tax in 2024 was a profit of HUF 1,279 million following HUF 2,874 million in 2023.**

As we highlighted in previous years, we also note this year, that there are two significant items affecting the accounting result that need to be considered when assessing the Company's performance:

- (i) a non-recurring corporate tax liability incurred as a result of the HUF 7 billion increase in equity due to the transition to IFRS 17, which decreased our profit after tax by HUF 498 million in 2023, furthermore
- (ii) we also need to separate the effect of the extra profit tax when assessing the result of the ordinary course of business. The exact mathematic calculation of the extra profit tax is limited by the IFRS 17 framework - as the difference between the changes in the terms and conditions of each contract at their issuance and at the preparation of the financial statements would make the analysis too complex – thus according to our best estimate, as also shown in the below table, the amount of the extra profit tax for 2023 was set at HUF 687 million, for 2024 at HUF 943 million.

Our profit adjusted with the above-mentioned items thus decreased from HUF 4,059 million to HUF 2,222 million.

At the same time, we would like to separate the decrease in profit (- HUF 4,519 million) resulting from the increase in reserves in the Italian suretyship business from the results of the still ongoing product groups, as we believe that this presentation makes the Group's current performance transparent. Our resulting profit hence increased from HUF 4,059 million in 2023 by 66%, thus reaching HUF 6,742 million. The increase in the technical result of our ongoing product groups, amounting to HUF 1,927 million, played a significant role in this growth. In addition, we also realised a high increase (of HUF 527 million) in the Group's profit on our stake in MBH Fund Management Ltd.

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. 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 decrease in performance was mainly due to an increase in claims ratios for group life products, which are assessed in both methodologies.

In the non-life insurance segment, our technical result decreased by HUF 3,428 million, which is due to two effects:

- (i) For typically short-term policies (PAA valuation method): the improvement of a total HUF 1,129 million in the result of fleet casco and corporate property policies is quite significant compared to the reference period.
- (ii) The decrease in the result on the portfolio of policies valued using the GMM methodology is caused by the increased claims reserves of the Italian suretyship products (HUF -4,519 million).

The decrease in our technical result by HUF 2,849 million distributes along the portfolio groups as follows.

**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 37 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.

**Vehicle insurance products** (annual profit improvement: HUF 883 million): The reason behind the improvement in profit is basically due to the decrease in claims costs and expenses – i.e. the claims ratio. The reduction in the claims ratio was facilitated by the streamlining of the insurance portfolio, changing premiums in line with claims cost increases. In addition, the change in insurance tax legislation also had a positive impact on profit. As a result of the significant reduction in the combined ratio, the loss component recognised at the end of the previous year was released by the Insurer in full.

**Corporate property insurance products** (annual profit improvement: HUF 246 million):

The product group is characterized by a low claims ratio. Factors affecting profitability include, in addition to the acquisition costs linked to the policies, the reinsurance contracts taken out to cover own risks and the reduction in their costs.

The revenue recognition is based on the ratio of services rendered to services expected at the end of the period, defined by product group. The Insurer assesses the cohorts of direct products and the numerous related reinsurance contracts independently of each other. The change in result has two main drivers: the Insurer's premium income was significantly higher than in the same period of the previous year and it increased its retention, i.e. less reinsurance coverage was necessary in 2024 than in the previous financial year.

**Suretyship insurance products** (annual profit decline: HUF 4,570 million):

The decline in result of HUF 4,519 million in the Italian suretyship products is explained by a combination of three effects:

- i) In the last quarter of 2024, a significant reserve increase was necessary to cover litigation claims, including a risk adjustment under IFRS 17.
- ii) The Insurer has reviewed and updated the additional claims reserves in the normal course of business.
- iii) The Insurer fulfilled its claims payment and claims settlement expenditure obligations in respect to outstanding claims in the financial year 2024.

**The profitability of the Hungarian suretyship products** decreased by HUF 51 million compared to the reference period, mainly due to higher claims ratios and a deterioration in claims ratio assumptions.

Retail property insurance products (annual profit decline: HUF 31 million): The decline in profit is the result of several effects. The increase in the stock of products that have been running for 2-3 years improves the result, while new product launches still generate a loss in the first periods due to start-up and other overhead costs. The combination of these two effects still slightly decreased the result on a year-on-year basis.

### Volume of sales

Our premium income increased for all valuation methodology (portfolio) groups, with an overall annual increase of 34%.

Our unit-linked (UL) premium income increased by more than HUF 8.7 billion, driven by a lower and less volatile return environment compared to 2023.

The increase in corporate property insurance premiums is the result of the expansion of our portfolio with its value of HUF 2.7 billion. Our fleet casco premiums have increased slightly as a result of a portfolio clean-up and a change in our pricing policy, the positive impact of which was reflected in the above-mentioned improvement in results.

A more significant premium growth is visible in the area of group life-, accident- and health insurance - with an annual increase of HUF 1.8 billion - which is also the result of the portfolio growth. The premium growth in risk life insurance (HUF 137 million) is primarily due to the launch of our new product, CIG360 Life-, Accident- and Health Insurance.

If we analyse our premiums in 2024, broken down by the sales channel where the policies were signed, we see that the banking channel increased the premiums from its acquired customers by 57%, the independent channel by 19% and the alternative channel by 24% in one year.

### 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.<sup>15</sup>

### 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>16</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.

## SUBSEQUENT EVENTS IN ACCORDANCE WITH SUPPLEMENTARY NOTES

There were no significant 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 individual	1 158 518	1,23%	1,23%
Nominee, foreign 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 Group 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 Insurance Broker Ltd., who has a 58.73 percent stake with 55,460,487 shares.

The Group did not issue shares embodying special management rights or other preference shares.

The Group does not have any management mechanism in place prescribed by an employee shareholding system.

The Group has no agreements between the Group and its managers or employees that prescribes compensation if the given manager or employee resigns, if the employment of the manager or employee is terminated illegally, or if the employment relationship is terminated on account of a public purchase offer. The registered capital consists of 94.428.260 dematerialized registered voting series "A" common shares of thirty-three Hungarian Forints of nominal value each.

There are no limitations or dispose rights relating to the shares recorded in the articles of association of CIG Pannónia Life Insurance Plc.

## CORPORATE GOVERNANCE REPORT

The purpose of the Corporate Governance Recommendations (**Recommendations**) issued by the Budapest Stock Exchange Zrt. is to formulate guidelines to facilitate the operation of publicly traded companies (issuers) in compliance with internationally recognized rules and standards of good corporate governance. The Annual General Meeting is responsible for accepting the corporate governance report.

The Recommendations can be considered as an addition to Hungarian legislation, which show to what extent and with what deviations each issuer complies with the Recommendations.

The Company should also take into account relevant legislation when evaluating responsible corporate governance practices. Compliance with the Recommendations also requires compliance with the law, as well as ethical, self-responsibility and business practices. The Company hereby declares that the responsible corporate governance practice operated by it complies in all respects with the requirements of the current regulatory environment.

The basis of the Hungarian regulation is Act V of 2013 on the Civil Code. Article 3: 289 (1) of the Civil Code, the board of directors of a public limited liability company shall submit to the annual general meeting a responsible corporate governance report (the Report), prepared in accordance with the corporate governance

<sup>16</sup>. For the relevant MNB recommendation see: <https://zoldpenzugyek.mnb.hu/supervisory-tools/esg-recommendation>

practices of the public limited company in the manner prescribed for the relevant stock exchange participants. The Company fulfills its obligation in this respect continuously.

According to paragraph 2 of the referred Article, the General Meeting shall decide on the adoption of the Report. The resolution of the General Meeting and the adopted Report shall be published on the website of the Company and other official places of publication. Issuers are expected – and thus it is also expected from the Company – to apply the Recommendations specified by the BSE and, in this context, they must provide information on the extent to which they follow them. The Company's Reports for a given business year are available on the Company's official website in a transparent and retrievable manner.

The Recommendations forming the basis of the Report were significantly amended first on 23 July 2018, then on 08 December 2020 by the Responsible Corporate Governance Committee acting beside the BSE. The amendment was made in relation to remuneration, due to the fact that certain requirements for remuneration, previously included in the Recommendation, have been delegated to legal Acts, therefore the Company hereby also states that its practice complies in all aspects with Act LXVII of 2019 promoting long-term shareholder participation and amending certain acts for legal harmonization. The amended Recommendations contain, in part, binding recommendations for all issuers and partly non-binding recommendations. Issuers may differ from both binding recommendations and non-binding proposals. In the event of a deviation from the recommendations, the issuers are required to disclose the discrepancy in the corporate governance report and to justify it. This allows issuers to take into account sector-specific and company-specific needs. Accordingly, an issuer other than the recommendations may, where appropriate, meet the requirements of corporate governance. In the case of proposals, issuers should indicate whether or not they apply the Directive and have the possibility to justify deviations from the proposals.

The Company has two ways to declare its responsible corporate governance practices. The Company must report on the responsible corporate governance practices of the business year in question in its Report to be compiled and submitted to the Annual General Meeting on the one hand. In doing so, we must address the corporate governance policy and the description of any special circumstances in terms of the aspects set out in the Recommendations.

These aspects:

Brief description of the board of directors / board of directors, responsibilities and responsibilities of the board of directors and management.

Presentation of the members of the Board of Directors, the Supervisory Board and the Management (including the status of the individual members for the members of the Board), the structure of the committees.

Presentation of the number of meetings of the Managing Body, the Supervisory Board and the Committees held during a given period, giving the participation rate.

Presentation of the aspects taken into account in evaluating the work of the Managing Body, the Supervisory Board, the management and the individual members. Indication of whether the evaluation performed during the given period resulted in any change.

Report on the functioning of each committee, including the professional presentation of committee members, the meetings held and the attendance rate and the main topics discussed at the meetings and the general functioning of the committee. When presenting the functioning of the Audit Committee, it should be noted that the Board of Directors / Board of Directors has decided on a matter contrary to the proposal of the Board (including the reasons for the Managing Body). It is advisable to refer to the company's website, where the tasks delegated to the committees and the time of the appointment of members should be made public. (If this information is not found on the Company's website, they must be included in the Corporate Governance Report.)

Presentation of the system of internal controls, evaluation of the activity of the given period. Report on the effectiveness and efficiency of risk management procedures. (Information on where shareholders can view the report of the Board of Directors / Board of Directors on the operation of internal controls.)

Information on whether the auditor has performed an activity that is not related to the audit. 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.

An overview of the company's publishing policy and insider trading policy.

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.

## EMPLOYMENT POLICY

As it is with all businesses, also in the case of our Company's financial statements it is our colleagues who are behind the presented economic performance and growth success.

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>17</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 the role of our workers as employees.

<sup>17</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

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

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.

<sup>18</sup> GINOP Plus-3.2.1-21 "Improving adaptability and productivity of workers and enterprises through workforce development" labour market programme

### 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 labour 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.

#### **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**

A Társaság működése során maradéktalanul betartja a rá vonatkozó jogszabályi előírásokat, a Magyar Nemzeti Bank rendelkezéseiben, valamint a BÉT szabályzataiban és foglaltakat. A Társaság szervezeti felépítését és működési elveit a mindenkor hatályos Alapszabálya tartalmazza.

### **Governing bodies**

#### **The Management Board**

The management body of the Company is the Management Board, it is responsible for establishing and managing the organisation of the Company. The scope of power of the Management Board is determined by the legislation in force, the Articles of Association of the Company, the resolutions of the General Meeting, as well as the Rules of Procedure of the Management Board. The Management Board shall establish its Rules of Procedure itself and shall adopt it by more than half of the members of the Management Board voting in favour thereof. The Rules of Procedure includes – among others – matters concerning the functioning of the Management Board, the structure of the Management Board, and the mandatory elements of the meetings and the minutes to be drawn up thereon. The Company shall make public the Rules of Procedure of the Board of Directors in full, which shall be available to anyone on the Company's website. The Management Board operating at the Company shall be made up of at least three and no more than seven members, the members of the Management Board shall be elected (for maximum five years) and recalled by the General Meeting.

The Board of Directors entrusts the preparation of the tasks related to the selection of the members of the bodies, including the members of the Board, to the Remuneration and Nomination Committee, which makes its recommendations to the Board of Directors in the form of a proposal. The proposal is always included in the Board proposal. The proposals are also subject to the Board Selection Policy rules, which are also published in full on the Company's website<sup>19</sup>. The members of the Board of Directors are subject to the terms and provisions set out for senior executives in Act LXXXVIII of 2014 on Insurance Activities (hereinafter: Bit.).

#### **Members of the Board of Directors:**

Chairman:	Péter Bogdánffy dr. (from 16.01.2023)
Members:	István János Fedák dr. Zsuzsanna Ódorné Angyal (from 10.08.2023 until 02.02.2024) Gábor Dakó Miklós dr.

<sup>19</sup> <https://www.cigpannonia.hu/befeketok/tarsasagiranyitas>

### Supervisory Board

In compliance with the provisions of the Business Insurance Act, the Supervisory Board directs the internal audit organization, as well as develops recommendations and proposals based on the findings of the inspections carried out by the internal audit function.

A Supervisory Board of at least three but no more than ten members operates at the Company, the chairman and the members of which are elected (for a no more than five-year period) and recalled by the General Meeting.

At the Company the preparation of the tasks related to the selection of the members of the Boards – hence the members of the Supervisory Board – is entrusted to the Remuneration and Nomination Committee, which makes its recommendations to the Board of Directors in the form of a proposal. The proposal is always included in the Board proposal. The proposals are also subject to the Board Selection Policy rules, which are also published in full on the Company's website<sup>20</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>21</sup>.

Members of the Supervisory Board:

Chairman:	János Tima
Members:	Erika Vada Ildikó Ginzer

### Audit Committee

The Audit Committee is a body that helps the work of the Supervisory Board of the Company with its opinion, evaluations and proposals. The scope of powers of the committee are determined by the legislation in force, the Articles of Association of the Company, the resolutions of the General Meeting, as well as its Rules of Procedure. The rules and procedures of the Audit Committee are published and accessible in full and without restrictions on the Company's official website<sup>22</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;
- 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:

20. <https://www.cigpannonia.hu/befektetok/tarsasagiranynitas>  
21. <https://www.cigpannonia.hu/befektetok/tarsasagiranynitas>  
22. <https://www.cigpannonia.hu/befektetok/tarsasagiranynitas>

- 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), than the Chairman of the Board of Directors shall be a permanent invitee of the meeting. The Head of Internal Audit and the Head of Compliance may participate in the meeting with consultation rights, on the basis of their prior indication or on someone's request. If the OMM discusses an agenda item on the risk management system report, the Chief Risk Officer is also a participant in the meeting.

A permanent item on the agenda of the OMM is the report by the members of the Management on the status of ongoing cases (projects) within their remit and/or priority areas, tasks arising from contacts with the authorities, etc.

The Chief Executive Officer or the Chairman of the Board of Directors may extend the meeting to include the heads of specific areas or other ad hoc (expert-level) invitees.

In order to fully meet its responsibilities - and in order to ensure that they are met and prioritised - for the ongoing identification, measurement, monitoring and management of individual and aggregate risks and risk interactions in the operation of the risk management system, the OMM, as part of the risk management system, once per quarter discusses the proposals and decisions of the Risk Management Committee

#### **Data Assessment Committee**

By rule, the data assessment of the Company lies with the Deputy Chief Executive Officer responsible for Company Governance and Prudential Compliance, who acts at the discretion of the Company's ad hoc Data Assessment Committee in the cases provided for in the Organisational and Operational Rules. Data

assessment is subject to the agreement of the head legal counsel. If the data assessment is

- ordered by a decision of the Management Board,
- asked by the CEO, or
- considered by the Deputy CEO responsible for data assessment
  - to involve several competing areas of competence, or in connection with it
  - require 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>23</sup> based on the content thereof.

Subject to the nature of the given data or information, the Data Assessment Committee shall carry out the assessment without delay, but as soon as possible, paying special attention and complying with the time limits and frameworks of the disclosure as specified by the relevant specific laws, and shall notify the parties concerned of the result of the assessment without delay, and if the statutory conditions are met, shall initiate the disclosure of the information.

#### **Information Technology Committee**

The preparatory and decision-making body for decisions concerning the Company's IT issues is the IT Committee, which is an ad hoc body not named in the Company's Organizational and Operational Rules, the forum for the allocation of available IT resources, essentially a subcommittee of the Operational Management Meeting, which reports regularly to the Company's Board of Directors through the Director of IT. In this way, the management of the area reports on the period that elapsed since the previous report and ongoing cases.

#### **Project Management Directorate**

From 1 February 2023, instead of the ad hoc so-called project committees, which previously decided on the launch, closure, termination and suspension of projects and assessed the results of them within the Company and the Group, the Organizational and Operational Rules established a Project Management Directorate, which reports directly to the CEO

<sup>23</sup> a term as defined in the Disclosure Rules

Its tasks are defined as:

- determining the workload, the human resource requirements and the necessary competences of the given project, and appointing the project members in consultation and agreement with the heads of the relevant (involved) departments and areas,
- managing and coordinating specific projects in line with the Company's strategy and as defined by the Board of Directors, the CEO and/or the Management, following the delegation of delegated/assigned employees from the departments concerned by the project,
- reporting to the CEO and the Board of Directors on ongoing projects in the form, manner and intervals set out at the beginning of the project.

#### Remuneration and Nomination Committee

The Remuneration and Nomination Committee operated by the 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

The Company operates a Risk Management Committee. The primary duty of the Risk Management Committee is to assist and support the Management Board in ensuring that it can perform its risk management activity in compliance with the laws and other rules, as well as the Articles of Association and the internal policies of the Company. Within this framework, the Risk Management Committee shall review, revise and analyse the risk management activity of the Company regularly and as necessary,

and it shall produce reports and formulate recommendations for the Management Board based on its findings.

The Risk Management Committee consists of the lead risk manager, the Deputy Chief Executive Officer responsible for Corporate Governance and Prudential Compliance, Deputy Chief Executive Officer of Finance, Head of Internal Audit, Chief Legal Counsel, Chief Compliance Officer and the Chief Actuary. Its ad hoc members – subject to the agenda – are the Chief Financial Officer, the IT Director, the Information Security Officer, the head of the insurance claims settlement department, as well as any employee representing the department specified in the Organizational and Operational Rules the invitation of whom is reasonable for the purpose of discussing the item of agenda concerned.

#### Members of the Company's management

The executives of the Company, in addition to the external members of the Board of Directors and the Supervisory Board already listed, whose expertise and experience make a decisive contribution to the successful operation of the Company:

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
Chief Risk Officer and Responsible for risk management:	Gábor Varga
	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 Sági 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
      - iv. 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
      - v. 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
      - vi. 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
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.

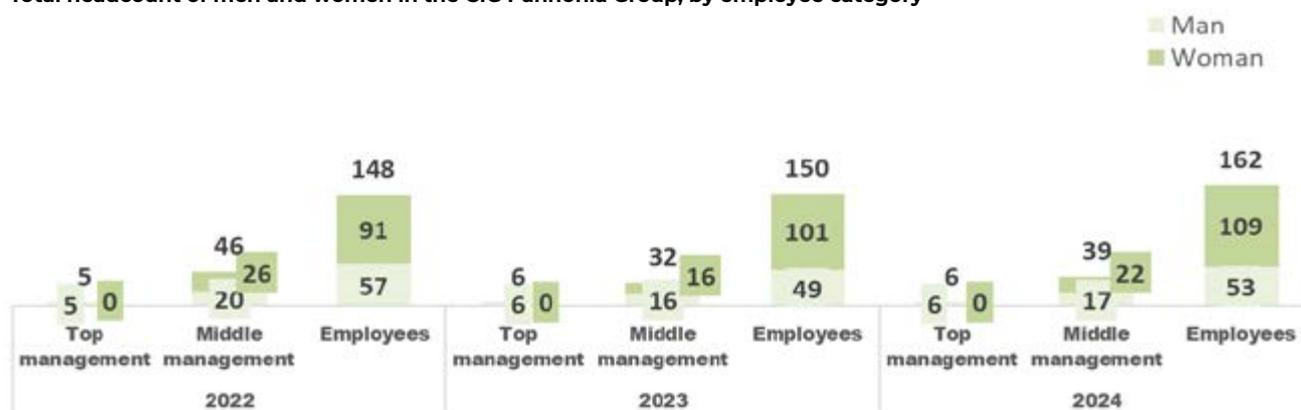
2. The Board of Directors expects to achieve the right balance and has set a target for the right balance for mid-directors. At the non-executive level, the Boards of Directors of the Companies targeted the proportion of women to reach 40 percent. We have achieved this ratio in recent years, and the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

#### Achieving gender balance in 2024

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 Group 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 Group relocated the branch office to Miskolc.

Environmental protection is not directly linked to the Group's core activities, nevertheless, in the development of working environment, using paperless processes and outsourcing, the Group 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 Group launched its research and experimental development activities in 2022 in the topic of "Development of personalised insurance products using artificial intelligence", as explained in more detail under Note 37.

The figures and evaluation shown in the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated changes in equity, consolidated cash-flow statement and the supplementary notes, as well as the supplementary information presented in the consolidated 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