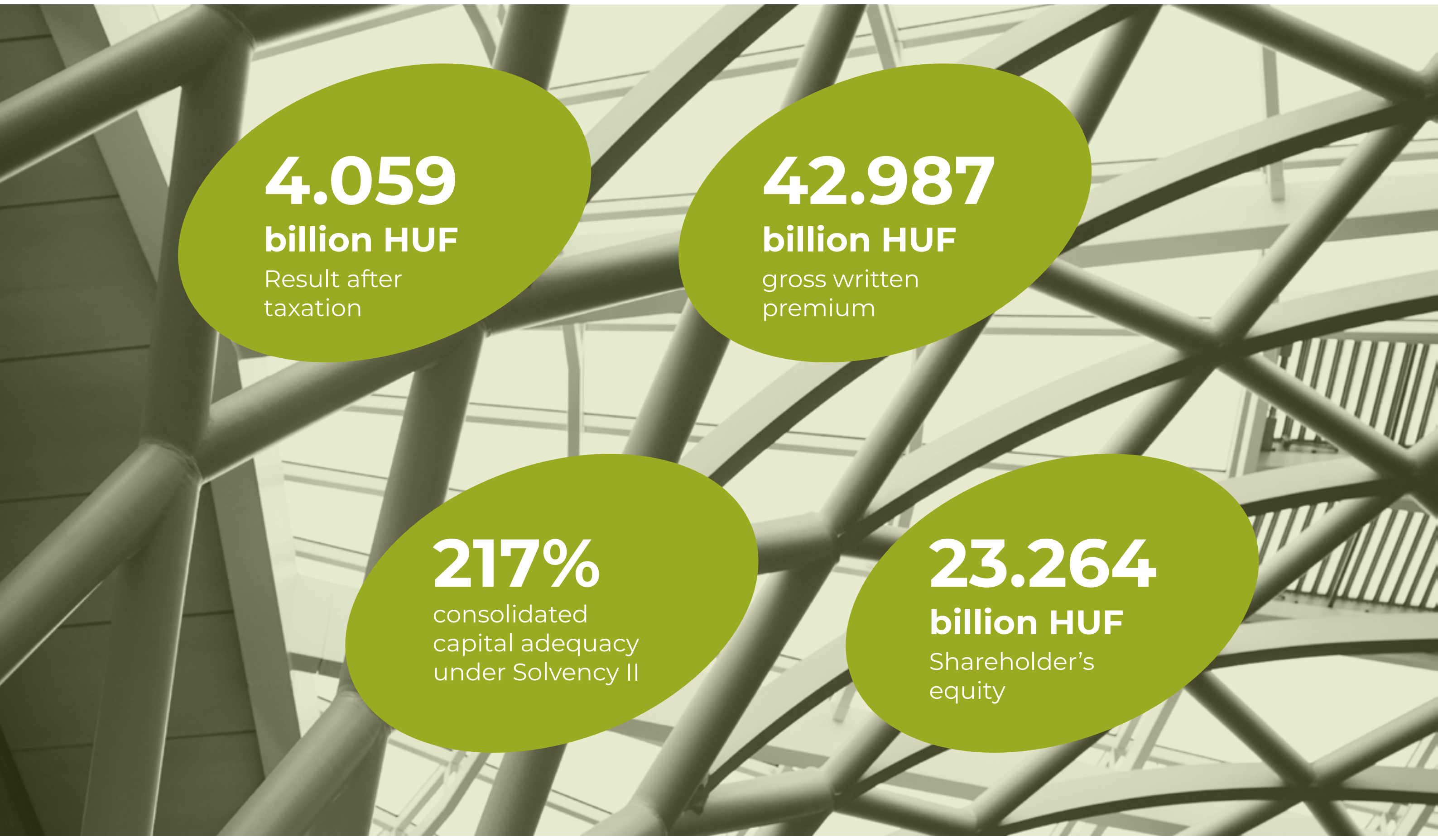
CIG PANNÓNIA
INSURANCE

CIG PANNÓNIA
INSURANCE

2023
ANNUAL REPORT

KEY INDICATORS IN 2023



CONTENTS

dr. Péter Bogdánffy
president of the board

PRESIDENTIAL WELCOME

Ladies and Gentlemen!

Dear Shareholders!

CIG Pannónia Insurers had a record year in 2023: the insurers' combined premium income increased by 35% to almost HUF 43 billion, and their profit after tax increased to around HUF 2.9 billion.

After adjusting the above figures for one-off effects, taking into account the HUF 498 million corporate tax charge incurred in connection with the transition to IFRS 17 and the HUF 687 million extra profit tax, our companies' profitability reached HUF 4.1 billion last year.

These are figures that we have never seen before in the history of CIG Pannónia: we can say that we have definitely outperformed the market and also with regards to the profit on premium income we have delivered above average.

In 2023, it was worth it to be a shareholder of the company: the 27% annual increase in the share price was supplemented by a dividend payment of HUF 22 per share. Based on last year's results, the Board proposes to increase the dividend to HUF 33 this year.

The capital position of our insurers remains solid: our consolidated capital adequacy ratio of 217%[1] remains well above the MNB's required level (150%), even with dynamic growth. Also henceforth, we will not let go of this stability and compliance with regulatory expectations. We are and will be reliable players of the Hungarian insurance market.

The above results are based on the consequent implementation of our growth strategy announced in 2021, which has resulted in more and more customers placing their trust in CIG Pannónia Insurance. As we wrote in last year's letter to shareholders: we count on them and they can count on us!

Our successes would not have been possible without the conscientious and sometimes outperforming efforts of our staff. They are the people, who day in-day out record quotes, manage claims, keep in touch, make payments, and so on - in short: they ensure the safety of our customers. For this reason, they deserve special thanks and praise here as well. We are proud of them!

Recognition also goes to the sales colleagues of our strategic partner, the MBH Group, who introduced our insurance solutions to thousands of customers last year. This sales cooperation is a resource that the vast majority of the market cannot even dream of. We consider it as our priority to develop and strengthen this business relationship - which we hope will be a source of much joy for you as well - with all our knowledge.

Our insurance intermediary partners deserve special mentioning as well, who in 2023 felt in a gratifyingly large number that we deserved the trust of their customers. Through our work we want to prove to them too that we are a stable professional and business partner.

We consider the above excellent data to be important partial results. Our goals for 2024 are no less than in the closed financial year. We aim to continue to grow significantly beyond the average market pace, both in terms of premium income and profit after tax.

In order for last year's growth to be sustainable in the long term, and in particular to be able to serve our customers and partners to the expected standards, we need to improve the insurers' organization. We also need to move forward with the automation of our processes and the digitization of our insurers.

As for the company as a whole: management builds not for itself.but for the shareholders. We continue to intensively explore acquisition opportunities and other forms of market cooperation to create shareholder value.

It may seem too bold today, but we believe that CIG Pannónia Insurers can become a „national champion" in the medium term.

We would be delighted if you continued on this journey with us!

With the greatest respect,

dr. Péter Bogdánffy

President of the Board of Directors

CIG Pannonia Life Insurance Plc.

[1] *The 240% solvency ratio in our Q4 report decreased due to the higher dividend level.*

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). The intention of the founders was to create an insurance company ─ run by Hungarian management, focusing on the Hungarian market and supported and privately financed by recognized and credible Hungarian personalities ─ which was to become, within a short time, 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 99 percent are Hungarian private individuals or Hungarian enterprises.

Starting operations in 2011, CIG Pannónia First Hungarian General Insurance Company Ltd. 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. Its 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 (i.e. the CIG Pannónia Group), it was of particular importance that the deficiencies (so-called Italian claims) revealed as a result of the proceedings of the Hungarian Financial Supervisory Authority (HFSA) against EMABIT are fully and sustainably handled and remedied.

Together with the continuous review of existing claim reserves and regress reserves, we move ahead along a modified 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. At the operational level, the CIG Pannónia Group has already

in 2021 taken clear steps which enabled EMABIT to restart operations, which has taken place in 2022, enabling a dynamic growth track in 2023.

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 2023 Q1 report was a milestone in the life of both our Company and the domestic insurance sector. In our first quarterly report and in our subsequent quarterly reports, we provided our Shareholders with a detailed description of the new standard and the impact of the transition, as well as a detailed explanation of FY2022's valuation under the new methodology. We considered it important, in view of the new content, 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 and to present the accounting differences caused by the deviation from the previous regime in their full context and with explanations.

Presentation of our Growth Strategy

In connection to 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 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, 2022 and 2023, 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 three 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 2022 and 2023 financial years fitted well within the framework of the published Growth Strategy[2], 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 Insurances in the upcoming period into a reliable insurer with composite operation, of decisive size and with a stable background, having a portfolio of both life and non-life insurance products.

[2] https://www.bet.hu/site/newkib/hu/2021.07./Strategia_megalkotasa_es_elfogadasa_128587250

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 put and puts emphasis on efficiency, which it seeks to achieve through new insurance products and the widest possible use of sales channels

- have guided the 2022 and 2023 financial years in a measurable and transparent way.

To achieve its strategic goals the Company has already in 2021 taken steps to create stable 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[3], on 30 December 2021[4], on 30 September 2022[5], and then most recently on 23 August 2023[6], which capital increases - in accordance with the strategic concepts of the Company as the founder and in line with the realization of the goals - continued in 2023 in order to finance the operation of the individual business branches 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 5,000,000, raising the new share capital of EMABIT to HUF 1,090,000,000, i.e. HUF 1 billion and ninety million. The Company's thereby articulated direct intention and an important element of its new strategy – by continuously strengthening sales, internal lines of defense and capital position – to operate EMABIT's activities in a transparent manner with the need for growth, has by the 2023 financial year clearly demonstrated the successful operations at both the consolidated and the separate EMABIT level .

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 defense and the capital position.

[3] https://bet.hu/newkibdata/128539878/CIG_EMABIT_d%C3%B6nt%C3%A9s_20210326_HUN.pdf

[4] https://bet.hu/newkibdata/128656773/CIG_EMABIT_d%C3%B6nt%C3%A9s_2021229_HUN.pdf

[5] https://www.bet.hu/site/newkib/hu/2022.09./Rendkivuli_Tajekoztatas_konszolidacios_korbe_bevont_leanyvallalattal_kapcsolat-ban_128788619

[6] https://www.bet.hu/site/newkib/hu/2023.08./Rendkivuli_tajekoztatas_konszolidacios_korbe_bevont_leanyvallalattal_kapcsolat-ban_128941452

Tasks and results achieved in line with the Growth Strategy

i. *According to the Growth Strategy, already in 2021, the CIG Pannónia Group focused on developing a new organizational structure, especially for 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. Such a powerful step, and one aimed specifically at providing an internal framework for the growth trajectory, was the move to a single CEO model at the beginning of the year, which was accompanied by the creation of an even more structured, transparent and clearly defined organizational structure with two new Deputy CEO levels, reflecting the focus on business support and the retail business line[7].

ii. *Also, in 2023 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, along which Magyar Bankholding Ltd. distributes and sells exclusively 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. On the basis of the framework agreement 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. and its member banks, 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 2023.*

iii. *Strengthening our sales areas is an ongoing task, and the banking and independent broker 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 aim to consolidate and continuously improve the corporate culture through a strategic motivation map for the entire organisation,

[7] https://www.bet.hu/newkibdata/128840392/CIG_Menedzsment_20230201.pdf

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 2023, adapting to external market and economic conditions and to internal expectations.

iv. Among the steps of the current year embedded in the Growth Strategy,

- we highlighted that EMABIT, our subsidiary, was selected as the winning bidder in a public procurement procedure for property and liability insurance by the National Sports Agency Non-Profit Co. Ltd., as the contracting authority, for a net insurance premium of HUF 374,984,139 for 12 months[8],

- CIG Pannónia Group signed a 3+3-year framework agreement with VISTA Travel Agencies Ltd., a defining player of the Hungarian travel organization market.

- The agreement sets out the framework conditions for the parties' business cooperation for a longer period and the basic requirements of our partnership, according to which VISTA Utazási Kft. undertakes, inter alia, to use, make available and sell to its customers on all of its channels (including, e.g. its website) exclusively the life and non-life insurance (in particular, but not exclusively, travel and travel insurance) products of the CIG Pannónia Group[9].

- Our Company has been selected as the successful tenderer in an open EU tender procedure launched by the Ministry of Interior as contracting authority for the provision of life and accident insurance services for a period of two years, with a net insurance premium of 445,872,250,-Ft per 12 months[10].

- Our Company has been selected as the successful tenderer in an open EU tender procedure launched by NISZ National Infocommunication Services Ltd. as contracting authority for the provision of health insurance services for a period of one year, with a net insurance premium of HUF 249,990,580 per months, and

- EMABIT and Magyar Telekom Plc (Telekom) have entered into a group extended guarantee insurance contract on 21 December 2023, following the acceptance of the acceptance of the proposal to the tender launched by Telekom and in accordance with the terms of the agreement. The Agreement is concluded for a fixed term of 36 months, with the provison that, unless otherwise stated by either of the Contracting Parties until 180 (one hundred and eighty) days before the end of the fixed term, the Agreement shall become indefinite after the expiry of the fixed term. The agreement also included a supplementary insurance brokerage agreement concluded by the Contracting Parties, under which Telekom acts as

[8] https://www.bet.hu/site/newkib/hu/2023.03./RENDKIVULI_TAJEKOZTATAS_-_a_Nemzeti_Sportugynokseg_Nonprofit_Zrt._reszere_vagyon-_es_felelossegbiztositasi_szolgaltatasok_nyujtasa_128854422

[9] https://www.bet.hu/site/newkib/hu/2023.07./Tajekoztatas_hosszutavu_egyuttmukodesrol_-_VISTA_Utazasi_Irodak_Kft._128925378

[10] https://www.bet.hu/site/newkib/hu/2023.08./Rendkivuli_tajekoztatas_-_a_Belugyminiszterium_reszere_elet-_es_balesetbiztositasi_szolgaltatasok_nyujtasa__128932894

an insurance broker for the benefit and in the interest of EMABIT in the context of the sale of the group extended guarantee insurance policies[11].

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.*

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, which concepts' underlying intentions and the presence of a stable background were further confirmed in the year 2023. This was evident in the ownership activity shown during the decision-making process of the Company's Annual General Meeting, as well as in the fact that during the year 2023 Hungarikum Biztosítási Alkusz Ltd. further increased the number of shares it holds in the Company in a transparent manner, and thus its influence further increased[12].

Others

Our Insurer realizes certain life-insurance services through the activities of Pannonia 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 renewed 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 Pannonia 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.

[11] https://www.bet.hu/site/newkib/hu/2023.12./Rendkivuli_tajekoztatas_a_Magyar_Telekom_Nyrt._reszere_nyujtott_kiterjesztett_garancia_szolgal-tatasrol__128997626

[12] https://www.bet.hu/site/newkib/hu/2023.08./EGYEB_TAJEKOZTATAS_a_szavazati_jogot_biztosito_reszvenyek_bejelentes_szerinti_hatarerteket_el_nem_ero_valtozasarol__128941574

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. In the year preceding the current year, the merger of the two fund managers belonging to the corporate group, Budapest Fund Management Ltd.[13] 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).

[13]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

Registering authority:	Budapest Metropolitan Court as Court of Registration
Registration number:	01-10-045857
Tax number:	14153730-4-44
Registered address:	1097 Budapest, Könyves Kálmán krt. 11, Building B
Mailing address:	1476 Budapest, Pf.: 325.
E-mail address:	info@cig.eu
Fax number:	+36 1 247 2021
Investor relations contact:	**Gábor Dakó dr.**[14, 15] (investor.relations@cig.eu, +36 70 372 5138)
Auditor:	**MAZARS Könyvszakértő és Tanácsadói Kft.** (registered address: 1123 Budapest, Nagyenyed utca 8-14.; company registration number: 01-09-078412; tax number: 10618684-2-43; Chamber ID: 000220
Personally responsible auditor:	**Molnár Andrea Kinga** (address: 2096 Üröm, Kormorán u. 16/b; mother's name: Dr. Mária Ibolya Kovács; Chamber registration number: 007145)

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[16,17], (2022)

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.

[14] https://www.bet.hu/site/newkib/hu/2023.03./Tajekoztatas_a_befektetoi_kapcsolattarto_szemelyeben_tortent_valtozasrol_128859826

[15] From 20 March 2023, before that date Emese Stodulka was the investor relations contract.

[16] https://www.bet.hu/newkibdata/128853665/HUN_r%C3%A9szesed%C3%A9s_20230307.pdf

[17] based on the latest disclosure known to the Company in 2022 - https://www.bet.hu/newkibdata/128774986/HUN_r%C3%A9szesed%C3%A9s_20220901.pdf

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 2024[18]

DATE OF EVENT	EVENT
26 February 2024[19]	Annual report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q4 2023
19 March 2024	Publication of the General Meeting's (Invitation) notice
28 March 2024	Proposals related to the agenda items of the Annual General Meeting of CIG Pannónia Life Insurance Plc. to be held on 18 April 2024
18 April 2024	Annual General Meeting, publishing of full documentation Publication of the CIG Pannónia Plc Group Sustainability Report
30 May 2024	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1 2024
29 August 2024	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q2 2024
29 November 2024	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q3 2024

The Company published the Company Event Calendar for 2023 on 30 December 2022 in the official publication places[20], while the Company Event Calendar for 2024 was published on 29 December 2023, which was amended this year on 26 February 2024 for reasons of internal organization and the resulting earlier implementation of the decision-making mechanism, which coincide with the need to inform investors and the public as early as possible.

[18] https://www.bet.hu/site/newkib/hu/2024.02./a_Tarsasag_2024._evre_vonatkozo_esemenynaptaraban_bekovetkezett_valtozasokrol__129022032

[19] Changed from 29 February 2024 to the date indicated in the table.

[20] https://www.bet.hu/newkibdata/128827453/CIG_2023_esemenynaptar.pdf

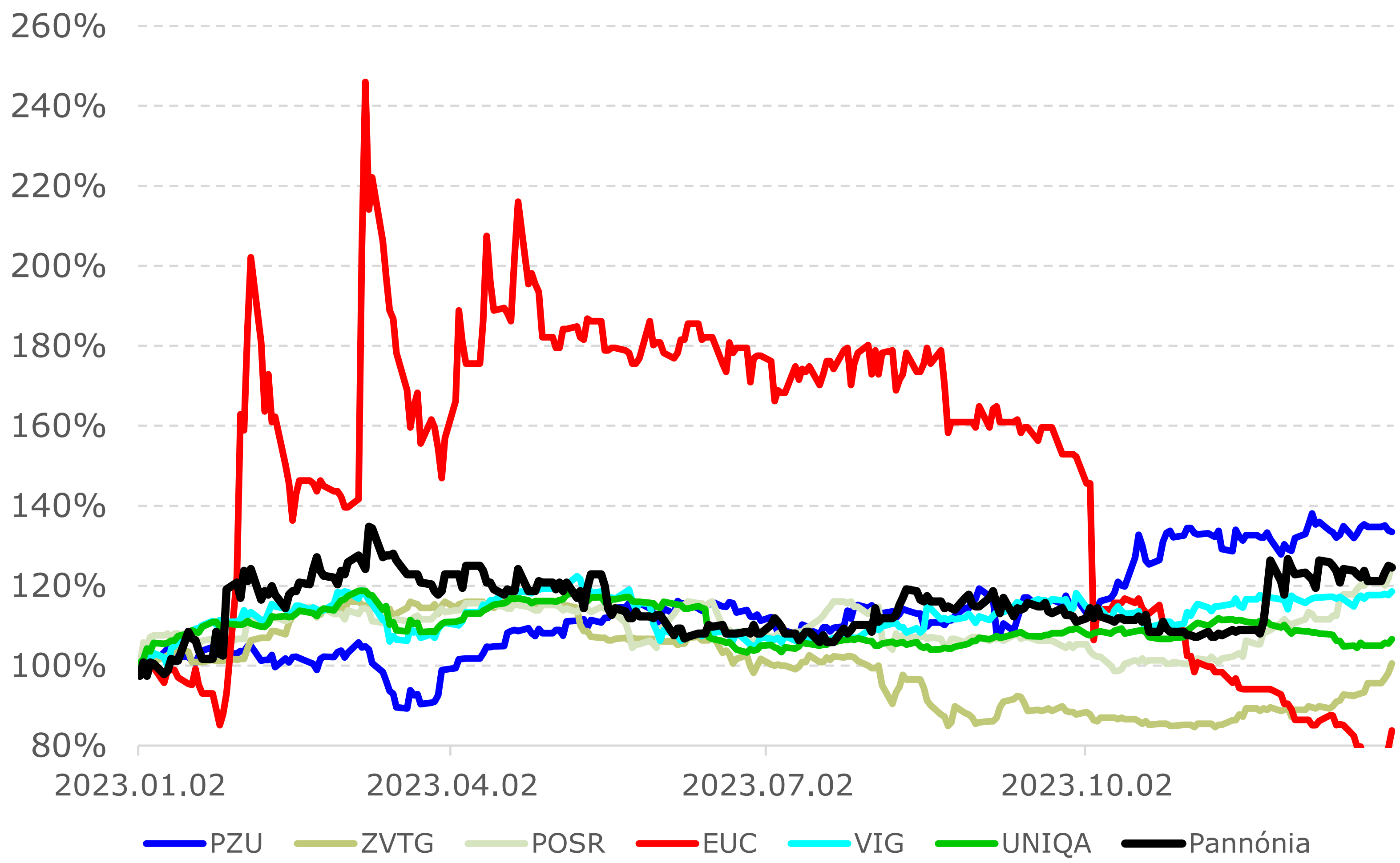
PRESENCE ON THE REGULATED MARKET

Sectoral outlook

Based on the share price and total shareholder return of European insurance companies in the regulated market, CIG Pannónia Life Insurance 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 24.6 percent in HUF and 29.8 percent in EUR last year, while taking into account the impact of the dividend payment[21] after 2022, the total shareholder return was close to 33 percent in HUF and even 40 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 (SXIPEX GY Equity), which covers the entire European insurance market.**

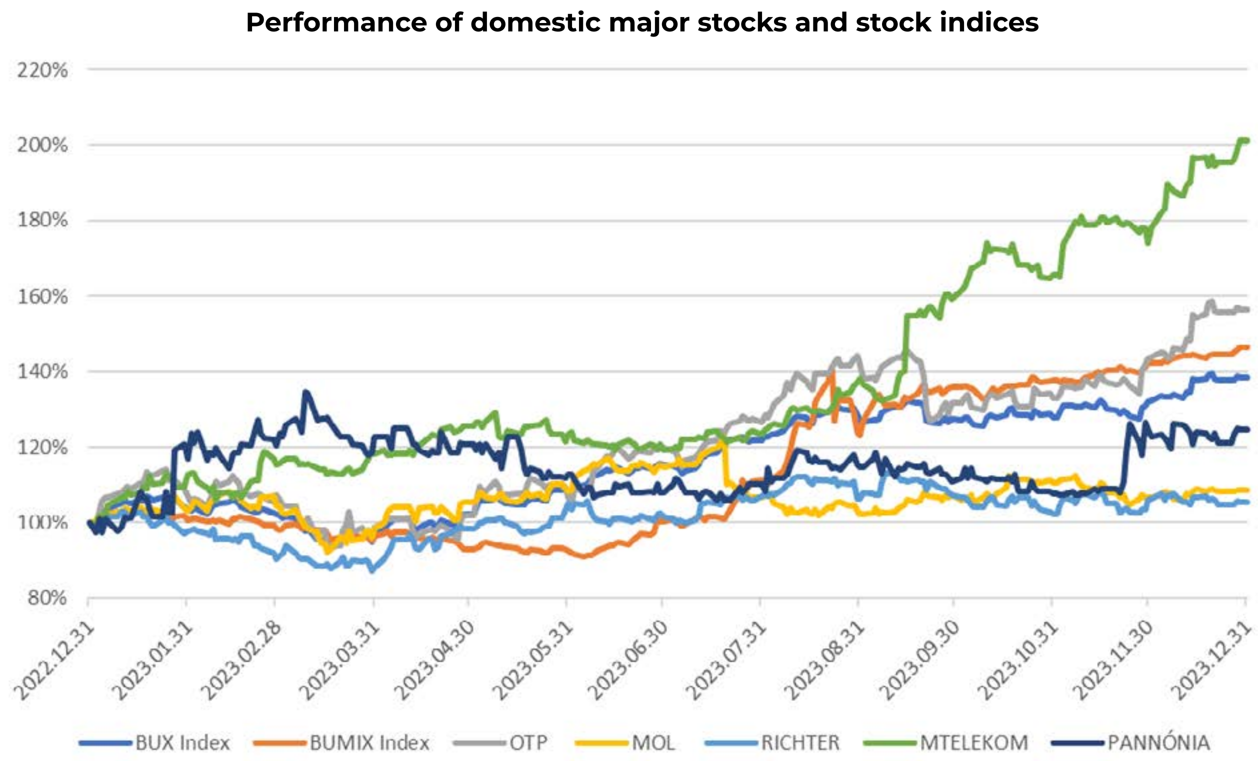
[21]In 2023, the General Meeting decided that the Company will pay dividends from the profit after tax and partly from the retained earnings. The Company paid a dividend of HUF 18 per share on 94,428,260 ordinary shares of Series „A" with a nominal value of HUF 33 each, based on its after-tax profit of HUF 1,457,056,933 and taking into account partially retained earnings. The total amount of dividend payments was HUF 1,699,709 thousand.

Stock prices of CIG PANNONIA and Central-Eastern European insurers' shares



PZU PW Equity: POWSZECHNY ZAKLAD UBEZPIECZE
ZVTG SV Equity: ZAVAROVALNICA TRIGLAV DD
POSR SV Equity: POZAVAROVALNICA SAVA DD
PANNONIA HB Equity: CIG PANNONIA LIFE INSURANC-A

EUC PW Equity: EUCO SA
VIG AV Equity: VIENNA INSURANCE GROUP AG
UQA AV Equity: UNIQA INSURANCE GROUP AG



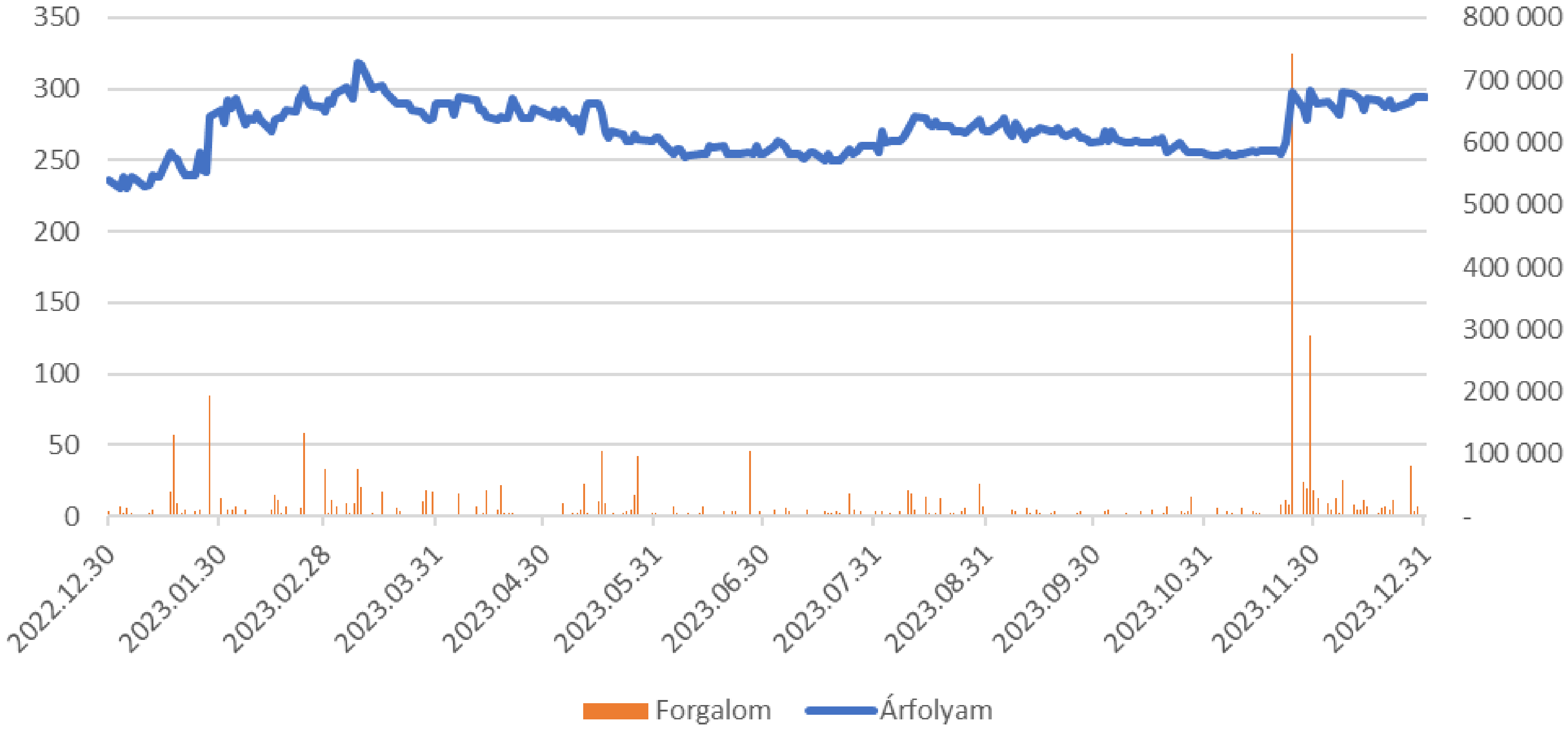
Performance of domestic major stocks and stock indices

Our expectation - projected in our report published last year - that after a more subdued stock market performance in 2022, our shares could perform significantly better on the Budapest Stock Exchange and in an international comparison in 2023 (after overcoming the negative effects of the economic crisis and the COVID epidemic) has been confirmed.

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 in the growth of our market share, especially in the non-life insurance business line. However, a hectic regulatory environment and the negative impact of the special taxes have weighed on our share valuation, which we believe still does not fully reflect the growth potential that - we hope - will result from our medium-term comprehensive strategic plan.

Source: BÉT

CIG Pannonia share price and turnover 2023

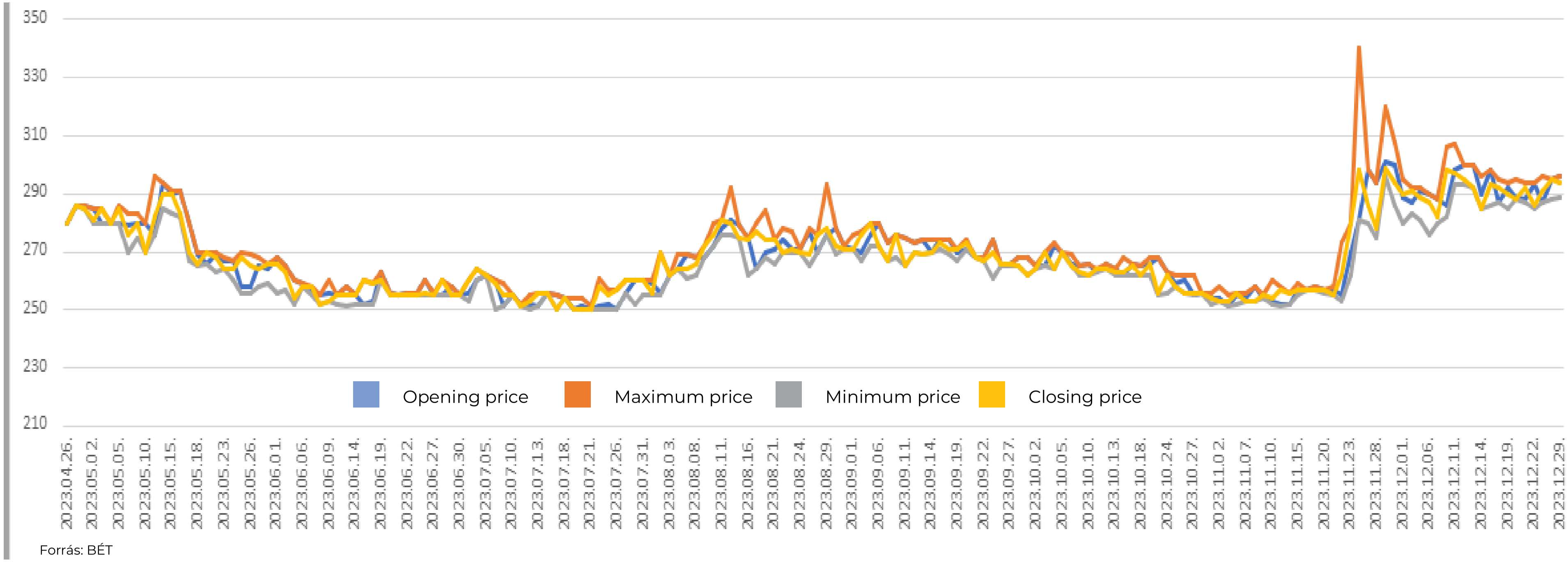


At the same time, the stable ownership base, the conservative dividend policy that promotes predictable and shareholder value creation, the transparent operation of our Company and the consistent capital market communication, including the preparation of our interim and annual financial statements in accordance with the new international accounting standards (IFRS 17), have all significantly contributed to the increase in the value of our shares in 2023.

The basis for the predictable dividend policy is the consistent development and implementation of the Company's substantive corporate and group strategy, which includes, among others, 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, which, of course, requires the creation of resources commensurate with the task and the internal financing of the tasks. 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[22] announced on 19 July 2021.

[22] https://bet.hu/site/newkib/hu/2021.07./Strategia_megalkotasa_es_elfogadasa_128587250

CIG Pannonia Plc share price development 2023



Forrás: BÉT

The aforementioned tasks and further plans have required and will continue to require additional resources, both on the financing side and in terms of solvency capital (see e.g. maintaining the required, expected and safe solvency capital compliance of EMABIT), the provision of which the Company's management has implemented and intends to implement in the future primarily using available resources without making use of credits or other external sources.

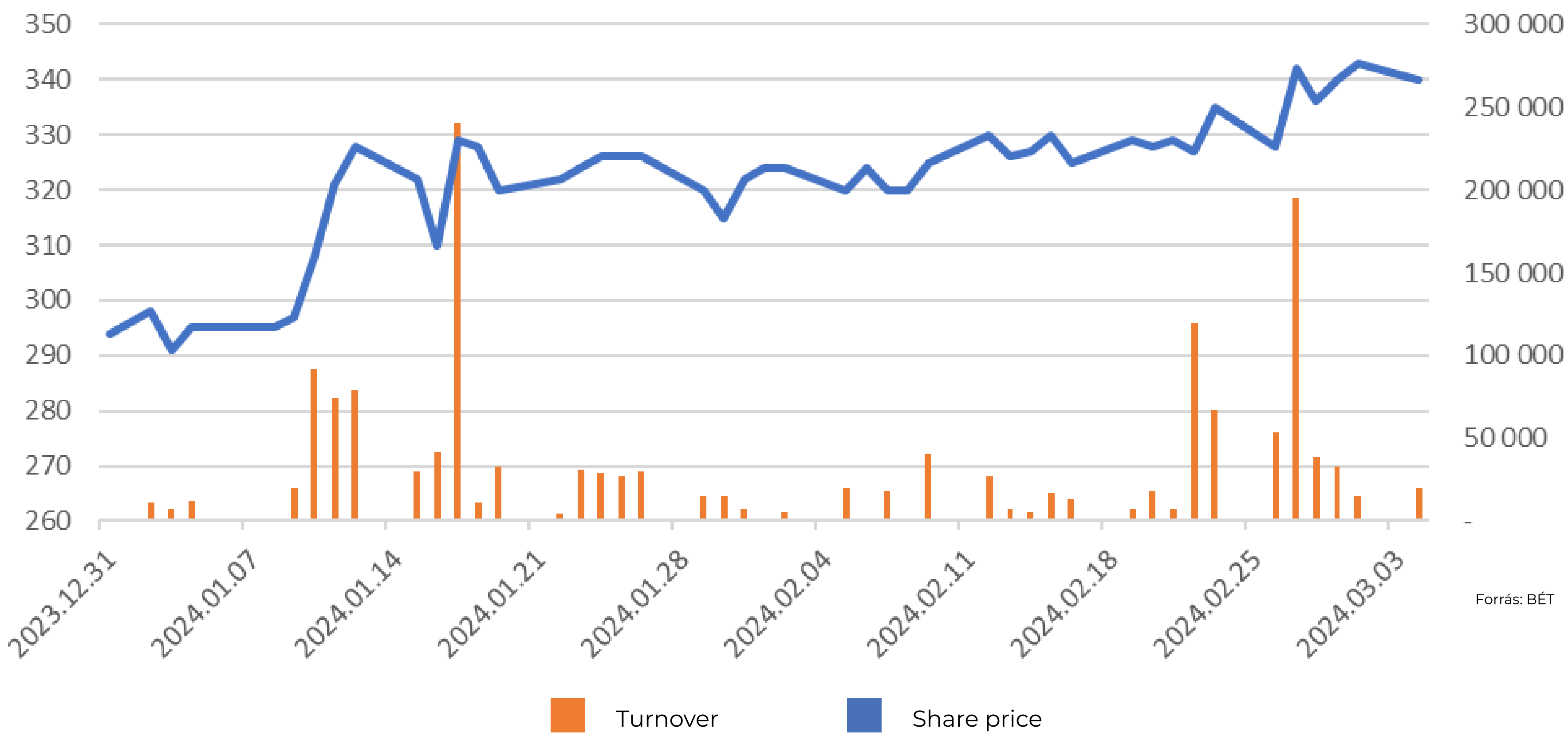
However, our adherence to the steps of our strategy and the results achieved so far have allowed us to secure a growth path already in 2021 and, despite the turbulent external and internal economic situation, to maintain a dividend payout in 2022 while keeping a tight management framework.

With regard to the background of the possibility to pay dividends, the Board of Directors stresses year after year the importance it attaches to the presence of a public shareholding as a basis for sufficient liquidity and shareholder control and as a guarantee of a long-term regulated market presence, and therefore expresses its hopes that the provision of a share of the Company's 2023 results will further strengthen the efforts to develop and retain an investor base optimised for the Company's operations.

We believe that, in addition to the above, the content of independent analyses[23] about us, which present that CIG Pannónia Life Insurance Plc is financially stable, its capital adequacy ratio is reassuringly high, and the stressed analyst expectation that there is room and scope to sustain growth once it has started will put our shares on a path in 2024 that effectively reflects their value – and which is even higher, according to the expectations of the management

[23] https://www.bet.hu/oldalak/ceg_adatlap/$security/CIGPANNONIA

CIG Pannonia share price and turnover 2024



Forrás: BÉT

Looking at our company's share price movements and turnover data so far in 2024, we see even more support for what we have said above in relation to 2023.

(External) fundamental expectations that can influence the future price of our shares

The optimistic vision of the future arising from the internal processes of our company, as explained above, is **tempered** by the regulatory burdens and macroeconomic developments affecting the insurance sector. The improvement in profitability could be hampered by a number of factors, such as

- declining nominal interest rates and yields as inflation moderates will reduce future investment returns on high fixed return assets, i.e. a declining yield environment compared to recent years (all else remaining unchanged) could lead to a contraction in insurance profits;

- the tax burden on the insurance sector is reducing the profitability of insurance companies (the extra profit tax is about three times the expected net profit, return on equity [ROE] has fallen below 5%), while the special tax apparently has a market distorting effect, as can be seen in the reduction of casco penetration, the decline in single-premium life insurance, the increasing solvency capital requirements, the reduced risk appetite of market participants, and the fact that the lump-sum tax not only reduces profitability but also favors cross-border services;

- the steady decline in technical reserves over recent years has stopped in 2023, with no nominal decline in the stock of reserves, with their real value remaining at 2017 levels;

- the pricing of insurance products will follow inflation, albeit with a lag (inflation in the last two years has erased almost eight years of real growth), howeber, the rise in the price of insurance services will inevitably lead over time to an increased competition between the market players;

- demand for insurance products is in many cases inflexible, i.e. cycle-independent, and the insurance sector is one of the most resilient of all economic sectors to changes in the macroeconomic environment, but this year's economic outlooks may be a cause for concern, given the weaker economic growth expected in Europe and the US compared to last year, the Chinese economy is also performing more sluggish than in the past, and developments in external markets will naturally affect the performance of the Hungarian economy, the fiscal balance, domestic income and savings, and through them the development of the insurance market;

- the insurance sector does not run a significant client (bankruptcy) risk, but instead the main risks in the insurance sector are a wave of securities issuer failures and the (sooner or later) recurrence of capital market turbulence;

- although the domestic demographic trends are far from reassuring, the number of pension insurance policies is growing dynamically (almost 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), at the same time in the case of domestic insurance penetration a slight attrition is seen and remains low in European comparison (premiums grew by 6% last year to HUF 1.488 billion compared to 2022), with a premium/GDP ratio of just 2.3%, placing Hungary in the bottom fifth of the EU;

- the premiums of the life insurance business line decreased by 4 percent to HUF 609.4 billion in 2023, with risk and pension insurance gaining ground and improving retention trends (average retention period increased to 11 years) thanks to the first ethical package of the Authority, soon to be followed by another („etikus 2.0"), with a focus on sales practices, value for money (return and yield) ratios, and regulation of cost composition and transparency of products;

- non-life insurance premiums grew by 13.2% to HUF 940 billion in 2023, with the non-life claims ratio of mandatory liability insurance for motor vehicles (KGFB) stagnating for years (at 2.5%), while average premiums doubled compared to 2016; home insurance concentration remains high (the top 5 insurers have a market share of over 87% in this segment), but this year's campaign is expected to reduce this concentration and also Qualified Consumer Friendly Home Insurance products will come to the fore, which could lead to an increase in home insurance penetration; the market for corporate property insurance and credit coverage insurance should continue to grow dinamically, as should the adoption of EU mandatory motor liability insurance rules and the rise of e-commerce as well;

- the Budapest Stock Exchange's equity market capitalisation has risen to record highs, topping HUF 15,000 billion, but the turnover of shares fell last year, as did the ratio of domestic institutional investors, while likewise the ratio of domestic shares in insurers' investment portfolios is low;

- the so-called green transition of insurers is gradual, with the uncovering of environmental risks and bringing digitalization in front not only affecting the day-to-day operation of insurers, but also having an increasingly significant impact on their investment activities;

- the reform of insurance intermediary training is underway with a view on ensuring customer safety, customer-friendliness and increasing penetration, and contracting mandatory insurance policies can be simplified by facilitating the access of brokers to the data of the Ministry for Interior;

- the concentration of the domestic insurance and brokerage sector is likely to increase further in the coming years.

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 2023 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 and 2023, documented in their process and communicated in a transparent manner – which, when properly compared, show that we have put the CIG Pannonia Group on a growth path – 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[24] and through the investment service providers that produced them.

[24] https://www.bet.hu/Kibocsatok/BET-elemzesek/elemzesek/cig-pannonia-elemzesek

Due the Company's presence on the capital market the Board of Directors similarly and consistently to last year highlights

- 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,

- 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,

- the proportionate, well-thought-through and consistent human resource management, which in 2023 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

- 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.

In our view, all of this may still materialize at price levels above the current stock prices, where, also taking independent market analyses into account, we see the possibility of these higher exchange rates as given. 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, including, of course, an explanation on an objective basis of the data content arising from the transition to IFRS 17.

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 building upon it[25]. The CIG Pannonia Group thus manages the progress steps along the ESG complex expectation system at project level, which we manifest in a separate annual sustainability report concerning the same time period, and in the presentation of the objectives set for the long-term[26].

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://kozzetetelek.mnb.hu and on the website of the Company: https://www.cigpannonia.hu. Starting 3 May 2021, the Stock Exchange contact person was Emese Stodulka[27], as an employee of the company, which tasks will be carried out by Dr. Gábor Dakó, Deputy CEO of the Company, also responsible for this area, from 20 March 2023, due to the strengthening of the Company's corporate governance competence.

[25]Recommendation No. 12/2023 (XI.27.) of the Magyar Nemzeti Bank (HFSA) on climate change and environmental risks and the integration of environmental sustainability aspects in the activities of insurance companies

[26]The ESG 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.

[27]https://bet.hu/site/newkib/hu/2021.05./Tajekoztatas_a_befektetoi_kapcsolattarto_szemelyeben_tortent_valtozasrol_128558704

Company's investor contact in the 2023 business year until 20 March 2023[28]:

Name: **Emese Stodulka**, Investor Contact Person, Corporate Governance Manager
E-mail: investor.relations@cig.eu
Phone: +36 70 372 5138

Company's investor contact since 20 March 2023:

Name: Dr. Dakó Gábor, Investor Contact Person, Corporate Governance and Prudential Appliance Manager
E-mail: investor.relations@cig.eu
Phone: +36 70 372 5138

[28] https://www.bet.hu/newkibdata/128859826/CIG_%C3%89LET_Befektet%C5%91i%20kapcsolattart%C3%B3_20230320.pdf

CORPORATE GOVERNANCE

Members of the Board of Directors in 2023 were:

Dr. István Fedák, member of the Board of Directors

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, member and President of the Board of Directors

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 Ltd.; 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 Ltd., starting in 2012 he was chairman of the Board of Directors of BROKERNET Investment Holding Ltd. and member of the Supervisory Board of Quantis Alpha Ltd. 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 Zrt. 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

Zsuzsanna Ódorné Angyal, member of the Board of Directors

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 coordinates 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, business strategy and business modeling, governance system design

and operation, financial analysis, regulatory framework and requirements
Expiration of mandate as a member of the Board of Directors: 02.02.2024

Dr. Gábor Miklós Dakó, member of the Board of Directors (since 10 May 2022)

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.

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
Expiration of mandate as a member of the Board of Directors: 19.04.2027

Zoltán Polányi, chair of the Board of Directors, chief executive officer

From January 2021 until 16 January 2023, he was CEO of CIG Pannónia Life Insurance Plc. and CIG Pannónia First Hungarian General Insurance Company Ltd, member of the Board of Directors from 19 April 2021 and chair of the Board of Directors of the Life Insurer from 12 May 2021 until 16 January 2023. Bom 24 February 2021 until his resignation, based on the permission of MNB, he is the number one head of the CIG Pannónia Life Insurance Plc., while he is also the number one deputy head of CIG Pannónia First Hungarian General Insurance Company Ltd. From October 2004 to January 2021 he was employee of UNIQA Insurance Ltd, where he fulfilled sales leading roles between 2004-2007, was head of the insurer's dependent agent network between 2008-2011, head of all insurance sales channels between 2012-2013, was Director General of sales, corporate head between 2014 and June 2016, and member of the Board of Directors from the Summer of 2016; being on the Board he was first the responsible member for the sales area, and following the insurer's transformation for the corporate area (Corporate, Bank, Affinity). Before joining UNIQA Insurer we was employee of K&H Leasing Group between 1999-2004. Until 2003 he was sales director of K&H Leasing, later the executive director of K&H Alkusz Ltd. In 1999 he was head of Porsche Hungaria Ltd's wholesale sales area.

Members of the Supervisory Board:

Erika Vada, member 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 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, chair of the Supervisory Board

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 Zrt., Budapest Bank Nyrt. and FHB Kereskedelmi Bank Zrt. Between 2013 and 2017, he was the financial director of Mészáros és Mészáros Kft. He is currently a member of the Board of Directors of TV2 Zrt. and chairman of the Board of Directors at Media Vivantis Zrt., concurrently managing director of K-Investment Partner Kft., B+T Management Kft., Wellnesshotel Építő Kft., BussinesHelp Kft., Oktatech Nonprofit Kft. and AV Progress Kft., furthermore he is CEO in the companies "Infocenter.hu Média" Zrt. and Magyar Broadcasting Co. Zrt. He is member of the supervisory boards of Veszprém Handball Zrt., OPUS GLOBAL Nyrt., V-Híd Zrt. and Delta Technologies Nyrt. He is chairman of the supervisory boards of HUNGUEST Hotels Zrt. and IKO HOLDING Kft.

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 Nyrt., 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 limit systems, the management and downsizing of the Bank's corporate and retail non-performing portfolio. In 2019, she was 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 Zrt. and its member banks, MKB Bank, Budapest Bank and Takarékbank Zrt., in which she manages the retail, micro and small business areas of the bank at the holding level. 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.

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^{E}

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^{E} 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^{E} 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.

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^{E} 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 scheem 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).

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.

Pannónia Bárka Life-, Accident and Health Insurance

This traditional risk insurance product has regular premium payment and is contracted for a definite duration, providing coverage for death, disability and deared diseases (in both lump sum or annuity payments). 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.

Health Visa Health Insurances

This service-financing health insurance product family includes an individual product that can be contracted independently or as a supplementary insurance. Both schemes include a second medical opinion service and, in the event of the five dreaded illnesses, the insurer's and service provider's partner organizing abroad treatment, the full cost of which (including travel and accommodation expenses) is covered by the insurance.

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 Next 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 healt insurance product range created for members of the MBH „Gondoskodás" Health Fund:

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

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 nearly twenty 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 care, laboratory and diagnostic tests, same-day surgery, screening tests, physiotherapy, vaccinations, 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 two 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.

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 tot he 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 HUF 100 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.

CORPORATE PROPRETY 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 Authencity Inspectors

c. Service Station

d. Organizers of practical trainings

e. Event organizers

f. Accomodation 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.

OUR MOTOR VEHICLE INSURANCE PRODUCTS

CIG EMABIT 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.

CIG EMABIT 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.

THE PERFORMANCE OF CIG PANNÓNIA LIFE INSURANCE PLC. UNIT-LINKED LIFE INSURANCE'S OPTIONAL ASSET FUNDS* (31.12.2023)

Returns of major asset funds in 2023 compared to reference returns

CIG PANNÓNIA INSURANCE

OUR BUSINESS GOALS FOR THE FINANCIAL YEAR 2024

We believe that the impact of the global changes of 2022 and 2023 (not to mention the preceding special period of the COVID-crisis) will be also felt in 2024, and that our response to these challenges, the appropriate restructuring of our Companies will be key in this 2024 as well.

Due to our size, in addition to increasing our premium income, we also have to put special focus on achieving worthy results. This is what creates and can create the pledge of future profitability, the financial basis for our planned IT developments and, last but not least, the dividends we can pay to our shareholders.

In our fast-changing world the ability to adapt continuously is essential, therefore our organizational operations require further fine-tuning, which we will implement to ensure that both the number of our staff and our operation is cost-effective. For our employees, the training the younger generations and developing their leadership skills will be in the center of our plans.

We believe and trust in our partnerships, which we want to develop both at product and partner level. In this regard the aim of our product developments and reviews remains to ensure that not only our partners concerned, but every one of their customers feel that they are important to us. Reflecting the changes in the insurance market, we will pay particular attention to reviewing our unit-linked life insurance portfolio and preparing products to meet the new supervisory requirements.

We have high hopes in the field of ESG, and we are confident that with our activities and the tasks planned for this financial year we will be able to come closer to the legislative expectations formulated in the field of sustainability, and in the long term come closer to the preservation of our environment, in which we unitedly believe.

dr. István Fedák

CEO

CIG PANNÓNIA
INSURANCE

CIG PANNÓNIA
INSURANCE

CIG PANNONIA LIFE INSURANCE PLC.

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

27 MARCH 2024

CIG PANNÓNIA
INSURANCE

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2023, PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCEPTED BY THE EUROPEAN UNION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DATA IN THUF

	NOTES	2023	2022 (RESTATED)
Insurance Revenue	10	21 348 986	13 671 323
Insurance service expenses	11	-17 857 464	-13 265 376
Reinsurance expense – allocation of premium	12	-3 515 552	-1 540 271
Amount of recoverables from reinsurance	12	1 890 408	2 180 021
Insurance service result		**1 866 378**	**1 045 697**
Interest income calculated using the effective interest method	13	1 917 069	1 101 953
Investment income	13	8 514 500	954 274
Impairment and impairment reversal of financial assets	13	1 609	-6 319
Investment expenses	13	-1 125 452	-3 060 034
Yield on Associates	13	570 671	481 663
Investment income		**9 878 397**	**-528 463**
Insurance financial result	14	-7 588 654	1 455 099
Reinsurance financial result	14	14 599	-62 094
Change in the fair value of liabilities relating to investment contracts	15	-402 894	178 470
Financial result		**-7 976 949**	**1 571 475**
Premium and commission income from investment contracts	15	76 621	105 045
Other operating costs	16	-233 241	-446 618
Other (non-financial) income	17	197 147	274 290
Other (non-financial) expenses	17	-171 739	-211 196
Profit/Loss before taxation		**3 636 614**	**1 810 230**
Tax income/expenses	18	-777 855	-275 379
Deferred tax income/expenses	18	14 780	-
Profit/Loss after taxation		**2 873 539**	**1 534 851**
OCI from change in fair value of other financial assets at fair value	19	3 463 446	-3 089 963
OCI from insurance contracts	19	-1 671 668	2 134 544
OCI from reinsurance contracts	19	-256 659	160 215
Comprehensive income, would be reclassified to profit or loss in the future		**1 535 119**	**-795 204**
Comprehensive income, wouldn't be reclassified to profit or loss in the future		**1 806 883**	**-602 294**
Other comprehensive income		**3 342 002**	**-1 397 498**
Total comprehensive income		**6 215 541**	**137 353**

Consolidated Statement of Comprehensive Income – cont'd

DATA IN THUF

	NOTES	2023	2022 (RESTATED)
Profit/loss after taxation attributable to the Company's shareholders	20	2 873 539	1 534 851
Weighted average number of shares	20	93 954 254	93 954 254
EPS (basic)		**30,6**	**16,3**
Profit/loss after taxation attributable to the Company's shareholders	20	2 873 539	1 534 851
Weighted average number of shares (diluted)	20	94 428 260	94 428 260
EPS (diluted)		**30,4**	**16,3**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DATA IN THUF

ASSETS	NOTES	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Intangible Assets	21	934 404	992 058	720 063
Property, plant and equipment	22	116 796	148 856	179 026
Right-of use assets	23	271 029	409 173	494 093
Deferred tax asset	18	336 871	590 836	473 820
Investment in associates	24	776 795	660 453	1 013 290
Insurance contract assets	32	1 242 119	1 106 489	648 971
Reinsurance contract assets	33	2 558 051	1 349 910	395 371
Investments for policyholders of unit-linked life insurance policies	25	94 424 412	86 205 307	85 664 010
Financial asset - Investment contracts	26	4 763 115	5 167 307	5 237 951
Financial asset - derivatives	27	130 289	58 790	937
Other financial assets at fair value	28	35 978 590	24 432 323	28 409 074
Other assets and prepayments	29	79 727	79 231	61 527
Other receivables	30	148 659	239 882	183 396
Cash and cash equivalents	31	2 492 328	3 092 786	1 498 385
Total Assets		**144 253 185**	**124 533 401**	**124 979 914**

LIABILITIES				
Insurance contract liabilities	32	110 220 054	96 315 421	96 432 971
Reinsurance contract liabilities	33	376 007	552 814	112 266
Financial liabilities -Investment contracts	34	4 763 115	5 167 307	5 237 951
Financial liabilities-derivatives	27	-	-	11 760
Lease liabilities	35	314 284	474 892	531 908
Provisions	36	262 443	519 968	323 544
Other liabilities	37	5 019 954	2 733 189	2 012 548
Liabilities to shareholders		33 407	30 253	19 929
Total Liabilities		**120 989 264**	**105 793 844**	**104 682 877**
Net Assets		**23 263 921**	**18 739 557**	**20 297 037**
Share capital	38	3 116 133	3 116 133	3 116 133
Capital reserve	38	1 152 990	1 152 990	1 152 990
Treasury shares	39	-31 996	-31 996	-31 996
Other reserves	40	-939 741	-4 281 743	-2 884 244
Retained earnings		19 966 535	18 784 173	18 944 030
Equity attributable to the Company’s shareholders		**23 263 921**	**18 739 557**	**20 296 913**
Non-contolling interest		-	-	124
Total Shareholder's Equity		**23 263 921**	**18 739 557**	**20 297 037**

CONSOLIDATED CHANGES IN EQUITY 2023

DATA IN THUF

	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 (restated)		**3 116 133**	**1 152 990**	**-31 996**	**-4 281 743**	**18 784 173**	**18 739 557**	**-**	**18 739 557**
Total Comprehensive income									
Other comprehensive income	19	-	-	-	3 342 002	-	3 342 002	-	3 342 002
Profit in reporting year		-	-	-	-	2 873 539	2 873 539	-	2 873 539
Transactions with equity holders recognized directly in Equity									
Dividend payments		-	-	-	-	-1 691 177	-1 691 177	-	-1 691 177
Balance on 31 December 2023		**3 116 133**	**1 152 990**	**-31 996**	**-939 741**	**19 966 535**	**23 263 921**	**-**	**23 263 921**

CONSOLIDATED CHANGES IN EQUITY 2022 (RESTATED)

DATA IN 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 2021 (restated)		**3 116 133**	**1 152 990**	**-31 996**	**-2 884 245**	**18 944 029**	**20 296 911**	**124**	**20 297 035**
Total comprehensive income (restated)									
Other comprehensive income (restated)	19	-	-	-	-1 397 498	-	-1 397 498	-	-1 397 498
Profit in reporting year (restated)		-	-	-	-	1 534 851	1 534 851	-	1 534 851
Transactions with equity holders recognized directly in Equity									
Dividend payments		-	-	-	-	-1 699 707	-1 699 707	-	-1 699 707
Minority share derecognition		-	-	-	-	5 000	5 000	-124	4 876
Balance 31 December 2022 (restated)		**3 116 133**	**1 152 990**	**-31 996**	**-4 281 743**	**18 784 173**	**18 739 557**	**-**	**18 739 557**

CONSOLIDATED STATEMENT OF CASH FLOWS

DATA IN THUF

	NOTES	2023	2022 (RESTATED)
Profit/loss after taxation		2 873 539	1 534 850
Modifying items			
Depreciation and amortization	16	488 922	410 251
Extraordinary depreciation	17	161	-158
Booked/reversed impairment, debt cancelled	17	-1 609	6 319
Result of assets sales	13	122 059	243 163
Exchange rate changes	13	240 644	54 029
Share of the profit or loss of associates accounted for using the equity method	13	-607 159	-490 824
Income taxes	18	765 327	275 379
Deferred tax	18	-14 780	-117 016
Income on interest	13	-1 917 069	-1 030 620
Result of derivatives	13	-677 788	-165 520
Provisions	17	-257 525	196 423
Termination of leasing assets	23	4 597	16 404
Result of minority shares		-	4 876
Interest cost	13	20 186	3 203
Change of active capital items:			
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	25	-8 219 106	-541 297
Increase / decrease of financial assets – investment contracts (-/+)	26	404 192	70 644
Increase / decrease assets resultant of reinsurance (-/+)	33	-1 464 799	-794 323
Increase / decrease of other assets and active accrued and deferred items (-/+)	29	-386 943	-143 091
Increase / decrease of liabilities resultant of reinsurance (-/+)	33	-176 807	452 961
Increase / decrease of insurance contract liabilities (+/-)	32	12 232 963	2 016 994
Increase / decrease of investment contracts (+/-)	34	-404 193	-70 643
Increase / decrease of insurance contracts assets (+/-)	32	-135 630	-457 518
Increase / decrease of other liabilities (+/-)	37	2 304 523	752 094
Increase / decrease capital owner liability (+/-)		3 154	-
Paid income taxes	18	-287 656	-206 479
Cash flows from operating activities		**4 909 203**	**2 020 101**

Consolidated Statement of Cash Flows continuation

DATA IN THUF

CASH FLOW FROM INVESTING ACTIVITIES	NOTES	2023	2022 (RESTATED)
Purchase of debt instruments (-)	28	-37 633 727	-17 633 118
Sales of debt instruments (+)	28	31 846 339	17 525 440
Purchase of tangible and intangible assets (-)	21,22	-241 745	-496 035
Sales of tangible and intangible assets (+)	21,22	601	996
Result of derivatives	13	606 289	95 906
Interest received	13	1 352 369	1 127 587
Dividend received	13	490 817	843 661
Cash flow from investing activities		**-3 579 057**	**1 464 437**

CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid	13	-20 186	-
Lease instalments payment	35	-166 323	-143 364
Lease interest payment	35	-9 396	-15 472
Repayment of loans and their interests	37	-6 704	-34 656
Dividend payment		-1 691 177	-1 701 795
Cash flow from financing activities		**-1 893 786**	**-1 895 287**
Impacts of exchange rate changes		-36 819	5 150
Net increase / decrease of cash and cash equivalents (+/-)		**-600 458**	**1 594 401**
Cash and cash equivalents at the beginning of the period		**3 092 786**	**1 498 385**
Cash and cash equivalents at the end of the period		**2 492 328**	**3 092 786**

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 Oktober 2007 as a private limited company. Registered seat: 11 Könyves Kálmán Krt. Building B, 1097 Budapest, Hungary.

Internet access: 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, suretyship 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 Class "A" and now, as the Company continuously complies with the higher level of requirements, in the "premium" category. 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 07-09-028910), whose legal predecessor is Hungarikum Biztosítási Alkusz Kft. (herafter together: 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. Subsequently - but before the approval of the HFSA - on 20 October 2020, the Hungarikum Alkusz purchased an additional 400,000 ordinary shares in a stock exchange transaction, for which reason its direct voting rights in the Company exceeded 5%.

With its resolution No. H-EN-II-128/2020, the HFSA authorized Hungarikum Alkusz to acquire a qualified influence in the Company based on direct ownership exceeding the

20% threshold but not exceeding 33%. The HFSA's decision also extended to Hungarikum Alkusz acquiring a qualifying influence in the Company's subsidiary, CIG Pannónia Első Magyar Általános Biztosító Ltd., based on indirect ownership exceeding the 20% threshold but not reaching 33%. The HFSA authorized Keszthelyi Holding Zrt. and Erik Keszthelyi to acquire a qualifying influence in the Company and in the Company's subsidiary CIG Pannónia Első Magyar Általános Biztosító Ltd. based on direct ownership exceeding the 10% threshold but not exceeding 20% with its resolutions No. H-EN-II-129/2020 and No. H-EN-II-130/2020. The rate of the Hungarikum Alkusz direct share hence changed to 31.5%, the number of ordinary shares changed to a total of 29,746,921.

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

The Offer was approved by the HFSA by its decision H-KE-III-529/2021 dated 6 September 2021. The offer period lasted from 09:00 on 10 September 2021 to 12:00 on 11 October 2021. During the period open for the acceptance of the mandatory public takeover bid the shareholders have made valid declaration of acceptance regarding a total of 12,592,366 CIGPANNONIA shares. The Designated Aqcuirer took over all validly offered shares, as a result of which the direct influence of the Designated Acquirer together with its previous shares changed from 32.96% to 46.30% in the Target Company.

Following the above acquisitions, Hungarikum Alkusz further increased its shareholding until the end of 2023 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[30] - 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, including filling at the group level the launched units with experienced professionals and with these professionals to review and revise, and in some cases form products and product groups, as well as to create an operational model tailored to the size of the organization, that accurately reflects responsibilities and tasks within the organization.

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

[30] https://www.bet.hu/site/newkib/hu/2021.07./Strategia_megalkotasa_es_elfogadasa_128587250

vehicle fleet casco. It strengthened its product development, claims management, IT, HR support and marketing capacities.

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

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 products of the CIG Pannónia Group with respect to products belonging to the life and non-life insurance segments through all sales channels of its member banks controlled and managed by a qualified majority, i.e. MKB Bank Plc., Budapest Bank Ltd. and Takarékbank Ltd. (member banks).

The establishment of the framework agreement is expected by the parties to create the long-term conditions for making full use of the synergies inherent in a banking-insurance cooperation, for which the parties have undertaken - specifying the detailed rules, modalities, financial terms, rights and obligations of their cooperation - to establish targeted cooperation agreement(s) in a regulated form and manner.

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

On 15 December 2022, the Company and EMABIT, together as CIG Pannónia Group, and MKB-Pannónia Egészség- és Önsegélyező Pénztár (headquarters: 1056 Budapest, Váci u. 38.; registration number: 01-04-0000198; tax number: 18232761-1-41) (MKB EP) entered into a long-term, fixed-term (for five years and extendable for another five years) strategic cooperation agreement in order to 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 cancellation insurance products of CIG Pannónia Első Magyar Általános Biztosító Zrt., the property insurance member of the insurer, to its customers.

The owners of the Company are Hungarian and foreign private individuals and legal entities, the number of shareholders is 5,486 at 31 December 2023, 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 is Hungarikum Biztosítási Alkusz Zrt., with 55,460,487 shares, a 58,73% 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
Central fax number:	+36-1-247-2021
Phone number:	+36-1-5-100-200
Internet contact:	www.cigpannonia.hu

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

NAME OF SUBSIDIARY	ACTIVITY	COUNTRY	SHARE AT 31.12.2023	SHARE AT 31.12.2022
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 31.12.2023	SHARE AT 31.12.2022
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 2023.

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:

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 2023:

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 46,195 thousand + 2% + VAT, which includes the annual audit and the IFRS 17 transition audit.

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 1,500 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 thousands, 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 di 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

For business combinations the goodwill is calculated as follows when control is acquired: the fair value of the assets transferred by the acquirer, plus the holding of the owners without a controlling interest, net of the fair value of the acquired subsidiaries' identifiable and recognized net assets. If such difference is negative, the amount is immediately charged to profit or loss.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

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. On the basis of the equity method, the Group initially recognizes investments in a jointly controlled company at cost, after which it increases or reduces the book value by its share in the investee's profit or loss that has been realized since the acquisition. The Group's share in the investee's profit or loss must be recognized in the Group's profit or loss. The dividend, which received from the investee reduce the carrying amount of the investment.

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 such investments - in three different asset groups - where the review is necessary; 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 new control model, the Group examines the following aspects related to the above investments:

- Identification of the investee
- Identification of relevant activities of the investee
- Identification of method of decision-making related to relevant activities
- Assess whether the investor is able to control the relevant activities
- Assess whether the investor is exposed to the yield variability
- Assess whether there is a correlation between control and exposure.

After considering of the above aspects in case of the investment among the investments executed for policyholders of unit-linked life insurance policies and the investments among the financial assets – investment contracts' current presentation meets the requirements of IFRS 10.

In case of investment in joint ventures (namely Pannónia CIG Fund Management Ltd.) the Group tested who controls the Funds Manager's relevant activities, when the standard came into force. The Group concluded that the two owners were able to influence equally the decisions of controlling organization, and the control over relevant activities could not be connected directly to the Group, therefore the Fund Manager did not qualify to be a subsidiary at that time.

Pannónia CIG Fund Manager Ltd. (current name: MBH Fund Manager Ltd.) is presented under Share of the profit of associates and joint ventures accounted for using the equity method. The Group examined, if the share in Fund Manager qualified as joint venture or joint arrangement under IFRS 11 and concluded the followings:

- The Fund Manager is a separate company.
- The company's legal form or other contractual arrangements did not provide any rights or obligations on the assets and liabilities of the construction for the owners.
- The owners were entitled for all economic benefits of the construction's assets and the construction did not depend on the fulfilment of obligation of the parties.

Assessing the above mentioned Pannónia CIG Fund Manager Ltd. qualified as joint venture under IFRS 11 earlier.

The Group's previous 50% share in the Fund Manager decreased to 16% during 2017, its name has been changed to MKB-Pannónia Fund Manager Ltd., its share capital has been increased significantly and its ownership has been expanded.

The company created with the merger of MKB-Pannónia Fund Management and Budapest Fund Management, announced in early August 2022, will continue to operate under the name MKB, then later MBH Fund Management Ltd., in which the CIG Group's share has been reduced to 7.67%. 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, expect 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.

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

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

In the case of portfolios obtained by the acquisition of MKB Life Insurance Ltd., the 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.

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

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

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

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.

Amounts repayable to the investor are accounted for using deposit accounting methods, under which the amounts received reduced by the cost coverage specified in policy terms are recognized directly in the statement of financial position as financial liabilities to the investor. For the settlement of liabilities, see point 3.5.4.

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

Oher accounting insurance technical 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 applies IFRS 17 for the first time for the business year starting on 1 January 2023. The date of the first application of IFRS 17 is therefore 1 January 2023, and the date of transition to IFRS 17 - the beginning of the annual reporting period immediately preceding the date of the first application of IFRS 17, hereinafter referred to as „Transition Date" or „Date of Transition" - is 1 January 2022.

The Group must already present the 2022 business year, as the comparative year to be included in the 2023 financial year, in accordance with IFRS 17. This means that the comparative data in the current financial statement will not be the same as the data presented in the individual and consolidated financial statements for the 2022 financial year.

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

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

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

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

3.6.1. 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) on the basis of reasonable and supportable information Group 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 occurance of the claims, those where the Group applies the OCI option.

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

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

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

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

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

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

- LRC where the GIC is profitable: CSM on the Transition Date according to FVA + the present value of the future (LRC) cash flows on Transition Date according to IFRS 17 + the RA on Transition Day (LRC) according to IFRS 17.

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

- The present value of the future (LIC) cash-flows on Transition Date according to IFRS 17 for GIC where the LIC is either profitable or loss-making + the RA on Transition Date (LIC) according to IFRS 17.

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

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

where

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

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

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

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

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

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

ADJ_{CD}: Adjustment for the Group's own credit risk (negative number, reduces the value of FV_{GIC}.The 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 aGICs at the Group

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

$$CSM_{VB} = (PVCF_{VB} \quad - PVCF_{VB} \quad) + (FVRA_{VB} - RA_{VB} \quad)$$

and

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

In the above fomulas

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

Acquisition and transition of insurance stocks

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

a. *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)*

b. *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.

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

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

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

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

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

3.7.1.2 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.

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

a. *the group of contracts which were oneorus at the initial recognition;*

b. *the group of contracts for which there was no significant probability at the initial recognition to become oneorus later; and*

c. *the group of remaining contracts in the portfolio.*

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

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

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

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

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

The 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 Cash flows of insurance/reinsurance contracts in general

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). In the GMM and VFA evaluation models, therefore, the amount of the investment component expected for the period at the beginning of the period is not settled from the LRC against the insurance sales revenue, in contrast to the insurance component of claims (services) and costs. When the investment component occurs, it is transferred from the LRC directly to the LIC and then paid from there. In the PAA evaluation model, the investment component likewise cannot be included in the insurance sales revenue, therefore the investment components are deducted from the total (estimated) consideration to be allocated for the coverage period. Similar to the GMM and VFA valuation models, the investment component is transferred directly from the LRC to the LIC when it occurs and is then paid from there.

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

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

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

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

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

a. *which is the functional currency of one of the contracting parties; or*

b. *in which the price of the relevant product or service obtained or delivered is usually determined in international trade, or*

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

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

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

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

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

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

Liability arising from insurance contracts, including CSM, is a monetary item. As a result, they must be revalued on the repotring 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 valuates all insurance contract groups within the scope of the IFRS 17 standard using the general measurement method, except for those for which it applies the PAA valuation method or the VFA valuation method.

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

Initial recognition

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

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

a. *if the contract group is profitable at its initial recognition and there is a contractual service margin (hereinafter: CSM) at the time of its initial recognition, the value of the CSM at the time of initial recognition is modified;*

b. *if the contract group is unprofitable at its initial recognition, it is accounted for in the result (as insurance service expenses)*

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

Follow-up valuation

Movements of the LRC

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

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

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

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

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

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

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

The mentioned reversals can be in the following directions:

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

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

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

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

CSM release is done as follows

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

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

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

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

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

Loss component release

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

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

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

a. *estimates of the present value of future cash flows related to claims and expenses that are released from the liabilities of the remaining coverage due to incurred insurance service costs;*

b. *the changes of the risk adjustment for non-financial risk recognized in profit or loss due to exemption from the risk (RA release)*

c. *financial income or expenditure on insurance.*

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

Determination of end-of-period risk adjustment

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

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

Release of risk adjustment in the period

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

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

3.7.2.2 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, as the model practically re-evaluates the CSM for the effects of changes in financial risks. In the GMM, there is a separate interest settlement on the CSM and it is recognized among insurance financial expenses (divided between profit or loss and other comprehensive income if the OCI option is applied).*

b. *Changes in performance cash flows resulting from the time value of money and financial risks, affecting the variable premium, are accounted for in the CSM (thereby allocated to profit or loss on a time-apportioned basis through the release of the CSM as part of the insurance revenue). In the GMM model, all changes resulting from the time value of money and financial risks are shown among the insurance financial expenses (divided between profit or loss and other comprehensive income if the OCI option is applied).*

c. *When releasing CSM, the coverage units are discounted using the current discount rate (in the case of GMM, with the yield curve used for the initial recognition).*

d. *For VFA calculations, the Group uses the value of the underlying asset returns allocated to GICs, while this is not necessary for GMM.*

e. *In the VFA model, the application of the yield curve used for the initial recognition as a locked-in yield curve is not interpreted, while it is interpreted in the GMM. At the same time, for the initial recognition of GICs managed in the VFA model, the Group uses a weighted average yield curve produced in the same way as in the case of GICs managed in the GMM model.*

f. *In the case of the VFA, the calculation to be followed in the case of the OCI option starts from the underlying assets, in contrast to the calculation followed in the case of the GMM model, which is based on the difference between the values discounted with the locked-in yield curve and the current yield curve.*

g. *The Group, unlike the GMM valuation model, can choose whether to apply the risk mitigation approach according to paragraph 17.B115 of IFRS. The Group does not use the mentioned approach and the accompanying special accounting - i.e. the recognition of certain effects attributable to changes in the time value of money and changes in financial assumptions not in the CSM, not in the insurance finance income and expenses, as a departure from the main rule of the VFA.*

3.7.2.3 Premium allocation approach (PAA)

The premium allocation approachis 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 incurrance 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 incurrance 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 used quantile by the company is 80 %) 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:

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

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

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

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

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

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

3.7.5 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 case:

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

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

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

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

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

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

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

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

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

The Loss recovery component

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

The 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 valuates the effect of the time value of money and its changes, as well as the effect of financial risk and its changes, with the discount rate at the time of initial recognition (at locked in rate) for both LRC and LIC. and also discounts it with the current discount rate.

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

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

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

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

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

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

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

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

a. *period closing balance converted from the currency of the contract group into forints at the period closing exchange rate, where for the calculation of the closing balance, discounting is performed using the discount rates determined at the time of the initial recognition of the contract group (locked-in discount rates); less*

b. *the closing balance of the period in forints, calculated from the currency of the contract group converted into forints at the previous period's closing exchange rate, and from the movements of the contract group's currency converted into forints using the exchange rates in the accounting policy. For the calculation of the period opening balance and for the calculation of all period movements, where discounting can be interpreted, the 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. The Group has no active reinsurance.

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

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

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

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

3.8. 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. Other operating income

3.9.1. Recognition of other income related to the acquisition of insurance portfolios

In parallel with the acquisition of the insurance portfolio of the Dimenzió Insurance Association, the Company is entitled to income from its consortium partner, which is expected to be realized financially within four years. As the Company is entitled to this revenue in connection with the transfer of the portfolio, the two transactions cannot be separated according to the principle of offsetting and matching. As IFRS 17 did not establish a specific set of rules for the recognition of portfolio acquisition income, the Company determined the recognition of other income related to portfolio acquisition in accordance with the principles of matching and IFRS 15 and IFRS 17 as follows. Revenue recognition is separated from financial realization and the share from the total expected revenue in the given period is resolved into profit or loss parallel to the incurring and expiring of the estimated services related to the acquired stock. The Company recalculates the estimated run-off of the service on a quarterly basis.

3.10. 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 idefinied the following leasing contracts, which were examined in detail:

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

In the case of software leasing, the lessee may choose, in accordance with IFRS 16.4, not to apply the requirements of the standard and continue to account for the cost of the lease as an expense. The Company 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 31.01.2026, 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.

3.11. 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.

3.12. 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: employee benefits (other than severance pay) that are fully due within twelve months after the end of the period in which the employee has completed the related work.

Post-employment benefits: employee benefits granted on the basis of formal or non-formal arrangements (other than severance pay) that result from the termination of the employment relationship.

Other long-term employee benefits: employee benefits (other than post-employment benefits and severance pay) which are not fully due within twelve months of the end of the period in which the employee has completed the relevant work.

Severance payments: employee benefits that may become payable owing to a decision to terminate a company's employment relationship prior to normal retirement or because of the employee's decision to accept a voluntary termination in exchange for these benefits.

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.

As of 2019 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 outlaid 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 2022 and 2023, based on the decision of the supervisory board, taking into account the primary goals defined in the Company's Growth Strategy - to 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 2022 and 2023 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.

3.13. 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 previously defined 'medium term' as 6 years, which was reduced to 4 years in 2022 due to the volatile economic environment. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which the temporary differences are reversed. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.14. Intangible assets

AIntangible 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.

3.15. Property, plant and equipment

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

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

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

Residual values and useful lives are reviewed, and adjusted, if necessary, at the end of each reporting period. The carrying amount is written down immediately to the asset's recoverable amount if it is higher than the estimated recoverable amount. (see note 3.16)

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.

3.16. 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.

3.17. 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.

3.17.1. Initial recognition

All financial assets are initially diplayed 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 valuates 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 3.19.

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.

3.17.2. 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.

3.17.2.1 Equity instruments

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

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

However, at the time of initial recognition, the 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.

3.17.2.2 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:

- 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.

3.17.3. 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. The Insurer's business model is not dependent on the management's intentions regarding specific instruments. Accordingly, this condition does not reflect an instrument-by-instrument classification approach, but was defined at a higher level. Nevertheless, the Group may use several business models to manage its financial assets.

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

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

a. *how it evaluates the performance of the business model and the financial assets held under the business model, and how it needs to report these to its key management personnel;*

b. *risks affecting the performance of the business model (and the financial assets held under the model) and, in particular, how these risks are managed;*

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

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

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

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

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.

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).

3.17.4. 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").

When applying the above

- equity is the fair value of the financial asset at the time of initial recognition;

- the interest includes the consideration for the time value of money, the credit risk related to the principal amount outstanding during a specified period, and other basic lending risks and costs, as well as the profit margin.

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

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

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

3.17.5. Financial assets valued at amortized cost

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

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

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

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

When determining the effective interest rate of financial assets (except for impaired financial assets acquired or incurred), the 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 calculation of the effective interest rate includes all fees and charges paid by the contracting parties to each other or received from each other, which are an integral part of the effective interest rate, as well as transaction costs and all other premiums or discounts.

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

a. *for impaired financial assets, the effective interest rate must be applied to the amortized cost,*

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

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

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

3.17.6. 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. In this case, the amounts recognized in the result are the same as the amounts that the Group would recognize in the result if the financial asset was valued at amortized cost.

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

If the 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.

3.17.7. Financial assets valued at fair value through profit or loss

MAll 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 icontracts 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.

3.17.8. 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.

These changes are expected to be rare. Such changes are determined by the senior management, as a result of external or internal changes affecting the Group that are material to the operation of the Group. Any change in the business model is documented by the Insurer and the documentation includes the approval of the CEO and the Chief Accounring 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.

3.17.8.1 Reclassification from the category valued at amortized cost

Into the category valued at fair value through profit or loss

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

Into the category valued at fair value against other comprehensive income

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

3.17.8.2 Reclassification from the category valued at fair value against other comprehensive income

Into the category valued at amortized cost

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

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

Into the category valued at fair value through profit or loss

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

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

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

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

3.17.9. 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 (or a group of similar financial assets).

The Group derecognizes financial instruments if

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

The Group also derecoignizes 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 deregognizing 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.

3.17.10. Replacements/modifications of financial assets

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

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

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

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

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

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

With regards to accounting:

- If the replacement of debt instruments takes place under significantly different conditions, or the modification of the existing financial asset is material, the Group derecognizes the financial asset on the date of modification/replacement and recognizes a new financial asset in the books at fair value on the date of derecognition. The difference between the two values is recognized in the profit or loss, under other investment income or investment expenses. Any costs or fees incurred in connection with the transaction are recognized as a gain or loss related to the termination of the liability.
- If the replacement is not on significantly different conditions, or the modification of the existing financial asset is not material, the 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.

Modification gain or loss is the difference between

- the discounted present value of the cash flow estimated during the expected term of the modified financial instrument at the original interest rate (with the current effective interest rate in the case of a financial asset with a floating interest rate) on the date of the modification and

- the gross book value of the original financial asset (taken after accounting for possible write-offs).

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

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

3.17.11. Retroactive application

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

Data for the comapartive period have not been restated

- The differences between the previous book value of financial assets and liabilities and the book value valid at the beginning of the reporting period which includes the date of first application (i.e. on 1 January 2022) were shown by the Insurer in the opening retained earnings of 1 January 2022.

- The Group determined the business model in which the Group holds its financial assets based on the facts and circumstances existing at the time of the initial application of IFRS 9

- If a debt instrument has a low credit risk upon initial application of IFRS 9, the Group assumed that the credit risk of the debt instrument has not increased materially since the initial recognition.

3.18. 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.

3.18.1. 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.

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

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

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

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

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

- if the credit risk of the financial asset concerned has increased significantly since the initial recognition – taking into account all reasonable and justifiable information, including forward-looking information – but the financial asset is not impaired („Stage 2 financial assets");
- if the relevant financial asset is impaired on the reporting date („Stage 3 financial asset");
- in the case of trade receivables (the Insurer uses a simplified model to determine the expected credit loss)

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

3.18.4. Impairment (Stage 3) criteria

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

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

3.18.5. Changes in credit risk

For its government securities and externally rated financial assets other than government securities - if they are not low credit risk at the reporting date - the 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.

3.18.6. Financial assets with low credit risk

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

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

3.18.7. Special rules of impairment

3.18.7.1 Impairment of government securities and corporate bonds

In order to determine the impairment of government securities and corporate bonds, he 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

EECL:= 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 valuates 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.

3.18.7.2 Impairment of cash and cash equivalents

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

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

where

ECL:= expected credit loss at the reporting date

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

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

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

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

3.18.7.3 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

3.18.7.4 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.

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

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

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

3.18.7.5 Impaired financial assets acquired or incurred

POCI financial assets are impaired at the initial recognition.

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

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

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

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

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

3.18.8. 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.

3.19. 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.

Compared to the above valuation methods, among the Insurer’s unit-linked investments, the valuation of securities in Russian asset funds is an exception, the characteristics of which are described in detail under Note 25 by the Company.

3.20. 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.

3.21. 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:

3.21.1. 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.

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

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

3.21.2. 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 valuates 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.

3.21.3. 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.

3.22. 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.

3.23. 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.

3.24. 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 choses the OCI option, it recognizes the portion of the financial result of insurance and reinsurance recognized in other comprehensive income under other comprehensive income and hence in equity under other reserves.

3.25. 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.

3.26. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of ordinary outstanding 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.

3.27. 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.

3.28. Releated parties

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

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

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

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

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

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

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

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

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

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

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

a. *short-term employee benefits;*

b. *post-employment benefits;*

c. *other long-term benefits;*

d. *severance payments; as well as*

e. *share-based payments.*

Publication of related party transactions (IAS 24 paragraph 17)

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

The information published must include at least:

(a) the amount of transactions;

(b) the amount of open balances;

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

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

(c) provisions for doubtful debts to the amount of open balances; as well as

(d) the expense recognized in the period for bad or doubtful receivables from related parties

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

3.29. Cash flow statement

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

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

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

Cash flow from operating activities:

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

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

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

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

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

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

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

Financing cash flows include:

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

3.30. IFRS 15 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 reinvoicing 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. The Insurer should review its contracts that do not comply with the terms of the insurance contract from 2018, but comply with the concept of contract under 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 five-step model is as follows:

Step 1: Identify contracts with buyers
Contracts concluded by the Group may be verbal or written agreements with business content, but standard business practices may also create a contract. It is also a prerequisite for the contract to create enforceable rights and obligations that can not be cancelled without consequences.

Under the Standard, a contract is created when the following conditions are met:

- The parties have accepted the contract and are committed to fulfilling it;
- The parties' rights can be clearly defined on the basis thereof;
- The contract has economic benefits;
- It is likely that the seller will receive the consideration of the delivered goods / services performed, even if they use legal means to collect it.

In the case of a change in a contract, the way its content changed to be tested because there is a possibility that the amendment should be interpreted as a separate contract.

Step 2: Determining the separate obligations relating to the performance of the contract
In this step, it is necessary to determine which promised goods or services, or a combination thereof, can be treated as a separate performance obligation on the basis of the contract. In connection with the performance of the contract, the supplier may specify different incentives. A contract may include multiple obligations. All segregated, detachable goods, services or combinations thereof are considered as separate performance obligations. If a performance obligation can not be determined from the contract, revenue can not be booked.

Step 3: Determining the price of the transaction
The transaction price is the amount that the supplier will be entitled to pay for the goods delivered to the buyer or the service provided as expected. The goal is to make the revenue accrued evenly. In order to account for sales, various factors, such as performance incentives, must be taken into account at a sell-off price over a certain period of time. The amount of these sums should be deducted as sales revenue during the incentive period. The turnover of a transaction (which may differ from the invoiced amount) must be determined by estimation.

Step 4: Assigning the transaction price to the individual obligations
The seller must divide the transaction price between each obligation. If individual prices can not be ordered for each commitment, an estimate of the share should be used.

Step 5: Revenue recognition at fulfilment
Revenue can be recognized when the control over the purchased asset or service passes from the seller to the buyer. This can happen over a specific time period or at a specific time. Control is passed if the receiver is able to control the use of the device and is entitled to take advantage of the device.

For example:

- the asset can produce or provide services through the use of the provided service,
- the cost of the asset and the service provided can be reduced and the obligations can be sorted,
- the asset can be used as a security.

For a period of time, revenue can be recognized when:

- the buyer is always entitled to receive the benefits,
- the buyer acquires control over the asset only to the extent that the seller supplies it over the period,
- the supplier does not provide the customer with an immediately-controlled asset or service, but has the right to collect timely part deliveries.

The Group has examined the transactions that are within the scope of IFRS 15 and has determined that these are primarily derived from the reinvoicing of services, for which the terms of the five-step model 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. As a result of the above, the adoption of IFRS 15 was not required a change in accounting policy, and the introduction was not subject to retrospective amendment.

3.31. 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 monthly 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.

<table>
<tr><th>PORTFOLIO GROUP / SEGMENT</th><th>LIFE INSURANCE SEGMENT</th><th>NON-LIFE INSURANCE SEGMENT</th></tr>
<tr><td>Group life, accident and health insurance</td><td>- group life, accident and health insurance
- group service financing insurance
- MVM Accident and Health Insurance packages</td><td></td></tr>
<tr><td>Individual accident and health insurance</td><td>- traditional accident and health insurance</td><td></td></tr>
<tr><td>Single premium UL</td><td>- life insurance linked to single-premium investment units in Euro and Forint</td><td></td></tr>
<tr><td>Regular premium UL</td><td>- life insurance linked to regular-premium investment units in euro and forint</td><td></td></tr>
<tr><td>Traditional regular premium life savings insurance</td><td>- traditional regular-premium grace, savings and pension insurance</td><td></td></tr>
<tr><td>Risk life insurance</td><td>- traditional regular-premium risk life insurance</td><td></td></tr>
<tr><td>Credit coverage insurance</td><td colspan="2">- credit coverage insurance
- MVM account protection insurance</td></tr>
<tr><td>Fleet CASCO</td><td></td><td>- fleet casco
- integrated casco</td></tr>
<tr><td>Corporate property insurance</td><td></td><td>- industrial property insurance
- liability insurance
- technical insurance
- D&O
- drone insurance</td></tr>
<tr><td>Suretyship insurance</td><td></td><td>- Hungarian suretyship insurance
- Italian suretyship insurance (run-off portfolio)</td></tr>
<tr><td>Retail property insurance</td><td></td><td>- travel insurance
- home insurance</td></tr>
</table>

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.

The consolidated financial statements and the information presented separately by segments may be different for the following reasons:

- there are receivables and liabilities between the segments, which are eliminated during consolidation;
- there are income and expenses between the segments, which are eliminated during consolidation;
- there is an interim profit or loss in the transaction between the segments, which is eliminated during consolidation.

3.32. Going concern principle

The basic premise of the IFRS Framework is that companies use the going concern principle in preparing their financial statements. IAS 1 requires management to evaluate whether the Company is able to continue as a going concern in the future and if, in the management's judgement, there are any risks to this, then it needs to disclose them. If the going concern principle is harmed, this should also be taken into account in the preparation of the financial statements.

The going concern of the Company may be jeopardized if there is no other realistic option for its management, than to end or sell the activities. When making this decision all foreseeable future events and all related available information needs to be taken into account and disclosed to the public.

Although IFRSs do not prescribe specific rules when the going concern of an enterprise is endangered, the Company applies the general IFRS principles (frameworks, definition of assets and liabilities, fair value valuation, etc.) and the related IFRSs during the preparation of the financial statements. In addition, the application of IFRS 5, IAS 36 and IAS 37 receives greater emphasis.

3.33. Discontinued operations

The Group classifies an investment asset (or disposal group) as held for sale if its book value is primarily recovered through a sale transaction, and not through continuing use. For this to apply, the asset (or disposal group) must be ready for immediate sale in its present condition, under terms customary during the sale of such assets (or disposal groups), and the sale must be highly probable. The Group values an investment asset (or disposal group) classified as held for sale at the lower of its book value and fair value less costs to sell. The book value of the disposal group's assets shall be reduced (or increased) by the amount of the impairment loss (or any subsequent gain) recognized for the disposal group.

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. The forecasts take into account, on the one hand, 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.

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

AThe 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:

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

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

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

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

4.3.1.3 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:

	2023					2022				
	1	2	3	4	5	1	2	3	4	5
HUF (liquid)	8,0%	5,1%	5,0%	5,2%	5,4%	15,7%	12,3%	10,2%	9,0%	8,3%
EUR (liquid)	3,4%	2,2%	1,9%	2,0%	2,2%	3,3%	3,3%	3,3%	3,3%	3,3%

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

	2023					2022				
	1	2	3	4	5	1	2	3	4	5
Return on assets	4,5%	4,5%	4,6%	4,7%	4,7%	4,1%	4,1%	4,2%	4,2%	4,2%

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.

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[31]
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

NAME OF VARIABLE	METHOD OF ESTABLISHING THE ASSUMPTION[31]
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

31 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 only the insurance component to be included in the income statement, but regardless of this, both components (not separated from each other) are included within the liabilities for the incurred claims.

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

4.3.2. 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 practicaly 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 canceled 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

	2023					2022				
	1	2	3	4	5	1	2	3	4	5
HUF (liquid)	8,0%	5,1%	5,0%	5,2%	5,4%	15,7%	12,3%	10,2%	9,0%	8,3%
EUR (liquid)	3,4%	2,2%	1,9%	2,0%	2,2%	3,3%	3,3%	3,3%	3,3%	3,3%

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.

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 SEGMENT

DATA IN THUF

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

DATA IN THUF

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

NON-LIFE SEGMENT

DATA IN THUF

2023	CSM		P&L		EQUITY	
	DIRECT	REINS	DIRECT	REINS	DIRECT	REINS
Credit coverage						
Increase of claim ratio	1 996	-39 124	42 977	-10 827	-42 396	13 458
Decrease of claim ratio	-1 987	-	-42 986	10 827	42 404	-13 458
Increase of cost ratio	1 967	-	35 101	-	-34 758	-
Decrease of cost ratio	-1 963	-	-35 106	-	34 762	-
Increase of nonpayment	1 058	-23 490	4 651	-7 830	-4 765	11 524
Dercrease of nonpayment	-1 000	22 540	-4 515	7 482	4 622	-10 973
Fleet CASCO						
Increase of claim ratio	-	-	15 953	-	-15 953	-
Decrease of claim ratio	-	-	-17 871	-	17 871	-
Increase of cost ratio	-	-	806	-	-806	-
Decrease of cost ratio	-	-	-2 725	-	2 725	-
Increase of nonpayment	-	-	-1 494	-	1 494	-
Dercrease of nonpayment	-	-	-422	-	422	-
Corporate property						
Increase of claim ratio	7 034	-	4 035	-	-4 262	-
Decrease of claim ratio	-7 034	-	-4 035	-	4 262	-
Increase of cost ratio	2 367	-	1 640	-	-1 718	-
Decrease of cost ratio	-2 367	-	-1 056	-	1 134	-
Increase of nonpayment	-65	-	255	-	-251	-
Dercrease of nonpayment	65	-	328	-	-333	-
Suretyship						
Increase of claim ratio	180	-1 500	742	-1 098	-736	1 166
Decrease of claim ratio	-178	1 500	-1 334	1 098	1 328	-1 166
Increase of cost ratio	1 032	-	1 032	-	-1 103	-
Decrease of cost ratio	-1 032	-	-1 034	-	1 105	-
Increase of nonpayment	-	3	-	3	-	-3
Dercrease of nonpayment	-	3	-	3	-	-3
Retail property						
Increase of claim ratio	-	-	2 164	-	-2 164	-
Decrease of claim ratio	-	-	-2 551	-	2 551	-
Increase of cost ratio	-	-	340	-	-340	-
Decrease of cost ratio	-	-	-727	-	727	-
Increase of nonpayment	-	-	-215	-	215	-
Dercrease of nonpayment	-	-	172	-	172	-

DATA IN THUF

2023	CSM		P&L		EQUITY	
	DIRECT	REINS	DIRECT	REINS	DIRECT	REINS
Credit coverage						
Increase of claim ratio	877	-45 276	-42 479	8 816	-37 380	5 430
Decrease of claim ratio	-877	45 276	42 479	-8 816	37 380	-5 430
Increase of cost ratio	312	-	-15 655	-	-13 831	-
Decrease of cost ratio	-877	-	15 089	-	13 265	-
Increase of nonpayment	6 174	-9 107	-23 800	1 625	-20 271	155
Dercrease of nonpayment	5 156	15 167	-3 229	-3 539	-3 988	-1 780
Fleet CASCO						
Increase of claim ratio	-	-	-9 377	-	-9 377	-
Decrease of claim ratio	-	-	23 036	-	23 036	-
Increase of cost ratio	-	-	4 849	-	4 849	-
Decrease of cost ratio	-	-	8 809	-	8 809	-
Increase of nonpayment	-	-	7 024	-	7 024	-
Dercrease of nonpayment	-	-	6 634	-	6 634	-
Corporate property						
Increase of claim ratio	-	-	-16 278	-	-14 854	-
Decrease of claim ratio	-	-	16 087	-	14 663	-
Increase of cost ratio	-	-	-4 726	-	-4 319	-
Decrease of cost ratio	-	-	4 535	-	4 128	-
Increase of nonpayment	-	-	396	-	284	-
Dercrease of nonpayment	-	-	-645	-	-533	-
Suretyship						
Increase of claim ratio	1 045	-885	-1 468	383	-1 345	346
Decrease of claim ratio	-1 041	885	2 935	- 383	2 813	-346
Increase of cost ratio	903	-	-708	-	-648	-
Decrease of cost ratio	-1 041	-	621	-	562	-
Increase of nonpayment	-	-	-	-	-	-
Dercrease of nonpayment	-	-	-	-	-	-
Retail property						
Increase of claim ratio	-	-	-5 829	-	-5 829	-
Decrease of claim ratio	-	-	-936	-	-936	-
Increase of cost ratio	-	-	-3 826	-	-3 826	-
Decrease of cost ratio	-	-	-2 940	-	-2 940	-
Increase of nonpayment	-	-	-3 341	-	-3 341	-
Dercrease of nonpayment	-	-	-3 424	-	-3 424	-

5. CHANGES IN ACCOUNTING POLICIES

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

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

For business years starting from 2023:

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

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

The methodological implications of the transition to IFRS 17 are presented in note 3.6, while the most important accounting policy decisions related to insurance contracts are presented in note 3.7.

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

Consolidated statement of financial position 2022.12.31

DATA IN M HUF

ASSETS		31 DECEMBER 2022 IFRS 17 + IFRS 9	31 DECEMBER 2022 IFRS4 + IFRS9	CHANGE
Intangible Assets	Intangible Assets	992	992	-
Property, plant and equipment	Property, plant and equipment	149	149	-
Right of use assets	Right of use assets	409	409	-
Deferred tax asset	Deferred tax asset	591	591	-
Deferred tax asset	Investments accounted for using the equity method	660	660	-
	Receivables from insurance policy holders		2 865	
Insurance contract assets	Receivables from insurance intermediaries	1 106	1 008	-4 651
	Deferred acquisition costs		1 884	

DATA IN M HUF

ASSETS		31 DECEMBER 2022 IFRS 17 + IFRS 9	31 DECEMBER 2022 IFRS4 + IFRS9	CHANGE
Reinsurance contract assets	Reinsurer's share of technical reserves	1 350	1 751	-770
	Receivables from reinsurance		369	
Investments for policyholders of unit-linked life insurance policies	Investments for policyholders of unit-linked life insurance policies	86 205	86 205	-
Financial assets – investments contracts	Financial assets – investments contracts	5 167	5 167	-
Financial asset - Derivatives	Financial asset - Derivatives	59	59	-
Other financial assets at fair value	Available-for-sale financial assets	24 432	24 432	-
Other assets and prepayments	Other assets and prepayments	78	124	-46
Other receivables	Other receivables	241	185	56
Cash and cash equivalents	Cash and cash equivalents	3 093	3 093	-
Total Assets		**124 532**	**129 943**	**-5 411**

DATA IN M HUF

LIABILITIES				
Insurance contract liabilities	Technical reserves	96 314	22 247	-13 790
	Technival reserves for policyholders of unit-linked of life insurance policies		86 205	
	Liabilities to insurance policy holders		923	
	Liabilities to insurance intermediaries		729	
Reinsurance contract liabilities	Liabilities from reinsurance	553	1 500	-947
Financial Liabilities – Investement contracts	Financial liabilities -Investment contracts	5 167	5 167	-
Financial liabilities - Derivatives	Financial liabilities - Derivatives	-	-	-
Lease liabilities	Lease liabilities	475	475	-
Provisions	Provisions	520	520	-
Other liabilities	Other liabilities	2 733	3 268	-542
	Loans and financial reinsurance		7	
Liabilities to shareholders	Liabilities to shareholders	30	30	-
Total Liabilities		**105 792**	**121 071**	**-15 279**
NET ASSETS		**18 740**	**8 872**	**9 868**

DATA IN M HUF

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

DATA IN M HUF

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2022		2022 Q1- Q4 IFRS17 + IFRS9	2022Q1-Q4 IFRS4+IFRS9	CHANGE
Insurance revenue	Gross written premium	13 671	32 346	-18 675
Insurance service expenses	Net changes in value of the life technical reserves and unit-linked life insurance reserves	-13 265	-1 987	15 176
	Fees, commissions and other acquisition costs		-7 040	
	Other operating expenses		-2 551	
	Claim payments and benefits, claim settlement costs		-16 129	
	Changes in unearned premiums reserve		- 734	
Reinsurance expense-allocation of premium	Ceded reinsurance premiums	-1 540	-3 847	2 307
Amount recoverables from reinsurance	Recoveries, reinsurer's share	2 180	750	-124
	Commission and profit sharing due from reinsurers		1 554	
Insurance service result		**1 046**	**2 362**	**-1 316**
Interest income calculated using the effective interest method	Interest income calculated using the effective interest method	1 102	1 102	-
Investment income	Investment income	954	483	471
Impairment and impairment reversal of financial assets	Impairment and impairment reversal of financial assets	-6	-6	-
Investment expenses	Investment expenses	-3 060	-3 060	-
Yield on investment accounted for using equity method (profit)	Yield on investment accounted for using equity method (profit)	482	482	-
Investment income		**-528**	**-999**	**471**

DATA IN M HUF

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2022		2022 Q1- Q4 IFRS17 + IFRS9	2022Q1-Q4 IFRS4+IFRS9	CHANGE
Insurance financial result	-	1 455	-	1 455
Reinsurance financial result	-	-62	-	-62
Change in the fair value of liabilities relating to investment contracts	Change in the fair value of liabilities relating to investment contracts	178	178	-
Financial results		**1 571**	**178**	**1 393**
Premium and commission income from investment contracts	Premium and commission income from investment contracts	105	105	-
Other operating costs	-	-447	-	-447
Other (non-financial) income	Other operating income	274	803	-529
Other (non-financial) expenses	Other epxenses	-211	-1 083	872
Profit/loss before taxation		**1 810**	**1 366**	**444**
Tax expenses / (expenses)	Tax income / (expenses)	-275	-275	-
Deferred tax expenses / (expenses)	Deferred tax expeses / (expenses)	-	117	-117
Profit/loss after taxation		**1 535**	**1 208**	**327**
OCI from change in fair value of other financial assets at fair value	Other comprehensive income	-3 090	-3 207	117
OCI from insurance contracts	-	2 134	-	2 134
OCI from reinsurance contracts	-	160	-	160
Comprehensive income, would be reclassified to profit or loss in the future		-796	-3 207	2 411
Comprehensive income, wouldn't be reclassified to profit or loss in the future		-602	-602	-
Other comprehensive income		**-1 398**	**-3 809**	**2 411**
Total comprehensive income		**137**	**-2 601**	**2 738**

Consolidated statement of financial position 31.12.2021

DATA IN M HUF

ASSETS		31 DECEMBER 2021. IFRS 17 + IFRS 9	31 DECEMBER 2021. IFRS4 + IFRS9	CHANGE
Intangible Assets	Intangible Assets	720	720	-
Property, plant and equipment	Property, plant and equipment	179	179	-
Right of use assets	Right of use assets	494	494	-
Deferred tax asset	Deferred tax asset	474	474	-
Deferred tax asset	Investments accounted for using the equity method	1 013	1 013	-
Insurance contract assets	Receivables from insurance policy holders	649	1 958	-2 693
	Receivables from insurance intermediaries		56	
	Deferred acquisition costs		1 328	
Reinsurance contract assets	Reinsurer's share of technical reserves	395	453	-146
	Receivables from reinsurance		88	
Investments for policyholders of unit-linked life insurance policies	Investments for policyholders of unit-linked life insurance policies	85 664	85 664	-
Financial assets – investments contracts	Financial assets – investments contracts	5 238	5 238	-
Financial asset - Derivatives	Financial asset - Derivatives	1	1	-
Other financial assets at fair value	Other financial assets at fair value	28 409	-	-
	Available-for-sale financial assets	-	28 409	
Other assets and prepayments	Other assets and prepayments	62	76	-14
Other receivables	Other receivables	184	183	1
Cash and cash equivalents	Cash and cash equivalents	1 498	1 498	-
TOTAL ASSETS		**124 980**	**127 832**	**-2 852**

DATA IN M HUF

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

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

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

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

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

6. MANAGEMENT OF INSURANCE RISK

6.1. Introduction and overview

The Group accepts insurance risk by underwriting insurance policies (and policies including such components), and management thereof is an important part of the business. In the case of the life insurance company, insurance risk generally relates to life and health risks. The death risk of individuals in Hungary represents the highest exposure to insurance risk for the 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*

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 continously 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. Risks resulting from changes in the economic environment
4. Pricing, positioning risk

The risk management system covers to take insurance risk, to creater reservers, to handle liquidity and concentration risks and to handle operational and compliance risks. The operation of reinsurance and other risk 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.

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

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.

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

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 indicating the countries where such products are available, as well as of key factors affecting the timing and uncertainty of future cash flows.

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

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

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

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

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

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

6.5.2. Term life insurance (Hungary)

Terms and conditions:
The Group's portfolio has regular premium payment term insurance product which pays out a fixed benefit on death. For most policies, premium amounts are fixed at the inception of the policy for the policy term, with the opportunity of indexing. Such policies have no surrender value. The new version of risk insurance also allows for the possibility of permanent functional impairment (lump sum and annuity) and the choice of dreaded disease services diagnosed within the time period.

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

6.5.3. Whole-life insurance (Hungary)

Terms and conditions:
A whole-life regular premium payment product which pays out guaranteed benefits in the event of death. The benefit grows by 3% every year; however, the regular premium to be paid by the customer is flat. Only a reduced benefit is paid in the event of death (not accidental death) during the waiting period. The joint version (i.e. for two lives) of this product features a built-in premium waiver meaning no further premium payments are necessary after one of the two insureds dies, provided, however, that the death occurred after the waiting period or in an accident. Otherwise, premiums must continue to be paid for the surviving insured. Policies may only be terminated after two insurance years covered by premiums. There is also a possibility for top-up payments.

Key factors affecting future cash flows:
Actual mortality as compared to assumptions, cancellations and costs incurred. There is also the risk that investment returns on actuarial reserves allocated from regular premiums will differ from those expected.

Because the premium payment term is limited and the sum insured is indexed (while the premium level is fixed), the product is exposed to inflation risks.

6.5.4. Endowment life insurance (Hungary and Romania)

Terms and conditions:
Regular premium payment endowment life insurance policies contracts provide benefits for the event of death in the course of the term or if the insured is alive at the end of the term.

The risk coverage can optionally be normal (event of death during the term) or extended (event of death during the term, permanent disability due to accident over the term, serious illness diagnosed over the term). Top-up payments can be made for the policies. The policies can be surrendered.

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

There is also the risk that the investment return on the actuarial reserves allocated from regular premiums will be lower than expected.

6.5.5. Term-fix endowment life insurance (Hungary)

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

Additional payments can be done during the insured fixed period. The policy may be surrendered.

Key factors affecting future cash flows:
The actual development of mortality compared to the assumed, the cancellation and the costs incurred.

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

6.5.6. Traditional Pension Insurance (Hungary)

Terms and Conditions:
Regularly-paid pension life insurance policies provide services in case of insured events during the term of the insurance or if the insured is alive at the end of the term of the life insurance.

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

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

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

6.5.7. Accident insurance (Hungary)

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

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

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

6.5.8. Accident insurance rider (Hungary and Romania)

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

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

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

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

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

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

6.5.10. Group Life, Accident & Health Insurance (Hungary)

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

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

6.5.11. Credit insurance (Hungary)

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

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

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

Terms and conditions:
The regular premium payment product is a health insurance policy, which provides customers, under an agreement with an international healthcare service provider (Best Doctors, Further), with second medical opinions and abroad medical treatment services in the event of predefined insurance events.

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

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

6.5.13. *Health insurance rider (Hungary)*

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

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

6.5.14. *Property insurance (Hungary)*

Terms and conditions:
In the case of property insurances, the Group will pay for the damage of the insured, if the damage has occurred to the assets insured by the Group and the damage is attributable to events relating to the risks specified in the insurance policy. The Group also provides an all risks cover on a case-by-case basis; in such cases non-excluded risks are the ones in the case of which the Group pays for the damage occurring in the insured assets. In the case of technical insurance, the cover is typically all risks.

Key factors affecting future cash flows:
Actual occurrence of events as compared to assumptions, average claims paid and costs incurred as compared to the plans.

6.5.15. *Liability insurance*

Terms and conditions:
In the case of liability insurances, the Group pays for the damage on behalf of the insured, which the insured caused to third persons or the Insured is regarded as the person who is liable for the damage as regards the third persons and he/she is responsible for the damage according to the rules of Hungarian law. In the case of the professional liability insurance, the Group will pay for damages arising from all damage claims that are enforced against the insured during the performance of its business activities, in connection with any professional fault arising from its breach of its professional obligations, during the policy term.

Key factors affecting future cash flows:
Actual occurrence of events as compared to assumptions, average claims paid and costs incurred as compared to the plans.

6.5.16. *Casco insurance*

Terms and conditions:
In the case of Casco insurance, the Group will pay for the damage which occur to the insured motor vehicle as a result of the insured events.

The Insurer sold most of this portfolio during the year 2020, but sales of the fleet casco product relaunched at the end of 2021.

Key factors affecting future cash flows:
Actual occurrence of events as compared to assumptions, average claims paid and costs incurred as compared to the plans.

6.5.17. Suretyship-related insurance (Hungary, Italy)

Terms and conditions:
In case of suretyship-related insurance the Group issues promissory notes against the previously defined partner rating limits, which can be used by the third parties in a contractual agreement with the insured in case of non or not satisfactory fulfilment of the insured. The risk of the Insurer is the justifiable claim enforcement in line with the promissory note's conditions from the beneficiary. The insurance risk is reduced by the guarantees provided to the Insurer.

Key factors affecting future cash flows:
Actual occurrence of events as compared to assumptions, average claims paid and costs incurred as compared to the plans.

6.5.18. Group credit coverage and income protection insurance

Terms and conditions:
The Group provides services for the risks of the insured's incapacity to work or unemployment.

Key factors affecting future cash flows:
Actual occurrence of events as compared to assumptions, average claims paid and costs incurred as compared to the plans. Uncertainty of future cash flows is reduced through a 100% reinsurance coverage of the risks.

6.5.19. Home insurances

The Group provides services for the risks of fire and elemental damage and other property damages related to the movable and immovable property of the insured. which also covers assistance and accident insurance services in connection with insurance events.

Main factors affecting future cash flows:
The actual incurrence of individual events compared to the expected, the development of the average claim payments and the development of the incurred costs compared to the planned. The uncertainty inherent to the future cash flow is reduced by the 100% reinsurance of the risks.

6.5.20. Travel insurances

The Group provides coverage for the insured for the risks of accident, illness, property and other financial loss arising during travel, staying abroad. The Group also provides assistance and legal settlement services in connection with the insurance events.

Main factors affecting future cash flows:
The actual incurrence of individual events compared to the expected, the development of the average claim payments and the development of the incurred costs compared to the planned. The uncertainty inherent to the future cash flow is reduced by the 100% reinsurance of the risks.

6.5.21. Insurances for various financial losses

It provides assistance in the event of the customer losing their job or being unable to work for a longer period of time, or provides coverage to cover the risks inherent in activities related to the use of bank cards, online transactions and our digital presence.

Main factors affecting future cash flows:
The actual incurrence of individual events compared to the expected, the development of the average claim payments and the development of the incurred costs compared to the planned. The uncertainty inherent to the future cash flow is reduced by the 100% reinsurance of the risks.

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 most significant insurance risks, the risk management policies are presented in note 6.

The Group classifies financial instruments into different categories based to their type and purchase intent (see notes 3.17 and 3.21).

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 fair 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 THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Government bonds	40 840 831	22 899 286	32 805 828
Corporate bonds	6 480 487	4 566 451	1 551 652
Shares	27 333 515	24 874 428	26 099 266
Investment funds	54 688 111	46 537 497	53 218 260
Cash	8 239 407	19 698 901	7 615 638
Receivables	372 731	3 523 976	330 040
Other financial assets	-17 689	-2 904 144	-626 930

In case of the government bonds, which form a defining part of financial assets, the credit risk exposure is considered not significant by the 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 THUF

	2023	2022 (RESTATED)
Opening balance on 1 January	1 643 913	1 530 091
Impairment write-off on irrecoverable receivables	-	-
Impairment accounted for in the current year against the result	20	-54
Reversal of impairment	-63 672	113 876
Closing balance on 31 December	**1 580 261**	**1 643 913**

The impairment of other receivables changed as follows:

DATA IN THUF

	31 DECEMBER 2023		31 DECEMBER 2022 (RESTATED)	
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Not overdue	278 144	-	298 485	-
Overdue between 0 and 30 days	-	-	-	-
Overdue between 31 and 120 days	478	-	200	-
Overdue between 121 and 360 days	-	-	-	-
Overdue by more than a year	1 580 587	-1 580 261	1 643 900	-1 643 913
Total	**1 859 209**	**-1 580 261**	**1 942 585**	**-1 643 913**

On 31 December 2023, 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 2022 and 2023 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 reveivables of policyholders, contract commitments or other cash outflows. Such outflows would deplete available cash for operating and investment activities. In extreme circumstances, lack of liquidity could result in sales of assets or potentially an inability to fulfil contract commitments. The risk that the 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 THUF

31 DECEMBER 2023	BOOK VALUE	CONTRACTUAL CASH FLOW	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Liabilities *	**10 391 753**	**10 491 720**	**8 958 334**	**273 710**	**639 378**	**620 298**	**-**
Of these lease liabilities	314 283	384 250	94 359	93 916	179 571	16 404	-
Government bonds	40 840 831	56 022 970	8 561 362	10 833 821	7 641 840	5 361 827	23 624 121
Corporate bonds	6 480 487	7 229 516	2 500 692	181 582	882 882	2 501 860	1 162 500
Shares	27 333 515	-	-	-	-	-	-
Investment funds	54 688 111	-	-	-	-	-	-
Cash	8 239 407	8 239 407	8 239 407	-	-	-	-
Receivables	372 731	372 731	371 853	878	-	-	-
Other financial assets	-148 953	-148 953	-148 953	-	-	-	-
Derivatives	131 264	131 264	95 488	35 776	-	-	-
Total assets	**137 937 393**	**71 846 935**	**19 619 849**	**11 052 057**	**8 524 722**	**7 863 687**	**24 786 621**

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

DATA IN THUF

31 DECEMBER 2022 (RESTATED)	BOOK VALUE	CONTRACTUAL CASH FLOW	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Liabilities *	**8 924 037**	**8 924 036**	**7 225 218**	**424 117**	**946 826**	**327 875**	**-**
Of these lease liabilities	474 893	474 893	71 714	71 714	143 428	188 037	-
Government bonds	22 899 286	36 028 604	4 881 536	4 805 250	1 958 682	7 089 975	17 293 160
Corporate bonds	4 566 451	5 197 526	644 279	684 172	1 354 961	415 702	2 098 413
Shares	24 874 428	-	-	-	-	-	-
Investment funds	46 537 497	-	-	-	-	-	-
Cash	19 698 901	19 698 901	19 698 901	-	-	-	-
Receivables	3 523 976	3 523 976	3 523 293	683	-	-	-
Other financial assets	-2 986 256	-2 986 256	-2 986 256	-	-	-	-
Derivatives	82 112	82 112	62 300	19 812	-	-	-
Total assets	**119 196 395**	**61 544 863**	**25 824 053**	**5 509 917**	**3 313 643**	**7 505 677**	**19 391 573**

** Loans, financial reinsurance, investment contracts, other liabilities and provisions, lease liabilities*

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

DATA IN THUF

2023	INSURANCE CONTRACTS ASSETS			INSURANCE CONTRACTS LIABILITIES			ALL INSURANCE CONTRACTS
	LFRC (LIABILITY FOR REMAINING COVERAGE)	LFIC (LIABILITY FOR INCURRED CLAIMS)	SUBTOTAL	LFRC (LIABILITY FOR REMAINING COVERAGE)	LFIC (LIABILITY FOR INCURRED CLAIMS)	SUBTOTAL	TOTAL
Within 1 year	-890 850	221 459	-669 391	622 152	2 833 304	3 455 456	2 786 064
Within 2 years	-717 180	27 131	-690 050	3 720 158	1 331 175	5 051 333	4 361 284
Within 3 years	-572 458	4 419	-568 039	6 017 552	596 549	6 614 101	6 046 062
Within 4 years	-454 616	-	-454 616	7 901 388	28 720	7 930 108	7 475 492
Within 5 years	-359 669	-	-359 669	9 070 290	6 181	9 076 470	8 716 801
Over 5 years	-1 076 068	-	-1 076 068	69 849 336	4 949	69 854 286	68 778 218
	-4 070 842	**253 008**	**-3 817 833**	**97 180 876**	**4 800 879**	**101 981 755**	**98 163 922**

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

DATA IN THUF

2023	INSURANCE CONTRACTS ASSETS			INSURANCE CONTRACTS LIABILITIES			ALL INSURANCE CONTRACTS
	LFRC (LIABILITY FOR REMAINING COVERAGE)	LFIC (LIABILITY FOR INCURRED CLAIMS)	SUBTOTAL	LFRC (LIABILITY FOR REMAINING COVERAGE)	LFIC (LIABILITY FOR INCURRED CLAIMS)	SUBTOTAL	TOTAL
Within 1 year	567 519	-238 155	329 364	102 735	-50 435	52 299	381 664
Within 2 years	400 418	-94 569	305 849	49 451	-5 870	43 581	349 430
Within 3 years	267 342	-6 804	260 538	47 192	-947	46 245	306 783
Within 4 years	201 966	-	201 966	39 486	-	39 486	241 452
Within 5 years	150 889	-	150 889	29 918	-	29 918	180 807
Over 5 years	425 495	-	425 495	133 151	-	133 151	558 646
	2 013 629	**-339 528**	**1 674 101**	**401 932**	**-57 252**	**344 681**	**2 018 782**

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 2023 and 2022:

Life segment:

DATA IN THUF

31 DECEMBER 2023	CSM	RESULT		EQUITY
	EUR	EUR	USD	EUR
Year-end FX rate	382,78	382,78	346	382,78
Possible change (+)	10%	10%	10%	10%
Possible change (-)	10%	10%	10%	10%
Impact of FX rate increase on financial assets (thousand forints)	-	34 240	260 261	-
Impact of FX rate decrease on financial assets (thousand forints)	-	-34 240	-260 261	-
Impact of FX rate increase on financial liabilities (thousand forints)	-	-35 180	-259 435	-
Impact of FX rate decrease on financial liabilities (thousand forints)	-	35 180	259 435	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies (thousand forints)	-92 411	110 718	-	-5 451 503
Impact of FX rate decrease on liabilities from insurance and reinsurance policies (thousand forints)	33 034	-123 699	-	5 410 723

DATA IN THUF

31 DECEMBER 2022	CSM	RESULT		EQUITY
	EUR	EUR	USD	EUR
Year-end FX rate	400,25	400,25	376	400,25
Possible change (+)	10%	10%	10%	10%
Possible change (-)	10%	10%	10%	10%
Impact of FX rate increase on financial assets (thousand forints)	-	121 873	284 445	-
Impact of FX rate decrease on financial assets (thousand forints)	-	-121 873	-284 445	-
Impact of FX rate increase on financial liabilities (thousand forints)	-	-61 830	-284 445	-
Impact of FX rate decrease on financial liabilities (thousand forints)	-	61 830	284 445	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies (thousand forints)	-382 147	151 549		-5 980 533
Impact of FX rate decrease on liabilities from insurance and reinsurance policies (thousand forints)	357 121	-236 781		6 228 985

Non-life segment:

DATA IN THUF

31 DECEMBER 2023	CSM EUR	RESULT EUR	EQUITY EUR
Year-end FX rate	382,78	382,78	382,78
Possible change (+)	10%	10%	10%
Possible change (-)	10%	10%	10%
Impact of FX rate increase on financial assets (thousand forints)	-	143 316	-
Impact of FX rate decrease on financial assets (thousand forints)	-	-143 316	-
Impact of FX rate increase on financial liabilities (thousand forints)	-	-55 100	-
Impact of FX rate decrease on financial liabilities (thousand forints)	-	55 100	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies (thousand forints)	-	-150 123	-147 727
Impact of FX rate decrease on liabilities from insurance and reinsurance policies (thousand forints)	-	150 123	147 727

DATA IN THUF

2022. DECEMBER 31.	CSM EUR	RESULT EUR	EQUITY EUR
Year-end FX rate	400,25	400,25	400,25
Possible change (+)	10%	10%	10%
Possible change (-)	10%	10%	10%
Impact of FX rate increase on financial assets (thousand forints)	-	168 072	-
Impact of FX rate decrease on financial assets (thousand forints)	-	-168 072	-
Impact of FX rate increase on financial liabilities (thousand forints)	-	-10 910	-
Impact of FX rate decrease on financial liabilities (thousand forints)	-	10 910	-
Impact of FX rate increase on liabilities from insurance and reinsurance policies (thousand forints)	-	-174 831	-171 245
Impact of FX rate decrease on liabilities from insurance and reinsurance policies (thousand forints)	-	174 831	171 245

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 2022 and 2023 year-end:

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)
Fixed interest	47 321 316	27 465 742
Floating interest	-	-
Interest-bearing assets	**47 321 316**	**27 465 742**
Fixed interest	-	-
Floating interest	-	-
Interest-bearing liabilites	**-**	**-**

The Group's interest-bearing assets and liabilities bore the following interest rates as of the end of 2022 and 2023:

DATA IN THUF

	31 DECEMBER 2023			31 DECEMBER 2022	
	HUF	EUR	USD	HUF	EUR
Government bonds	1,5%-9,5%	0,5%-5%	6,13%-6,75%	0%-6,75%	1,25%
Corporate bonds	3,25%-16%	2,5%-9%	n/a	2%-14%	2,5%-8,75%
Cash and cash equivalents	18,24%	n/a	n/a	12,79%-13,79%	-
Loans and financial reinsurance	n/a	n/a	n/a	n/a	3,38% - 7,91%
Lease liabilities	2,65%-3%	4,18%	n/a	2,65%-3%	2,7%-2,8%

The following table shows the interest rate sensitivity of assets and liabilities from insurance and reinsurance contracts, as well as financial assets and liabilities, i.e. the CSM, result and equity impact in the event of a 1% increase or decrease in the interest rate.

Life segment:

DATA IN THUF

2023	CSM		RESULT		EQUITY	
	INCREASE	DECREASE	INCREASE	INCREASE	DECREASE	INCREASE
Liabilities from insurance and reinsurance contracts	123 417	-249 831	-46 947	-4 563	1 327 614	-1 600 621
Financial assets and liabilities	-	-	-419 260	454 800	-	-
	123 417	**-249 831**	**-466 207**	**450 237**	**1 327 614**	**-1 600 621**

DATA IN THUF

2022	CSM		RESULT		EQUITY	
	INCREASE	DECREASE	INCREASE	INCREASE	DECREASE	INCREASE
Liabilities from insurance and reinsurance contracts	-2 554	11 198	11 207	-9 970	771 213	-855 898
Financial assets and liabilities	-	-	-253 414	272 791	-	-
	-2 554	**11 198**	**-242 207**	**262 821**	**771 213**	**-855 898**

Non-life segment:

DATA IN THUF

2023	CSM		RESULT		EQUITY	
	INCREASE	DECREASE	INCREASE	INCREASE	DECREASE	INCREASE
Liabilities from insurance and reinsurance contracts	-	-	-	-	63 245	-65 151
Financial assets and liabilities	-	-	-159 229	165 502	-	-
	-	**-**	**-159 229**	**165 502**	**63 245**	**-65 151**

DATA IN THUF

2022	CSM		RESULT		EQUITY	
	INCREASE	DECREASE	INCREASE	INCREASE	DECREASE	INCREASE
Liabilities from insurance and reinsurance contracts	-	-	-	-	38 659	-15 222
Financial assets and liabilities	-	-	-111 125	114 989	-	-
	-	**-**	**-111 125**	**114 989**	**38 659**	**-15 222**

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 THUF

2023	CSM DECREASE	RESULT DECREASE	EQUITY DECREASE
Liabilities from insurance and reinsurance contracts	283 159	-164 454	6 585 957
Financial assets and liabilities	-		-261 451
	283 159	**-164 454**	**6 324 507**

DATA IN THUF

2022	CSM DECREASE	RESULT DECREASE	EQUITY DECREASE
Liabilities from insurance and reinsurance contracts	166 111	-171 979	5 685 624
Financial assets and liabilities	-	-	-80 747
	166 111	**-171 979**	**5 604 878**

7. CAPITAL ADEQUACY

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 31.12.2023 is more than 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). 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.

DATA IN THUF

	31.12.2023	31.12.2022 (RESTATED)
Available solvency capital for SCR	20 666 565	16 180 188
Available solvency capital for MCR	20 666 565	16 180 188
Solvency capital requirement (SCR)	9 543 386	8 076 322
Minimal capital requirement (MCR)	3 820 000	3 820 000
Solvency capital adequacy (to SCR)	217%	200%
Solvency capital adequacy (to MCR)	541%	424%

8. FINANCIAL INFORMATION BY SEGMENTS

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

DATA IN THUF

	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	OTHER	CIG LIFE INSURANCE SEGMENT
Insurance revenue	3 586 358	419 817	265 379	3 456 381	406 798	2 551 999	1 127 952	-	11 814 684
Insurance service expenses	-3 229 518	-285 077	-306 426	-2 695 150	-378 197	-1 802 956	-1 370 062	-	-10 067 386
Reinsurance expense- allocation of premium	27 186	-82 680	-	-42 584	-34 774	-230 858	-264 117	-	-682 199
Amount recoverables from reinsurance	15 612	93 189	-	12 086	2 555	129 066	721 258	-	973 766
Insurance service result	**345 266**	**145 249**	**-41 047**	**730 733**	**-3 618**	**647 251**	**215 031**	**-**	**2 038 865**
Interest income calculated using the effective interest method	-	-	-	-	-	-	-	1 251 844	1 251 844
Investment income	-	-	-	-	-	-	-	7 976 177	7 976 177
Impairment and reversed impairment of Financial assets	-	-	-	-	-	-	-	3 271	3 271
Investment expenses	-	-	-	-	-	-	-	110 149	110 149
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	454 329	454 329
Investment income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9 795 770**	**9 795 770**
Insurance financial result	-13 467	-2 992	-1 188 653	-5 914 060	-485 673	-5 999	70 170	-	-7 540 674
Reinsurance financial result	786	-10 915	-	-4 291	875	3 684	-44 811	-	-54 672
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	-402 894	-402 894
Financial results	**-12 681**	**-13 907**	**-1 188 653**	**-5 918 351**	**-484 798**	**-2 315**	**25 359**	**-402 894**	**-7 998 240**

DATA IN THUF

	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	OTHER	CIG LIFE INSURANCE SEGMENT
Premium and commission income from investment contracts	-	-	-	-	-	-	-	76 621	76 621
Other operating costs	-	-	-	-	-	-	-	-180 920	-180 920
Other (non-financial) income	-	-	-	-	-	-	-	317 601	317 601
Other (non-financial) expenses	-	-	-	-	-	-	-	-380 407	-380 407
Profit/loss before taxation	**332 585**	**131 342**	**-1 229 700**	**-5 187 618**	**-488 416**	**644 936**	**240 390**	**9 225 771**	**3 669 290**
Tax income / (expenses)	-	-	-	-	-	-	-	-746 723	-746 723
Deferred tax income / (expenses)	-	-	-	-	-	-	-	14 780	14 780
Total profit/loss after taxation	**332 585**	**131 342**	**-1 229 700**	**-5 187 618**	**-488 416**	**644 936**	**240 390**	**8 493 828**	**2 937 347**
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-	-	-	3 099 068	3 099 068
OCI from insurance contracts	-	-	-	-	-2 172 815	493 313	92 312	-	-1 587 190
OCI from reinsurance contracts	-	-	-	-4 328	1 975	-68 112	-86 594	-	-157 059
Comprehensive income, would be reclassified to profit or loss in the future	**-**	**-**	**-**	**-4 328**	**-2 170 840**	**425 201**	**5 718**	**3 099 068**	**1 354 819**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 806 883**	**1 806 883**
Other comprehensive income	**-**	**-**	**-**	**-4 328**	**-2 170 840**	**425 201**	**5 718**	**4 905 951**	**3 161 702**
Total comprehensive income	**332 585**	**131 342**	**-1 229 700**	**-5 191 946**	**-2 659 256**	**1 070 137**	**246 108**	**13 399 779**	**6 099 049**

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

DATA IN THUF

	CREDIT COVERAGE INSURANCE – NON-LIFE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	OTHER NON-LIFE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ITEMS OF FINANCIAL STATEMENT DEDUCTION (CONSOLIDATION)	TOTAL
Insurance revenue	2 663 183	2 427 850	3 607 002	491 962	344 305	-	9 534 302	-	-	21 348 986
Insurance service expenses	-1 991 678	-2 947 643	-2 214 543	-298 823	-337 391	-	-7 790 078	-	-	-17 857 464
Reinsurance expense-allocation of premium	-231 740	-583 204	-1 672 965	-207 597	-137 847	-	-2 833 353	-	-	-3 515 552
Amount recoverables from reinsurance	-201 465	638 128	321 819	1 592	156 568	-	916 642	-	-	1 890 408
Insurance service result	**238 300**	**-464 869**	**41 313**	**-12 866**	**25 635**	**-**	**- 172 487**	**-**	**-**	**1 866 378**
Interest income calculated using the effective interest method	-	-	-	-	-	665 225	665 225	-	-	1 917 069
Investment income	-	-	-	-	-	538 323	538 323	148 905	- 148 905	8 514 500
Impairment and reversed impairment of Financial assets	-	-	-	-	-	-1 662	-1 662	-	-	1 609
Investment expenses	-	-	-	-	-	-280 192	- 280 192	-70 095	- 885 314	-1 125 452
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	8 532	107 810	570 671
Investment income	**-**	**-**	**-**	**-**	**-**	**921 694**	**921 694**	**87 342**	**- 926 409**	**9 878 397**
Insurance financial result	-6 860	-21 895	-47 180	29 375	-1 420	-	- 47 980	-	-	-7 588 654
Reinsurance financial result	35 093	-2 368	3 023	32 603	920	-	69 271	-	-	14 599
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	-	-	- 402 894
Financial results	**28 233**	**-24 263**	**-44 157**	**61 978**	**- 500**	**-**	**21 291**	**-**	**-**	**- 7 976 949**

DATA IN THUF

	CREDIT COVERAGE INSURANCE – NON-LIFE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	OTHER NON-LIFE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ITEMS OF FINANCIAL STATEMENT DEDUCTION (CONSOLIDATION)	TOTAL
Premium and commission income from investment contracts	-	-	-	-	-	-	-	-	-	76 621
Other operating costs	-	-	-	-	-	-47 430	- 47 430	-14 540	9 649	- 233 241
Other (non-financial) income	-	-	-	-	-	124 343	124 343	14 769	- 259 566	197 147
Other (non-financial) expenses	-	-	-	-	-	-41 180	- 41 180	-	249 848	- 171 739
Profit/loss before taxation	**266 533**	**-489 132**	**-2 844**	**49 112**	**25 135**	**957 427**	**806 231**	**87 571**	**- 926 478**	**3 636 614**
Tax income / (expenses)	-	-	-	-	-	-31 122	- 31 122	-10	-	- 777 855
Deferred tax income / (expenses)	-	-	-	-	-	-	-	-	-	14 780
Total profit/loss after taxation	**266 533**	**-489 132**	**-2 844**	**49 112**	**25 135**	**926 305**	**775 109**	**87 561**	**- 926 478**	**2 873 539**
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-	364 378	364 378	-	-	3 463 446
OCI from insurance contracts	19 505	-32 914	-55 788	-13 176	-2 105	-	- 84 478	-	-	-1 671 668
OCI from reinsurance contracts	-102 301	-13 931	15 877	-1 814	2 569	-	- 99 600	-	-	- 256 659
Comprehensive income, would be reclassified to profit or loss in the future	**-82 796**	**-46 845**	**-39 911**	**-14 990**	**464**	**364 378**	**180 300**	**-**	**-**	**1 535 119**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 806 883**
Other comprehensive income	**-82 796**	**-46 845**	**-39 911**	**-14 990**	**464**	**364 378**	**180 300**	**-**	**-**	**3 342 002**
Total comprehensive income	**183 737**	**-535 977**	**-42 755**	**34 122**	**25 599**	**1 290 683**	**955 409**	**87 561**	**- 926 478**	**6 215 541**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 2023

DATA IN THUF

ASSETS	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ITEMS OF FINANCIAL STATEMENT DEDUCTION (CONSOLIDATION)	TOTAL
Intangible Assets	661 888	272 516	-	-	934 404
Property, plant and equipment	104 307	12 489	-	-	116 796
Right-of-use assets	175 156	95 873	-	-	271 029
Deferred tax assets	336 871	-	-	-	336 871
Subsidiaries	6 698 411	-	-	-6 698 411	-
Associated companies	51 753	-	-	725 042	776 795
Insurance contract assets	1 058 131	183 988	-	-	1 242 119
Reinsurance contract assets	659 405	1 898 646	-	-	2 558 051
Investments for policyholders of unit-linked life insurance policies	94 424 412	-	-	-	94 424 412
Financial assets – investments contracts	4 763 115	-	-	-	4 763 115
Financial asset - Derivatives	109 418	20 871	-	-	130 289
Other financial assets at fair value	24 497 672	11 480 918	-	-	35 978 590
Other assets and prepayments	65 435	14 292	-	-	79 727
Other receivables	62 985	82 328	574	2 772	148 659
Treasury share	-	-	139 358	-139 358	-
Receivables from associates	118 288	67 226	413 422	-598 936	-
Cash and cash equivalents	1 709 364	756 188	26 776	-	2 492 328
Total Assets	**135 496 611**	**14 885 335**	**580 130**	**-6 708 891**	**144 253 185**

DATA IN THUF

ASSETS	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ITEMS OF FINANCIAL STATEMENT DEDUCTION (CONSOLIDATION)	TOTAL
LIABILITIES					
Insurance contract liabilities	106 134 480	4 085 574	-	-	110 220 054
Reinsurance contract liabilities	91 214	284 793	-	-	376 007
Financial liabilities – Investement contracts	4 763 115	-	-	-	4 763 115
Financial liabilities - Derivatives	-	-	-	-	-
Lease liabilities	203 489	110 795	-	-	314 284
Provisions	126 072	136 371	-	-	262 443
Other liabilities	1 563 026	3 455 480	1 448	-	5 019 954
Intercompany payables	67 227	117 711	40	-184 978	-
Liabilities to shareholders	33 407	-	-	-	33 407
Total Liabilities	**112 982 030**	**8 190 724**	**1 488**	**-184 978**	**120 989 264**
NET ASSETS	**22 514 581**	**6 694 611**	**578 642**	**-6 523 913**	**23 263 921**

SHAREHOLDER'S EQUITY					
Registered capital	3 116 133	1 090 000	242 730	- 1 332 730	3 116 133
Capital reserve	4 019 111	9 105 236	-	- 11 971 357	1 152 990
Treasury shares	-31 996	-	-	-	-31 996
Other reserve	-955 030	15 289	-	-	-939 741
Retained earnings	16 366 363	-3 515 913	335 911	6 780 174	19 966 535
Total shareholder's equity	**22 514 581**	**6 694 612**	**578 641**	**-6 523 913**	**23 263 921**

2022 – Consolidated statement of comprehensive income by segment and by portfolio group

DATA IN THUF

2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	OTHER	CIG LIFE INSURANCE SEGMENT
Insurance revenue	2 621 048	275 732	229 881	3 717 885	574 194	1 484 978	376 373	-	9 280 091
Insurance service expenses	-2 463 772	-252 576	-139 616	-2 897 074	-523 398	-972 839	-905 347	-	-8 154 622
Reinsurance expense- allocation of premium	-30 868	-174 839	-	-86 622	-51 859	-114 286	-78 176	-	-536 650
Amount recoverables from reinsurance	12 337	131 544	-	114 872	35 833	60 269	470 572	-	825 427
Insurance service result	**138 745**	**-20 139**	**90 265**	**849 061**	**34 770**	**458 122**	**-136 578**	**-**	**1 414 246**
Interest income calculated using the effective interest method	-	-	-	-	-	-	-	770 141	770 141
Investment income	-	-	-	-	-	-	-	705 671	705 671
Impairment and reversed impairment of Financial assets	-	-	-	-	-	-	-	-7 072	-7 072
Investment expenses	-	-	-	-	-	-	-	-3 193 733	-3 193 733
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	834 500	834 500
Investment income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-890 493**	**-890 493**
Insurance financial result	1 767	994	272 447	1 636 188	-288 985	44 338	29 636	-	1 696 385
Reinsurance financial result	-703	-10 682	-	-3 498	-1 921	-3 890	-27 897	-	-48 591
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	178 470	178 470
Financial results	**1 064**	**- 9 688**	**272 447**	**1 632 690**	**-290 906**	**40 448**	**1 739**	**178 470**	**1 826 264**
Premium and commission income from investment contracts	-	-	-	-	-	-	-	105 045	105 045
Other operating costs	-	-	-	-	-	-	-	-317 272	-317 272
Other (non-financial) income	-	-	-	-	-	-	-	356 104	356 104
Other (non-financial) expenses	-	-	-	-	-	-	-	-368 122	-368 122
Profit/loss before taxation	**139 809**	**-29 827**	**362 712**	**2 481 751**	**-256 136**	**498 570**	**-134 839**	**-936 268**	**2 125 772**

DATA IN THUF

2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	OTHER	CIG LIFE INSURANCE SEGMENT
Tax income / (expenses)	-	-	-	-	-	-	-	-240 028	-240 028
Deferred tax income / (expenses)	-	-	-	-	-	-	-	-	-
Total profit/loss after taxation	**139 809**	**-29 827**	**362 712**	**2 481 751**	**-256 136**	**498 570**	**-134 839**	**-1 176 296**	**1 885 744**
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-	-	-	-3 012 264	-3 012 264
OCI from insurance contracts	-	-	-	-	2 435 439	-315 838	-69 784	-	2 049 817
OCI from reinsurance contracts	-	-	-	6 786	-4 822	65 314	76 250	-	143 528
Comprehensive income, would be reclassified to profit or loss in the future	**-**	**-**	**-**	**6 786**	**2 430 617**	**-250 524**	**6 466**	**-3 012 264**	**-818 919**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-602 294**	**-602 294**
Other comprehensive income	**-**	**-**	**-**	**6 786**	**2 430 617**	**-250 524**	**6 466**	**-3 614 558**	**-1 421 213**
Total comprehensive income	**139 809**	**-29 827**	**362 712**	**2 488 537**	**2 174 481**	**248 046**	**-128 373**	**-4 790 854**	**464 531**

DATA IN THUF

2022 CONT.	CREDIT COVERAGE INSURANCE – NON-LIFE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	OTHER NON-LIFE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ITEMS OF FINANCIAL STATEMENT DEDUCTION (CONSOLIDATION)	TOTAL
Insurance revenue	887 827	1 627 372	1 444 754	340 459	90 820	-	4 391 232	-	-	13 671 323
Insurance service expenses	-1 930 459	-2 422 378	-1 310 874	679 328	-126 371	-	-5 110 754	-	-	-13 265 376
Reinsurance expense-allocation of premium	158 338	-460 298	-521 202	-145 007	-35 452	-	-1 003 621	-	-	-1 540 271
Amount recoverables from reinsurance	659 636	552 448	99 269	100	43 141	-	1 354 594	-	-	2 180 021
Insurance service result	**-224 658**	**-702 856**	**-288 053**	**874 880**	**-27 862**	**-**	**-368 549**	**-**	**-**	**1 045 697**
Interest income calculated using the effective interest method	-	-	-	-	-	331 812	331 812	-	-	1 101 953
Investment income	-	-	-	-	-	223 917	223 917	388 194	-363 508	954 274
Impairment and reversed impairment of Financial assets	-	-	-	-	-	753	753	-	-	-6 319
Investment expenses	-	-	-	-	-	-315 711	-315 711	-758 327	1 207 737	-3 060 034
Yield on investment accounted for using equity method (profit)	-	-	-	-	-	-	-	8 532	-361 369	481 663
Investment income	**-**	**-**	**-**	**-**	**-**	**240 771**	**240 771**	**-361 601**	**482 860**	**-528 463**
Insurance financial result	10 368	-	-20 222	-231 432	-	-	-241 286	-	-	1 455 099
Reinsurance financial result	-19 908	-	-	6 405	-	-	-13 503	-	-	-62 094
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	-	-	178 470
Financial results	**-9 540**	**-**	**-20 222**	**-225 027**	**-**	**-**	**-254 789**	**-**	**-**	**1 571 475**

DATA IN THUF

2022 CONT.	CREDIT COVERAGE INSURANCE – NON-LIFE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	OTHER NON-LIFE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ITEMS OF FINANCIAL STATEMENT DEDUCTION (CONSOLIDATION)	TOTAL
Premium and commission income from investment contracts	-	-	-	-	-	-	-	-	-	105 045
Other operating costs	-	-	-	-	-	-124 814	-124 814	-16 279	11 747	-446 618
Other (non-financial) income	-	-	-	-	-	106 158	106 158	16 642	-204 614	274 290
Other (non-financial) expenses	-	-	-	-	-	-36 565	-36 565	-	193 491	-211 196
Profit/loss before taxation	**-234 198**	**-702 856**	**-308 275**	**649 853**	**-27 862**	**185 550**	**-437 788**	**-361 238**	**483 484**	**1 810 230**
Tax income / (expenses)	-	-	-	-	-	-35 335	-35 335	-16	-	-275 379
Deferred tax income / (expenses)	-	-	-	-	-	-	-	-	-	-
Total profit/loss after taxation	**-234 198**	**-702 856**	**-308 275**	**649 853**	**-27 862**	**150 215**	**-473 123**	**-361 254**	**483 484**	**1 534 851**
OCI from change in fair value of other financial assets at fair value	-	-	-	-	-	-77 700	-77 700	-	-	-3 089 963
OCI from insurance contracts	-16 602	8 515	32 151	59 882	781	-	84 727	-	-	2 134 544
OCI from reinsurance contracts	17 661	3 368	-5 205	1 645	-781	-	16 688	-	-	160 215
Comprehensive income, would be reclassified to profit or loss in the future	**1 059**	**11 883**	**26 946**	**61 527**	**-**	**-77 700**	**23 715**	**-**	**-**	**-795 204**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-602 294**
Other comprehensive income	**1 059**	**11 883**	**26 946**	**61 527**	**-**	**-77 700**	**23 715**	**-**	**-**	**-1 397 498**
Total comprehensive income	**-233 139**	**-690 973**	**-281 329**	**711 380**	**-27 862**	**72 515**	**-449 408**	**-361 254**	**483 484**	**137 353**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 2022

DATA IN THUF

	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ITEMS OF FINANCIAL STATEMENT DEDUCTION (CONSOLIDATION)	TOTAL
ASSETS					
Intangible Assets	730 572	261 486	-	-	992 058
Property, plant and equipment	132 659	16 197	-	-	148 856
Right-of-use assets	276 579	132 594	-	-	409 173
Deferred tax assets	590 836	-	-	-	590 836
Subsidiaries	4 243 003	-	-	-4 243 003	-
Associated companies	51 753	-	-	608 700	660 453
Insurance contract assets	1 017 460	89 029	-	-	1 106 489
Reinsurance contract assets	280 200	1 069 710	-	-	1 349 910
Investments for policyholders of unit-linked life insurance policies	86 205 307	-	-	-	86 205 307
Financial assets – investments contracts	5 167 307	-	-	-	5 167 307
Financial asset - Derivatives	34 467	24 323	-	-	58 790
Other financial assets at fair value	16 413 265	8 019 058	-	-	24 432 323
Other assets and prepayments	65 374	13 857	-	-	79 231
Other receivables	100 255	136 798	57	2 772	239 882
Treasury share	-	-	111 865	-111 865	-
Receivables from associates	111 972	29 772	358 704	-500 448	-
Cash and cash equivalents	2 588 804	485 936	18 046	-	3 092 786
Total Assets	**118 009 813**	**10 278 760**	**488 672**	**-4 243 844**	**124 533 401**

DATA IN THUF

	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ITEMS OF FINANCIAL STATEMENT DEDUCTION (CONSOLIDATION)	TOTAL
LIABILITIES					
Insurance contract liabilities	92 720 887	3 594 534	-	-	96 315 421
Reinsurance contract liabilities	491 127	61 687	-	-	552 814
Financial liabilities – Investement contracts	5 167 307	-	-	-	5 167 307
Financial liabilities - Derivatives	-	-	-	-	-
Lease liabilities	318 780	156 112	-	-	474 892
Provisions	196 134	323 834	-	-	519 968
Other liabilities	939 712	1 791 905	1 572	-	2 733 189
Intercompany payables	30 372	111 485	20	- 141 877	-
Liabilities to shareholders	30 253	-	-	-	30 253
Total Liabilities	**99 894 572**	**6 039 557**	**1 592**	**- 141 877**	**105 793 844**
NET ASSETS	**18 115 241**	**4 239 203**	**487 080**	**-4 101 967**	**18 739 557**
SHAREHOLDER'S EQUITY					
Registered capital	3 116 133	1 075 000	275 730	-1 350 730	3 116 133
Capital reserve	4 019 111	7 620 236	-	- 10 486 357	1 152 990
Treasury shares	-31 996	-	-	-	-31 996
Other reserve	-4 116 731	-165 012	-	-	-4 281 743
Retained earnings	15 128 724	- 4 291 022	211 351	7 735 120	18 784 173
Total shareholder's equity	**18 115 241**	**4 239 202**	**487 081**	**-4 101 967**	**18 739 557**

The 87% rise in our consolidated accounting profit after tax means that our profit for 2022 under IFRS 17 increased from HUF 1,535 million to HUF 2,873 million. **The biggest contributor to our growth was the income from our investments due to the high yield environment,** as we were able to earn higher interest rates on the amounts invested from our maturing or sold securities this year.

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

In the non-life segment, our technical result increased by a total of HUF 473 million, which combines two significant effects.

i. *For typically short-term contracts - PAA valuation method: within that corporate property contracts - we have achieved significant result growth, largely due to stock growth in these portfolios and partly due to efficiency changes to improve the result.*

ii. *The decrease in the annual result on the contract portfolio valued using the GMM methodology was due to the significant positive settlement result on Italian suretyship products in 2022, as a result of the closure of cases still pending at that time, which did not recur in 2023. However, this was partly offset by an improvement in the profit of credit coverage products, in line with the growing portfolio.*

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

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

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

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

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

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

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

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

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

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

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

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

Credit coverage insurance and account protection products (annual profit improvement: HUF 372 million): In the third quarter of 2022 the portfolio group was expanded with group credit coverage insurance contracts taken over from BNP Paribas Cardif Insurer. For the group credit coverage insurance contracts taken over, the Insurer formed a loss component in the quarter of takeover (2022Q3), which had a negative effect on the result of 2022. This loss component was formed due to the profit assumptions calculated from the assumed cash flows expected from the portfolio. If everything develops as expected by the Insurer, this portfolio will not cause any further losses for the Insurer. A similar loss component was not needed in 2023, and this effect will significantly improve our result year-on-year. The result also increased due to the growth of the portfolio. In spring 2022, the sale of a wide range of credit insurance products through Magyar Bankholding member companies was launched, which contributes significantly to the continued growth of the portfolio group.

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

Corporate property insurance products (annual profit improvement: HUF 305 million): The annual increase in profit is due to the significant growth in the insurance stock, which offset the increase of related costs and services. The product group is characterized by a low claim ratio.

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

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

9. CSM – CONTRACTUAL SERVICE MARGIN

The contractual service margin or CSM is a component of the insurance asset or liability associated with a given GIC that represents the expected future profit not yet earned. This is recognised as revenue by the insurer at the rate at which the service is provided in relation to the given GIC.

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

2023

DATA IN THUF

CONTRACTUAL SERVICE MARGIN - DIRECT	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	TOTAL
Opening insurance contract assets	**-**	**-**	**-**	**-1 667 081**	**-**	**-**	**-**	**-1 667 081**
Opening insurance contract liabilities	**-45 625**	**-1 886 001**	**-1 408 410**	**-29 626**	**-61 913**	**-**	**-62 400**	**-3 493 975**
Changes related to current services								
- CSM recognized in profit and loss	7 940	555 898	83 113	681 809	73 668	101 262	208 427	1 712 117
Changes related to future services								
- Contracts initially recognized in the period	-69 769	-526 950	-96 657	-889 782	-315 047	-197 050	-333 337	-2 428 592
- Changes in estimates that adjust CSM	83 936	-1 185 147	675 334	-285 925	199 736	-66 123	-1 338	-579 527
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	-	-	-208 793	-46 646	-29 704	-55 840	-340 983
Net foreign exchange income or expense	505	5 767	1 468	-	-	-	139	7 879
Closing insurance contract assets	**-**	**-**	**-**	**-2 345 585**	**-**	**-**	**-**	**-2 345 585**
Closing insurance contract liabilities	**-23 013**	**-3 036 433**	**-745 152**	**-53 813**	**-150 202**	**-191 615**	**-244 349**	**-4 444 577**

2022

DATA IN THUF

CONTRACTUAL SERVICE MARGIN - DIRECT	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	TOTAL
Opening insurance contract assets	**-**	**-**	**-**	**-1 155 293**	**-13 593**	**-41 020**	**-45 169**	**-1 255 075**
Opening insurance contract liabilities	**-61 070**	**-1 829 825**	**-706 301**	**-23 950**	**-**	**-**	**-**	**-2 621 146**
Changes related to current services								
- CSM recognized in profit and loss	19 662	466 497	226 004	350 571	14 648	-	74 016	1 151 398
Changes related to future services								
- Contracts initially recognized in the period	-43 820	-410 588	-92 444	-669 320	-474 230	-182 339	-21 130	-1 893 871
- Changes in estimates that adjust CSM	41 196	-66 166	-832 117	-131 080	428 056	238 137	-67 256	-389 230
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-	-	-	-67 634	-16 793	-14 778	-2 624	-101 829
Net foreign exchange income or expense	-1 593	-45 920	-3 551	-	-	-	-237	-51 301
Closing insurance contract assets	**-**	**-**	**-**	**-1 667 081**	**-**	**-**	**-**	**-1 667 081**
Closing insurance contract liabilities	**-45 625**	**-1 886 001**	**-1 408 410**	**-29 626**	**-61 913**	**-**	**-62 400**	**-3 493 975**

CSM – contractual service margin

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

2023

DATA IN THUF

CONTRACTUAL SERVICE MARGIN - REINSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	SURETY INSURANCE	TOTAL
Opening reinsurance contract assets	**-**	**-8 001**	**208 459**	**729 068**	**88 106**	**1 017 632**
Opening reinsurance contract liabilities	**11 285**	**-**	**10 626**	**272 701**		**294 612**
Changes related to current services						
- CSM recognized in profit and loss	-961	-1 007	-38 150	-563 027	-173 797	-776 942
Changes related to future services						
- Contracts initially recognized in the period	-	-101	190 071	-75 595	300 379	414 754
- Changes in estimates that adjust CSM	-4 561	13 733	-158 939	2 415 022	-568	2 264 687
- Changes in estimates that result in onerous contracts or reversal of losses	-23	44	2 779	-282 038	-	-279 238
Reinsurance finance expenses through profit and loss	608	-769	24 870	88 085	39 404	152 198
Net foreign exchange income or expense	-	-	-	-	-	-
Closing reinsurance contract assets	**-**	**355**	**-**	**2 584 216**	**253 524**	**-**
Closing reinsurance contract liabilities	**6 348**	**3 544**	**239 716**	**-**	**-**	**249 608**

2022

DATA IN THUF

CONTRACTUAL SERVICE MARGIN - REINSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	SURETY INSURANCE	TOTAL
Opening reinsurance contract assets	**-**	**-**	**-**	**101 357**	**67 455**	**168 812**
Opening reinsurance contract liabilities	**2 326**	**-**	**192 488**	**11 715**	**-**	
Changes related to current services						
- CSM recognized in profit and loss	-1 546	3 990	-46 324	138 593	-102 953	-8 240
Changes related to future services						
- Contracts initially recognized in the period	-	-90	84 398	-9 147	86 569	161 730
- Changes in estimates that adjust CSM	10 378	236	-19 074	-207 908	32 434	-183 934
- Changes in estimates that result in onerous contracts or reversal of losses	23	-1 469	187	959 165	-	957 906
Reinsurance finance expenses through profit and loss	103	-798	7 409	7 994	4 601	19 309
Net foreign exchange income or expense	-	-	-	-	-	-
Closing insurance contract assets	**-**	**-8 001**	**208 459**	**729 068**	**88 106**	**1 017 632**
Closing reinsurance contract assets	**11 285**	**-**	**10 626**	**272 701**	**-**	**294 612**

The expected release of CSM (contractual service margin) – insurance contracts

DATA IN THUF

2023	1 YEAR	2 YEAR	3 YEAR	4 YEAR	5 YEAR	5 YEAR ABOVE	TOTAL
Credit coverage insurance	49 981	32 635	21 842	14 673	9 816	24 145	153 092
Corporate Property Insurance	109 528	60 405	19 675	2 007	-	-	191 615
Surety insurance	132 338	79 595	20 487	6 955	1 752	331	241 458
Single premium UL	6 888	5 048	3 469	2 302	1 448	3 857	23 012
Traditional regular premium life savings insurance	74 245	70 355	66 981	63 152	58 460	411 959	745 152
Risk life insurance	491 281	372 114	300 649	245 635	201 010	788 709	2 399 398
Regular premium UL	488 519	388 283	320 134	272 311	236 045	1 331 143	3 036 435
	1 352 780	**1 008 435**	**753 237**	**607 035**	**508 531**	**2 560 144**	**6 790 162**

The expected release of CSM (contractual service margin) – reinsurance contracts

DATA IN THUF

2023	1 YEAR	2 YEAR	3 YEAR	4 YEAR	5 YEAR	5 YEAR ABOVE	TOTAL
Credit coverage insurance	-610 067	-442 128	-339 217	-264 164	-205 546	-723 093	-2 584 215
Surety insurance	-145 550	-79 191	-20 043	-6 821	-1 668	-251	-253 524
Traditional regular premium life savings insurance	-878	-718	-583	-470	-347	-905	-3 901
Risk life insurance	-76 525	-44 382	-30 346	-23 393	-15 102	-49 967	-239 715
Regular premium UL	-1 398	-1 052	-797	-618	-489	-1 993	-6 347
	-834 418	**-567 471**	**-390 986**	**-295 466**	**-223 152**	**-776 209**	**-3 087 702**

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

DATA IN THUF

FAIR VALUE APPROACH 2023	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	TOTAL
Opening balance	868	270 084	843 055	26 162	1 140 169
Changes related to current services					
- CSM recognized in profit and loss	-225	-141 136	-38 328	-7 021	-186 710
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	-	-
- Changes in estimates that adjust CSM	216	248 730	-503 784	1 945	-252 893
Insurance finance expenses through profit and loss	-	-	-	1 409	1 409
Net foreign exchange income or expense	5	-7	-209	-	-212
Closing balance	**864**	**377 670**	**300 734**	**22 494**	**701 762**

FULL RETROSPECTIVE APPROACH 2023	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening balance	44 757	1 615 918	565 354	1 670 546	51 706	3 948 281
Changes related to current services						
- CSM recognized in profit and loss	-7 715	-414 762	-44 785	-674 788	-42 238	-1 184 288
Changes related to future services						
- Contracts initially recognized in the period	69 769	526 950	96 657	889 782	300 874	1 884 032
- Changes in estimates that adjust CSM	-84 152	936 417	-171 549	283 979	-274 734	689 961
Insurance finance expenses through profit and loss	-	-	-	207 384	46 193	253 578
Net foreign exchange income or expense	-510	-5 759	-1 258	-	-	-7 528
Closing balance	**22 149**	**2 658 763**	**444 419**	**2 376 903**	**81 802**	**5 584 036**

DATA IN THUF

FAIR VALUE APPROACH 2022	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	TOTAL
Opening balance	4 550	415 486	480 586	12 910	913 532
Changes related to current services					
- CSM recognized in profit and loss	-328	-78 025	-166 796	-8 165	-253 314
Changes related to future services					
- Contracts initially recognized in the period	-	-	-	-	-
- Changes in estimates that adjust CSM	-3 397	-87 832	528 309	20 844	457 924
Insurance finance expenses through profit and loss	-	-	-	573	573
Net foreign exchange income or expense	43	20 455	955	-	21 454
Closing balance	**868**	**270 084**	**843 055**	**26 162**	**1 140 169**

FULL RETROSPECTIVE APPROACH 2022	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening balance	56 520	1 414 338	225 715	1 166 334	13 593	2 876 500
Changes related to current services						
- CSM recognized in profit and loss	-19 334	-388 472	-59 208	-342 406	-10 614	-820 034
Changes related to future services						
- Contracts initially recognized in the period	43 820	410 588	92 444	669 320	36 446	1 252 618
- Changes in estimates that adjust CSM	-37 799	153 998	303 808	110 236	9 600	539 844
Insurance finance expenses through profit and loss	-	-	-	67 062	2 680	69 742
Net foreign exchange income or expense	1 550	25 465	2 596	-	-	29 611
Closing balance	**44 757**	**1 615 918**	**565 354**	**1 670 546**	**51 706**	**3 948 281**

CSM – contractual service margin

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

DATA IN THUF

FAIR VALUE APPROACH 2023	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	TOTAL
Opening balance	11 285 194	967 793	-72 175	12 180 812
Changes related to current services				-
- CSM recognized in profit and loss	-960 819	- 1 091 352	861 283	-1 190 888
Changes related to future services				
- Contracts initially recognized in the period	-	-	-	-
- Changes in estimates that adjust CSM	-4 560 914	3 999 782	-3 463 566	-4 024 698
- Changes in estimates that result in onerous contracts or reversal of losses	-23 269	-	2 778 667	2 755 398
Insurance finance expenses through profit and loss	607 600	52 106	-3 886	655 820
Net foreign exchange income or expense	-	-	-	-
Closing balance	**6 347 792**	**3 928 329**	**100 324**	**10 376 445**

FULL RETROSPECTIVE APPROACH 2023	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening balance	-8 969 001	219 156 737	319 798 888	529 986 624
Changes related to current services				-
- CSM recognized in profit and loss	84 657	-39 011 013	-10 554 141	-49 480 497
Changes related to future services				-
- Contracts initially recognized in the period	-100 751	190 071 157	-	189 970 407
- Changes in estimates that adjust CSM	9 733 155	-155 475 148	-84 438 865	-230 180 858
- Changes in estimates that result in onerous contracts or reversal of losses	43 792	-	148 245 442	148 289 234
Insurance finance expenses through profit and loss	-820 959	24 873 585	29 107 159	53 159 785
Net foreign exchange income or expense	-	-	-	-
Closing balance	**-29 107**	**239 615 319**	**402 158 482**	**641 744 695**

CSM – contractual service margin

DATA IN THUF

FAIR VALUE APPROACH 2022	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	TOTAL
Opening balance	2 326 436	950 309	-1 753 732	1 523 013
Changes related to current services				
- CSM recognized in profit and loss	-1 545 748	-271 414	72 624	-1 744 538
Changes related to future services				
- Contracts initially recognized in the period	-	-	-	-
- Changes in estimates that adjust CSM	10 378 030	246 684	1 509 974	12 134 688
- Changes in estimates that result in onerous contracts or reversal of losses	23 269	-	176 787	200 056
Insurance finance expenses through profit and loss	103 208	42 215	-77 829	67 593
Net foreign exchange income or expense	-	-	-	-
Closing balance	**11 285 194**	**967 793**	**-72 175**	**12 180 812**

FULL RETROSPECTIVE APPROACH 2022	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Opening balance	-10 820 346	194 241 510	11 714 800	195 135 965
Changes related to current services				
- CSM recognized in profit and loss	4 261 542	-46 396 318	40 417 447	-1 717 329
Changes related to future services				
- Contracts initially recognized in the period	-89 711	84 398 162	22 540 571	106 849 021
- Changes in estimates that adjust CSM	-10 558	-20 584 290	-167 110 630	-187 705 479
- Changes in estimates that result in onerous contracts or reversal of losses	- 1 469 364	10 469	410 806 892	409 347 997
Insurance finance expenses through profit and loss	-840 563	7 487 204	1 429 808	8 076 449
Net foreign exchange income or expense	-	-	-	-
Closing balance	**-8 969 001**	**219 156 737**	**319 798 888**	**529 986 624**

The non-life segment used only the fair value appoach.

CSM – contractual service margin

10. INSURANCE INCOME

2023

DATA IN THUF

AMOUNTS RELATING TO CHANGES IN LFRC	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
- Expected benefits incurred	-	-	48 984	238 818	146 997	766 414	719 363	-	211 138	63 563	-	2 195 277
- Expected expenses incurred	-	-	101 094	1 197 618	114 599	405 565	608 959	-	54 976	36 228	-	2 519 039
- Change in the risk adjustment	-	-	5 843	236 533	26 560	91 499	160 848	-	23 638	17 489	-	562 410
- CSM recognized	-	-	7 940	555 898	83 113	681 809	73 668	-	101 262	208 427	-	1 712 117
Recovery of acquisition cash flows	-	-	101 518	1 227 514	35 529	606 712	1 965 231	-	167 304	166 255	-	4 270 063
Experience adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Contracts not measured under PAA	**-**	**-**	**265 379**	**3 456 381**	**406 798**	**2 551 999**	**3 528 069**	**-**	**558 318**	**491 962**	**-**	**11 258 906**
Contracts measured under PAA	**3 586 358**	**419 817**	**-**	**-**	**-**	**-**	**263 066**	**2 427 850**	**3 048 684**	**-**	**344 305**	**10 090 080**
Total insurance revenue	**3 586 358**	**419 817**	**265 379**	**3 456 381**	**406 798**	**2 551 999**	**3 791 135**	**2 427 850**	**3 607 002**	**491 962**	**344 305**	**21 348 986**

2022

DATA IN THUF

	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
- Expected benefits incurred	-	-	22 239	170 547	138 971	519 654	142 139	-	118 282	83 657	-	1 195 489
- Expected expenses incurred	-	-	97 451	1 340 120	151 318	207 677	111 391	-	28 935	17 140	-	1 954 032
- Change in the risk adjustment	-	-	3 557	233 565	12 314	77 237	29 491	-	15 225	26 545	-	397 934
- CSM recognized	-	-	19 662	466 497	226 004	350 571	14 648	-	-	74 016	-	1 151 398
Recovery of acquisition cash flows	-	-	86 972	1 507 156	45 587	329 839	711 314	-	70 876	139 101	-	2 890 845
Experience adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Contracts not measured under PAA	**-**	**-**	**229 881**	**3 717 885**	**574 194**	**1 484 978**	**1 008 983**	**-**	**233 318**	**340 459**	**-**	**7 589 698**
Contracts measured under PAA	**2 621 048**	**275 732**	**-**	**-**	**-**	**-**	**255 217**	**1 627 372**	**1 211 436**	**-**	**90 820**	**6 081 625**
Total insurance revenue	**2 621 048**	**275 732**	**229 881**	**3 717 885**	**574 194**	**1 484 978**	**1 264 200**	**1 627 372**	**1 444 754**	**340 459**	**90 820**	**13 671 323**

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

DATA IN THUF

INSURANCE REVENUE 2023	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Fair value approach	-	-	20 654	784 711	236 967	50 531	-	1 092 862
Full retrospective approach	**3 586 357**	**419 817**	**244 726**	**2 671 671**	**169 831**	**2 501 467**	**1 127 953**	**10 721 822**

DATA IN THUF

INSURANCE REVENUE 2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	TOTAL
Fair value approach	-1 366	-	24 285	821 254	382 071	53 287	-	1 279 531
Full retrospective approach	**2 622 411**	**275 732**	**205 597**	**2 896 632**	**192 124**	**1 431 691**	**376 373**	**8 000 560**

11. INSURANCE SERVICE EXPENSES

2023

DATA IN THUF

INCURRED BENEFITS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Incurred benefits	937 390	198 532	3 140	336 641	219 950	726 819	992 812	2 639 104	547 673	320 699	213 851	7 136 611
Incurred directly attributable expenses	859 290	46 029	129 463	1 246 331	134 389	382 908	644 506	282 395	371 090	19 398	23 486	4 139 285
Losses on onerous contracts and reversal of those losses	5 459	-6 716	101 441	39 059	134 777	-323	-336 713	-41 898	-59 704	-1 929	-13 481	-180 028
Changes that relate to past service - adjustments to LfIC	-80 211	-89 654	-29 136	-154 395	-146 448	86 840	-39 659	-507 710	-165 885	-205 600	-32 620	-1 364 478
Insurance acquisition costs	1 507 590	136 886	101 518	1 227 514	35 529	606 712	2 100 794	575 752	1 521 369	166 255	146 155	8 126 074
Total insurance service expense	**3 229 518**	**285 077**	**306 426**	**2 695 150**	**378 197**	**1 802 956**	**3 361 740**	**2 947 643**	**2 214 543**	**298 823**	**337 391**	**17 857 464**

2022

DATA IN THUF

INCURRED BENEFITS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Incurred benefits	557 245	232 703	26 555	161 784	306 691	439 508	210 976	1 670 045	200 437	182 494	47 501	4 035 939
Incurred directly attributable expenses	1 390 901	52 869	162 830	1 023 446	160 446	183 433	390 661	183 079	226 380	48 640	24 221	3 846 906
Losses on onerous contracts and reversal of those losses	22 142	13 027	29 302	33 773	60 161	987	1 392 507	164 950	57 720	-26 042	22 433	1 770 960
Changes that relate to past service - adjustments to LfIC	-113 443	-99 840	-166 043	170 915	-49 487	19 072	-22 450	-16 505	-3 195	-1 023 521	-	-1 304 497
Insurance acquisition costs	606 927	53 817	86 972	1 507 156	45 587	329 839	864 112	420 809	829 532	139 101	32 216	4 916 068
Total insurance service expense	**2 463 772**	**252 576**	**139 616**	**2 897 074**	**523 398**	**972 839**	**2 835 806**	**2 422 378**	**1 310 874**	**-679 328**	**126 371**	**13 265 376**

12. RESULT ON REINSURANCE

2023

DATA IN THUF

EXPECTED EXPENSES FOR CONTRACTS NOT MEASURED UNDER PAA	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
- Expected recovery of claims and other expenses	-	-	8 584	18 081	109 012	-123 354	-	-	28 478	-	40 801
- Change in the risk adjustment	-	-	1 102	734	10 070	31 740	-	-	5 322	-	48 968
- CSM recognized	-	-	961	1 007	38 150	563 027	-	-	173 797	-	776 942
- Experience adjustments	-	-	-	-	-	-	-	-	-	-	-
Expected expenses for contracts measured under PAA	27 186	82 680	31 934	14 952	73 626	24 444	583 204	1 672 965	-	137 847	2 648 841
Allocation of reinsurer premium	**27 186**	**82 680**	**42 584**	**34 774**	**230 858**	**495 857**	**583 204**	**1 672 965**	**207 597**	**137 847**	**3 515 552**
Amounts recovered for claims and other expenses	7 930	192 007	16 323	5 285	123 619	846 836	658 082	402 021	1 592	182 562	2 436 257
Incurred directly attributable expenses	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - recoverable claims and other expenses	7 682	-98 818	-4 214	-2 774	2 668	-45 005	-19 954	-80 202	-	-25 994	-266 611
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-23	44	2 779	-282 038	-	-	-	-	-279 238
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-	-
Amounts recoverable from reinsurer and incurred expenses	**15 612**	**93 189**	**12 086**	**2 555**	**129 066**	**519 793**	**638 128**	**321 819**	**1 592**	**156 568**	**1 890 408**
Net expense from reinsurance contracts held	**11 574**	**-10 509**	**30 498**	**32 219**	**101 792**	**-23 936**	**-54 924**	**1 351 146**	**206 005**	**-18 721**	**1 625 144**

2022

DATA IN THUF

EXPECTED EXPENSES FOR CONTRACTS NOT MEASURED UNDER PAA	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
- Expected recovery of claims and other expenses	-	174 839	83 662	55 127	55 910	2 313	-	-	30 749	-	402 600
- Change in the risk adjustment	-	-	1 414	722	12 052	29 982	-	-	11 305	-	55 475
- CSM recognized	-	-	1 546	-3 990	46 324	-138 594	-	-	102 953	-	8 239
- Experience adjustments	-	-	-	-	-	-	-	-	-	-	-
Expected expenses for contracts measured under PAA	30 868	-	-	-	-	26 137	460 298	521 202	-	35 452	1 073 957
Allocation of reinsurer premium	**30 868**	**174 839**	**86 622**	**51 859**	**114 286**	**-80 162**	**460 298**	**521 202**	**145 007**	**35 452**	**1 540 271**
Amounts recovered for claims and other expenses	24 647	143 746	124 660	39 871	55 580	148 389	708 310	100 470	527	43 141	1 389 341
Incurred directly attributable expenses	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - recoverable claims and other expenses	-12 310	-12 202	-9 811	-2 569	4 502	22 681	-155 862	-1 201	-427	-	-167 199
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	23	-1 469	187	959 138	-	-	-	-	957 879
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-	
Amounts recoverable from reinsurer and incurred expenses	**12 337**	**131 544**	**114 872**	**35 833**	**60 269**	**1 130 208**	**552 448**	**99 269**	**100**	**43 141**	**2 180 021**
Net expense from reinsurance contracts held	**18 531**	**43 295**	**-28 250**	**16 026**	**54 017**	**-1 210 370**	**-92 150**	**421 933**	**144 907**	**-7 689**	**-639 750**

13. RESULT ON INVESTMENTS

DATA IN THUF

	2023	2022 (RESTATED)
Effective interest income	1 917 069	1 101 953
Interest income based on effective interest methood	**1 917 069**	**1 101 953**

DATA IN THUF

	2023	2022 (RESTATED)
Gains on investment sales	420 730	107 012
Realised gains on derivatives	680 975	124 653
Unrealised gains on derivatives	73 235	69 614
Foregin currency gains	76 931	173 406
Fair value change gain	7 262 629	479 589
Income from investments	**8 514 500**	**954 274**
Yield from associates	**570 671**	**481 663**
Operation expenses on investments	92 120	62 670
Financial reinsurance interest	-	288
Realised losses on derivatives	74 686	28 748
Foreign currency losses	397 093	77 410
Realised foreign exchange losses on investments	550 419	394 602
Fair value change loss	-	2 480 842
Lease interests	11 134	15 471
Expense on investments	**1 125 452**	**3 060 034**
Impairment and impairment reversal of financial assets	**-1 609**	**6 319**
Total income from (exenses on) investments	**9 878 397**	**-528 463**

The loss/gain on the change in fair value is the return on customers' unit-linked investments.

The year 2023 was similarly eventful as previous years. The first quarter was dominated by news of regional bank failures in the US, alongside cycles of central bank rate hikes, which were largely completed by the end of the first half. By the third quarter, inflation fears had receded at the global level and the focus shifted to avoiding a US recession, amid rising geopolitical risks. Investor sentiment improved fundamentally in the fourth quarter, thanks to the avoidance of a US government shutdown and a faster-than-expected decline in inflation in the US and Europe, as well as expectations of the interest rate policies of major central banks. The conflict in Gaza has only temporarily increased investor risk aversion.

The year was marked by a normalisation of Hungarian market yields, a significant decline in inflation and a strengthening of the forint. In the domestic economy, a technical recession set in in February, when GDP had been falling for two quarters, which continued until the end of the third quarter. The forint has recently strengthened against the euro and the dollar.

Short-side government bond market yields have fallen significantly in line with the central bank's (MNB) interest rate cuts and the government's new decree requiring at least 20% of liquid assets in many funds' portfolios to be held in Discount Treasury bills issued by the Hungarian State. Long-term yields started the year at around 9 percent and then hit the sub-6 percent level by the end of the year. It hovered around 9 to 7 percent for most of the year, with a major rally in the last quarter, which was helped by international developments in the last two months of the year, shifting the overall yield curve downwards.

Inflation reached 25.7% in January, declining steadily from February onwards, reaching single digits by October and falling further to 7.9% in November. By the end of the year, it had fallen to around 6 per cent, which level is in line with the regional average. By December, sentiment in domestic financial markets had also improved, partly as a result of positive developments on EU funds, i.e. the possibility to start the drawdown of 2021-2027 cohesion funds. According to the MNB's calculations, economic output in 2023 is expected to be around -0.5%, with the slowdown mainly due to a collapse in domestic demand caused by high inflation, which negative effect is largely mitigated by agriculture, which is correcting after the previous year's drought. For 2024, analysts forecast an economic growth of around 2.5-3.5%. The annual current account balance is expected to turn into a slight surplus in 2023 and to rise further in the following years.

MNB started to cut the reference rate in May, gradually lowering it by 100 basis points in line with expectations, and in September it closed the reference rate (overnight deposit tender) to the base rate at 13%. During the fourth quarter, the base rate was lowered three times, by 75 basis points each time, to 10.75%, in line with market expectations. Based on market forecasts for 2024, the base rate could reach single digits in the first quarter and fall to 6% by the end of the year, a scenario that the market is currently pricing strongly.

The return on the Group's own investments was a profit of HUF 2,343 million in 2023 and a profit of HUF 991 million in 2022. The rising return is mainly due to a declining but still high yield environment compared to last year.

14. FINANCIAL RESULT

2023

DATA IN THUF

INTEREST ACCRETED TO INSURANCE CONTRACTS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Interest accreted to insurance contracts	-9 341	-2 185	- 1 633 297	- 9 301 362	-462 875	7 675	79 089	-21 895	-47 180	-49 835	-1 420	-11 442 626
Change in financial assumptions through P&L	-4 126	- 807	340 794	2 851 806	-31 328	-14 538	-15 779	-	-	-	-	3 126 022
Change in financial assumptions through OCI	-	-	-	-	-2 172 815	493 313	111 817	-32 914	-55 788	-13 176	-2 105	-1 671 668
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	864	-	-	-	-	-	864
Effect of risk mitigation on CSM for contracts measured under VFA	-	-	-	-	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	-	-	103 850	535 496	8 530	-	-	-	-	79 210	-	727 086
Total insurance finance expense	**-13 467**	**-2 992**	**-1 188 653**	**-5 914 060**	**-2 658 488**	**487 314**	**175 127**	**-54 809**	**-102 968**	**16 199**	**-3 525**	**-9 260 322**

2023

DATA IN THUF

INTEREST ACCRETED TO REINSURANCE CONTRACTS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Interest accreted to reinsurance contracts	552	781	-	-958	730	4 018	-9 718	-2 368	3 074	32 603	920	29 634
Change in financial assumptions through P&L	118	-44	-	-2 710	1	-406	-	-	-51	-	-	-3 092
Change in financial assumptions through OCI	-	-	-	-4 328	1 975	-68 112	-188 895	-13 931	15 877	-1 814	2 569	-256 659
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	116	-11 652	-	- 623	144	72	-	-	-	-	-	-11 943
Total reinsurance finance income	**786**	**-10 915**	**-**	**-8 619**	**2 850**	**-64 428**	**-198 613**	**-16 299**	**18 900**	**30 789**	**3 489**	**-242 060**

2022

DATA IN THUF

INTEREST ACCRETED TO INSURANCE CONTRACTS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Interest accreted to insurance contracts	-4 180	- 404	-476 687	- 2 896 652	-340 677	19 422	41 659	-	-20 222	-19 464	-	-3 697 205
Change in financial assumptions through P&L	5 947	1 398	914 417	5 631 021	62 414	24 837	-1 655	-	-	-	-	6 638 379
Change in financial assumptions through OCI	-	-	-	-	2 435 439	-315 838	-86 386	8 515	32 151	59 882	781	2 134 544
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	79	-	-	-	-	-	79
Effect of risk mitigation on CSM for contracts measured under VFA	-	-	-	-	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	-	-	-165 283	- 1 098 181	-10 722	-	-	-	-	-211 968	-	-1 486 154
Total insurance finance expense	**1 767**	**994**	**272 447**	**1 636 188**	**2 146 454**	**-271 500**	**-46 382**	**8 515**	**11 929**	**-171 550**	**781**	**3 589 643**

2022

DATA IN THUF

INTEREST ACCRETED TO REINSURANCE CONTRACTS	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Interest accreted to reinsurance contracts	244	-13	-	-1 189	475	-3 529	-47 805	-	-	6 405	-	-45 412
Change in financial assumptions through P&L	-378	-389	-	6 062	-87	-13	-	-	-	-	-	5 195
Change in financial assumptions through OCI	-	-	-	6 786	-4 822	65 314	93 910	3 368	-5 205	1 645	-781	160 215
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	-	-	-	-	-	-	-	-	-	-
Net foreign exchange income or expense	- 569	-10 280	-	-8 371	-2 309	-348	-	-	-	-	-	-21 877
Total reinsurance finance income	**-703**	**-10 682**	**-**	**3 288**	**-6 743**	**61 424**	**46 105**	**3 368**	**-5 205**	**8 050**	**-781**	**98 121**

15. INVESTMENT CONTRACTS

DATA IN THUF

PREMIUM AND COMMISSION INCOME, INVESTMENT CONTRACTS	2023	2022 (RESTATED)
Policy-based premiums	6 062	27 813
Fund management fees	66 857	73 710
Premiums related to services	3 702	3 522
Total premium and commission income	**76 621**	**105 045**

16. EXPENSES

DATA IN THUF

	2023	2022 (RESTATED)
Salaries and salary contributions	2 615 444	2 680 014
Other personal costs	171 422	84 094
Advisory and consultancy services	435 743	411 384
Training costs	3 997	5 127
Marketing and PR costs	173 271	101 236
Administration costs	233 794	158 814
IT services	528 324	390 439
Office rental and operation	180 103	161 860
Travelling, and car expenses	181 405	204 026
Office supplies, phone, bank costs	129 446	105 204
Depreciation and amortisation	330 698	253 371
Other administration costs	361 278	185 927
Claim handling costs	536 838	576 228
Other operating costs total	**5 881 763**	**5 317 724**
Aquisition expenses	1 412 126	1 500 127
Administration, overhead and investment expenses	3 118 367	2 418 274
Benefits in kind and claim handling costs	1 118 029	952 705
Non-allocable expenses	233 241	446 618
Other operating costs total	**5 881 763**	**5 317 724**

Overall, expenses have increased by 11% compared to 2022. Wage costs remained flat, while IT, administration and marketing costs increased significantly, with the growing stock and inflation playing a major role it this. Depreciation also increased significantly as a result of the introduction of the IFRS 17 system.

Among salary costs in 2023 HUF 288,470 thousand (HUF 325,402 thousand in 2022) 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 31 January 2026. In addition, in 2021 car leasing contracts with a significant value emerged, with various maturities, averaging 36-60 months. In 2023, the Company paid for short-term office leasing contracts HUF 18,146 thousand (HUF 19,279 thousand in 2022); while the expenses of low value leasing contracts (water dispenser, printers, dirt carpets) totalled HUF 2,737 thousand (HUF 2,335 thousand in 2022).

17. OTHER RESULT

DATA IN THUF

OTHER (NON-FINANCIAL) INCOME	2023	2022 (RESTATED)
Other technical income	16 848	8 117
Other income	67 042	187 646
Release of provision	113 237	78 473
Reversal of claim impairment loss	20	54
Other operating income	**197 147**	**274 290**

DATA IN THUF

OTHER (NON-FINANCIAL) EXPENSE	2023	2022 (RESTATED)
Extraordinary deprication	-3 224	-297
Other technical expenses	-12 170	-4 934
Other expenses	-115 082	-198 795
Fines	-41 263	-7 170
Total other expenses	**-171 739**	**-211 196**
Other profit or loss	**25 408**	**63 094**

For details on the release of provisions, see note 36.

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. 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 the calculation of the corporate tax, deferred loss accumulated in previous years (HUF 1,667 million) decreased against taxable result. Accrued losses up to 2015 can be used at longest till 2030.

Based on the Company's strategic plans, there will be taxable income in the future which the Group can offset with the loss carried forward. Deferred tax asset in amount of HUF 337 million set at the end of 2023 is expected to be realized, this is the estimated realizable tax-saving effect of the corporate tax rate and the Insurer's business plan on mid-term basis.

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

DATA IN THUF

	2023	2022 (RESTATED)
Local business tax, innovation contribution	-264 781	-238 837
Corporation tax expenses in reporting year	-513 074	-36 542
Deferred tax expenses/gains	14 780	-
Total tax income/(expenses) realised in profit statement	**-763 075**	**-275 379**
Deferred tax liabilities arising from financial assets valued at fair value against other comprehensive result	-268 745	117 016
Total tax income/(expenses) realised in other comprehensive income	**-268 745**	**117 016**

In 2022 and 2023 the following asset typed differences arose in profit or loss/other comprehensive income, 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 THUF

	2023	CHANGE	2022 (RESTATED)
Deductible temporary differences	83 767	6 706 302	-6 622 535
Loss carried forward	4 336 084	-9 991 903	14 327 987
Total	**4 419 851**	**-3 285 601**	**7 705 452**

Unrecognized deductible temporary differences would have resulted in a liability of HUF 9 299 thousand against other comprehensive income (HUF 411,218 thousand in 2022).

The table below provides a numerical reconciliation of tax expenditure and profit before tax multiplied by the applicable tax rates.

DATA IN THUF

PRESENTATION OF EFFECTIVE TAX RATE	2023	2022 (RESTATED)
Profit/loss before taxation	3 636 614	1 810 230
Calculated tax income/(expenses) (9%)	-303 465	-145 727
Recognition of the unrecognized deferred tax assets relating to the losses of prior years	-253 965	117 016
Unrecognised deferred tax assets on losses in the actual year	24 928	-88 523
Other unrecognized temporary differences	212 920	33 042
IFRS 17 transition tax difference	-328 195	-
Permanent differences	57 856	84 229
Local business tax, innovation contribution	-264 781	-238 837
Total tax income (expenses)	**-763 075**	**-36 579**

19. OTHER COMPREHENSIVE INCOME

DATA IN THUF

	2023	2022 (RESTATED)
OCI from change in fair value of other financial assets at fair value	3 463 446	-3 089 963
OCI from insurance contracts	-1 671 668	2 134 544
OCI from reinsurance contracts	-256 659	160 215
Comprehensive income, would be reclassified to profit or loss in the future	**1 535 119**	**-795 204**
Comprehensive income, wouldn't be reclassified to profit or loss in the future	**1 806 883**	**-602 294**
Total other comprehensive income	**3 342 002**	**-1 397 498**

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 Group's strategic stake in Opus Global.

The financial comprehensive result includes the part of the revaluation of insurance and reinsurance assets and liabilities from insurance and reinsurance transactions where the so-called OCI option was applied.

20. EARNINGS PER SHARE

	2023	2022 (RESTATED)
Consolidated Profit/loss after taxation attributable to the Company's shareholders (HUF thousand)	2 873 539	1 534 851
Weighted average number of ordinary shares (thousand)	93 954 254	93 954 254
Earnings per share (basic) (HUF)	**30,6**	**16,3**

	2023	2022 (RESTATED)
Modified consolidated profit/loss after taxation attributable to the Company's shareholders (HUF thousand)	2 873 539	1 534 851
Weighted average number of ordinary shares - diluted (thousand)	94 428 260	94 428 260
Calculated earnings per share (diluted) (HUF) - consolidated	30,4	16,3
Earnings per share (diluted) (HUF)	**30,4**	**16,3**

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 Note 3.12.

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 30.6. According to IFRS, the maximum value of calculated diluted EPS (HUF 30.4) can be maximum equivalent with the amount of the basic EPS. In diluted earnings per share the treasury shares transferred to MRP were trated as dilution effect, because those may increase the average number of outstanding shares if will be called. The dilution effect is less than 0,2 HUF.

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

2023

DATE	ISSUED ORDINARY SHARE (ITEM)	TREASURY SHARES (ITEM)	NUMBER OF SHARES OUTSTANDING (ITEM)	NUMBER OF DAYS*	WEIGHTED AVERAGE
2022.12.31	94 428 260	474 006	93 954 254	365	93 954 254
2023.12.31	**94 428 260**	**474 006**	**93 954 254**	**365**	**93 954 254**

2022

DATE	ISSUED ORDINARY SHARE (ITEM)	TREASURY SHARES (ITEM)	NUMBER OF SHARES OUTSTANDING (ITEM)	NUMBER OF DAYS*	WEIGHTED AVERAGE
2021.12.31	94 428 260	474 006	93 954 254	365	93 954 254
2022.12.31	**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 amount of intangible assets under development is HUF 6,764 thousand.

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 THUF

31.12.2023	INTELLECTUAL PROPERTY, ASSETS VALUE RIGHTS	GOODWILL	TOTAL INTANGIBLE ASSETS
Cost			
01.01.2023	3 332 915	37 613	3 370 528
Increase	227 437	-	227 437
Decrease	-	-	-
31.12.2023	**3 560 352**	**37 613**	**3 597 965**
Accumulated amortization, impairment			
01.01.2023	-2 340 857	-37 613	-2 378 470
Increase	-285 091	-	-285 091
Decrease	-	-	-
31.12.2023	**-2 625 948**	**-37 613**	**-2 663 561**
Net book value	**934 404**	**-**	**934 404**

DATA IN THUF

31.12.2022	INTELLECTUAL PROPERTY, ASSETS VALUE RIGHTS	GOODWILL	TOTAL INTANGIBLE ASSETS
Cost			
01.01.2022	3 064 007	37 613	3 101 620
Increase	479 632	-	479 632
Decrease	-210 724	-	-210 724
31.12.2022	**3 332 915**	**37 613**	**3 370 528**
Accumulated amortization, impairment			
01.01.2022	-2 343 944	-37 613	-2 381 557
Increase	-207 332	-	-207 332
Decrease	210 419	-	210 419
31.12.2022	**-2 340 857**	**-37 613**	**-2 378 470**
Net book value	**992 058**	**-**	**992 058**

22. PROPERTY, PLANT AND EQUIPMENT

DATA IN THUF

31.12.2023	OFFICE FURNITURE, EQUIPMENT	REAL ESTATES	WORK IN PROGRESS	TOTAL
Cost				
01.01.2023	236 651	126 738	555	363 944
Increase	5 944	697	-	6 641
Decrease	-7 656	-	7 667	11
31.12.2023	**234 939**	**127 435**	**8 222**	**370 596**
Accumulated amortization				
01.01.2023	-178 564	-36 524	-	-215 088
Increase	-18 523	-27 086	-	-45 609
Decrease	6 897	-	-	6 897
31.12.2023	**-190 190**	**-63 610**	**-**	**-253 800**
Net book value	**44 749**	**63 825**	**8 222**	**116 796**

DATA IN THUF

31.12.2022	OFFICE FURNITURE, EQUIPMENT	REAL ESTATES	WORK IN PROGRESS	TOTAL
Cost				
01.01.2022	226 150	119 759	8 440	354 349
Increase	17 311	6 979	-	24 290
Decrease	-6 810	-	-7 885	-14 695
31.12.2022	**236 651**	**126 738**	**555**	**363 944**
Accumulated amortization				
01.01.2022	-165 240	-10 083	-	-175 323
Increase	-19 598	-26 441	-	-46 039
Decrease	6 274	-	-	6 274
31.12.2022	**-178 564**	**-36 524**	**-**	**-215 088**
Net book value	**58 087**	**90 214**	**555**	**148 856**

Among the Company's property plant and equipment there are no such properties not in use, because those are derecognized from the books.

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

In 2022 and 2023 IT equipments, small value office equipments and furnitures were written off, therefore the office furniture and equipment coloumn decreased.

23. LEASES

DATA IN THUF

31.12.2023	OFFICE LEASING	CAR LEASING	TOTAL
Cost			
01.01.2023	312 900	332 092	644 992
Increase	24 191	34 722	58 913
Decrease	-	-89 937	-89 937
31.12.2023	**337 091**	**276 877**	**613 968**
Accumulated amortization			
01.01.2023	-114 984	-120 835	-235 819
Increase	-72 042	-86 184	-158 226
Decrease	-	51 106	51 106
31.12.2023	**-187 026**	**-155 913**	**-342 939**
Net book value	**150 065**	**120 964**	**271 029**

DATA IN THUF

31.12.2022	OFFICE LEASING	CAR LEASING	TOTAL
Cost			
01.01.2022	306 026	293 180	599 206
Increase	9 120	97 291	106 441
Decrease	-2 246	-58 379	-60 625
31.12.2022	**312 900**	**332 092**	**644 992**
Accumulated amortization			
01.01.2022	-63 872	-41 241	-105 113
Increase	-56 157	-100 722	-165 118
Decrease	5 043	21 128	34 412
31.12.2022	**-114 984**	**-120 835**	**-235 819**
Net book value	**197 916**	**211 257**	**409 173**

The leased assets are constituted by the property rental of the Company's headquarter building and, since the end of 2020, car rental.

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. ASSOCIATES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
MBH Fund Manager Ltd.	776 795	660 453	1 013 290
Investment in associates	**776 795**	**660 453**	**1 013 290**

The revenue of the MBH Fund Manager Ltd. in 2023 was HUF 14,652 million, its profit after tax was HUF 11,674 million, of which HUF 588 million went to the Insurer.

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 2023, 5.04% 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 491 million in 2023, and HUF 834 million in 2022.

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, in 2022 and in 2021 (data in thousand HUF):

DATA IN THUF

2023	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	EVALUATION RESERVE	AFTER TAX PROFIT	SHAREHOLDERS' EQUITY
Fund Manager	806 120	1 560 414	89 182	11 673 997	14 129 713
Group's share	7,67%	7,67%	7,67%	5,04%	-
Capital per Group	**61 829**	**119 661**	**6 840**	**588 463**	**776 794**

DATA IN THUF

2022	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	EVALUATION RESERVE	AFTER TAX PROFIT	SHAREHOLDERS' EQUITY
Fund Manager	806 120	3 386 419	-151 281	4 607 092	8 648 349
Group's share	7,67%	3,53%	7,67%	10,65%	-
Capital per Group	**61 829**	**119 661**	**-11 603**	**490 565**	**660 453**

DATA IN THUF

2021	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	EVALUATION RESERVE	AFTER TAX PROFIT	SHAREHOLDERS' EQUITY
Fund Manager	306 120	957 498	0	6 026 826	7 290 444
Group's share	16%	16,32%	0,00%	13,41%	-
Capital per Group	**48 979**	**156 235**	**0**	**808 076**	**1 013 290**

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

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Equities	23 531 971	22 705 780	23 266 700
Government bonds, discounted T-bills	12 779 391	3 098 696	7 155 198
Corporate bonds	507 597	525 121	-
Investment funds	52 061 916	43 905 707	49 930 842
Derivative instruments	928	22 003	-61 762
Cash, and cash equivalent	5 471 097	15 667 005	5 764 765
Other investments	71 512	280 995	-391 733
Total investments for policyholders of unit-linked life insurance policies	**94 424 412**	**86 205 307**	**85 664 010**

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 2023 the Group had 96 segregated unit-linked funds. The executed investments are invested into various financial instruments depending on the investment policy of the unit-linked funds. Cash on account that is not invested – but is part of the unit-linked fund – is recognized within the unit-linked fund as cash. The derivative instruments are currency forward transactions in the unit-linked funds.

Other investments line contains the 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):

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

(hereafter referring to these asset funds together as: “Affected Asset Funds”).

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

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

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

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

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

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

Pursuant to the provisions of the Bit., on 31 March 2022, the insurer separated the assets of the suspended asset funds that had become illiquid and the other non- illiquid assets of the suspended asset funds, i.e. the suspended asset funds were separated into successor asset funds containing illiquid and liquid assets (hereinafter „separation"). As a result of the separation, the original asset funds suspended on 1 March 2022 ceased to exist on 31 March 2022.

The liquid successor funds at the date of separation contained only cash (cash on account). At the same time as the separation was carried out, the suspension of the asset fund was lifted in relation to the successor asset funds containing liquid assets, and they continued to operate as independent asset funds. The insurance company first calculated the exchange rate (for the valuation date of March 30) and net asset value for the liquid successor asset funds on March 31. Given that the liquid successor asset funds contained only cash (account money), they were obviously not able to fulfill the commitments made in the investment policy, according to which the asset funds invest in collective investment forms whose primary target is the Russian capital market. As the funds of the liquid successor asset funds were not suitable for the realization of the goals set out in the investment policy, the insurance company decided to close and terminate the liquid successor asset funds with effect from 19 April 2022.

The operating procedures of the illiquid successor asset funds, which are also registered as independent asset funds, are governed by the above-mentioned rules published on 1

March and 3 March, i.e. the insurer acts in the same way for the illiquid successor asset funds as for the originally suspended asset funds. For the illiquid successor funds the suspension remains in force as described in Bit. 127 (1) to (8), with the starting date of the suspension of the asset fund being the starting date of the suspension of the original asset fund. Illiquid successor asset funds likewise inherit the investment policy of the suspended asset funds. According to Bit. 127(7), the maximum period of suspension of the asset fund is one year, which may be extended by the insurer for a further total of one year in justified cases.

In view of the fact that the underlying investment assets of the successor funds listed above are currently still unmarketable and non-tradable, CIG Pannónia Life Insurance Plc. has extended the suspension period of the successor funds until the underlying financial assets of the successor funds become marketable, but for a maximum of one year (until 28 February 2024).

The Insurer considers the value of the illiquid Russian successor asset funds to be 0 for the purposes of the annual report, on the grounds of illiquidity and non-tradability. As a consequence, in the annual report, these asset funds are included under Investments for policyholders of unit-linked life insurance policies and Financial assets - investment contracts and, consequently, under Technical provisions and Financial liabilities - investment contracts, with a value of 0, as they do not meet the asset and liability criteria of the IFRS Framework. As a result, the assets value of the asset funds calculated at the last valuation price reduced the return on assets and, to the same extent, the change in reserves, by a total of HUF 1,232 million in 2022. In 2023, as the value of assets and liabilities was 0 all along, no such amount incurred.

26. FINANCIAL ASSETS – INVESTMENT CONTRACTS

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Equities	1 187 039	1 361 026	1 422 649
State bonds, discounted T-bills	644 640	185 742	437 507
Corporate bonds	25 605	31 477	-
Investment funds	2 626 195	2 631 790	3 053 036
Derivative instruments	47	1 319	-3 776
Cash and cash equivalents	275 982	939 110	352 488
Other investments	3 607	16 843	-23 953
Total financial assets – investment contracts	**4 763 115**	**5 167 307**	**5 237 951**

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 2023.

The following table shows the asset composition of these funds:

DATA IN THUF

MKB FUNDS' UNDERLYING INVESTMENTS	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Equities	5 686 416	3 912 863	5 988 746
Government bonds, discounted T-bills	3 990 652	4 675 218	2 051 053
Corporate bonds	2 749 771	990 896	590 017
Investment funds	2 894 455	533 325	1 205 364
Cash and cash equivalents	5 400 033	4 216 778	1 281 144
Other investments	- 173 782	2 879 658	1 051 913
Total	**20 547 545**	**17 208 738**	**12 168 237**

27. DERIVATIVES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Forward transactions	109 417	34 467	937
Futures transactions	20 872	24 323	-
Financial assets – derivatives	**130 289**	**58 790**	**937**

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Futures transactions	-	-	11 760
Financial liabilities – derivatives	**-**	**-**	**11 760**

Derivative transactions include forward and future transactions entered into for currency hedging purposes.

28. OTHER FINANCIAL ASSETS AT FAIR VALUE

DATA IN HUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Corporate bond	-	-	1 551 652
Equities	-	-	1 409 917
Investment funds	-	-	234 382
Govermnet bonds, discontinued government bonds	-	-	25 213 123
Total available-for-sale financial assets	**-**	**-**	**28 409 074**
Corporate bond	5 783 507	4 009 853	-
Equities	2 614 505	807 622	-
Government bonds, dicounted government bonds	27 416 800	19 614 848	-
Collaterised securities	163 778	-	-
Other financial assets at fair value	**35 978 590**	**24 432 323**	**-**

Among the shares the Company records its stake in OPUS GLOBAL Plc. In parallel with the introduction of IFRS 9, available-for-sale financial assets were eliminated. The Company reports its investments under the line Other financial assets at fair value.

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 THUF

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	12 779 391	-	27 416 800	-	-
Corporate bonds	507 597	-	5 947 285	-	-
Equity	23 531 971	-	2 614 505	-	-
Investment notes units	52 061 916	-	-	-	-
Cash (unit-linked & own)	5 471 097	2 492 328	-	-	-
Receivables	213 312	148 659	-	-	-
Other UL assets	-141 800	-	-	-	-
Other liabilities	-	-	-	-	5 630 088
Investement contracts	-	-	-	4 763 115	-
Derivative instruments	131 217	-	-	-	
Total:	**94 554 701**	**2 640 987**	**35 978 590**	**4 763 115**	**5 630 088**

DATA IN THUF

31 DECEMBER 2022	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	3 098 696	-	19 614 848	-	-
Corporate bonds	525 121	-	4 009 853	-	-
Equity	22 705 779	-	807 622	-	-
Investment notes units	43 905 707	-	-	-	-
Cash (unit-linked & own)	15 667 005	3 092 786	-	-	-
Receivables	3 098 367	239 882	-	-	-
Other UL assets	-2 817 372	-	-	-	-
Other Liabilities	-	-	-	-	3 758 302
Investement contracts	-	-	-	5 167 307	-
Derivative instruments	80 794	-	-	-	
Total:	**86 264 097**	**3 332 668**	**24 432 323**	**5 167 307**	**3 758 302**

The Group provides details on how fair values of assets and liabilities are determined under Note 3.19.

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

DATA IN THUF

31.12.2023	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government bonds	33 525 005	-	6 671 186	40 196 191
Corporate bonds	766 136	-	5 688 746	6 454 882
Equity	26 146 476	-	-	26 146 476
Investment notes	52 061 916	-	-	52 061 916
Unit-linked cash	5 471 097	-	-	5 471 097
Receivables and other unit-linked financial assets	71 512	-	-	71 512
Derivative instruments	15 344	115 873	-	131 217
Total assets:	**117 705 775**	**115 873**	**12 711 643**	**130 533 291**
Liabilities measured on fair value	4 763 115	-	-	4 763 115
Total Liabilities:	**4 763 115**	**-**	**-**	**4 763 115**

DATA IN THUF

31.12.2022	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government bonds	20 312 650	-	2 400 893	22 713 544
Corporate bonds	283 030	-	4 251 944	4 534 974
Equity	23 513 401	-	-	23 513 401
Investment notes	43 905 707	-	-	43 905 707
Unit-linked cash	15 667 005	-	-	15 667 005
Receivables and other unit-linked financial assets	280 995	-	-	280 995
Derivative instruments	22 979	57 815	-	80 794
Total assets:	**103 985 767**	**57 815**	**6 652 837**	**110 696 420**
Liabilities measured on fair value	5 167 307	-	-	5 167 307
Total Liabilities:	**5 167 307**	**-**	**-**	**5 167 307**

29. OTHER ASSETS AND ACCRUALS

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Prepaid expenses and accrued income	55 449	38 757	44 423
Interest rental premium, and other premium related prepayment	21 758	34 791	14 110
Inventories	2 520	5 683	2 994
Total of other assets and prepaid expenses and accrued income	**79 727**	**79 231**	**61 527**

The decisive part of accruals of other income is due to the accounting of the income related to the portfolio transfer explained in Note 3.9.1.

30. OTHER RECEIVABLES

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Trade receivables	693	288	638
Loans granted	68	604	1 179
Receivables from investment fund management	33 392	62 365	44 262
Advance payments to suppliers and state	107 367	168 638	134 497
Other receivables	7 139	7 987	2 820
Total of other receivables	**148 659**	**239 882**	**183 396**

31. CASH AND CASH EQUIVALENTS

DATA IN THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Demand deposits	830 904	3 092 786	1 498 385
Fixed deposits	1 661 424	-	-
Total cash and cash equivalents	**2 492 328**	**3 092 786**	**1 498 385**

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 THUF

	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
2023	**EXCL. LC**	**LC**		**PVCF**	**RA**	
Opening insurance contract assets	**1 782 529**	**-534 421**	**-119 519**	**-20 954**	**-1 146**	**1 106 489**
Opening insurance contract liabilities	**-89 938 628**	**-1 403 339**	**-3 865 911**	**-993 876**	**-113 667**	**-96 315 421**
Insurance revenue	21 348 986	-	-	-	-	21 348 986
Insurance service expenses						
- Incurred benefits and expenses	-	-	-5 237 199	-5 887 897	-150 799	-11 275 895
- Changes that relate to past service - adjustments to LfIC	-	-	498 287	774 354	91 837	1 364 478
- Losses on onerous contracts and reversal of those losses	-	180 028	-	-	-	180 028
- Amortisation of insurance acquisition cash flows	-8 126 074	-	-	-	-	-8 126 074
- Impairment of acquisition cost asset	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-7 859 419	- 83 275	-325 021	-48 022	-	-8 315 737
Insurance finance expenses through OCI	-1 431 348	-158 549	-28 680	-53 091	-	-1 671 668
Net foreign exchange income or expense	646 318	404	80 361	-	-	727 083
Investment components	15 059 336	-	-15 059 336	-	-	-
Total changes in statement of profit and loss and OCI	**19 637 799**	**- 61 392**	**-20 071 588**	**-5 214 656**	**-58 962**	**-5 768 799**

DATA IN THUF

2023	LFRC		LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
	EXCL. LC	LC		PVCF	RA	
Premiums received	-40 714 322	-	-	-	-	-40 714 322
Claims paid	-	-	15 715 888	3 028 763	-	18 744 651
Directly attributable expenses paid	-	-	2 500 885	1 587 186	-	4 088 071
Acquisition cost paid	9 881 396	-	-	-	-	9 881 396
Total cash flows	**-30 832 926**	**-**	**18 216 773**	**4 615 949**	**-**	**-8 000 204**
Closing insurance contract assets	**2 569 814**	**-929 541**	**-363 171**	**-33 294**	**-1 689**	**1 242 119**
Closing insurance contract liabilities	**-101 921 040**	**-1 069 611**	**-5 477 074**	**-1 580 243**	**-172 086**	**-110 220 054**

DATA IN THUF

2023	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Opening insurance contract assets	**56 435**	**-**	**-**	**-**	**-**	**388 332**	**661 722**	**-**	**-**	**-**	**-**	**1 106 489**
Opening insurance contract liabilities	**-511 675**	**-191 083**	**-11 990 086**	**-71 301 608**	**-8 372 915**	**-151 955**	**-602 521**	**-615 084**	**-601 201**	**-1 905 440**	**-71 853**	**-96 315 421**
Insurance revenue	3 586 357	419 817	265 380	3 456 381	406 798	2 551 998	3 791 136	2 427 850	3 607 002	491 962	344 305	21 348 986
Insurance service expenses												
- Incurred benefits and expenses	-1 796 428	-244 561	-132 603	-1 582 972	-354 338	-1 109 727	-1 637 571	-2 921 498	-918 763	-340 097	-237 337	-11 275 895
- Changes that relate to past service - adjustments to LfIC	80 211	89 654	29 136	154 395	146 448	-86 840	39 659	507 710	165 885	205 600	32 620	1 364 478
- Losses on onerous contracts and reversal of those losses	-5 459	6 716	- 101 441	-39 059	-134 777	323	336 713	41 898	59 704	1 929	13 481	180 028
- Amortisation of insurance acquisition cash flows	-1 507 590	-136 886	-101 518	-1 227 514	-35 529	-606 712	-2 100 795	-575 752	-1 521 369	-166 255	-146 154	-8 126 074
- Impairment of acquisition cost asset	-	-	-	-	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-13 466	-2 992	-1 292 502	-6 449 556	-494 203	-5 999	63 311	-21 896	-47 179	-49 836	-1 419	-8 315 737

DATA IN THUF

2023	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Insurance finance expenses through OCI	-	-	-	-	-2 172 815	493 313	111 818	-32 914	-55 788	-13 177	-2 105	-1 671 668
Net foreign exchange income or expense	-	-	103 848	535 496	8 529	-	-	-	-	79 210	-	727 083
Investment components	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	**343 625**	**131 748**	**-1 229 700**	**-5 152 829**	**-2 629 887**	**1 236 356**	**604 271**	**-574 602**	**1 289 492**	**209 336**	**3 391**	**-5 768 799**
Premiums received	-3 340 750	-399 581	-5 234 604	-15 096 385	-1 753 352	-2 838 365	-5 234 387	-2 377 515	-3 680 693	-439 656	-319 034	-40 714 322
Claims paid	665 727	39 295	2 108 168	10 813 612	1 273 803	606 345	604 432	1 983 877	170 754	294 406	184 232	18 744 651
Directly attributable expenses paid	856 161	46 029	129 463	1 246 331	134 389	382 908	596 421	282 395	371 090	19 398	23 486	4 088 071
Acquisition cost paid	1 412 807	145 853	182 264	2 112 358	36 361	816 361	2 808 052	541 120	1 568 135	116 088	141 997	9 881 396
Total cash flows	**-406 055**	**-168 404**	**-2 814 709**	**-924 084**	**-308 799**	**-1 032 751**	**-1 225 482**	**429 877**	**-1 570 714**	**-9 764**	**30 681**	**-8 000 204**
Closing insurance contract assets	**58 338**	**18 295**	**-**	**-**	**-**	**974 449**	**191 037**	**-**	**-**	**-**	**-**	**1 242 119**
Closing insurance contract liabilities	**-576 008**	**-246 034**	**-16 034 495**	**-77 378 521**	**-11 311 601**	**-534 467**	**-753 047**	**-759 809**	**-882 423**	**-1 705 868**	**-37 781**	**-110 220 054**

DATA IN THUF

2022	LFRC EXCL. LC	LFRC LC	LFIC FOR CONTRACTS MEASURED UNDER GM	LFIC FOR CONTRACTS MEASURED UNDER PAA EXCL. LC	LFIC FOR CONTRACTS MEASURED UNDER PAA LC	TOTAL
Opening insurance contract assets	**705 622**	**-6 389**	**-9 859**	**-40 120**	**-283**	**648 971**
Opening insurance contract liabilities	**-91 583 753**	**-299 707**	**-4 063 664**	**-356 591**	**-129 256**	**-96 432 971**
Insurance revenue	13 671 323	-	-	-	-	13 671 323
Insurance service expenses						
- Incurred benefits and expenses	-	-	-3 312 167	-4 466 947	-97 982	-7 877 096
- Changes that relate to past service - adjustments to LfIC	-	-	1 054 843	136 944	112 708	1 304 495
- Losses on onerous contracts and reversal of those losses	-	-1 770 961	-	-	-	-1 770 961
- Amortisation of insurance acquisition cash flows	-4 921 814	-	-	-	-	-4 921 814
- Impairment of acquisition cost asset	-	-	-	-	-	-
Insurance finance expenses through profit and loss	2 862 825	-27 239	102 906	2 761	-	2 941 253
Insurance finance expenses through OCI	1 874 753	169 464	73 085	17 242	-	2 134 544
Net foreign exchange income or expense	-1 279 158	-2 928	-204 068	-	-	-1 486 154
Investment components	13 519 557	-	-13 519 557	-	-	-
Total changes in statement of profit and loss and OCI	**25 727 486**	**-1 631 664**	**-15 804 958**	**-4 310 000**	**14 726**	**3 995 590**
Premiums received	-28 633 705	-	-	-	-	-28 633 705
Claims paid	-	-	13 877 882	1 829 971	-	15 707 853
Directly attributable expenses paid	-	-	2 015 169	1 861 910	-	3 877 079
Acquisition cost paid	5 628 251	-	-	-	-	5 628 251
Total cash flows	**-23 005 454**	**-**	**15 893 051**	**3 691 881**	**-**	**-3 420 522**
Closing insurance contract assets	**1 782 529**	**-534 421**	**-119 519**	**-20 954**	**-1 146**	**1 106 489**
Closing insurance contract liabilities	**-89 938 628**	**-1 403 339**	**-3 865 911**	**-993 876**	**-113 667**	**-96 315 421**

DATA IN THUF

2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Opening insurance contract assets	**26 272**	**5 792**	**-**	**-**	**-**	**615 247**	**1 660**	**-**	**-**	**-**	**-**	**648 971**
Opening insurance contract liabilities	**-343 235**	**-119 109**	**-10 546 857**	**-71 735 239**	**-10 263 887**	**-193 120**	**-373 007**	**-10 295**	**-39 560**	**-2 808 662**	**-**	**-96 432 971**
Insurance revenue	2 621 045	275 732	229 882	3 717 886	574 195	1 484 978	1 264 200	1 627 372	1 444 754	340 459	90 820	13 671 323
Insurance service expenses												
- Incurred benefits and expenses	-1 948 146	-285 572	-189 384	-1 185 231	-467 137	-622 941	-595 890	-1 853 124	-426 817	-231 133	-71 721	-7 877 096
- Changes that relate to past service - adjustments to LfIC	113 443	99 840	166 043	-170 916	49 487	-19 073	22 450	16 505	3 195	1 023 521	-	1 304 495
- Losses on onerous contracts and reversal of those losses	-22 142	-13 027	-29 302	-33 773	-60 161	-987	-1 392 507	-164 950	-57 720	26 041	-22 433	-1 770 961
- Amortisation of insurance acquisition cash flows	-606 927	-53 817	-86 972	-1 512 904	-45 587	-329 839	-864 110	-420 809	-829 532	-139 101	-32 216	-4 921 814
- Impairment of acquisition cost asset	-	-	-	-	-	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss	1 767	994	437 731	2 734 369	-278 263	44 338	40 003	-	-20 222	-19 464	-	2 941 253

DATA IN THUF

2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	INDIVIDUAL ACCIDENT AND HEALTH INSURANCE	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Insurance finance expenses through OCI	-	-	-	-	2 435 438	-315 838	-86 385	8 515	32 151	59 882	781	2 134 544
Net foreign exchange income or expense	-	-	-165 283	-1 098 179	-10 724	-	-	-	-	- 211 968	-	-1 486 154
Investment components	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	**159 040**	**24 150**	**362 715**	**2 451 252**	**2 197 248**	**240 638**	**-1 612 239**	**-786 491**	**145 809**	**848 237**	**-34 769**	**3 995 590**
Premiums received	-2 905 763	-265 885	-3 765 446	-15 311 881	-1 835 589	-1 511 880	944 964	-1 621 669	-2 030 691	-201 328	-128 537	-28 633 705
Claims paid	512 355	49 262	1 659 443	10 357 089	1 344 062	334 131	65 722	1 213 492	31 941	124 669	15 687	15 707 853
Directly attributable expenses paid	1 390 901	52 869	162 830	1 023 446	160 446	183 433	420 834	183 079	226 380	48 640	24 221	3 877 079
Acquisition cost paid	705 190	61 838	137 229	1 913 725	24 805	567 928	611 267	406 800	1 064 920	83 004	51 545	5 628 251
Total cash flows	**-297 317**	**-101 916**	**-1 805 944**	**-2 017 621**	**-306 276**	**-426 388**	**2 042 787**	**181 702**	**-707 450**	**54 985**	**-37 084**	**-3 420 522**
Closing insurance contract assets	**56 435**	**-**	**-**	**-**	**-**	**388 332**	**661 722**	**-**	**-**	**-**	**-**	**1 106 489**
Closing insurance contract liabilities	**-511 675**	**-191 083**	**-11 990 086**	**-71 301 608**	**-8 372 915**	**-151 955**	**-602 521**	**-615 084**	**-601 201**	**-1 905 440**	**-71 853**	**-96 315 421**

32.2 Movement table for insurance assets and liabilities (best estimate, risk adjustment and contractual service margin)

DATA IN THUF

2023	BEL	RA	CSM	TOTAL
Opening insurance contract assets	**3 063 576**	**- 353 662**	**-1 667 081**	**1 042 833**
Opening insurance contract liabilities	**-89 199 043**	**-1 850 474**	**-3 493 975**	**-94 543 492**
Changes related to current services				
- CSM recognized in profit and loss	-	-	1 712 117	1 712 117
- Risk Adjustment recognized in profit and loss	-	606 926	-	606 926
- Experience adjustments	239 430	-468 416	-	-228 986
Changes related to future services				
- Contracts initially recognized in the period	2 775 231	-442 476	-2 428 590	-95 835
- Changes in estimates that adjust CSM	720 847	-141 320	-579 527	-
- Changes in estimates that result in onerous contracts or reversal of losses	34 426	-172 487	-	-138 061
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	292 569	205 717	-	498 286
Insurance finance expenses through profit and loss	-7 926 733	-	-340 983	-8 267 716
Insurance finance expenses through OCI	-1 618 577	-	-	-1 618 577
Net foreign exchange income or expense	702 241	16 962	7 877	727 080
Total changes in statement of profit and loss and OCI	**-4 780 566**	**-395 094**	**-1 629 106**	**-6 804 766**

DATA IN THUF

2023	BEL	RA	CSM	TOTAL
Premiums received	-31 124 821	-	-	-31 124 821
Claims paid	15 715 888	-	-	15 715 888
Directly attributable expenses paid	2 500 885	-	-	2 500 885
Acquisition cost paid	6 167 402	-	-	6 167 402
Total cash flows	**-6 740 646**	**-**	**-**	**-6 740 646**
Closing insurance contract assets	**4 016 912**	**-569 082**	**-2 345 585**	**1 102 245**
Closing insurance contract liabilities	**-101 673 591**	**-2 030 148**	**-4 444 577**	**-108 148 316**

DATA IN THUF

2023	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	TOTAL
Opening insurance contract assets	**-**	**-**	**-**	**388 332**	**654 501**	**-**	**-**	**1 042 833**
Opening insurance contract liabilities	**-11 990 086**	**-71 295 860**	**-8 372 915**	**-151 955**	**-602 520**	**-224 716**	**-1 905 440**	**-94 543 492**
Changes related to current services								
- CSM recognized in profit and loss	7 940	555 898	83 113	681 809	73 668	101 262	208 427	1 712 117
- Risk Adjustment recognized in profit and loss	5 843	238 206	27 128	91 765	196 971	29 290	17 723	606 926
- Experience adjustments	17 683	-134 735	-88 663	65 230	-26 119	176 432	-238 814	-228 986
Changes related to future services								
- Contracts initially recognized in the period	-	-28 208	-6	-6 744	-60 877	-	-	-95 835
- Changes in estimates that adjust CSM	-	-	-	-	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	-101 649	-24 325	-139 417	3 823	130 558	-7 255	204	-138 061
Changes that relate to past service								
Changes that relate to past service - adjustments to LfIC	29 136	154 395	146 448	-86 840	34 288	15 259	205 600	498 286
Insurance finance expenses through profit and loss	-1 292 502	-6 449 556	-494 203	-5 999	63 585	-39 205	-49 836	-8 267 716
Insurance finance expenses through OCI	-	-	-2 172 815	493 313	112 222	-38 121	-13 176	-1 618 577
Net foreign exchange income or expense	103 848	535 496	8 530	-	-	-	79 206	727 080
Total changes in statement of profit and loss and OCI	**-1 229 701**	**-5 152 829**	**-2 629 885**	**1 236 357**	**524 296**	**237 662**	**209 334**	**-6 804 766**

DATA IN THUF

2023	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	TOTAL
Premiums received	-5 234 604	-15 096 385	-1 753 352	-2 838 365	-5 015 996	-746 463	-439 656	-31 124 821
Claims paid	2 108 168	10 813 612	1 273 802	606 345	590 805	28 750	294 406	15 715 888
Directly attributable expenses paid	129 463	1 246 331	134 389	382 908	549 991	38 405	19 398	2 500 885
Acquisition cost paid	182 265	2 106 610	36 360	816 360	2 673 925	235 792	116 090	6 167 402
Total cash flows	**-2 814 708**	**-929 832**	**-308 801**	**-1 032 752**	**-1 201 275**	**-443 516**	**-9 762**	**-6 740 646**
Closing insurance contract assets	**-**	**-**	**-**	**974 449**	**127 796**	**-**	**-**	**1 102 245**
Closing insurance contract liabilities	**-16 034 495**	**-77 378 521**	**-11 311 601**	**-534 467**	**-752 794**	**-430 570**	**-1 705 868**	**-108 148 316**

DATA IN THUF

2022	BEL	RA	CSM	TOTAL
Opening insurance contract assets	**2 000 190**	**-214 724**	**-1 168 886**	**616 580**
Opening insurance contract liabilities	**-91 661 285**	**- 1 538 202**	**-2 707 335**	**-95 906 822**
Changes related to current services				
- CSM recognized in profit and loss	-	-	1 151 398	1 151 398
- Risk Adjustment recognized in profit and loss	-	459 127	-	459 127
- Experience adjustments	328 639	-210 679	-	117 960
Changes related to future services				
- Contracts initially recognized in the period	2 066 945	-1 039 723	-1 893 871	-866 649
- Changes in estimates that adjust CSM	419 354	-30 124	-389 230	-
- Changes in estimates that result in onerous contracts or reversal of losses	-1 166 317	141 425	-	-1 024 892
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	784 711	270 133	-	1 054 844
Insurance finance expenses through profit and loss	3 040 319	-	-101 829	2 938 490
Insurance finance expenses through OCI	2 117 547	-	-	2 117 547
Net foreign exchange income or expense	-1 393 726	-41 368	-51 304	-1 486 398
Total changes in statement of profit and loss and OCI	**6 197 472**	**-451 209**	**-1 284 836**	**4 461 427**
Premiums received	-21 922 301	-	-	-21 922 301
Claims paid	13 878 207	-	-	13 878 207
Directly attributable expenses paid	2 015 170	-	-	2 015 170
Acquisition cost paid	3 357 080	-	-	3 357 080
Total cash flows	**-2 671 844**	**-**	**-**	**-2 671 844**
Closing insurance contract assets	**3 063 576**	**-353 661**	**-1 667 082**	**1 042 833**
Closing insurance contract liabilities	**-89 199 043**	**-1 850 474**	**-3 493 975**	**-94 543 492**

DATA IN THUF

2022	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	TOTAL
Opening insurance contract assets	**-**	**-**	**-**	**614 921**	**1 659**	**-**	**-**	**616 580**
Opening insurance contract liabilities	**-10 546 857**	**-71 735 239**	**-10 263 887**	**-193 119**	**-329 078**	**-29 882**	**-2 808 760**	**-95 906 822**
Changes related to current services								
- CSM recognized in profit and loss	19 662	466 497	226 004	350 571	14 648	-	74 016	1 151 398
- Risk Adjustment recognized in profit and loss	3 576	233 577	12 314	77 969	82 285	18 274	31 132	459 127
- Experience adjustments	-67 322	325 594	-176 848	112 511	-67 819	100 589	-108 745	117 960
Changes related to future services								
- Contracts initially recognized in the period	-180	-885	-	-21 647	-842 293	-	-1 644	-866 649
- Changes in estimates that adjust CSM	-	-	-	-	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	-31 512	-33 057	-60 161	11 808	-823 471	-90 007	1 508	-1 024 892
Changes that relate to past service								
Changes that relate to past service - adjustments to LfIC	166 043	-170 915	49 487	-19 073	5 281	500	1 023 521	1 054 844
Insurance finance expenses through profit and loss	437 731	2 734 369	-278 263	44 338	40 001	-20 222	-19 464	2 938 490
Insurance finance expenses through OCI	-	-	2 435 684	-315 838	-85 804	23 623	59 882	2 117 547
Net foreign exchange income or expense	-165 283	-1 098 179	-10 968	-	-	-	-211 968	-1 486 398
Total changes in statement of profit and loss and OCI	**362 715**	**2 457 001**	**2 197 249**	**240 639**	**- 1 677 172**	**32 757**	**848 238**	**4 461 427**

DATA IN THUF

2022	SINGLE PREMIUM UL	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	TOTAL
Premiums received	-3 765 444	-15 311 880	-1 835 590	-1 511 881	1 160 764	-457 041	-201 229	-21 922 301
Claims paid	1 659 443	10 357 089	1 344 062	334 456	56 390	2 099	124 668	13 878 207
Directly attributable expenses paid	162 830	1 023 446	160 446	183 433	377 557	58 819	48 639	2 015 170
Acquisition cost paid	137 227	1 913 723	24 805	567 928	461 861	168 532	83 004	3 357 080
Total cash flows	**-1 805 944**	**-2 017 622**	**-306 277**	**-426 064**	**2 056 572**	**-227 591**	**55 082**	**-2 671 844**
Closing insurance contract assets	**-**	**-**	**-**	**388 332**	**654 501**	**-**	**-**	**1 042 833**
Closing insurance contract liabilities	**-11 990 086**	**-71 295 860**	**-8 372 915**	**-151 955**	**-602 520**	**-224 716**	**-1 905 440**	**-94 543 492**

32.3 Reserves for profit and loss on new contracts

DATA IN THUF

31.12.2023	NON-ONEROUS CONTRACTS	ONEROUS CONTRACTS	TOTAL
Present value of estimates of future cash inflows	20 114 880	4 177 473	24 292 353
Present value of estimates of future cash outflows	17 403 468	4 113 651	21 517 119
- incl. claims and directly attributable expenses	14 417 999	2 731 867	17 149 866
- incl. acquisition cash flows	2 985 469	1 381 784	4 367 253
Present value of cash flows	-2 711 411	-63 822	-2 775 233
Risk adjustment for non-financial risk	312 133	130 342	442 475
Contractual service margin	2 413 440	15 153	2 428 593
Insurance Contract Liabilities	**14 162**	**81 673**	**95 835**

DATA IN THUF

31.12.2022	NON-ONEROUS CONTRACTS	ONEROUS CONTRACTS	TOTAL
Present value of estimates of future cash inflows	26 969 826	1 723 266	28 693 092
Present value of estimates of future cash outflows	24 481 860	2 144 286	26 626 146
- incl. claims and directly attributable expenses	18 235 835	1 338 086	19 573 921
- incl. acquisition cash flows	6 246 025	806 200	7 052 225
Present value of cash flows	-2 487 966	421 020	-2 066 946
Risk adjustment for non-financial risk	900 845	138 878	1 039 723
Contractual service margin	1 893 118	754	1 893 872
Insurance Contract Liabilities	**305 997**	**560 652**	**866 649**

32.4 Claims run-off

2023 Life Segment

DATA IN THUF

GROSS CUMULATIVE CLAIM PAYMENT	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	7 877 261	11 550 621	14 374 882	15 145 802	13 435 613	15 557 981	15 533 634	18 660 318	-
1 year later	7 987 223	11 783 524	14 800 514	15 601 392	13 521 675	15 879 195	15 555 619	-	-
2 year later	8 005 663	11 820 363	14 817 683	15 480 454	13 439 626	15 848 193	-	-	-
3 year later	8 032 742	11 859 678	14 774 541	15 468 565	13 417 638	-	-	-	-
4 year later	8 014 406	11 860 869	14 771 884	15 460 434	-	-	-	-	-
5 year later	8 014 925	11 794 437	14 719 116	-	-	-	-	-	-
6 year later	7 990 261	11 795 108	-	-	-	-	-	-	-
7 year later	7 990 443	-	-	-	-	-	-	-	-
Cumulative gross claims paid	-7 987 674	-11 788 248	-14 687 789	-15 346 015	-13 229 322	-15 605 235	-14 624 800	-15 761 878	-
Gross liabilities - accident years from 2016 to 2025	2 769	6 860	31 327	114 419	188 317	242 959	930 819	2 898 441	4 415 910
Gross liabilities - accident years before 2016	-	-	-	-	-	-	-	-	3 402
Investment Contracts	-	-	-	-	-	-	-	-	-19 594
Claims payable	-	-	-	-	-	-	-	-	31 018
Effect of discounting	-	-	-	-	-	-	-	-	-247 288
Risk adjustment	-	-	-	-	-	-	-	-	701 740
Gross liabilities for incurred claims included in the statement of financial position	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4 885 188**

DATA IN THUF

REINSURANCE CUMULATIVE CLAIM PAYMENT	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	-16 347	-80 542	-21 577	-105 838	-225 262	-101 237	-441 560	-786 009	-
1 year later	-16 437	-13 925	-45 319	-124 182	-89 083	-58 442	-384 367	-	-
2 year later	-8 726	-6 315	-61 645	- 29 730	-69 024	-73 557	-	-	-
3 year later	-8 726	-6 211	-23 505	-29 410	-64 124	-	-	-	-
4 year later	-8 726	-6 211	-23 505	-29 957	-	-	-	-	-
5 year later	-8 726	-6 211	-23 505	-	-	-	-	-	-
6 year later	-8 343	-6 211	-	-	-	-	-	-	-
7 year later	-8 343	-	-	-	-	-	-	-	-
Cumulative gross claims paid	8 343	6 114	20 168	29 530	64 075	71 555	201 702	335 847	-
Gross liabilities - accident years from 2016 to 2025	-	-97	-3 338	-427	-48	-2 003	-182 665	-450 163	-638 739
Gross liabilities - accident years before 2016	-	-	-	-	-	-	-	-	-
Investment Contracts	-	-	-	-	-	-	-	-	-
Claims payable	-	-	-	-	-	-	-	-	225 987
Effect of discounting	-	-	-	-	-	-	-	-	9 866
Risk adjustment	-	-	-	-	-	-	-	-	-93 830
Reinsured liabilities for incurred claims included in the statement of financial position	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-496 717**

DATA IN THUF

NET CUMULATIVE CLAIM PAYMENT	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	7 860 914	11 470 079	14 353 305	15 039 964	13 210 351	15 456 743	15 092 074	17 874 309	-
1 year later	7 970 786	11 769 599	14 755 195	15 477 210	13 432 592	15 820 753	15 171 252	-	-
2 year later	7 996 937	11 814 047	14 756 038	15 450 724	13 370 601	15 774 636	-	-	-
3 year later	8 024 016	11 853 467	14 751 035	15 439 155	13 353 515	-	-	-	-
4 year later	8 005 680	11 854 658	14 748 378	15 430 477	-	-	-	-	-
5 year later	8 006 199	11 788 226	14 695 610	-	-	-	-	-	-
6 year later	7 981 918	11 788 897	-	-	-	-	-	-	-
7 year later	7 982 100	-	-	-	-	-	-	-	-
Cumulative net claims paid	-7 979 331	-11 782 134	-14 667 621	-15 316 485	-13 165 246	-15 533 680	-14 423 098	-15 426 031	-
Net liabilities - accident years from 2016 to 2025	2 769	6 764	27 989	113 992	188 268	240 956	748 154	2 448 278	3 777 171
Net liabilities - accident years before 2016	-	-	-	-	-	-	-	-	3 402
Investment Contracts	-	-	-	-	-	-	-	-	-19 594
Claims payable	-	-	-	-	-	-	-	-	257 005
Effect of discounting	-	-	-	-	-	-	-	-	-237 422
Risk adjustment	-	-	-	-	-	-	-	-	607 910
Net liabilities for incurred claims included in the statement of financial position									**4 388 471**

Non-life segment 2023

DATA IN THUF

GROSS CUMULATIVE CLAIM PAYMENT	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	12 340	194 338	93 798	35 548	103 391	1 858 924	3 150 287	-
1 year later	10 032	1 230 299	83 878	97 794	95 088	1 667 211	-	-
2 year later	10 080	1 253 788	250 297	97 511	98 041	-	-	-
3 year later	9 381	1 243 364	140 296	97 396	-	-	-	-
4 year later	9 381	1 187 228	136 095	-	-	-	-	-
5 year later	9 381	1 225 808	-	-	-	-	-	-
6 year later	9 381	-	-	-	-	-	-	-
Cumulative gross claims paid	9 381	1 225 808	136 095	97 396	98 041	1 667 211	3 150 287	-
Gross liabilities								2 638 815
Effect of discounting								124 337
Risk adjustment								227 641
Gross liabilities for incurred claims included in the statement of financial position								**2 742 118**

DATA IN THUF

REINSURANCE CUMULATIVE CLAIM PAYMENT	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	5 721	10 175	6 135	42 498	77 404	1 014 641	1 662 324	-
1 year later	1 885	2 601	305	33 933	71 597	931 151	-	-
2 year later	1 885	2 828	465	33 653	73 953	-	-	-
3 year later	1 885	2 828	465	33 653	-	-	-	-
4 year later	1 885	2 828	465	-	-	-	-	-
5 year later	1 885	2 828	-	-	-	-	-	-
6 year later	1 885	-	-	-	-	-	-	-
Cumulative gross claims paid	1 885	2 828	465	33 653	73 953	931 151	1 662 324	-

DATA IN THUF

REINSURANCE CUMULATIVE CLAIM PAYMENT	2017	2018	2019	2020	2021	2022	2023	TOTAL
Gross liabilities								-40 299
Effect of discounting								-44 102
Risk adjustment								18 926
Reinsured liabilities for incurred claims included in the statement of financial position								**22 728**

DATA IN THUF

NET CUMULATIVE CLAIM PAYMENT	2017	2018	2019	2020	2021	2022	2023	TOTAL
At end of accident year	6 619	184 162	87 662	-6 950	25 988	844 283	1 487 963	-
1 year later	8 147	1 227 698	83 573	63 861	23 491	736 060	-	-
2 year later	8 195	1 250 960	249 832	63 858	24 089	-	-	-
3 year later	7 496	1 240 535	139 831	63 744	-	-	-	-
4 year later	7 496	1 184 400	135 629	-	-	-	-	-
5 year later	7 496	1 222 980	-	-	-	-	-	-
6 year later	7 496	-	-	-	-	-	-	-
Cumulative gross claims paid	7 496	1 222 980	135 629	63 744	24 089	736 060	1 487 963	-
Gross liabilities								2 679 114
Effect of discounting								168 438
Risk adjustment								208 715
Net liabilities for incurred claims included in the statement of financial position								**2 719 390**

33. ASSESTS AND LIABILITIES FROM REINSURANCE CONTRACTS

33.1 Assets for remaining coverage and assets for incurred claims of held reinsurance contracts

DATA IN THUF

	AFRC		AFIC FOR CONTRACTS MEASURED UNDER GM	AFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
2023	EXCL. LC	LC		PVCF	RA	
Opening reinsurance contract assets	**399 735**	**548 358**	**32 632**	**361 910**	**7 275**	**1 349 910**
Opening reinsurance contract liabilities	**-943 005**	**409 522**	**-16 973**	**-2 358**	**-**	**-552 814**
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium	-3 515 552	-	-	-	-	-3 515 552
- Amounts recoverable for claims and other expenses	-	-	934 225	1 485 378	13 065	2 432 668
- Changes that relate to past service - adjustments to LfIC	-	-	-37 081	- 221 322	-4 618	-263 021
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-279 239	-	-	-	-279 239
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-
Reinsurance finance income through profit and loss	16 772	-	6 991	2 779	-	26 542
Reinsurance finance income through OCI	-270 680	-	9 111	4 910	-	-256 659
Net foreign exchange income or expense	1 310	-	-	-13 252	-1	-11 943
Investment components	-252 199	-	188 464	63 735	-	-
Total changes in statement of profit and loss and OCI	**-4 020 349**	**-279 239**	**1 101 710**	**1 322 228**	**8 446**	**-1 867 204**

DATA IN THUF

2023	AFRC EXCL. LC	AFRC LC	AFIC FOR CONTRACTS MEASURED UNDER GM	AFIC FOR CONTRACTS MEASURED UNDER PAA PVCF	AFIC FOR CONTRACTS MEASURED UNDER PAA RA	TOTAL
Premiums paid to reinsurer net of commission	5 549 407	-	-	-	-	5 549 407
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-	-	-945 215	-1 352 040	-	-2 297 255
Total cash flows	**5 549 407**	**-**	**-945 215**	**-1 352 040**	**-**	**3 252 152**
Closing reinsurance contract assets	**1 179 039**	**677 128**	**173 241**	**514 709**	**13 934**	**2 558 051**
Closing reinsurance contract liabilities	**-193 251**	**1 513**	**-1 087**	**-184 969**	**1 787**	**-376 007**

DATA IN THUF

2023	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Opening reinsurance contract assets	**11 716**	**-**	**10 718**	**8 454**	**677 035**	**143 242**	**389 230**	**74 372**	**35 143**	**1 349 910**
Opening reinsurance contract liabilities	**-**	**-14 017**	**-1**	**-38 129**	**-438 980**	**-**	**-57 263**	**-4 424**	**-**	**-552 814**
Net income or expense from reinsurance contracts held										
- Allocation of reinsurer premium	-15 105	-10 646	-19 822	-223 348	-645 019	-583 204	-1 672 965	-207 597	-137 846	-3 515 552
- Amounts recoverable for claims and other expenses	9 844	6 058	7 655	124 809	1 040 045	658 082	402 021	1 592	182 562	2 432 668
- Changes that relate to past service - adjustments to LfIC	6 697	1 069	-404	2 056	-146 289	-19 954	-80 202	-	-25 994	-263 021
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	-23	44	2 779	-282 039	-	-	-	-	-279 239
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-	-	-	-	-
Reinsurance finance income through profit and loss	678	-3 708	740	3 617	-8 963	-2 368	3 023	32 603	920	26 542
Reinsurance finance income through OCI	-	- 4 328	1 975	-68 112	-188 895	-13 931	15 877	- 1 814	2 569	-256 659
Net foreign exchange income or expense	-	-	-	-	-11 943	-	-	-	-	- 11 943
Investment components	-	-	-	-	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	**2 114**	**-11 578**	**-9 812**	**-158 199**	**-243 103**	**38 625**	**-1 332 246**	**-175 216**	**22 211**	**-1 867 204**

DATA IN THUF

2023	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Premiums paid to reinsurer net of commission	28 268	12 970	16 363	239 978	2 354 898	758 799	1 729 678	266 059	142 394	5 549 407
Directly attributable expenses paid	-	-	-	-	-	-	-	-	-	-
Recoveries from reinsurance	-31 988	-5 981	-7 854	-106 335	-900 759	-893 062	-168 600	-12 476	-170 200	-2 297 255
Total cash flows	**-3 720**	**6 989**	**8 509**	**133 643**	**1 454 139**	**-134 263**	**1 561 078**	**253 583**	**-27 806**	**3 252 152**
Closing reinsurance contract assets	**19 122**	**-**	**9 440**	**7 854**	**1 450 576**	**148 674**	**742 320**	**150 517**	**29 548**	**2 558 051**
Closing reinsurance contract liabilities	**-9 012**	**-18 606**	**-26**	**- 62 085**	**-1 485**	**- 101 070**	**-181 521**	**-2 202**	**-**	**-376 007**

DATA IN THUF

	AFRC		AFIC FOR CONTRACTS MEASURED UNDER GM	AFIC FOR CONTRACTS MEASURED UNDER PAA		TOTAL
2022	**EXCL. LC**	**LC**		**PVCF**	**RA**	
Opening reinsurance contract assets	**334 190**	**-**	**95 306**	**14 214**	**2 229**	**445 939**
Opening reinsurance contract liabilities	**-107 466**	**-**	**-14 531**	**-40 867**	**31**	**-162 833**
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium	-1 540 271	-	-	-	-	-1 540 271
- Amounts recoverable for claims and other expenses	-	-	221 577	1 160 910	6 854	1 389 341
- Changes that relate to past service - adjustments to LfIC	-	-	28 529	- 193 888	-1 841	-167 200
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	957 880	-	-	-	957 880
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-
Reinsurance finance income through profit and loss	- 39 600	-	351	-967	-	-40 216
Reinsurance finance income through OCI	168 011	-	-5 753	-2 042	-	160 216
Net foreign exchange income or expense	6 610	-	-	-28 490	2	-21 878
Investment components	-64 286	-	527	63 759	-	-
Total changes in statement of profit and loss and OCI	**-1 469 536**	**957 880**	**245 231**	**999 282**	**5 015**	**737 872**
Premiums paid to reinsurer net of commission	699 542	-	-	-	-	699 542
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-	-	-310 347	-613 077	-	-923 424
Total cash flows	**699 542**	**-**	**-310 347**	**-613 077**	**-**	**-223 882**
Closing reinsurance contract assets	**1 179 039**	**548 358**	**32 632**	**361 910**	**7 275**	**1 349 910**
Closing reinsurance contract liabilities	**-193 251**	**409 522**	**-16 973**	**-2 358**	**-**	**-552 814**

DATA IN THUF

2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Opening reinsurance contract assets	**10 194**	**-**	**19 461**	**-**	**217 939**	**-**	**496**	**197 849**	**-**	**445 939**
Opening reinsurance contract liabilities	**-**	**-25 904**	**-1**	**-84 704**	**-1 657**	**-78**	**-43 539**	**-6 950**	**-**	**-162 833**
Net income or expense from reinsurance contracts held										
- Allocation of reinsurer premium	-4 585	-12 309	-15 280	-98 113	-248 023	-460 298	-521 203	-145 008	-35 452	-1 540 271
- Amounts recoverable for claims and other expenses	16 696	7 617	7 589	50 687	454 304	708 310	101 524	-527	43 141	1 389 341
- Changes that relate to past service - adjustments to LfIC	-11 635	125	171	4 917	-3 288	- 155 862	- 1 201	-427	-	-167 200
- Changes in fulfilment cash flows that do not adjust underlying CSM	-	23	-1 469	187	959 139	-	-	-	-	957 880
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	-	-	-	-	-	-	-	-
Reinsurance finance income through profit and loss	-110	5 201	478	- 3 529	-48 661	-	-	6 405	-	-40 216
Reinsurance finance income through OCI	-	6 786	-4 822	65 314	93 911	3 368	- 5 205	1 645	-781	160 216
Net foreign exchange income or expense	-	-	-	-	-21 878	-	-	-	-	-21 878
Investment components	-	-	-	-	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	**366**	**7 443**	**-13 333**	**19 463**	**1 185 504**	**95 518**	**-426 085**	**-137 912**	**6 908**	**737 872**

DATA IN THUF

2022	GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	FLEET CASCO	CORPORATE PROPERTY INSURANCE	SURETY INSURANCE	RETAIL PROPERTY INSURANCE	TOTAL
Premiums paid to reinsurer net of commission	4 417	15 225	16 946	90 007	-971 085	473 414	895 460	124 433	50 725	699 542
Directly attributable expenses paid	-	-	-	-	-	-	-	-	-	-
Recoveries from reinsurance	-3 261	-10 781	-12 356	-54 441	-192 646	-425 612	-94 365	-107 472	-22 490	-923 424
Total cash flows	**1 156**	**4 444**	**4 590**	**35 566**	**-1 163 731**	**47 802**	**801 095**	**16 961**	**28 235**	**-223 882**
Closing reinsurance contract assets	**11 716**	**-**	**10 718**	**8 454**	**677 035**	**143 242**	**389 230**	**74 372**	**35 143**	**1 349 910**
Closing reinsurance contract liabilities	**-**	**-14 017**	**-1**	**-38 129**	**-438 980**	**-**	**-57 263**	**-4 424**	**-**	**-552 814**

33.2 Movement table of reinsurance assets and liabilities (best estimate, risk adjustment and contractual service margin)

DATA IN THUF

2023	BEL	RA	CSM	TOTAL
Opening reinsurance contract assets	**-695 189**	**167 800**	**1 017 632**	**490 243**
Opening reinsurance contract liabilities	**-877 310**	**88 632**	**294 612**	**-494 066**
Changes related to current services				
- CSM recognized in profit and loss	-	-	-776 942	-776 942
- Risk Adjustment recognized in profit and loss	-	-48 968	-	-48 968
- Experience adjustments	798 370	95 055	-	893 425
Changes related to future services				
- Contracts initially recognized in the period	-518 424	103 669	414 755	-
- Changes in estimates that adjust CSM	- 2 293 117	28 431	2 264 686	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	-279 239	-279 239
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	-21 872	- 15 210	-	-37 082
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Insurance finance expenses through profit and loss	-128 435	-	152 198	23 763
Insurance finance expenses through OCI	-261 568	-	-	-261 568
Net foreign exchange income or expense	-	-	-	-
Total changes in statement of profit and loss and OCI	**-2 425 046**	**162 977**	**1 775 458**	**-486 611**

DATA IN THUF

2023	BEL	RA	CSM	TOTAL
Premiums paid to reinsurer net of commission	2 602 124	-	-	2 602 124
Directly attributable expenses paid	-	-	-	-
Recoveries from reinsurance	-945 217	-	-	-945 217
Total cash flows	**1 656 907**	**-**	**-**	**1 656 907**
Closing reinsurance contract assets	**-1 925 791**	**337 089**	**2 838 094**	**1 249 392**
Closing reinsurance contract liabilities	**-414 847**	**82 320**	**249 608**	**-82 919**

DATA IN THUF

2023	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	SURETY INSURACE	TOTAL
Opening reinsurance contract assets	**-**	**10 718**	**8 454**	**396 698**	**74 373**	**490 243**
Opening reinsurance contract liabilities	**-14 017**	**-1**	**-38 129**	**-437 495**	**-4 424**	**-494 066**
Changes related to current services						
- CSM recognized in profit and loss	-961	-1 007	-38 150	-563 026	-173 798	-776 942
- Risk Adjustment recognized in profit and loss	-1 102	-734	-10 070	-31 740	-5 322	-48 968
- Experience adjustments	-2 526	-10 426	-24 787	958 051	-26 887	893 425
Changes related to future services						
- Contracts initially recognized in the period	-	-	-	-	-	-
- Changes in estimates that adjust CSM	-	-	-	-	-	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	- 23	44	2 779	-282 039	-	-279 239
Changes that relate to past service						
Changes that relate to past service - adjustments to LfIC	1 069	-404	2 056	-39 803	-	-37 082
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
Insurance finance expenses through profit and loss	-3 708	740	4 023	-9 894	32 602	23 763
Insurance finance expenses through OCI	-4 328	1 975	-68 112	-189 290	-1 813	-261 568
Net foreign exchange income or expense	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	**-11 579**	**-9 812**	**-132 261**	**-157 741**	**-175 218**	**-486 611**

DATA IN THUF

2023	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	SURETY INSURACE	TOTAL
Premiums paid to reinsurer net of commission	12 971	16 362	172 698	2 134 034	266 059	2 602 124
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-5 981	-7 853	-72 847	-846 061	-12 475	-945 217
Total cash flows	**6 990**	**8 509**	**99 851**	**1 287 973**	**253 584**	**1 656 907**
Closing reinsurance contract assets	**-**	**9 439**	**-**	**1 089 436**	**150 517**	**1 249 392**
Closing reinsurance contract liabilities	**-18 606**	**-25**	**-62 085**	**-1**	**-2 202**	**-82 919**

DATA IN THUF

2022	BEL	RA	CSM	TOTAL
Opening reinsurance contract assets	**43 953**	**20 732**	**158 943**	**223 628**
Opening reinsurance contract liabilities	**-383 932**	**58 187**	**206 529**	**-119 216**
Changes related to current services				
- CSM recognized in profit and loss	-	-	-8 239	-8 239
- Risk Adjustment recognized in profit and loss	-	-55 475	-	-55 475
- Experience adjustments	104 211	16 671	-	120 882
Changes related to future services				
- Contracts initially recognized in the period	-517 710	355 980	161 730	-
- Changes in estimates that adjust CSM	323 224	-139 291	-183 934	- 1
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	957 907	957 907
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	28 903	-373	-	28 530
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Insurance finance expenses through profit and loss	-58 557	-	19 308	-39 249
Insurance finance expenses through OCI	162 258	-	-	162 258
Net foreign exchange income or expense	-	-	-	-
Total changes in statement of profit and loss and OCI	**42 329**	**177 512**	**946 772**	**1 166 613**
Premiums paid to reinsurer net of commission	-965 961	-	-	-965 961
Directly attributable expenses paid				
Recoveries from reinsurance	-308 887	-	-	-308 887
Total cash flows	**-1 274 848**	**-**	**-**	**-1 274 848**
Closing reinsurance contract assets	**-695 188**	**167 799**	**1 017 632**	**490 243**
Closing reinsurance contract liabilities	**-877 310**	**88 632**	**294 612**	**-494 066**

DATA IN THUF

2022	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	SURETY INSURANCE	TOTAL
Opening reinsurance contract assets	**-**	**17 991**	**-**	**7 788**	**197 849**	**223 628**
Opening reinsurance contract liabilities	**-25 904**	**9**	**-84 704**	**-1 667**	**-6 950**	**-119 216**
Changes related to current services						
- CSM recognized in profit and loss	-1 545	3 990	-46 324	138 593	-102 953	-8 239
- Risk Adjustment recognized in profit and loss	-1 414	-722	-12 052	-29 982	-11 305	-55 475
- Experience adjustments	-1 731	-10 961	10 950	153 900	-31 277	120 881
Changes related to future services						
- Contracts initially recognized in the period	-	-	-	-	-	-
- Changes in estimates that adjust CSM	-	-	-	-	-	-
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	23	-1 468	187	959 165	-	957 907
Changes that relate to past service						
Changes that relate to past service - adjustments to LfIC	125	172	4 917	23 743	-427	28 530
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
Insurance finance expenses through profit and loss	5 201	478	-3 529	-47 804	6 405	-39 249
Insurance finance expenses through OCI	6 787	-4 822	65 314	93 334	1 645	162 258
Net foreign exchange income or expense	-	-	-	-	-	-
Total changes in statement of profit and loss and OCI	**7 446**	**-13 333**	**19 463**	**1 290 949**	**-137 912**	**1 166 613**

DATA IN THUF

DATA IN THUF

2022	REGULAR PREMIUM UL	TRADITIONAL REGULAR PREMIUM LIFE SAVINGS INSURANCE	RISK LIFE INSURANCE	CREDIT COVERAGE INSURANCE	SURETY INSURANCE	TOTAL
Premiums paid to reinsurer net of commission	15 224	16 946	90 007	- 1 212 571	124 433	-965 961
Directly attributable expenses paid	-	-	-	-	-	-
Recoveries from reinsurance	-10 784	-10 895	-54 442	-125 294	-107 472	-308 887
Total cash flows	**4 440**	**6 051**	**35 565**	**-1 337 865**	**16 961**	**-1 274 848**
Closing reinsurance contract assets	**-**	**10 718**	**8 454**	**396 699**	**74 372**	**490 243**
Closing reinsurance contract liabilities	**-14 018**	**-**	**-38 130**	**-437 494**	**-4 424**	**-494 066**

33.3 Reserves for profit and loss on new reinsurance contracts

DATA IN THUF

31.12.2023	ORIGINATED IN NET GAIN	ORIGINATED IN NET LOSS	TOTAL
Present value of estimates of future cash inflows	417	256 275	256 692
Present value of estimates of future cash outflows	325	774 791	775 116
Present value of cash flows	92	-518 516	-518 424
Risk adjustment for non-financial risk	124	103 545	103 669
Contractual service margin	-216	414 971	414 755
Reinsurance contract assets	**-**	**-**	**-**

DATA IN THUF

31.12.2022	ORIGINATED IN NET GAIN	ORIGINATED IN NET LOSS	TOTAL
Present value of estimates of future cash inflows	2 818 201	284 426	3 102 627
Present value of estimates of future cash outflows	2 943 670	676 668	3 620 338
Present value of cash flows	-125 469	-392 241	-517 710
Risk adjustment for non-financial risk	305 454	50 526	355 980
Contractual service margin	-179 985	341 715	161 730
Reinsurance contract assets	**-**	**-**	**-**

34. INVESTMENT CONTRACTS

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

DATA IN THUF

	2023	2022	2021
Opening balance on 1 January	5 167 307	5 237 951	2 910 863
Written premium	481 061	819 359	2 527 593
Fees deducted	-76 764	-104 940	-147 627
Release of reserves due to claim payments and benefits	-1 211 311	-606 488	-489 494
Investment result	399 821	-136 548	435 782
Reclassification between deemed and real initial units	-70	-105	-199
Other changes	3 071	-41 922	1 033
Balance on 31 December	**4 763 115**	**5 167 307**	**5 237 951**

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 THUF

	31 DECEMBER 2023	31 DECEMBER 2022 (RESTATED)	31 DECEMBER 2021 (RESTATED)
Balance on 1 January	474 892	531 909	59 880
Increase	58 913	106 411	560 191
Derecognition	-34 234	-18 049	-13 497
Paid leasing fees	186 853	179 495	91 033
Of which: Interest rate	11 134	20 659	10 791
Decrease of liabilities	175 719	158 836	80 242
Difference due to exchange rate	-9 568	13 457	5 576
Balance on 31 December	**314 284**	**474 892**	**531 908**

36. PROVISIONS

In respect of provisions, the following changes were made during 2022 and 2023:

DATA IN THUF

	2023	2022 (RESTATED)
Provision on 1 January	519 968	323 544
Provision release	-290 586	-106 726
Provision allocation	33 061	303 150
Provision on 31 December	**262 443**	**519 968**

The Group formed provisions for the following items in 2022 and 2023:

DATA IN THUF

PROVISION FOR EXPECTED LIABILITIES	EXPECTED PAYMENT PERIOD	31.12.2023	31.12.2022 (RESTATED)	31.12.2021 (RESTATED)
Provision for losses due to expected termination of contracts	1-2 év	-	-	17 524
Provision for legal fees	1-2 év	62 984	185 763	237 885
Provision for litigation	1-2 év	-	17 332	34 300
Provision for expected liabilities	1-2 év	10 691	7 632	7 632
Other reserves of investment contract	1-2 év	33 376	42 594	26 203
Provision for penalties	6 hónap vagy kevesebb	30 000	-	-
Provision for personal expenses related to reorganization	6 hónap vagy kevesebb	125 392	266 647	-
Total provisions		**262 443**	**519 968**	**323 544**

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 fulfillment is disputed by the insurer; the value of which decreased significantly in 2023.

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 is the total of the costs related to organizational changes.

37. OTHER LIABILITIES

DATA IN THUF

	12.31.2023	31.12.2022 (RESTATED)	31.12.2021 (RESTATED)
Trade payables	155 992	199 432	170 687
Liabilities to fund managers	145 347	118 891	110 960
Liabilities to employees	127 970	119 371	98 105
Social contribution and taxes	652 600	237 873	116 914
Other liabilities	485 310	125 562	106 773
Accrued expenses and deferred income	598 118	267 627	328 137
Collateral obligation	2 443 374	1 225 580	568 724
Advance payments of state subsidies	411 243	438 853	512 248
Other liabilities total	**5 019 954**	**2 733 189**	**2 012 548**

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 installment of the subsidy (HUF 512,248 thousand) was called by the end of 2021.

For our project 2020-1.1.2-PIACI-KFI-2021-00267 the implementation period is 01.01.2022 – 31.12.2025. After the completion of the Project, we are obliged to maintain and operate the capacities, products and services developed within the framework of the Project until 31 December 2027 (maintenance period). Mandatory commitment until the end of the maintenance period: business utilization in the amount of HUF 275,182 thousand.

DATA IN THUF

	31.12.2021	CASH FLOWS	TRANSFER	CURRENCY DIFFERENCES	OTHER	31.12.2022
Treasury shares	-31 996	-	-	-	-	-31 996
Lease payment and interest	531 908	-158 836	88 362	13 458		474 892
Loans and financial reinsurance	2 012 548	-34 656	-		755 297	2 733 189
Payables to shareholders	19 929	-1 691 473	1 701 797			30 253
Total financing liabilities	**2 532 389**	**-1 884 965**	**1 790 159**	**13 458**	**755 297**	**3 206 338**

DATA IN THUF

	31.12.2022	CASH FLOWS	TRANSFER	CURRENCY DIFFERENCES	OTHER	31.12.2023
Treasury shares	-31 996	-	-	-	-	-31 996
Lease payment and interest	474 892	-175 719	24 678	-9 567	-	314 284
Loans and financial reinsurance	2 733 189	-6 704		-11 051	2 304 520	5 019 954
Payables to shareholders	30 253	-1 699 709	1 702 863			33 407
Total financing liabilities	**3 206 338**	**-1 882 132**	**1 727 541**	**-20 618**	**2 304 520**	**5 335 649**

38. SHARE CAPITAL AND CAPITAL RESERVE

As of 31 December 2023 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
Share capital	**-**	**-**	**3 116 132 580**

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 THUF

MEGNEVEZÉS	DATE OF AQUIRING	NUMBER OF OWN SHARES	PAR VALUE OF TREASURY SHARES (THUF)	COST OF TREASURY SHARES (THUF)
Series „A" shares – as a gift for free	2014.05.22	1 196 750	47 870	-
Transfer of series "A" ordinary shares to MKB Bank as consideration for a minority interest	2017.07.06	-92 744	-3 710	-
of which: sales in employee share-based payment program	2018.10.15	-230 000	-9 200	-
of which: sales in employee share-based payment program	2018.11.07	-160 000	-6 400	-
of which: sales in employee share-based payment program	2019.04.05	-340 000	-13 600	-
Conversion of shares	2020.12.09	-374 006	-14 960	-
Conversion of shares	2020.12.09	374 006	12 342	-
Purchase of series "A" shares	2021.03.30	100 000	3 300	31 996
2023.12.31		**474 006**	**15 642**	**31 996**

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 THUF

	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021
Difference in fair value of financial assets at fair value against other comprehensive result	-1 351 445	-6 890 517	-3 081 243
Difference in fair value of insrunce contracts at fair value against other comprehensive result	376 087	2 047 754	-86 789
Difference in fair value of reinsrunce contracts at fair value against other comprehensive result	-83 503	173 156	12 940
Difference in fair value of deffered tax	119 120	387 864	270 848
Other reserves	**-939 741**	**-4 281 743**	**-2 884 244**

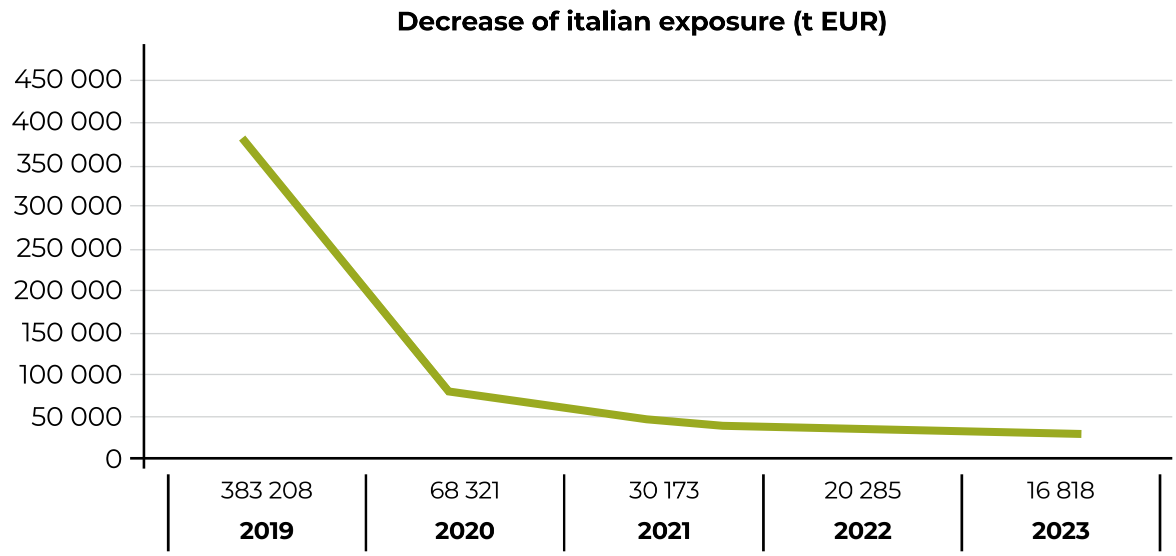
Other reserves include the difference between the fair value of financial assets valued at fair value against other comprehensive result recognized directly in equity, of which the negative evaluation difference of OPUS explain HUF -435 million, while the negative valuation difference of government bond portfolios explain HUF –917 million.(see detailed in Note 3.7.8.4)

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.

The non-life insurance subsidiary of the Group, CIG Pannónia Első Magyar Általános Biztosító Zrt. (EMABIT) has provided suretyship insurance for registered companies and individuals in Italy between 2014-2019 („Italian business line") with BONDSOL Kft. as its lead agent. These liability commitments resulted in a significant exposure against certain entities of the Italian State (agencies, municipalities, etc.).

The exposures have been reduced to a fraction in recent years, since 2019, in accordance with the MNB's expectations and rules, the Insurer does not carry out sales, but only manages the existing stock.



For the Italian suretyship insurances in the current report, the total amount of claims reported to the Insurer is EUR 21.917 million, of which the Insurer has, taking into account the opinion of legal experts, established a reserve for RBNS claims in the amount of EUR 3.520 million. Considering the experience of regress procedures, EMABIT modified the amount of regress reserves to EUR 566 thousand. If the amount of the claims to be paid will differ, the difference will change the Insurer's future result and equity.

Table 1: Main characteristics of CIG EMABIT's exposures in Italy by product type, as of 31 December 2023

PRODUCT TYPE	CONTRACT LIMITS (EXPOSURE) EUR	NUMBER OF CONTRACTS	PROPORTION OF PRODUCT TYPE FROM EXPOSURE	AVARAGE DURATION
PUBLIC_CONCESSIONS	16 686 648	15	99,2%	2,892
GESTORI_DI_RIFIUTI	131 647	2	0,8%	0,192
Total	**16 818 295**	**17**	**100,0%**	

The effect of contingent liabilities to consolidated financial statement can be the maximum of HUF 6,695 million, the equity of EMABIT.

42. COMMITMENTS FOR CAPITAL EXPENDITURE

The Company had no commitments for capital expenditure as at 31 December 2021 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 2023 the members of the Board and Supervisory Board received HUF 15,000 thousand (in 2022 HUF 15,000 thousand) 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 994 thousand (HUF 5,388 thousand in 2022).

43.2 Transactions with other related parties of the Group

MBH Fund Manager Ltd. invoiced the followings to the Group in 2023:

- • HUF 368,481 thousand unit-linked portfolio management fee[2] (in 2022 HUF 376,875 thousand), and HUF 29,575 thousand unit-linked fund management fee[1] (in 2022 HUF 17,495 thousand)
- • HUF 53,370 thousand portfolio management fee relating to own portfolio (turnover with CIG Pannonia Life Insurance Plc was HUF 40,030 thousand and HUF 13,340 thousand with CIG Pannonia First Hungarian General Insurance Ltd), in 2022 the own portfolio management fee was HUF 52,661 thousand.

CIG Pannónia Life Insurance Plc. invoiced services in an amount of HUF 255 thousand to MBH Fund Manager Ltd. in 2023 (in 2022 HUF 283 thousand).

43.3 Transactions with other related parties of the Group

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

- from Hungarikum Alkusz in the amount of HUF 1,590,496 thousand (in 2022: HUF 940,445 thousand),

[2] *Unit-linked portfolio management and fund management fee is charged directly to unit-linked investment fund's net asset value*

- from HUNBankbiztosítás Kft. in the amount of HUF 7,066 thousand and EUR -540 (commission return) (in 2022 HUF 58,643 thousand and EUR 566),
- from HUNPénzügyi Tervező Kft. in the amount of HUF 100,349 thousand and EUR 25,366 (in 2022 HUF 145,385 thousand and EUR 10,008),
- from HUNInsurance Kft. in the amount of HUF 95,229 thousand (in 2022 HUF 92,743 thousand),
- from HUNPartner Kft. in the amount of HUF 69,390 thousand (in 2022 HUF 58,745 thousand), and
- HUNBenefits Digitális Tárca Szolgáltató és Kereskedelmi Kft. in the amount of HUF 140,705 thousand and EUR 1,470 (in 2022 HUF 0).

All services were provided at market prices. The brokers HUNInsurance Kft., HUNPénzügyi Tervező Kft. and HUNPartner Kft. merged into Hungarikum Biztosítási Alkusz Zrt. on 30.06.2023. The turnover presented above is the turnover of HUNInsurance Kft., HUNPénzügyi Tervező Kft. and HUNPartner Kft. in the first half of 2023.

On 31 December 2023, the 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 48,884 thousand and EUR 1,906 (in 2022 HUF 30,444 thousand). The Group also recognizes a receivable from Hungarikum Biztosítási Alkusz Kft for paid commission advances in the amount of HUF 384,866 thousand on the balance sheet date (in 2022: HUF 121,628 thousand).
- towards HUNBankbiztosítás Kft. in the amount of HUF 1,644 thousand (in 2022: HUF 1,426 thousand),
- - towards HUNPénzügyi Tervező Kft. HUF 0 (in 2022 HUF 12,964 thousand and EUR 3,108),
- towards HUNInsurance Kft. HUF 0 (in 2022 HUF 2,790 thousand),
- towards HUNPartner Kft. HUF 0 (in 2022 HUF 2,868 thousand).

The Group purchased used tangible assets from HUNInsurtech Kft. in the amount of HUF 292 thousand (in 2022: HUF 909 thousand).

In 2022, the Company concluded a marketing agency framework contract with HUNMédia Kft. and in 2023 its turnover amounted to HUF 258,126 thousand (in 2022 HUF 115,473 thousand). The Group has a liability of HUF 132,383 thousand towards the partner on the balance sheet date (in 2022 HUF 22,838 thousand), which it displays under passive accruals.

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 2022 HUF 107,053 thousand). The Group made an accrual of HUF 10,209 thousand at the balance sheet date for invoices not yet received from HUNService Kft.

From November 2023, the Group uses telephone customer services from HUNExpert Kft., who invoiced HUF 9,186 thousand for the year 2023.

No transactions occurred with other related parties.

44. SUBSEQUENT EVENTS

Our Company provided detailed information on the suspension of the Ural Russian equity asset funds and their separation into successor asset funds, its reasons and consequences, the legal background to the suspension and separation and the extension of the suspension in the following announcements on 1, 3 and 31 March 2022 and on 17 February 2023, available at the following link:

https://www.cigpannonia.hu/hasznos/tajekoztato-eszkozalapok-felfuggeszteserol

The suspension of the remaining illiquid asset funds expired on 1 March 2024, and therefore our Company had to terminate the suspension - in accordance with the compulsory requirement of law Bit. Paragraph 127(7).

Due to current regulation and the effects of the market environment, the assets will remain illiquid and unmarketable on 1 March 2024 (and probably for an uncertain time hereafter as well), i.e. they have no determinable value. At the same time, CIG Pannónia Elétbiztosító, obeying the legal requirements [Bit. § Paragraph 127(8)] must account to its Customers on 1 March 2024 (based on the current market situation at the time of termination). In March 2024, our Company will send a settlement letter to all affected Customers.

Our Company will work now and in the future as wekk to find a satisfactory solutions to end the suspension while minimizing the harm to customer interests, and furthermore to treat our Customers qualifying as consumers fairly and with due care.

Simultaneously with the conclusion of the comprehensive investigation launched against the Life Insurance Company and EMABIT on March 1, 2023, the MNB imposed a supervisory fine of HUF 23,000,000 and a consumer protection fine of HUF 3,000,000.

The Group immediately began fulfilling the obligations imposed by the MNB and make up for the shortcomings, but at the same time, the findings recorded in the decision (Decision Nos. H-JÉ-II-B-19/2024. and H-JÉ-II-B-21/2024.) do not essentially affect the reliable operation of the Companies in the future.

According to the government decree 52/2024. (III. 4.), the Government will increase the 8 billion forint preferential taxation band of the insurance tax to 20 billion forints from April 1, 2024.

Since EMABIT's tax base calculated on the basis of insurance premiums did not reach HUF 20 billion in 2023, it will fall into the preferential tax band from the second quarter of 2024, and up to a monthly tax base of HUF 250 million, it will pay ¼ of the normal insurance tax, for the tax base between HUF 250 and HUF 1,750 million it will pay half of the normal rate, and it will pay the normal tax rate (property products 10%, casco products 15%) for the tax base above HUF 1,750 million.

In the case of future written premiums, this will mean significant tax savings for the Group from the second quarter of 2024.

Beyond the above there was no other significant subsequent event in the life of the Company.

45. STATEMENT

Consolidated Financial Statements and Consolidated Business Report of CIG Pannónia Life Insurance Plc. for the year 2023, prepared according to the international financial reporting standards accepted by the European Union provides a true and fair view of the assets, liabilities, financial position and profit/loss of the Insurer furthermore the consolidated business report provides a fair view of the position, development and achievement of the Insurer indicating the main risks and uncertainties. On 27 March 2024 the Company's Board of Directors accepted the submission of the Company's 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 2023, if the conditions are available, it plans to pay a total dividend of HUF 3,116 million. Thus, the proposal of the Board of Directors for the use of the 2023 after-tax profit is to pay a dividend of HUF 33 per share to the shareholders and to transfer the additional required amount from the profit reserve.

Budapest, 27 March 2024

dr. Fedák István	Tóth Alexandra	Szabó Géza
Chief Executive Officer	*Chief Accounting Officer*	*Chief Actuary*

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2023, PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCEPTED BY THE EUROPEAN UNION

REPORT ON THE DEVELOPMENT AND BUSINESS PERFORMANCE OF THE GROUP

2023 was a year of outstanding performance in the history of the CIG Group, both financially and in terms of realizing our strategic goals. Another important aspect in the interpretation of our results – and the term 'historic' is also appropriate here – is that this is the first year that we have prepared our accounts in accordance with the new international accounting principles for insurers - the IFRS 17 standard - and we are making the comparison as well in accordance with these principles.

Our profit after tax excluding the extra profit tax and the HUF 7 billion rise in capital due to the transition to IFRS 17 has increased by 90% to HUF 4,059 million from HUF 1,925 million last year. The challenging economic environment in 2023 in many respects - noting a 17% annual inflation rate and a decline in the country's economic performance - makes this performance even more valuable for us. Taking all items into account, our reported earnings have increased from HUF 1,535 million last year to HUF 2,874 million (87%) by the end of 2023.

With the introduction of IFRS 17, the impact on the given year's result of items that directly affect the profitability of certain products, including the extra profit tax, cannot be shown separately, therefore an estimate has been made to show the impact of the extra profit tax, and the 62% increase in profit after tax for the year can be interpreted together with this estimate.

The Company's economic performance in 2023 was fundamentally affected by two significant changes having opposite effects to its results:

- The development and expansion of the sales channels significantly increased the demand for our products, which led to an increase in the number of our customers and an increase in our premium income. We are present in all sales channels of MBH Bank and realize continuous, dynamic development from the branch network through the telephone sales all the way to digital solutions. As a result of these effects, our Company's premium income increased by more than HUF 11 billion, 35% in one year. An increase in profit due to the increase in the number of customers can be observed in the profit improvement numbers of group life insurance, risk life insurance, individual accident and health insurance, as well as credit coverage products.

- The change in the yield environment has under IFRS 17 rules a significant and direct impact on the profitability of some of our portfolios, in 2023 for savings products (regular and single-premium unit-linked life insurance (UL) and regular premium savings products). While a significant increase in yields was observed in 2022 - forward yields of one to five years increased by 6.22% on average over the year -, a decrease in yields was observed in 2023 - forward yields of one to five years decreased by 5.38% on average over the year. The fall in the yield curve increases the claims reserves, which reduced profitability in these portfolio groups.

We are steadily implementing our growth strategy as a result of which our premium income exceeded HUF 43 billion in 2023. In addition to the increase in the number of our customers, the growth of our premium income also driven by changes to our product range to better meet the needs of the market, in respect to which our individual accident and health insurance product „Bajtárs" needs to be highlighted.

The aforementioned changes in yields - as a result of Hungarian and international financial market trends - have not only affected profitability, but also the savings deposits of our customers placed with our Company. Premium income from our regular fee UL and regular fee savings products decreased year-on-year, while single premium income increased significantly.

As a result of the portfolio transfer with BNP Paribas Cardif Life Insurance in 2022, the premiums for credit coverage products also increased - by leaps and bounds - from HUF 210 million in 2022 to almost HUF 4.2 billion by the end of 2023.

Our premium income growth is driven by new sales. Due to this year's growth, our life insurance portfolio was also significantly - by 16% - higher than last year's, while EMABIT reported a 142% rise in premium income. Particularly noteworthy is the increase in the portfolio of credit coverage products sold through MBH, as mentioned above.

The performance of our sales channels has been reviewed in 2023 and we intend to focus our resources hereafter on the banking channel and independent brokers. As a consequence of this decision, we have discontinued our own sales network, and the vast majority of our long-standing loyal dependent agent partners can continue to sell our products within the independent network – now as independent brokers, of course.

We believe that nothing can stop progress, therefore this year we have continued to simplify and digitise our processes in order to improve our customer service. Claims can already be reported online for many of our products, and by the end of the first half of 2024 we will have a single online claims reporting interface for all of our products, which in addition to a dedicated website will include the automation of a significant part of the claims processes, for faster claims settlement and a better customer experience.

The aforementioned change in yield levels has not only affected the performance of our savings portfolios, but also the unrealized exchange rate changes of our investments. The fall in yield curves has increased the value of our investments: the market trend that caused a significant exchange rate loss last year, reducing the Company's equity by the end of 2022, has been reflected in an exchange rate gain this year, increasing the Company's equity by HUF 4.5 billion.

Our insurer's capital position is stable, with a capital adequacy ratio of 217%.

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 utilization of financial instruments is presented in Note 3.17 and 3.21.

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 with financial reinsurance liabilities, where the level of uncertainty is low given the fixed interest agreements. Risk management is also supported by the continuous monitoring of asset-liability matching.
- the Group hedged its portfolio in unit-linked investments in 2023, and 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 effects of financial risks on the financial statements are presented in detail by the Group in Note 6.6.

PRESENTATION OF THE GROUP'S FINANCIAL SITUATION IN 2023

Our consolidated accounting result after tax in 2023 was a profit of HUF 2,874 million. There are two significant items affecting the accounting result that need to be considered when assessing the Company's performance:

i. *a non-recurring corporate tax liability incurred as a result of the HUF 7 billion increase in equity due to the transition to IFRS 17, which decreased our profit after tax by HUF 498 million, furthermore*

ii. *we also need to separate the effect of the extra profit tax when assessing the result of the ordinary course of business. The exact mathematic calculation of the extra profit tax is limited by the IFRS 17 framework - as the difference between the changes in the terms and conditions of each contract at their issuance and at the preparation of the financial statements would make the analysis too complex – thus according to our best estimatethe amount of the extra profit tax for 2023 was set at HUF 687 million.*

The 87% rise in our consolidated accounting profit after tax means that our profit for 2022 under IFRS 17 increased from HUF 1,535 million to HUF 2,873 million. **The biggest contributor to our growth was the income from our investments due to the high yield environment,** as we were able to earn higher interest rates on the amounts invested from our maturing or sold securities this year.

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

In the non-life segment, our technical result increased by a total of HUF 473 million, which combines two significant effects:

i. *For typically short-term contracts - PAA valuation method: within that corporate property contracts - we have achieved significant result growth, largely due to stock growth in these portfolios and partly due to efficiency changes to improve the result.*

ii. *The decrease in the annual result on the contract portfolio valued using the GMM methodology was due to the significant positive settlement result on Italian suretyship products in 2022, as a result of the closure of cases still pending at that time, which did not recur in 2023. However, this was partly offset by an improvement in the profit of credit coverage products, in line with the growing portfolio.*

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

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

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

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

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

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

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

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

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

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

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

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

Credit coverage insurance and account protection products (annual profit improvement: HUF 372 million): In the third quarter of 2022 the portfolio group was expanded with group credit coverage insurance contracts taken over from BNP Paribas Cardif Insurer. For the group credit coverage insurance contracts taken over, the Insurer formed a loss component in the quarter of takeover (2022Q3), which had a negative effect on the result of 2022. This loss component was formed due to the profit assumptions calculated from the assumed cash flows expected from the portfolio. If everything develops as expected by the Insurer, this portfolio will not cause any further losses for the Insurer. A similar loss component was not needed in 2023, and this effect will significantly improve our result year-on-year. The result also increased due to the growth of the portfolio. In spring 2022, the sale of a wide range of credit insurance products through Magyar Bankholding member companies was launched, which contributes significantly to the continued growth of the portfolio group.

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

Corporate property insurance products (annual profit improvement: HUF 305 million): The annual increase in profit is due to the significant growth in the insurance stock, which offset the increase of related costs and services. The product group is characterized by a low claim ratio.

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

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

Volume of sales

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

We managed to achieve growth in each insurance group according to evaluation methodology: altogether our premium increased by 35 percent within one year. Following reasons lie behind this growth:

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

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

iii. *risk life insurance increased by HUF 1.3 billion*

iv. *a kockázati életbiztosítások 1,3 milliárd forinttal növekedtek*

v. *short-term contracts in the non-life insurance segment - corporate property insurance and fleet casco - show an increase of more than HUF 3 billion*

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

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

IMPLEMENTATION OF BUSINESS POLICY GOALS IN 2023

2023 is a milestone in many respects in the life of the CIG Pannónia Group, and thus also the Company, which allows us in 2024 to move to the next stage of the implementation of our Growth Strategy:

- our premium income increased by 35% year-on-year, exceeding HUF 42 billion over the full year
- our adjusted profit after tax, cleaned of individual items, exceeded HUF 4.059 billion, which is 90% higher than last year's value of HUF 2.059 billion
- the IFRS 17 framework was introduced, based on which we will evaluate our performance in the future. As a result of the transition to the accounting system, the Company's equity increased by HUF 7.3 billion, which is the cumulative effect of the old methodology's (IFRS 4) and the new methodology's (IFRS 17) different accounting of the result in time, from the establishment of the Company to the end of December 2021
- the first full year under the strategic agreement with MBH, in cooperation with the largest network of intermediaries in Hungary

These successes could not have been achieved without our dedicated colleagues. At the beginning of 2023, we carried out an organizational rationalization and restructured our remuneration system to adapt it to market conditions. We have done all this in order to better link the success of the Company with the appreciation of our colleagues.

In our organizational and staff development program, we have identified three key areas to focus on: (i) refreshing the organizational culture (ii) leadership development (iii) performance management.

We continued to focus on deepening our cooperation to achieve our strategic goals, based on our strategic agreement with MBH. We are present in all MBH sales channels and are realizing continuous, dynamic progress from the branch network through telephone sales to digital solutions. Within the MBH Group, our joint portfolio with both MBH "Gondoskodás" Health Fund and the market leader MBH Euroleasing is growing and the range of products offered is expanding. The insurances offered to MVM customers were renewed in 2023 and the number of our joint customers exceeds 200 thousand.

Also in 2023, we entered into cooperation with partners who are strong in their own markets. VISTA Travel Agencies, who is number one in the travel organization market, offers exclusively CIG Pannónia travel insurance products. We signed a three-year cooperation agreement with Magyar Telekom to sell extended warranty insurance for devices. We also cooperate with Promobox Ltd., who specifically focuses on providing adequate information and support to expecting and fresh mothers, so in addition to sales, our social engagement is also receiving increasing emphasis.

An advanced, modern insurer cannot operate without advanced partner networks. We did a lot to develop our independent network relationships, thus the number of brokers and agents cooperating with us surpassed 200 by the end of the year. In order to be in contact with a more efficient sales partner network, we have discontinued our own sales network.

The vast majority of our long-standing loyal dependent agent partners can continue to sell our products within the independent network – now as independent brokers, of course.

The topic of sustainability is becoming more and more important these days. Our goal was to incorporate this approach into our processes as an insurance company. In early 2023, we published our first report under the Environmental, Social and Governance (ESG) framework, and building on this, in the second half of the year we developed in more detail the programmes for which we have assigned specific targets and responsible persons. Our goal is to incorporate the most modern principles and methodologies from the ESG framework into our daily operations in a scheduled and thus transparent way, so that our operations can be measured and evaluated in an integrated way with our financial data for our investors, and so that we can take a fuller advantage of the benefits the framework provides.

Overall, 2023 was a record year. Our keyword was change management once again. We have tried to recognize and take advantage of their inherent potential and thus become an active, proactive player in the process of change. Due to our size, we are able to offer our partners the kind of flexibility and speed that, in our view, has become an expectation, but also our value in the accelerated world of the recent years.

BUSINESS POLICY GOALS OF CIG PANNÓNIA LIFE INSURANCE PLC. FOR 2024

We believe that the impact of the global changes of 2022 and 2023 (not to mention the preceding special period of the COVID-crisis) will be also felt in 2024, and that our response to these challenges, the appropriate restructuring of our Companies will be key in this 2024 as well.

Due to our size, in addition to increasing our premium income, we also have to put special focus on achieving worthy results. This is what creates and can create the pledge of future profitability, the financial basis for our planned IT developments and, last but not least, the dividends we can pay to our shareholders.

In our fast-changing world the ability to adapt continuously is essential, therefore our organizational operations require further fine-tuning, which we will implement to ensure that both the number of our staff and our operation is cost-effective. For our employees, the training the younger generations and developing their leadership skills will be in the center of our plans.

We believe and trust in our partnerships, which we want to develop both at product and partner level. In this regard the aim of our product developments and reviews remains to ensure that not only our partners concerned, but every one of their customers feel that they are important to us. Reflecting the changes in the insurance market, we will pay particular attention to reviewing our unit-linked life insurance portfolio and preparing products to meet the new supervisory requirements.

We have high hopes in the field of ESG, and we are confident that with our activities and the tasks planned for this financial year we will be able to come closer to the legislative expectations formulated in the field of sustainability, and in the long term come closer to the preservation of our environment, in which we unitedly believe.

SUBSEQUENT EVENTS IN ACCORDANCE WITH SUPPLEMENTARY NOTES

Our Company provided detailed information on the suspension of the Ural Russian equity asset funds and their separation into successor asset funds, its reasons and consequences, the legal background to the suspension and separation and the extension of the suspension in the following announcements on 1, 3 and 31 March 2022 and on 17 February 2023, available at the following link:

https://www.cigpannonia.hu/hasznos/tajekoztato-eszkozalapok-felfuggeszteserol

The suspension of the remaining illiquid asset funds expired on 1 March 2024, and therefore our Company had to terminate the suspension - in accordance with the compulsory requirement of law Bit. Paragraph 127(7).

Due to current regulation and the effects of the market environment, the assets will remain illiquid and unmarketable on 1 March 2024 (and probably for an uncertain time hereafter as well), i.e. they have no determinable value. At the same time, CIG Pannónia Elétbiztosító, obeying the legal requirements [Bit. § Paragraph 127(8)] must account to its Customers on 1 March 2024 (based on the current market situation at the time of termination). In March 2024, our Company will send a settlement letter to all affected Customers.

Our Company will work now and in the future as wekk to find a satisfactory solutions to end the suspension while minimizing the harm to customer interests, and furthermore to treat our Customers qualifying as consumers fairly and with due care.

Simultaneously with the conclusion of the comprehensive investigation launched against the Life Insurance Company and EMABIT on March 1, 2023, the MNB imposed a supervisory fine of HUF 23,000,000 and a consumer protection fine of HUF 3,000,000.

The Group immediately began fulfilling the obligations imposed by the MNB and make up for the shortcomings, but at the same time, the findings recorded in the decision (Decision Nos. H-JÉ-II-B-19/2024. and H-JÉ-II-B-21/2024.) do not essentially affect the reliable operation of the Companies in the future.

According to the government decree 52/2024. (III. 4.), the Government will increase the 8 billion forint preferential taxation band of the insurance tax to 20 billion forints from April 1, 2024.

Since EMABIT's tax base calculated on the basis of insurance premiums did not reach HUF 20 billion in 2023, it will fall into the preferential tax band from the second quarter of 2024, and up to a monthly tax base of HUF 250 million, it will pay ¼ of the normal insurance tax, for the tax base between HUF 250 and HUF 1,750 million it will pay half of the normal rate, and it will pay the normal tax rate (property products 10%, casco products 15%) for the tax base above HUF 1,750 million.

In the case of future written premiums, this will mean significant tax savings for the Group from the second quarter of 2024.

There was no significant other subsequent event in the life of the Company.

OWNERSHIP STRUCTURE, RIGHTS ATTACHING TO SHARES

The ownership structure of CIG Pannónia Life Insurance Plc. (31 December 2023)

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

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 2023 the number of owners is 5,486. 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 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. From the employment policy view the year 2023 can best be described in terms of stabilisation, efficiency gains and meeting the challenges of ongoing change. Our headcount in 2023 did not change essentially, with the number of colleagues working with us being close to 200. This number of employees and the complexity of the business processes require an advanced, supportive approach to human resource management.

As a public limited company of course we must, and we do comply with the conditions set by the law. There are three regulatory pillars of the Company's remuneration that are transparent to both the public and employees

a. *the Company's Remuneration Policy with respect to the personnel as defined in the SRD Act Section 2.§[2];*

b. *regulation adopted by the Board of Directors of the Company containing the principles and rules for determining the general performance-oriented remuneration for all employees of the Company;*

c. *the Company's MRP Remuneration Policy.*

In addition to regulating remuneration, we need to mention that

- In order to ensure equal opportunities and the protection of human rights, the Company has appropriate rules and regulations in place, compliance with which is an important element of the employment policy.

- The Company's risk management policy provides for the handling of fraud and fraud prevention activities, and the application of the compliance policy is an important tool in the fight against corruption and bribery.

- Consideration of the environmental, social and governance (ESG) framework has a direct impact on redefining the role of our workers as employees. Our aim is to incorporate the most modern principles and methodologies into our day-to-day operations in a scheduled and thus transparent way. These changes, process and attitudinal changes also affect our employment policy.

In the year 2023, the process continued, according to which the handling of changes in the world requires more and more flexibility - or what is fashionably known as resilience - from people, including our colleagues. The same approach is increasingly appearing as an expectation from the side of the employees towards their employer. This is true for the need to quickly deal with inflation - to settle wages as quickly as possible -, to schedule flexible working hours, to increase the proportion of work done at home (home office). Paradoxically, however, in addition to all of this - according to our experience - the employer is also expected to provide a secure future vision, career path, opportunity for advancement, overall a secure - not changing - growing livelihood in a constantly changing world.

[4] *Act LXVII of 2019 on the promotion of long-term shareholder participation and the amendment of certain laws for the purpose of legal harmonization*

This dichotomy has defined the year 2023, which the Company has managed on an ongoing basis, in the light of its business strategy and opportunities, with the following key actions:

a. *we introduced a position-based compensation system based on market data by changing the compensation package for our employees*

b. *we have developed our working environment to make it as comfortable as possible for our colleagues to work in the office*

c. *we have reregulated working from home, in which case we have sought a balance between group work and working from home*

d. *we launched and will launch training programmes for both specific expertise and managers*

e. *we organize and draw lessons from the feedback we receive from our outgoing colleagues.*

In addition to the targeted programmes, we have put emphasis on gaining a better understanding of the motivational system that keeps our colleagues with the Company in the long term. The issue itself is extremely complex, therefore we are trying to meet this challenge in a comprehensive way:

a. *We launched an employee satisfaction survey, asking colleagues to share their views on CIG Pannonia's benefits, strategy, customer focus, leadership and the quality of internal cooperation. The goal of the survey is not just to get a picture of the current situation, but to continue to increase employee satisfaction in 2024 through targeted actions.*

b. *We believe that corporate culture is the cornerstone of any corporate strategy, thus we have launched a program to assess the differences between the current culture and what our colleagues consider to be the ideal culture. The goal of the program is to become a learning organization capable of effectively integrating and learning from change.*

c. *The other side of regular performance measurement is appropriate managerial support, feedback to colleagues, and mentoring. In order to move forward in this area as well, we have launched a pilot leadership development starter program in 2023, which will be implemented in 2024. Our goal here is to measure, develop and support personalized, broadly interpreted leadership skills. Our Company's strategy is to provide fast, customer-friendly services, which requires a management team that can provide the right support to our colleagues and strengthen our business orientation and operation.*

The aim of the above programs and actions is that in the world, where on the one hand our Company and on the other our colleagues have to meet many challenges, we find solutions together in which our colleagues can find a community at our Company, and everyone can find the work-life balance that suits them.

CORPORATE GOVERNANCE STATEMENT
(ACCORDING TO § 95/B OF THE ACCOUNTING ACT)

An undertaking whose transferable securities are admitted to trading on a regulated market in a State of the European Economic Area shall publish a corporate governance statement in its annual report.

The internal control and risk management system

As a financial institution, one of the pillars of the Company's strategic objectives is to maintain and further develop its prudential operational framework in line with supervisory guidelines. Accordingly, the Company operates a risk management and internal audit system that ensures that the Company's Board of Directors and management make business decisions and approve the Company's financial statements on the basis of all relevant information. The Company's risk management and internal audit systems operate separately.

Internal audit system

The elements of the internal audit system are the audit built in the processes of the Company, the management audit, the management information system and the independent internal auditor. The internal auditor is subject to the professional leadership of the Supervisory Board.

In accordance with the provisions of the Bit. and the supervisory recommendation, while directing the internal audit organization, the Supervisory Board:

- adopts the annual audit plan of the internal audit organization;
- ensures that the Company has a comprehensive and effective, operable system of controls;
- discusses internal audit reports at least every calendar quarter and monitors the implementation of the necessary measures;
- directs the activities of the person responsible for internal audit;
- determines the number of persons who perform the internal audit function if the insurer does not outsource the internal audit function;
- draws up proposals, recommendations and measures, takes decisions and monitors the implementation of these proposals, recommendations and measures based on the findings of the person responsible for internal audit or of the internal audit function;
- supports the work of the internal audit by appointing external experts when necessary;
- makes a proposal to change the number of employees of the internal audit organizational unit.

In addition to the above, the Supervisory Board is entitled to request information and reports on the operation of all elements of the internal audit system (in-process, management control, management information system), as well as the entire internal safeguarding system of the Company.

At the Company, the Audit Committee is responsible for monitoring the effectiveness of the internal control and risk management system in accordance with the division of labor established with the Supervisory Board.

The internal audit is performed by the internal auditor (the comprehensive review, analysis and assessment of the business activity, exploration of hindering circumstances and irregularities, initiation of actions, carrying out the reviews specified by law and in the internal instructions, such as targeted reviews, general reviews, and ensuring that the experiences are utilised). In determining the capacity and staffing of the internal audit unit, the Company shall take into account all the Company's specifications, operational elements, market weight, internal segmentation. The internal auditor shall perform his/her duties in accordance with the requirements set out in Section V.C.3 (Conduct Requirements) of the Company's Organizational and Operational Rules. The task of the internal auditor is limited to the examination of the actual functioning of the Company in accordance with its internal policies and regulations and of the insurance activity in terms of legality, security, transparency and expediency, and as such is process-based, the vertical and horizontal examination of which is not the same as the examination in terms of legal compliance. The internal auditor shall verify the content accuracy and the completeness of the reports and data provisions submitted by the Company to the Supervisory Authority at least quarterly. The internal auditor shall make his/her reports available first to the Supervisory Board and after the Supervisory Board meeting to the Management Board (through uploading it to a dataroom for them), and shall provide the Hungarian versions of such reports to the auditors in case of an audit by the supervisory authority. The employer's rights related to the internal auditor are exercised directly by the primary leader.

The internal audit of the Company has an internal audit policy approved by the Supervisory Board, an audit handbook approved by the Management Board, and a three-year rolling work plan. Internal Audit monitors the implementation of the tasks set out in its reports on a monthly basis.

Risk management function

The Company is required to operate a risk manadement system as defined under Bit. § 86-88. In order to comply with the provisions of the Bit., the Chief Risk Officer has been created as a separate position, reporting directly to the CEO as defined in the Company's Organizational and Operational Rules. The risk management function covers the tasks related to the operation of the risk management system.

The CRO's responsibilities cover the following areas:

- implementing and operating a complex Risk Management System suitable to assess, monitor and mitigate risks in the areas of operation, projects and economic crime prevention for the purpose of developing the Company's risk strategy;
- the CRO is responsible for developing risk mitigation procedures, monitoring implementation and following up on results;
- the risk management system achieves detailed documented task management based on self-assessment, measurement and regular analysis of data and the results of expert studies, and increases risk awareness in the business decisions of the Insurer, in addition to the primary result of risk reduction;

- certifying by signature the calculations, assessments and reports prepared by the person responsible for Risk Management;

- performing tasks arising from the operation of the system, managing partner risks, financial risk analysis of the Company's clients;

- risk levels in the company's risk areas are assessed by the Risk Management Committee in a standard risk self-assessment meeting, the result of which is presented to the Board of Directors. The insurer uses a two-level assessment, with the results of the general assessment (high level assessment) held with the Company's managers determining the list of areas where further separate thematic assessments are carried out.

- Risk Management defines measurement points to determine risk levels (key risks indicators) for each risk area under its responsibility, and the business areas create reports monthly on the measured results;

- the measured results, trends and external circumstances affecting the risk are assessed by the Chief Risk Officer and reported to the Risk Management Committee in a quarterly report, and to the Board of Directors in a semi-annual report Risk Management monitors the individual work processes posing increased risk, and records any deficiencies identified in a management statement. The Insurer shall appoint a responsible task manager (risk owner, person to act) to carry out the tasks resulting from these statements and shall set a deadline for the performance of the task. Identified risks and mitigating actions are tracked in a risk management summary register, and any non-compliance is reported to management.

The corporate governance bodies and their role in the adoption of the Reports

The Company's governance model is based on the management and control bodies defined in the Civil Code and the Bit.: the General Meeting, the Supervisory Board, the Audit Committee and the Board of Directors. In these forums, decisions are made by voting, so it is important that those involved in decision-making are fully aware of the potential benefits and risks associated with their decisions.

The Company's governance system is designed in such a way that the governing bodies mentioned above cooperate with senior management and other key personnel of the Company on an ongoing basis, are proactively informed and, where necessary, respond to risks in their decisions.

The Company has set up its governance system and its lines of defence in such a way that the most important functions – i.e. risk management, compliance, internal audit and actuarial functions, head of accounting - are also separately reflected in its Organisational and Operational Rules. These functions are in direct contact with their governing bodies by providing them with regular reports on the functioning of the insurer. The Insurer shall also ensure the continuity of the high-priority tasks in such a way that these employees are also considered to be key personnel and the notice period of the senior staff members performing these tasks is longer.

The accounts are submitted to the various bodies for approval after acceptance and approval by the Chief Actuary, the Chief Accounting Officer and the Chief Executive Officer.

The following bodies are directly involved in the reporting process: the Supervisory Board, the Audit Committee, the Board of Directors, the General Meeting. The final adoption of the Report is the responsibility of the General Assembly and is based on the report of the independent auditor.

General information on the management system

In its operations, the Company fully complies with the legal provisions applicable to it, the regulations of the Magyar Nemzeti Bank and the rules of BSE. The organisational structure and operating principles of the Company are set out in its Articles of Association.

Governing bodies

The Management Board

AThe 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[5]. The members of the Board of Directors are subject to the terms and provisions set out for senior executives in Act LXXXVIII of 2014 on Insurance Activities (hereinafter: Bit.).

Members of the Board of Directors:

Chairman:	Péter Bogdánffy dr. (from 16.01.2023)
	Zoltán Polányi (until 16.01.2023)
Members:	István János Fedák dr.
	Zsuzsanna Ódorné Angyal
	(from 10.08.2023 until 02.02.2024)
	Gábor Dakó Miklós dr.

[5] https://www.cigpannonia.hu/befektetok/tarsasagiranyitas

Supervisory Board

AIn 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[6]. 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[7].

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[8].

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;

[6] https://www.cigpannonia.hu/befektetok/tarsasagiranyitas

[7] https://www.cigpannonia.hu/befektetok/tarsasagiranyitas

[8] https://www.cigpannonia.hu/befektetok/tarsasagiranyitas

- 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:

ecutive Committee Operational Management Meeting (OMM)

The members of the Operational Management Meeting, as a committee, are the Company's decision-making support body at operational level. The Committee has no decision-making powers, and the matters discussed by the Committee are decided by the Chief Executive Officer, acting alone, in accordance with the provisions of the Company's Organisational and Operational Rules.

As a rule, the OMM takes place in weekly meetings. It is responsible for operational management, ensuring the continuous flow of information, and preparing, scheduling and defining decisions on matters falling within the remit of the Board of Directors. It is also responsible for discussing decisions on the following types of matters which do not fall within the competence of the Board:

- definition of tasks which lead to an increase in the expenditure included in the annual budget;
- launching, monitoring and canceling projects, discussing project status reports, setting directions;
- defining and controlling the strategic directions of the risk management system;
- preparation and introduction of new product launches;
- defining cross-departmental tasks, establishing coordination between departments;
- strategic decisions on the introduction and termination of asset funds;
- the commencement and termination of activities requiring supervisory notification or authorization, including the definition of a timetable and operational tasks involved;
- other matters on which the CEO requires or requests the agreement or opinion of other managers.

The permanent members of the OMM are the Chief Executive Officer and the Deputy Chief Executive Officers (collectively: Management). If the Chairman of the Board of Directors and the Chairman of the Board of Directors of CIG Pannónia First Hungarian General Insurance Company Zrt. is a person independent of the Management (not a member of the Management), 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
    - requires the assessment of key data relating to the strategic, business, economic or financial situation of the Company,

the given data or dataset must be assessed by a committee convened for that purpose (Data Assessment Committee).

The Data Assessment Committee is an ad hoc body made up of the the Chief Executive Officer, the person responsible for Investor Relations, the Deputy Chief Executive Officer responsible for Company Governance and Prudential Compliance and the Deputy Chief Executive Officer responsible for Legal and Business Support, which can be operated using on-line tools without any formalities. The Data Assessment Committee is convened by the Deputy Chief Executive Officer for Corporate Governance and Prudential Compliance and is responsible for determining whether, in case of doubt, the given item of information/data is considered as regulated information[9] 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

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,

[9] *a term as defined in the Disclosure Rules*

- managing and coordinating specific projects in line with the Company's strategy and as defined by the Board of Directors, the CEO and/or the Management, following the delegation of delegated/assigned employees from the departments concerned by the project,
- reporting to the CEO and the Board of Directors on ongoing projects in the form, manner and intervals set out at the beginning of the project.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee operated by the Company shall, where relevant with regard to EMABIT as well, make proposals to the Board of Directors and the Founder for the development of a performance incentive and remuneration policy of the Company as a whole and of certain key employees, and shall give its opinion on proposals relating to the employment of employees in specific positions (for whom among its task it is designated to do so).

The task of the Remuneration and Nomination Committee are:

- in relation to the CEO of the Company, it proposes to the Board of Directors the election of the CEO, the modification of his/her contract and the determination of his/her remuneration package, the modification of his/her incentives;
- discusses and gives its opinion on the proposal of the Chief Executive Officer on the establishment, modification and termination of the employment contracts of the Deputy Chief Executive Officers and of certain key personnel (in particular those performing internal control functions such as the Head of Internal Audit, the Head of Compliance, the Chief Risk Officer, the Chief Legal Officer), as well as on the establishment of the components, the amount and the modification of their remuneration package;
- proposes to the Board of Directors annually changes to the annual incentives and for the assessment of their fulfilment;
- proposes a policy on the interests and remuneration of non-executive managers (others than members of the Management Committee).

Risk Management Committee

The Company operates a Risk Management Committee. The primary duty of the Risk Management Committee is to assist and support the Management Board in ensuring that it can perform its risk management activity in compliance with the laws and other rules, as well as the Articles of Association and the internal policies of the Company. Within this framework, the Risk Management Committee shall review, revise and analyse the risk management activity of the Company regularly and as necessary, and it shall produce reports and formulate recommendations for the Management Board based on its findings.

The Risk Management Committee consists of the lead risk manager, the Deputy Chief Executive Officer responsible for Corporate Governance and Prudential Compliance, Deputy Chief Executive Officer of Finance, Head of Internal Audit, Chief Legal Counsel, Chief Compliance Officer and the Chief Actuary. Its ad hoc members – subject to the agenda – are the Chief Financial Officer, the IT Director, the Information Security Officer, the head of the insurance claims settlement department, as well as any employee representing the department specified in the Organizational and Operational Rules the invitation of whom is reasonable for the purpose of discussing the item of agenda concerned.

Members of the Company's management

The executives of the Company, in addition to the external members of the Board of Directors and the Supervisory Board already listed, whose expertise and experience make a decisive contribution to the successful operation of the Company:

Primary CEO, Chief Executive Officer:	István János Fedák dr. (from 16.01.2023)
	Zoltán Polányi (until 16.01.2023)
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 (from 01.02.2023)
Deputy CEO for Legal and Business Support:	Dávid Kozma dr. (from 01.02.2023)
Chief Accounting Officer:	Alexandra Tóth
Chief lawyer and Data protection officer:	Dávid Kozma dr
Chief actuary:	Géza Szabó
Responsible for actuarial function:	Melinda Márton
	Gábor Varga
Chief Risk Officer and Responsible for risk management:	Norbert Kozma
Head of internal audit:	Erika Marczi dr.
Head of compliance:	Katalin Déri dr.
Responsible for consumer protection:	Dávid Kozma dr. (from 01.01.2024)
	Dóra Rákosfalvi (from 14.08.2023 until 31.12.2023)
	Krisztina Hollósy-Papp (from 29.01.2023 until 14.08.2023)
	Anna Sternóczky dr. (from 03.10.2022 until 29.01.2023)

Senior doctor: Katalin Halász dr.

Investment relations: Gábor Miklós Dakó dr.

The Board of Directors of the Company reviewed the directive (the „Directive") based on the recommendation of the Remuneration and Nomination Committee (the „Committee") on the establishment and composition of the bodies performing governance and oversight functions (the „Bodies") and on the selection of key personnel for the organization in accordance with the comments of the Committee and adopted and put it into effect by CIG Pannónia Life Insurance Company Board Resolution 26/2022.03.09. The provisions of the Directive are in line with the requirements of the European framework for the functioning of financial institutions.

Aspects relating to the composition of the Bodies

1. The Board of Directors shall design the composition of the Bodies in such a way that the competences of the categories set out in the guidelines issued by EIOPA can be identified for the particular members.

2. The composition is intended to ensure the collective competence of the members of the Bodies, of which the individual, expected competence of a member is an integral part.

a. *Expected competences*

   i. *- insurance and financial markets*

   ii. *– business strategy and business model*

   iii. *– governance system*

   iv. *– financial and actuarial analysis*

   v. *– regulatory framework and requirements*

b. *Professional and qualification requirements:*
   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:*
   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:

- 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
- 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
- in addition to the criteria specified in the sectoral legislation and given as conditions for authorization, the candidate's good business reputation (based on criteria beyond the existence of a moral certificate), his/her suitability for the role to be filled in the organization (in addition to documents certifying professional qualifications, among other things, human qualities, acquired practical experience at previous workplaces, leadership skills, etc.), his/her time capacity available to perform the function, and the expected identification with the organizational values
- 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
- 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
- the simultaneous expiration of several members' mandates may represent an operational risk, which must be managed by the financial organization.

3. The Board of Directors, through assessment during the selection process and backtracking during operation, ensures that Body candidates meet the following requirements:

a. act/acted with the highest degree of professionalism, due diligence and proactivity in their activities

b. are/were able to take independent, objective and informed decisions and actions,

c. whether they are/were able to devote sufficient time to the performance of their function, taking into account their other duties and responsibilities

4. It is the responsibility of the candidates to accept membership and to familiarize themselves with the duties and responsibilities associated with the position. The members of the Bodies must devote adequate time and energy to the performance of their duties arising from their position. It is the responsibility of the Body member to assess whether he/she can fulfill his/her duties as a Body member when taking on additional functions and nominations.

5. The Board of Directors ensures that the Company provides personalized information for the newly elected, non-operative Body members, during which the members can learn about the company's structure, operations, business model, risk profile, corporate governance system, and the applicant tasks as Body members (2005/162/EC 11.3.). To this end, the Company provides the possibility of general and customized information, as well as the possibility of participating in the necessary training. Information/training must take place no later than 30 days after election/appointment.

6. The Board of Directors entrusts the preparation of the tasks related to the selection of the members of the Bodies to the Remuneration and Nominations Committee, which makes its recommendations to the Board of Directors in the form of a proposal. This proposal is always included in the Board's presentation. The main task of the Committee, through the board of directors, is to make well-founded and objective proposals to the shareholders regarding nominations for Body memberships (appointment, recall). The purpose of the Committee's operation is for the members of the Bodies to have adequate training and professional experience to be able to perform their duties in the interests of the shareholders.

7. Part of the preparation for personnel changes is the selection of highly performing employees and the planning of their careers within the company.

8. For the sake of the above, when assessing the suitability of each candidate, the Commission does not only take into account business and personal relationships, but also examines the candidate's competence and professional suitability, as well as assesses whether the candidate is able to devote sufficient time to the appropriate performance of his Body membership (2005 /162/EK I.M. 2.2.).

Selection and succession of professional management positions and key persons within the work organization

Arrangements for the selection and succession of professional management positions and key persons within the work organization, in particular of the officers appointed under the Bit., are made in accordance with the organizational structure defined in the Company's current Organization and Operation Rules, with the support of HR, as defined as the responsibility of the CEO. This is therefore the responsibility of the CEO for each of the areas under his/her authority. The CEO, together with the Head of HR, defines the key people, taking into account the Commission's proposal as necessary. In the selection of senior positions and key persons (at the time of election/appointment, at the time of renewal of the mandate, if there are circumstances requiring re-evaluation), the suitability of the candidate needs to be assessed. The succession of such employees should, in the first instance and as a general rule, be carried out through the selection of employees within the work organization. If for some reason this is not possible or appropriate - with the involvement of HR and with prior specification of professional expectations and competences - an advertisement and/or professional online platform(s)/consultancy(s) will be used. The individual and collective suitability of the members of the management body and the suitability of the person occupying a key position should be assessed at the institutional level and individually at the time of election/appointment, prior to re-election/appointment, at the time of renewal of the mandate, at the end of the financial year or when circumstances require. The assessment of suitability should be carried out irrespective of whether or not the circumstance giving rise to the assessment or reassessment of suitability is subject to a statutory supervisory notification or authorisation requirement, and whether or not the MNB carries out a suitability assessment as part of the related authorisation procedures and its ongoing supervision and control activities. The assessment of suitability is the responsibility of the Commission.

Ensuring equal opportunities

On the basis of the requirement of equal treatment, candidates for office and applicants for employment must be treated with the same respect and care, taking equal account of individual considerations.

During the selection process discrimination of any kind is forbidden with regards to

a. *sex,*

b. *race,*

c. *color of the skin,*

d. *nationality,*

e. *belonging to a nationality,*

f. *mother tongue,*

g. *disability,*

h. *health status,*

i. *religion or ideological belief,*

j. *political or other views,*

k. *marital status,*

l. *motherhood (pregnancy) or fatherhood,*

m. *sexual orientation,*

n. *gender identity,*

o. *age,*

p. *social origin,*

q. *financial situation,*

r. *the part-time or fixed-term nature of an employment legal status or other employment legal status, belonging to an interest group,*

s. *other situation, human trait or characteristic (hereinafter together: traits).*

Indirect discrimination is a provision which does not constitute direct discrimination and which appears to satisfy the requirement of equal treatment, which places individual persons with the specific characteristics listed above in a significantly greater ratio at disadvantage than it did, does or will do other persons in a comparable situation.

On improving gender balance in non-executive director positions

1. The Board of Directors ensures that, with regard to non-executive directors, the Company creates an appropriate balance between, on the one hand, the need to increase gender diversity within the management bodies and, on the other hand, the need to minimize interference in day-to-day management. Non-executive directors and supervisory board members play a fundamental role in appointing top-level managers and shaping the company's human resources policy. Therefore, the non-prominent appearance of non-executive directors, who are underrepresented, causes a positive effect that ripples through the entire career ladder.

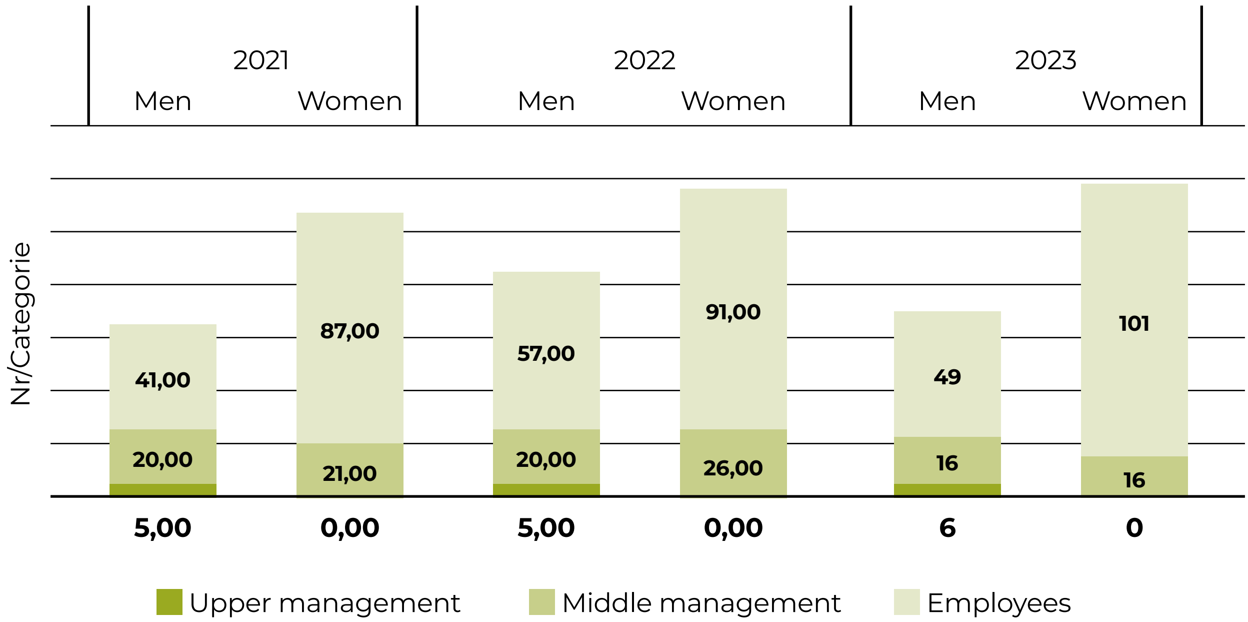
2. The Board of Directors aims to achieve a 40% representation of women among non-executive directors

Achieving gender balance in 2023

In 2023, one of the four members of the Board of Directors was a woman. Two of the three members of the Supervisory Board were women.

The proportion of women and men in the organization over the last three years has been as follows. Chief executives and mid-level managers are considered to be the non-executive director level detailed above.

Ratio of woman and men in the organization by organizational level



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, 27 March 2024

dr. István Fedák	Alexandra Tóth	Géza Szabó
Chief Executive Officer	*Chief Accounting Officer*	*Chief Actuary*

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