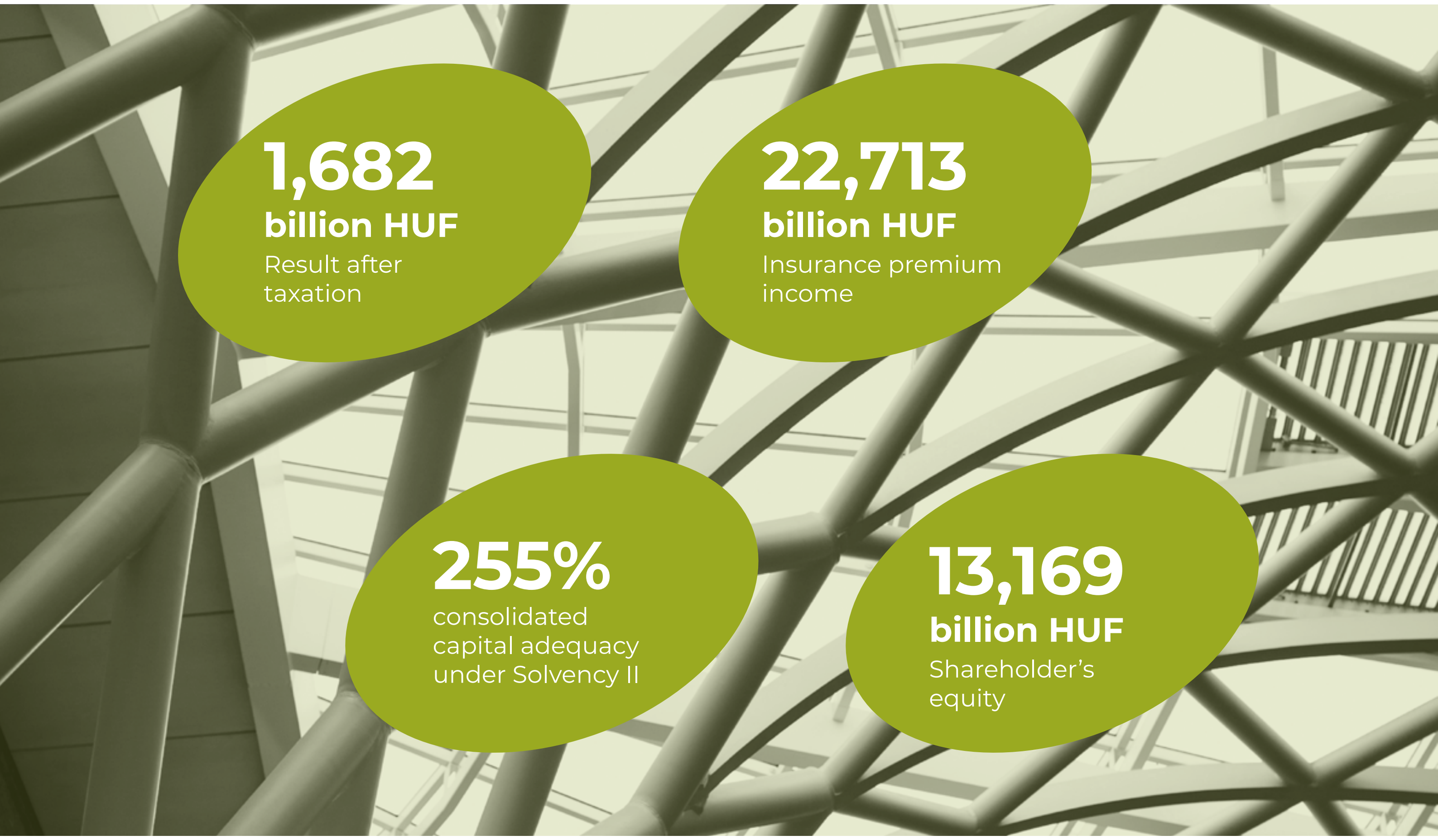
CIG PANNÓNIA
INSURANCE

2021
ANNUAL REPORT

CIG PANNÓNIA INSURANCE

KEY INDICATORS IN 2021



1,682
billion HUF
Result after taxation

22,713
billion HUF
Insurance premium income

255%
consolidated capital adequacy under Solvency II

13,169
billion HUF
Shareholder's equity

CIG PANNÓNIA
INSURANCE

CONTENTS

István Fedák dr.
chief executive officer

Zoltán Polányi
chief executive officer

FOREWORD BY THE CHIEF EXECUTIVES

The year 2021 was of great importance for the CIG Pannónia Group. The most important milestones were rethinking our goals, creating our long-term strategy, expanding our HR capacity, transforming our life insurance product portfolio, relaunching the First Hungarian General Insurance Company (EMABIT) with regards to large enterprise clients and establishing a stable reinsurance background, while at the same time we had to meet our sales, growth and profit targets set out in our business plans.

At the beginning of the year, CIG Pannónia Life Insurance was present in the market as an insurer who owned a product portfolio, but was little known and in need of restructuring. Therefore, our first task was to develop our sales channels, and renew our product portfolio and services. As a domestic insurer, we have developed - and have been developing since - our products responding to the needs of the Hungarian market, providing unique benefits and guarantees to our customers, as well as opening markets where CIG Pannonia was little or not present at all.

At the same time, our long-term 5-year business strategy was completed with the support of PWC by mid-year, which, in addition to the financial framework, also defines the 5 values that will form the basis of all our business decisions in the future. These values are prudence, a customer- and employee-centered approach, flexible internal operations, profit growth and a predictable dividend policy, and innovative products and services covering the specifics of the Hungarian market. One of the most important pillars of our business strategy was the conclusion of contracts with Magyar Bankholding and its member companies, MKB Bank Plc., Takarékbank Ltd. and Budapest Bank Ltd. As a result of the HR capacity developments, IT investments and product- and process developments carried out at our Company in 2021, the CIG Pannónia Group is ready to enter into long-term strategic cooperation with Hungary's key banking partner.

Our commitment to sustainability is ever-present during the creation of our strategy and our day-to-day operations. As an insurer, we not only have to think about future periods and insurance events day-by-day, but we also constantly make decisions that affect our future. As a responsible company, we believe that all this is not possible without maximum regard for the principles of sustainability.

Last autumn we reached another milestone: we successfully restarted the First Hungarian General Insurance Company, EMABIT, which offers liability insurance, property insurance and casco fleet insurance products to business sector players, large enterprises and SMEs. The development of a stable and reliable reinsurance background was given special attention during the restart of CIG EMABIT, in the course of which we established professional cooperation with business partners including one of the largest reinsurers in the world.

The work invested definitely paid off, which is also visible in our figures: our consolidated after-tax profit was HUF 1,682 million, 155% higher than last year, i.e. we achieved more than two and a half times the profit. Our sales channels, without exception, have increased their sales volume year-over-year. The most significant was the growth of the banking sales channel with 55%, followed by the independent brokerage area with 49% and the own network with 31%. The independent brokerage channel plays a prominent role in implementing our strategy, as it has a key role in the relaunch of the non-life insurance.

Implementing all these tasks and results and resolving the professional challenges was only achievable with our committed and devoted team of experts. We continuously expanded our HR capabilities and have been joined by agile colleagues who are market leaders, have a strong sense of mission and with whom together we can further develop in the future.

So we have a meaningful and successful year behind us, but we are far from finishing our assignments. We will continue to work in 2022 to become within 5 years - as set out in our strategy - a medium-sized insurer holding a full, composite product portfolio, with attractive investment potential for shareholders and one of the first to come to mind when clients face insurance needs.

Budapest, 28 March 2022

Zoltán Polányi	István Fedák dr.
CEO	*CEO*

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. 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 97 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 its solvency capital in 2020. Due to the presented strategic goals, that also affect the future strategic elements of the companies included in the scope of consolidation (i.e. the CIG Pannónia Group), it is important 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 remedied. Together with a review of existing claim reserves and regress reserves, a change in strategy was put in place in order to address the risks that remain unchanged in EMABIT's Italian claims cases, including a change in the strategy of ongoing and related legal cases. At the operational level, the CIG Pannónia Group has taken clear steps which enabled EMABIT to restart operations.

Steps of the 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 to make the group-level strategy clear and accountable to investors and other capital market actors,

the individual steps of which have been communicated continuously and consistently by the Company during the 2021 business year.

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, in its founding member role, decided to increase the share capital of EMABIT in accordance with the information published on 26 March 2021 and then on 30 December 2021 , as a result of which the new share capital of EMABIT increases to HUF 1,070,000,000.

The share capital increases have taken place through the private placement of 5-5 new dematerialized registered ordinary shares - having the same rights as the shares previously issued - with a nominal value of HUF 1,000,000 / share (and an issue value of HUF 300,000,000 and HUF 400,000,000 / share, respectively), with the payment of a cash contribution. Simultaneously with the share capital increase, the Company placed the difference between the issue and the nominal value of the shares in EMABIT's capital reserve for both capital increases. The capital increases and the formation of the capital reserve were carried out in accordance with the new strategic ideas of the Company, considering the financing of the new, domestic-focused property insurance business lines' operation. It is the Company's direct intention and an important element of its new strategy - by strengthening sales, internal lines of defense and capital position - to operate EMABIT's activities in a transparent manner with the need for growth and defined elements.

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

The Company published its unified strategy containing the development directions and goals limited to organic growth goals (Growth Strategy) on the 19 July 2021 at the official places of publication , based on which it should be emphasized that in 2021, in its current operation and in the medium term the Company

- 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.

To achieve its strategic goals, the Company took steps in the short term in 2021 to create the stable life and non-life insurance fundaments. In the mid- and long run, the goal is to further expand the product portfolio and develop customer management skills. The Growth Strategy also presented to the investors those goals and tools based on which the Company's medium- and long-term operations in the insurance business and also in the capital markets can be modelled.

Tasks and results achieved in line with the Growth Strategy:

i. *According to the Growth Strategy, in 2021, the CIG Pannónia Group already 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 completed for the Company in 2021. The Board of Directors of the Company approved and entered into force the Company's Organizational and Operational Regulations, which reflects management expectations in line with the renewed strategy and prudential requirements, while for EMABIT this renewal has entered its final phase.*

ii. *In 2021 CIG Pannonia Group successfully concentrated on strengthening its sales areas. In addition, from 1 December 2021, the organizational unit of the Deputy Chief Sales Officer of Banking Insurance was established, further expanding the Company's management capacities. This is part of the Company's strategic concept and thus an element of the organizational model change that has been adapted and optimized for the organization.*

iii. *The sales areas were strengthened. Due to the increase in the number of consultants in our own tied agent network, we divided the country into two regions. We also continuously expanded the range of our independent (brokerage) partners and supporting them to achieve our growth goals is key, which is why several brokerage support staff have joined the CIG Pannonia Group. 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, a strategic motivational map has been prepared for the entire organization, which contributes to the consolidation of the corporate culture by mapping the individual motivational concepts, preferences and levels.*

iv. *As phases of the Growth Strategy's implementation in 2021, EMABIT entered into a cooperation agreement with BNP Paribas Cardif Life Insurance Ltd. and BNP Paribas Cardif Insurance Ltd. Pursuant to the agreement, the contracting parties intend to extend their cooperation in the field of credit insurance previously exclusively related to the mortgage loans of MKB Bank Plc. to a wider range of products and customers. The subject and content of the agreement fit well into the framework of the Growth Strategy, which contains development directions and goals. The agreement should be assessed as a defining item of the strategy and contributes to the goal of the CIG Pannonia Group becoming a reliable, dominant-sized and stable composite insurer with a portfolio of life and non-life products in the coming period. The agreement between EMABIT and UNION Vienna Insurance Group Biztosító Zrt. serves the same purpose, as a result of which the CIG Pannonia Group - as an integral part of the implementation of its Growth Strategy - further expands its portfolio of non-life insurance products and offers travel insurance to its retail customers from January 2022.*

4 https://bet.hu/site/newkib/hu/2021.06./Rendkivuli_tajekoztatas_kotelezo_nyilvanos_veteli_ajanlat_benyujtasarol_128577094

5 https://bet.hu/site/newkib/hu/2021.09./Rendkivuli_tajekoztatas_kotelezo_nyilvanos_veteli_ajanlat_modositasarol_128604637

6 https://bet.hu/newkibdata/128604810/CIG_IG_T%C3%81J_TO%20J%C3%93V%C3%81HAGY%C3%81S_20210907.pdf

Transformation of the ownership structure

The business year of 2021 meant a change in the ownership structure and at the same time the strengthening our Company's largest owner's presence, as well as the manifestation of a stable and predictable ownership thinking. The basis of this was the mandatory public takeover bid of HUNGARIKUM Biztosítási Alkusz Ltd., who as the Designated Acquirer submitted its bid to all shareholders of the Company for the purchase of the registered ordinary shares issued by the Company on 18 June 2021 , which was then modified and then 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. With its statement sent on 13 October 2021, the Designated Acquirer informed the investors and other participants of the capital market of the result after the deadline for acceptance of the Offer. During the period open for the acceptance of the mandatory public takeover bid the shareholders have made valid declaration of acceptance regarding a total of 12,592,366 shares issued by the Target Company. The Designated Acquirer 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.

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

Kaptár Befektetési Zrt., as a shareholder of our Company solt on 22 October 2021 CIG Pannonia shares in an over-the-counter transaction, as a result of which transaction the number of shares held by them decreased to 3,150,000, representing 3.33% of the voting shares.

Furthermore, a change affecting the shareholder structure of the Company was, that on 22 October 2021 the natural person shareholder of the Company, Dr. Gábor Móricz, sold CIG Pannónia shares in an over-the-counter transaction, as a result of which transaction the number of shares directly owned by Dr. Gábor Móricz decreased to 3,000,000, which corresponds to 3.17% of the voting shares. In addition, due to the fact that Dr. Gábor Móricz owns 22.5% of Kaptár Befektetési Zrt., he also indirectly owns 708,750 ordinary shares of CIG Pannónia Nyrt. Based on this, the proportion of his shares conferring direct and indirect voting rights in the Company was amended to 3.92%.

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

After the closure of the public takeover bid, Hungarikum Biztosítási Alkusz Kft. further increased its ownership share through acquiring shares on the stock exchange, notifying the Company in a transparent manner of certain acquisitions of ownership in the stock exchange – even those that did not reach the limit value. Thus, the proportion of voting shares increased to 56.99%, 57.04% and 57.18%. Finally, according to the information published on 3 January 2022, it changed to 54,082,693 shares, bringing the proportion of its voting shares to 57.27%.

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.

At the end of 2018, the Company established CIG Pannónia Financial Intermediary Ltd. as a subsidiary with the aim of expanding its distribution channels of the insurance activity, thereby increasing the volume of new acquisitions. In 2019, CIG Pannónia Financial Intermediary Ltd. sold insurance with a premium of HUF 443 million, in 2020 HUF 140 million. The Company has closely monitored the intermediary's activities and repeatedly found, that the insurances brokered by the subsidiary have a significantly higher non-payment rate than the average market value. The high non-payment rate resulted in a high commission write-off, and the additional operational cost level could not be met by the declining coverage, thus the pre-tax result of CIG Pannónia Financial Intermediary Ltd. turned into a loss in the 2019 business year. The loss-making operation continued in 2020, causing a loss of HUF 154 million to the Group. The Company repeatedly assessed the operation, which assessment concluded that even in the long run it is not possible to make the operation of the subsidiary profitable. On this basis the Board of Directors of the Company on 9 September 2020 initiated the liquidation of the subsidiary, which was owned by a qualified majority. In accordance with this decision, CIG Pannónia Financial Intermediary Ltd. decided to initiate the liquidation at its general meeting held on 30 September 2020. The commencement date of the liquidation was 1 January 2021. By initiating and implementing the liquidation, through strict monitoring and increased customer interaction the Group intended to ensure both the aspects of the insurance profession and the need for shareholder value preservation.

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.

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 the company was transformed into an investment fund manager, simultaneously adopting the name Pannónia CIG Fund Manager Ltd. In July 2017, the range of the Fund Manager's shareholders widened; through this, the assets managed by it increased and its profitability improved significantly. The Company's shareholding in the Fund Manager – which adopted the name of MKB-Pannónia Fund Manager Ltd. – amounts to 16%.

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[7]
Mailing address:	1476 Budapest, Pf.: 325.
E-mail address:	info@cig.eu
Fax number:	+36 1 247 2021
Investor relations contact:	Emese Stodulka (investor.relations@cig.eu, +36 70 372 5138)
Auditor:	MAZARS Könyvszakértő és Tanácsadói Kft. (registered address: 1139 Budapest, Fiastyúk utca 4-8. 2. em.; company registration number: 01-09-078412; tax number: 10618684-2-43; Chamber ID: 000220)
Personally responsible auditor:	Molnár Andrea Kinga (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

NAME	OWNERSHIP (%)	NUMBER OF SHARES
Hungarikum Insurance Broker Ltd.	57.27	54,082,693
Free float: 42.73%		

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.

[7]Based on the authorization of the Articles of Association, the Board of Directors transferred the registered office of the Company with effect from 1 February 2021, its new registered office is: Könyves Kálmán krt. 11. Building B. The Company has also relocated the headquarters of its subsidiaries to the designated contact area with the same effect.

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

The Company's Calendar of Corporate Events for 2022 was published on 30 December 2021 at the official publication sites . For the year 2021, the Company posted its Calendar for Corporate events on 20 December 2020, in which the date of publication for the Invitation to the Annual General Meeting previously determined in the Company's Calendar of Corporate Events changed from the 19th of March 2021 to the 26th of March 2021, based on 9 § (2) of the 502/2020 (XI. 16.) Government decree on the reintroduction of different provisions concerning the operation of personal and property unifying organizations during the state of emergency.

Calendar of corporate events 2021

DATE	EVENT
23 February 2022	Annual report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q4 2021
18 March 2022	Publication of the General Meeting's notice
19 April 2022	Annual General Meeting of the shareholders
17 May 2022	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1 2022
16 August 2022	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q2 2022
15 November 2022	Quarterly report on the result of CIG Pannónia Life Insurance Plc. achieved in Q1-Q3 2022

PRESENCE ON THE REGULATED MARKET

In the Company's judgement the change of management in 2020 and the steps resulting from the consequent assessment of the current situation - despite the COVID epidemic and its impact on domestic and global financial and capital markets, as well as the CIG Pannónia Group's operational-level actions with respect to the property insurance subsidiary as defined in the recovery plan of EMABIT primarily aimed at stabilizing the solvency position - contributed to the stabilization of the price of CIG Pannónia shares and to the resumption of the share price showing strength. This strength is also apparent in regional comparison.

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 will, we hope, serve as a guide for our investors in assessing the performance of each of our regular and extraordinary briefings.

In our assessment, the measurable steps we have taken in 2021 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 and the only insurance company present on the domestic regulated market, our growth turnaround will be lasting and successful.

We remain determined that our strategy and the corresponding compliance with prudential requirements, with the utilization of the opportunities borne in our capital market presence to the most possible extent, our -sectoral- growth path is ensured, to be ultimately reflected in our share price.

Due the Company's presence on the capital market the Board of Directors 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 2021 provided the opportunity to implement each step of the Growth Strategy as a listed company, taking into account the interests of shareholders, while ensuring cost-effectiveness and strict management rules,

- we attach great importance to 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 order to create and retain a circle of investors optimized to the operation of the Company, we set the goal of creating a conservative institutional and small investor layer built upon the dividend policy, in line with the interests of the dominant owner.

In our view, all of this may materialize at price levels above the current stock prices, where we see the possibility of these higher exchange rates as given, being the result of our medium-term growth strategy. 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.

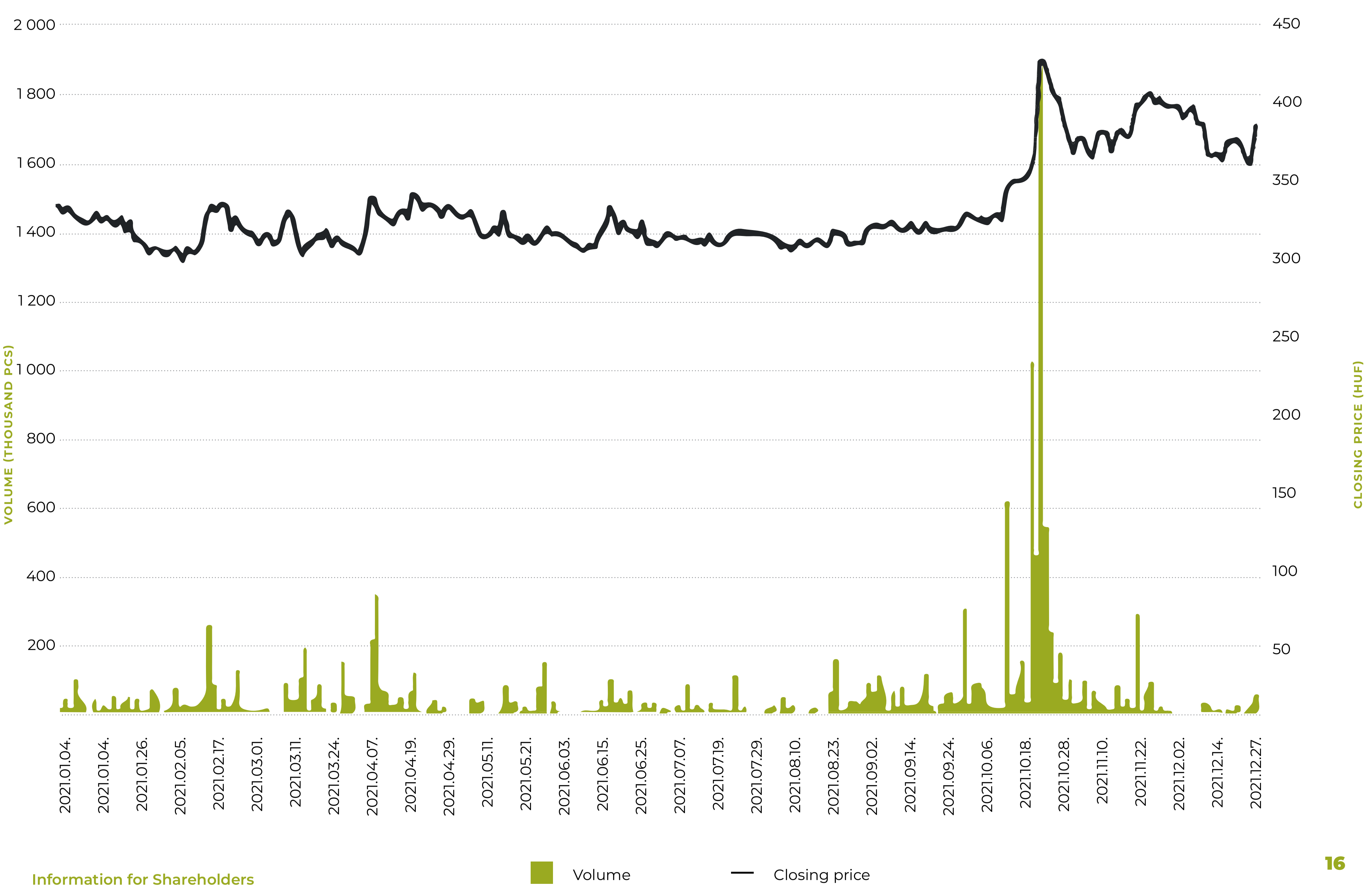
As a listed company, our Company has recognized and intends to build on the benefits of the regulated market presence in connection with the spread of the ESG approach (which benefits are expected to become even more tangible for our customers in the future due to the bank connection network).

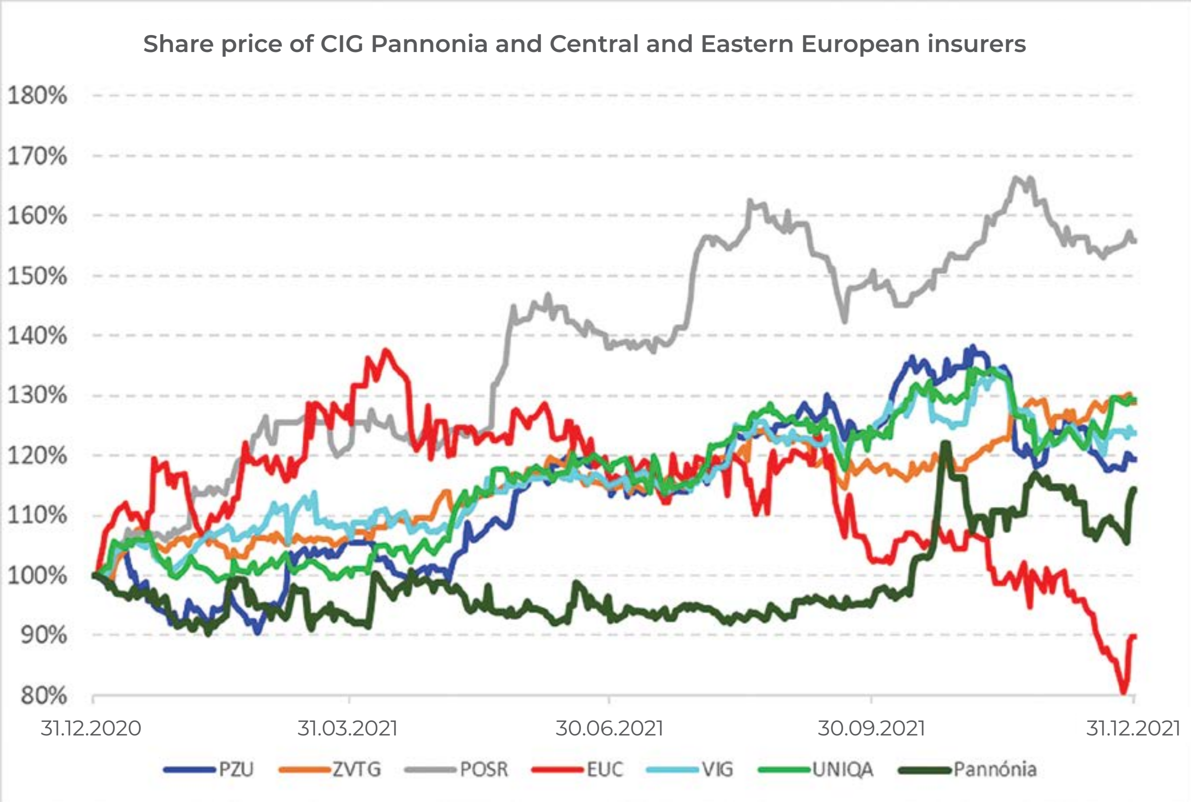
The CIG Pannonia Group thus manages the progress steps along the BSE ESG guidelines at project level, which we hope will manifest already in the next year in a separate annual sustainability report (at a different time than the annual report but as regards its content concerning the same time period) and objectives set for the long-term.

Budapest Stock Exchange Historical data download

Start date: 01.01.2021. End date: 31.12.2021.

NAME	DATE	OPEN PRICE	CLOSE PRICE	MINIMUM PRICE	MAXIMUM PRICE	AVERAGE PRICE	CURRENCY	NUMBER OF TRADES	VOLUME (PIECE)	VOLUME (HUF VALUE)	VOLUME (EUR VALUE)	CAPITALIZATION
CIGPANNONIA	01.2021.	339,0	310,0	300,0	340,0	326,3	HUF	708	550 589	179 669 840	500 963	29 272 760 600
CIGPANNONIA	02.2021.	312,0	321,0	305,0	338,0	324,4	HUF	812	834 735	270 752 575	755 911	30 311 471 460
CIGPANNONIA	03.2021.	321,0	314,0	305,0	335,0	317,8	HUF	701	870 501	276 672 443	756 177	29 650 473 640
CIGPANNONIA	04.2021.	314,0	335,0	310,0	355,0	337,8	HUF	833	998 823	337 411 275	938 372	31 633 467 100
CIGPANNONIA	05.2021.	329,5	320,0	313,0	339,5	322,8	HUF	505	511 169	164 990 227	469 164	30 217 043 200
CIGPANNONIA	06.2021.	320,0	313,5	311,0	338,0	324,2	HUF	434	424 525	137 622 990	391 472	29 603 259 510
CIGPANNONIA	07.2021.	313,5	322,0	313,0	325,0	319,4	HUF	300	390 689	124 778 169	348 703	30 405 899 720
CIGPANNONIA	08.2021.	322,0	316,0	309,0	326,5	317,7	HUF	499	458 805	145 748 589	416 154	29 839 330 160
CIGPANNONIA	09.2021.	320,0	325,0	315,0	330,0	323,9	HUF	696	940 020	304 459 123	865 651	30 689 184 500
CIGPANNONIA	10.2021.	325,0	394,0	322,0	425,0	371,4	HUF	2 253	5 513 453	2 047 811 135	5 645 175	37 204 734 440
CIGPANNONIA	11.2021.	393,0	394,0	359,5	398,0	379,0	HUF	881	979 648	371 325 230	1 015 750	37 204 734 440
CIGPANNONIA	12.2021.	390,0	387,5	355,0	394,0	375,8	HUF	371	276 410	103 878 647	282 254	36 590 950 750


2 000
1 800
1 600
1 400
1 200
1 000
800
600
400
200
VOLUME (THOUSAND PCS)
450
400
350
300
250
200
150
100
50
CLOSING PRICE (HUF)
2021.01.04.
2021.01.04.
2021.01.26.
2021.02.05.
2021.02.17.
2021.03.01.
2021.03.11.
2021.03.24.
2021.04.07.
2021.04.19.
2021.04.29.
2021.05.11.
2021.05.21.
2021.06.03.
2021.06.15.
2021.06.25.
2021.07.07.
2021.07.19.
2021.07.29.
2021.08.10.
2021.08.23.
2021.09.02.
2021.09.14.
2021.09.24.
2021.10.06.
2021.10.18.
2021.10.28.
2021.11.10.
2021.11.22.
2021.12.02.
2021.12.14.
2021.12.27.
Volume
Closing price



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

Disclosure information

We continuously inform the shareholders and 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.

The Stock Exchange contact person was dr. Antal Csevár until 3 May 2021, when, as an employee of the Company and within the strengthened organizational framework of the corporate governance competence, Emese Stodulka took over the role . Within her corporate role as an investor contact person Emese Stodulka is responsible personally and through the work organization under her management and supervision for all tasks related to investment relations.

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

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

CORPORATE GOVERNANCE

Members of the Board of Directors

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

Since January 2021 he is CEO of CIG Pannónia Life Insurance Plc. and CIG Pannónia First Hungarian General Insurance Company Ltd, member of the Board of Directors since 19 April 2021, chair of the Board of Directors of the Life Insurer since 12 May 2021. From 24 February 2021, 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.

István Fedák dr., member of the Board of Directors

István Fedák dr. received an MA 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 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 MFB Development Bank. Between 2010 and 2015, he held financial officer and executive positions at companies of the OT INDUSTRIES Group. Starting in 2016 he was financial and legal deputy CEO of Keszthelyi Holding Ltd., since 2017 he was also Managing Director of Agenta Consulting Ltd. Between 2018-2019 he was Managing Director of Insurance Media Ltd. He is proficient in English and German.

Péter Bogdánffy dr., member of the Board of Directors

Péter Bogdánffy dr. 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 examination 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.

His areas of competence include insurance and financial markets, business strategy and business modeling, governance systems, financial analysis, regulatory frameworks and requirements.

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 currently, 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.

Her areas of competence include financial and equity markets, business strategy and business modeling, setting up and operating governance systems, financial analysis, regulatory frameworks and requirements.

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.

János Tima, member of the Supervisory Board, chair of the Supervisory Board

János Tima worked in the financial field from 2005 to 2017 at Provident Zrt., Budapest Bank Zrt. and FHB Kereskedelmi Bank Zrt., where he held positions as director of branch operations and CFO. Between 2013 and 2017 he was the CFO of Mészáros és Mészáros Kft. He is currently member of the Supervisory Board of T-Ingatlanfejlesztő 2016 Kft., Agrosystem Zrt., Magyar Sportmárka Zrt., Veszprém Handball Zrt., RÉZ-HEGY Településfejlesztő Kft., MÁTRA ENERGY Holding Zrt., 4IG Nyrt. and Keszthelyi Holding Zrt., and Chairman of the Supervisory Board and Audit Committee of KONZUM Nyrt. and OPUS Globál Nyrt. At the same time, he is the Managing Director of K-Investment Partner Kft., ECHO Penisola Kft., B+T Management Kft. and Wellnesshotel Építő Kft., and member of the Board of Directors of Wamsler SE and Appeninn Vagyonkezelő Nyrt. Since April 2018, he has been a member of the Board of Directors and CEO of Talentis Consulting Zrt. He is a Certified Public Accountant.

His areas of competence include business strategy and business modeling, governance systems.

Ákos Veisz, member of the Supervisory Board

He graduated in 2006 from the Department of Finance of Corvinus University in Budapest with a diploma in economics, and is a recipient of the Professional Award of the university. In 2005 he studied at Tilburg University (the Netherlands) with an ERASMUS scholarship, and between 2007 and 2010 participated in several foreign professional training courses on the topics of exchange rate policy, financial markets and government debt management. Between 2006 and 2010 he worked at the Economic Policy Department of the Ministry of Finance as a financial analyst, working later as an economic analyst at the Cabinet Office of the Prime Minister beside dr. György Szapáry, chief economic policy advisor. From 2011 he was a diplomat in charge of financial and economic policy matters at the Hungarian Embassy in Washington. Since February 2015 he has been an advisor at MKB Bank, since August 2015 a director of MKB Bank in charge of strategic issues, and since January 2017 the managing director of the Strategic Management Directorate. His tasks include heading the strategic and analytical competencies of the MKB Group and the bank's central product and business development activities. He participates in the work of Hungarian and international professional and representative bodies. Since 2002 he has been a member, financial manager and later president of the Heller Farkas College operating at the Corvinus University of Budapest. Since 2006 he has been a senior member of the organization, and lecturer on several courses held on financial topics.

Her areas of competence include insurance and financial markets, business strategy and business modeling, financial and actuarial analysis.

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 PolicyE 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 GravisE 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.

Best Doctors® Health Insurances

This service-financing health insurance product family includes individual products that can be contracted independently or as supplementary insurances, as well as group products developed for corporate clients. All three 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

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.

CIG PANNÓNIA
INSURANCE

THE PERFORMANCE OF CIG PANNÓNIA LIFE INSURANCE PLC. UNIT-LINKED LIFE INSURANCE'S ASSET FUNDS* (31.12.2021)

Our business goals for the financial year 2021

OUR BUSINESS GOALS FOR THE FINANCIAL YEAR 2022

Last year brought major changes in the life of the CIG Pannonia Group. We have met the previously defined goals and plans, and we have recorded numerous successes. Maintaining this unbroken momentum in 2022, we will continue along the path we have started with the successful launch of our **five-year growth strategy.**

After a long and thorough preparatory work, as one of the basic pillars of our growth strategy, we are launching a **long-term strategic cooperation with Magyar Bankholding** and its member companies MKB Bank Plc., Takarékbank Ltd. and Budapest Bank Ltd., in order to provide the greatest possible customer experience to our consumers.

The strategic goal of the CIG Pannónia Group is to develop, as a domestic company, a **portfolio of innovative products** and services, which are simple and easy to sell, as well as tailored to the real needs of the Hungarian market, all this complemented by a focused product portfolio in the banking insurance market and a professional service to the banking network holding the largest branch network and in parallel the highest customer access. To this end, we plan to strengthen our retail and corporate market presence and, at the same time, our banking partnerships. The agreement covers, inter alia, property-, accident-, pension-, life-, liability-, freight-, surety-, construction-, credit coverage- and account protection insurances, as well as health insurance services, which latter's portfolio is divided to retail (private) customers and corporate customers. The above underlines that we will be present in this market basically with our entire portfolio. In line with our Growth Strategy, we aim to cover the entire insurance market and respond to all arising needs with our products and services.

With the relaunch of the First Hungarian General Insurance Company (EMABIT) in 2021, new perspectives have opened up for the CIG Pannonia Group, which we will further expand in 2022 as well. Accordingly, after the large corporate and the small- and medium-sized enterprise sectors, we also enter the retail market first with **travel- and home insurances**, for which we offer our products with a joint reinsurance background with another insurance partner. We are proud to enter the home insurance market in the spring with our **qualified consumer-friendly home insurance**. In addition, it is not a secret, that our goal is to enter

the **agricultural insurance** market in the third quarter with our agricultural crop insurance and livestock insurance products. In the first half of the year, our dedicated professional team will finalize the product developments and optimize the related processes, after which, according to the plans, our products will be available by September at the latest.

The focus of our Company is on the **customers** and their needs in all cases, consequently, we will continue to regularly monitor in the future the quality of our services and product development processes, and we will place even greater emphasis on customer experience and measuring customer satisfaction, to be able to operate even more efficient considering the feedback of our customers and partners.

Our sales teams started as planned last year; in the case of the brokerage network, we can already provide **full nationwide coverage** to the independent network partners - therefore we do not calculate with direct growth in this area; and on the dependent agency line, we plan with a consolidated recruitment this year.

It is very important to emphasize, that our countless successes are owed to our employees; we all agree that both professionally and humanly, our employees form an exceptionally professional team. The unity of the team is of utmost importance to us, therefore both the performance evaluation and the **employer branding** will play an important role this year. By today the number of our employees already exceeds 170, with which we can cover all needs to the maximum – even as this number is still below the Hungarian insurance market's average employee count. **Staff headcount efficiency** is an important aspect, and we do not plan to recruit a significantly larger team. For us, it is paramount to maintain **motivation** and to provide ongoing support, uninterrupted working conditions, and flexible home office working opportunities; last but not least, to provide ongoing professional challenges to our employees. For all of this to work properly, a well-thought-through **performance evaluation system** is essential, which we intend to introduce with our HR team at the end of the first quarter of this year.

Sustainability is still at our heart, and we believe that sustainability is our common cause and as an insurance company, being present in virtually all areas of life, we strive to effectively incorporate this sentiment into our processes.

Thus we have a number of ambitious plans, and we can rightfully say, that the year 2022 will not be uneventful either. We will follow our goals as set out in the strategy and are continuously developing, entering new markets, providing our customers and partners with the widest possible range of services, while also placing large emphasis on keeping the unity of our professional team.

Zoltán Polányi	István Fedák dr.
CEO	*CEO*

CIG PANNÓNIA
INSURANCE

CIG PANNÓNIA LIFE INSURANCE PUBLIC LIMITED

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

28 MARCH 2022

CIG PANNÓNIA
INSURANCE

CONTENTS

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DATA IN THUF

	NOTES	2021	2020
Gross written premium		22 712 923	19 318 768
Changes in unearned premiums reserve		-157 355	611 047
Earned premiums, gross		22 555 568	19 929 815
Ceded reinsurance premiums		-502 078	-462 770
Earned premiums, net	8	22 053 490	19 467 045
Premium and commission income from investment contracts	9	223 060	159 078
Commission and profit sharing due from reinsurers	10	60 438	73 035
Investment income	11	12 090 549	4 636 675
Yield on investment accounted for using equity method(profit)	11	808 075	436 244
Other operating income	12	1 112 802	838 068
Other income		**14 294 924**	**6 143 100**
Total income		**36 348 414**	**25 610 145**
Claim payments and benefits, claim settlement costs	13	-15 058 689	-13 350 226
Recoveries, reinsurer's share	13	146 813	48 772
Net changes in value of the life technical reserves and unit-linked life insurance reserves	14	-12 152 678	-5 045 986
Investment expenses	11	-254 345	-349 572
Change in the fair value of liabilities relating to investment contracts	39	-597 619	-273 975
Investment expenses, changes in reserves and benefits, net		**-27 916 518**	**-18 970 987**
Fees, commissions and other acquisition costs	15	-4 153 658	-3 834 579
Other operating costs	16	-2 256 014	-2 187 162
Other expenses	17	-238 427	-499 484
Operating costs		**-6 648 099**	**-6 521 226**
Result from assets held for sale	**19**	**2 718**	**789 952**
Profit/Loss before taxation		**1 786 515**	**907 884**
Tax income/expenses	18	-192 437	-218 546
Deferred tax income/expenses	18	87 797	-29 253
Profit/Loss after taxation		**1 681 875**	**660 085**
Comprehensive income, wouldn't be reclassified to profit or loss in the future		-	-
Comprehensive income, would be reclassified to profit or loss in the future	20	-2 375 398	-375 949
Other comprehensive income		**-2 375 398**	**-375 949**
Total comprehensive income		**-693 523**	**284 136**

DATA IN THUF

	NOTES	2021	2020
Profit/loss after taxation attributable to the Company's shareholders		1 675 065	667 799
Profit/loss after taxation attributable to NCI		6 810	-7 714
Profit/Loss after taxation		**1 681 875**	**660 085**

	NOTES	2021	2020
Other comprehensive income attributable to the Company's shareholders		-2 375 398	-375 949
Other comprehensive income attributable to NCI		-	-
Other comprehensive income		**-2 375 398**	**-375 949**
Total comprehensive income attributable to the Company's shareholders		-700 333	291 850
Total comprehensive income to NCI		6 810	-7 714
Total comprehensive income		**-693 523**	**284 136**

EARNINGS PER SHARE			
Basic earnings per share (HUF)	21	17,8	7,1
Diluted earnings per share (HUF)	21	17,7	7,1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DATA IN THUF

ASSETS	NOTES	31 DECEMBER 2021	31 DECEMBER 2020
Intangible Assets	22	720 063	570 251
Property, plant and equipment	23	179 026	58 158
Right-of use assets	24	494 093	58 059
Deferred tax asset	18	473 820	386 022
Deferred acquisition costs	25	1 327 898	1 214 601
Reinsurer's share of technical reserves	36	453 038	622 195
Investments accounted for using the equity method	26	1 013 290	641 372
Available-for-sale financial assets	27	28 409 074	27 461 551
Investments for policyholders of unit-linked life insurance policies	28	84 532 896	74 121 735
Financial assets – investment contracts	29	6 369 064	4 230 068
Financial assets – derivatives		937	11 106
Receivables from insurance policy holders	30	1 909 636	1 764 661
Receivables from insurance intermediaries	31	55 980	77 806
Receivables from reinsurance	32	87 679	56 373
Other assets and prepayments	33	76 015	25 672
Other receivables	34	183 396	240 688
Cash and cash equivalents	35	1 498 385	862 255
Assets held for sale	19	-	294 409
Total Assets		**127 784 290**	**112 696 982**

LIABILITIES			
Technical reserves	36	19 297 996	17 064 222
Technical reserves for policyholders of unit-linked life insurance policies	38	84 532 896	74 121 735
Investment contracts	39	6 369 064	4 230 068
Financial liabilities-derivatives	39	11 760	-
Loans and financial reinsurance	40	37 739	149 901
Liabilities from reinsurance	41	278 926	162 238
Liabilities to insurance policy holders	42	882 408	665 081
Liabilities to insurance intermediaries	43	244 158	245 060
Lease liabilities	44	531 909	59 880
Other liabilities and provisions	45	2 408 969	1 886 015
Liabilites to shareholders	CF	19 929	19 929
Liabilities held for sale	19	-	198 798
Total Liabilities		**114 615 754**	**98 802 927**
NET ASSETS		**13 168 536**	**13 894 055**

SHAREHOLDERS' EQUITY	NOTES	31 DECEMBER 2021	31 DECEMBER 2020
Share capital	46	3 116 133	3 116 133
Capital reserve	46	1 152 990	1 152 990
Treasury shares	47	-31 996	-
Share-based payment	3.12	-	8 838
Other reserves	48	-3 146 551	-771 153
Retained earnings		12 077 836	10 393 933
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**13 168 412**	**13 900 741**
Non-contolling interest		124	6 686
TOTAL SHAREHOLDER'S EQUITY		**13 168 536**	**13 894 055**

CONSOLIDATED CHANGES IN EQUITY 2021

DATA IN THUF

	NOTES	SHARE CAPITAL	CAPITAL RESERVE	SHARE-BASED PAYMENT	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	EQUITY OF THE SHAREHOLDERS OF THE COMPANY	NCI	TOTAL SHAREHOLDERS' EQUITY
Balance on 31 December 2020 restated		**3 116 133**	**1 152 990**	**8 838**	**-**	**-771 153**	**10 393 933**	**13 900 741**	**-6 686**	**13 894 055**
Total comprehensive income										
Other comprehensive income	20	-	-	-	-	-2 375 398	-	-2 375 398	-	-2 375 398
Profit in reporting year		-	-	-	-	-	1 675 065	1 675 065	6 810	1 681 875
Transactions with equity holders recognized directly in Equity										
Treasury shares purchase		-	-	-	-31 996	-	-	-31 996	-	-31 996
Recognition/derecognition of share based payments		-	-	-8 838	-	-	8 838	-	-	-
Balance on 31 December 2021		**3 116 133**	**1 152 990**	**-**	**-31 996**	**-3 146 551**	**12 077 836**	**13 168 412**	**124**	**13 168 536**

CONSOLIDATED CHANGES IN EQUITY 2020

DATA IN THUF

	NOTES	SHARE CAPITAL	CAPITAL RESERVE	SHARE-BASED PAYMENT	OTHER RESERVES	RETAINED EARNINGS	EQUITY OF THE SHAREHOLDERS OF THE COMPANY	NCI	TOTAL SHAREHOLDERS' EQUITY
Balance on 31 December 2019 restated		**3 116 133**	**7 479 684**	**16 374**	**-395 204**	**3 383 067**	**13 600 054**	**1 029**	**13 601 083**
Total comprehensive income									
Other comprehensive income	20	-	-	-	-375 949	-	-375 949	-	-375 949
Profit in reporting year		-	-	-	-	667 798	667 798	-7 715	660 083
Transactions with equity holders recognized directly in Equity									
Recognition/derecognition of share based payments	3.12	-	-	-7 536	-	16 374	8 838	-	8 838
Capital increase from capital reserves	46	6 326 694	-6 326 694	-	-	-	-	-	-
Capital decrease	46	-6 326 694	-	-	-	6 326 694	-	-	-
Balance on 31 December 2020		**3 116 133**	**1 152 990**	**8 838**	**-771 153**	**10 393 933**	**13 900 741**	**-6 686**	**13 894 055**

CONSOLIDATED STATEMENT OF CASH FLOWS

DATA IN THUF

	MEGJ.	2021	2020
Profit/loss after taxation		1 681 875	660 085
Modifying items			
Depreciation and amortization	16	384 303	370 644
Extraordinary depretiation	17	-1 540	-28 460
Booked impairment	17	15 263	-72 696
Result of assets sales	11	48 949	193 580
Share based payments	3.12	-6 780	3 717
Exchange rate changes	11	-20 344	38 384
Share of the profit or loss of associates accounted for using the equity method	26	-808 074	-436 244
Income taxes	18	192 437	218 546
Deferred tax	18	-87 797	29 253
Income on interests	11	-475 971	-608 332
Result of derivatives	11	-2 202	-73 549
Provisions	17	-486 618	292 642
Derecognition of lease	23	4 249	-7 767
Interest cost	11	6 630	9 201
Change of active capital items:			
Increase / decrease of deferred acquisition costs (-/+)	25	-113 297	318 181
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	28	-10 411 161	-3 574 028
Increase / decrease of financial assets – investment contracts (-/+)	29	-2 138 996	-245 665
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	30, 32, 33, 34	-102 285	401 092
Increase / decrease of reinsurer's share from technical reserves (-/+)	36	169 157	-159 482
Increase /decrease of other assets and active accrued and deferred items (-/+)	33	-50 343	38 230
Increase / decrease of technical reserves (+/-)	36	3 208 971	1 129 757
Increase / decrease of liabilities from insurance (-/+)	42, 43, 44	333 112	-111 401
Increase / decrease of investment contracts (+/-)	39	2 138 996	245 665
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	38	10 411 161	3 574 028
Increase / decrease of other liabilities (+/-)	45	1 016 353	-288 145
Paid income taxes	18	-189 158	-245 068
Increase / decrease of assets held for sale (-/+)	19	294 409	6 633 047
Increase / decrease of liabilities held for sale (+/-)	19	-198 798	-6 728 657
Settlement of assets held for sale	19	-22 629	-1 799 744
IFRS 2 capital difference	40	-	8 838
NET CASH FLOWS FROM OPERATING ACTIVITIES		**4 789 871**	**-214 348**

CASH FLOW FROM INVESTMENT ACTIVITIES	NOTES	2021	2020
Purchase of debt instruments (-)	27	-25 916 385	-19 823 956
Sales of debt instruments (+)	27	21 364 305	18 739 933
Purchase of tangible and intangible assets (-)	22, 23	-572 752	-177 615
Sales of tangible and intangible assets (-)	22, 23	25 722	41 654
Realised gain on derivatives	26	24 131	57 916
Interest received	11	703 614	526 783
Dividend received	26	436 156	360 659
CASH FLOW FROM INVESTMENT ACTIVITIES		**-3 935 209**	**-274 626**

CASH FLOW FROM FINANCING ACTIVITIES	NOTES	2021	2020
Lease repayment	40	-69 451	-40 289
Lease interest payment	40	-10 791	4 007
Repayment of loans and their interests	41	-117 862	-319 588
Purchase / inclusion of treasury shares	40	-31 996	-
CASH FLOW FROM FINANCING ACTIVITIES		**-230 099**	**-363 884**
Impacts of exchange rate changes	11	11 567	-58 500
Net increase / decrease of cash and cash equivalents (+/-)		**636 130**	**-911 358**
Cash and cash equivalents at the beginning of the period		**862 255**	**1 773 613**
Cash and cash equivalents at the end of the period		**1 498 385**	**862 255**

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 and suretyship insurance. Following the obtainment of the insurance permit issued by the Hungarian Financial Supervisory Authority, 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.

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

After the shares were created at KELER, the Company initiated their listing in category "B" on the BSE. Following the successful introduction the first trading day was 8 November 2010. 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. At the same time existing stocks are being managed in Romania, Slovakia, Poland and Italy. In Romania until 20 December 2011 the operation was made by a branch office, after that was via cross-border activities, from 2016 the previously acquired portfolio is maintained. In Slovakia the cross-border activity has been operated since the beginning of operations in 2010, the sales activity is terminated in 2016, from now on similarly the previously acquired portfolio is maintained in Slovakia. The Group carried out cross-border activities in Poland from 2012 until April 2021, and in Italy from 2014. In 2019 sales activity was terminated in Italy. Regarding the cross border activities, the Group has no foreign assets and liabilities.

On 7 October 2016 a contract was signed according to which the Company acquired 98.97% ownership interest in MKB Life Insurance cPlc. while the Company's subsidiary, CIG Pannónia First Hungarian General Insurance Ltd. ("EMABIT") acquired 98.98% ownership interest in MKB General Insurance cPlc from Versicherungskammer Bayern. The Competition Council of the Hungarian Competition Authority authorized the Company to get direct sole control over MKB Life Insurance cPlc., and its subsidiary - CIG Pannónia First Hungarian General Insurance Ltd. – to get direct sole control over MKB General Insurance cPlc. The acquisitions were authorised also by the Central Bank of Hungary on 22 December 2016. According to the contract between the Company, its subsidiary, CIG Pannónia First Hungarian General Insurance Company Ltd. and VKB, the closing conditions of the contract of purchasing MKB General Insurance cPlc and MKB Life Insurance cPlc were fulfilled on 1 January 2017. The acquisition was registered by the Registry Court in case of the Issuer on 18 January 2017 and in case of the Issuer's subsidiary on 25 January 2017 and thus the CIG Group acquired 98.98% of MKB General Insurance cPlc and 98.97% of MKB Life Insurance cPlc as at 1 January 2017.

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

CIG Pannónia Life Insurance Plc. concluded a strategic cooperation agreement with MKB Bank cPlc. (after the transformation of the credit institution into a public limited company and its listing on a regulated market, from 17 June 2019 MKB Bank Plc.) on 11 April 2017. According to the agreement, the two companies conclude a long-term cooperation, the pension and life insurance products of CIG Pannónia was sold in the branches of MKB Bank, while the agents of CIG Pannónia is also selling the products of MKB Bank to the clients. With the strategic cooperation of CIG Pannónia and MKB Bank the already mutually beneficial cooperation between the companies continued to strengthen.

The general meeting of Pannónia General Insurance cPlc. that is owned through majority ownership by EMABIT decided on 31 March 2017 to transfer the home insurance, condominium insurance and compulsory vehicle liability insurance portfolio to Aegon Hungary General Insurance cPlc. The merge was authorized by the supervisory authority on 23 June 2017 with effect from 1 July 2017.

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

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

[1]Konzum Plc. (registered seat: 1062 Budapest, Andrássy út 59.; C nr.: 01-10-049323;) decided on 8 April 2019 to merge into OPUS GLOBAL Plc, finished at 30 June 2019. The general successor of the company is OPUS GLOBAL Plc.

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

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

On 29 November 2018, the Board of Directors of the Company decided to establish the Employee Stock Option Program (hereinafter referred to as "MRP"). The establishment of the MRP took place in order to implement the Remuneration Directives adopted by the Company's General Meeting. Based on the decision of the Board of Directors on April 5, the Company transferred to the CIG Pannonia MRP a total of 374,006 CIG Pannónia ordinary shares held by the Company as non-cash contributions to cover performance rewards through the MRP. Following the transfer of shares, the Company did not hold CIG Pannónia shares anymore.

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

"EMABIT" has provided suretyship insurance for registered companies and individuals in Italy since 2014 with BONDSOL Kft. as its sole agent. As of 31 December 2019, these commitments – when suming up the limits by contracts – resulted in an exposure slightly above EUR 383 million, against 3,598 contractual customers and 494 beneficiaries. Most of the beneficiaries were certain entities of the Italian State (agencies, municipalities, etc.).

In the case of the above-mentioned insurances, at the end of 2018 and in early 2019 the beneficiary Customs and Monopoly Agency (agency responsible for the supervision of gambling in Italy, ADM) has submitted a request for drawdown of insurance promissory notes (related to products Gaming and Public Concessions) issued to four large clients. The total value of the contractual obligations was approx. EUR 12 million. However, these drawbacks did not provide adequate justification and the primary opinion of Italian experts was that the claim lacks legal basis. During the conciliation negotiations in 2019, the beneficiary reduced its claim to almost one quarter of the original amount and provided adequate justification for this remaining amount. EMABIT settled the claim of EUR 3.167 million by the end of November 2019.

In parallel with the above claims settlement process it became evident, that, with regard to Italian suretyship insurance activities, EMABIT's reinsurance contract was a forgery and thus EMABIT's entire respective exposure lacked reinsurance. The reinsurance contract between EMABIT and Africa RE was brokered with the intermediation of a Lloyds broker in 2015 through a broker licensed in Switzerland, with subsequent reinsurance financial settlements (reinsurance premium, reinsurance reimbursement, etc.) all settled through the intermediary . To clarify the existence of the cover, EMABIT contacted Africa RE directly. In a letter dated 16 September 2019, Africa RE informed EMABIT that it had no contact with the intermediaries represented in the submitted documents, that the cover assurance documents were a forgery, and that they did not originate from Africa RE.

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

In addition to the ADM claims related to the gaming concessions, another significant claim has been received by EMABIT. In the fourth quarter of 2019, ADM claimed damage to bonds issued by EMABIT, related to the excise duty debt of a fuel trading company. The claims for the two EUR 5 million bonds in subject amount to EUR 10 million in total. After investigating the circumstances of the claim, EMABIT declined to launch claim payments, filed a demand for prosecution on fraudulent contracts, and sought legal redress from the courts for ADM initiating the claim payment, then brought an action for the annulment of the contract.

Related to the events described, the Hungarian National Bank ("MNB" or the Hungarian Financial Supervising Authority, "HFSA"), as part of another targeted investigation, applied temporary measures to EMABIT on 22 October 2019. For a maximum period of one year, MNB prohibited EMABIT in its Italian cross-border activity to enter into new insurance contracts in the guarantee sector and to extend its existing contracts there. Also, MNB obligated EMABIT to immediately launch prudent and reliable risk management and control measures regarding its insurance business, not endangering EMABIT's financial position.

These two above events had a significant negative impact on the subsidiary's solvency capital in 2019. On 5 November 2019, EMABIT notified HFSA, pursuant to Section 267 (1) (c) of Act LXXXVIII of 2014 on Insurance Activities, that the Company's solvency adequacy fell to 102% of the required rate, and that there was a risk that during the next three months it will fall below the statutory level. As a result of the events, HFSA obliged EMABIT to submit a financial recovery plan ("Recovery Plan") to HFSA for approval by 4 January 2020 at the latest. The primary objective of the Recovery Plan was for the Company to present specific measures which ensure that the Company's Solvency Capital Requirement (SCR) exceeds 100%, with respect to the guidelines of Section 309 (2) of the Act on Insurance Activities.

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

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

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

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

The Hungarian Financial Supervisory Authority has closed its investigation towards EMABIT, and imposed a supervisory fine of HUF 50 million. The HFSA has set a deadline of 30 June 2020 for the elimination of deficiencies. At the same time, by resolution 15/2020, the HFSA rejected the recovery plan submitted by EMABIT on 6 January 2020 and supplemented on 28 February 2020, and, ordered the Subsidiary to submit a new recovery plan by – not later than - 15 April 2020.The new recovery plan should be appropriate for the followings 4 May 2020 at the latest: - restoring the margin of the solvency capital recovering the solvency capital requirement, - or to reduce the risk profile to meet the solvency capital requirement. In addition, the abovementioned resolution, until the ban is lifted, suspended the payment of dividends of EMABIT, and, until the restorement of the solvency capital, but no longer than one year, prohibited new insurance contracts to be entered into and existing insurance contracts to be extended.

Pursuant to the decision of the Board of Directors of 7 April 2020 EMABIT sold its casco, Hungarian property and liability, Hungarian compulsory third party insurance and the Hungarian goods in transit and road liability insurance branches within the framework of a portfolio transfer. The portfolio exceeding 100,000 contracts with a portfolio premium of almost HUF 6 billion was sold within the scope of the subsidiary's own funds recovery plan. On 28 May 2020 the HFSA with its resolution No. H-EN-II-60/2020. approved EMABIT to sell its casco, Hungarian property and liability, Hungarian compulsory third party insurance and the Hungarian goods in transit and road liability insurance branches specified in the application submitted to the HFSA on 22 April 2020, to Aegon Insurance Hungary Plc. ("AEGON") on 1st of June 2020.

On 3 June 2020 the Board of Directors of EMABIT has decided to sell the Polish carrier's professional liability insurance business to AEGON in the context of a transfer of portfolio. The HFSA approved this on 28 July 2020, with the effect of 1 Aug 2020. Both portfolio transfer have taken place.

On 22 June 2020 the Board of Directors of the Group decided that the Company make a commitment to take over the operating costs of EMABIT from 1 Aug 2020 to ensure the solvency of its subsidiary. The maximum amount of the operating cost takeover is HUF 519 million, for a period of three years, as set out in the recovery plan in parallel with the run-off of the portfolio. In addition, the Company undertook an additional capital increase of HUF 500 million in the event that EMABIT's solvency capital would fall below the capital adequacy of 120%. At the same time, the Company authorized the Board of Directors of EMABIT to increase the share capital in its own competence in the event of a call. The authorization to increase the share capital is for a period of 5 years.

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

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

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

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

The Company's Board of Directors asked Dr. István Fedák to handle the prevailing risks in EMABIT's Italian claims and to change the strategy for ongoing and related legal matters. The Solvency ratio of the EMABIT fell to 114% at the end of 2020, mainly due to an increase in claim reserves of the Italian cases. In connection with the change of strategy, the review of existing claim reserves and regress reserves has been finished, and the Insurer increased the outstanding claim reserve by HUF 579 million, compared to the end of 2019. In 2020, the total net claim expenditure on the Italian portfolio was HUF 1,321 million, the earned premium of previously concluded contracts in 2020 was HUF 339 million, and other technical results were HUF 63 million loss. The technical result of the Italian guarantee product in 2020 was a total loss of HUF 1,044 million.

In 2021, in connection with the Italian portfolio, the Company increased the value of its RBNS claim reserves by only HUF 12 million compared to the end of 2020. In 2021, the total net claim expense on the Italian portfolio was HUF 387 million, which was improved by HUF 79 million due to the previously concluded contracts' earned premiums for 2021, and increased by HUF 68 million due to other technical results. The technical result of the Italian guarantee product in 2021 was thus a total loss of HUF 239 million, i.e. it significantly decreased compared to 2020.

Key indicators of CIG EMABIT's exposures in Italy by product type as at 31 December 2021

NAME OF SUBSIDIARY	CONTRACTUAL LIMIT (EXPOSURE) EUR	NUMBER OF CONTRACTS	PRODUCT TYPE SHARE OF THE EXPOSURE	AVERAGE MATURITY (YEAR)
PUBLIC_CONCESSIONS	19 629 901	33	65.1%	2.78
GESTORI_DI_RIFIUTI	5 088 528	41	16.9%	0.99
PRIVATI	3 297 752	4	10.9%	0.23
GOVERNMENT_GRANTS	1 565 126	12	5.2%	0.27
UNIQUE	347 380	10	1.2%	0.27
PERFORMANCE	153 077	4	0.5%	0.20
URBANIZATION_WORKS	91 110	3	0.3%	0.34
Total	30 172 873	107	100.0%	1.32

Exposures from Italian guarantee products have decreased significantly by the end of 2021 (EUR 30m) and are steadily declining.

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

In the first quarter of 2021, the Company carried out a capital increase in EMABIT. It decided to increase the share capital of EMABIT by HUF 5,000,000 at 26 March 2021. As a result of the capital increase, the new share capital of EMABIT changed to HUF 1,065,000,000. The share capital is increased by 5 dematerialized registered ordinary shares - embodying the same rights as previously issued shares - with a nominal value of HUF 1,000,000 and an issue value of HUF 300,000,000 each by paying a cash contribution. Simultaneously with the share capital increase, the Company placed the difference between the issue and the nominal value of the shares, i.e HUF 1,495,000,000 in the capital reserve of EMABIT. The share capital increase was registered on 14 April 2021.

The HFSA authorized by its decision no. H-EN-II-56/2021. dated on 23 April 2021 that EMABIT transfers the contractual portfolio of Hungarian “Defend GAP”, “Defend Warranty” and Polish “Defend GAP”, “Defend Warranty” products and casco and extended warranty insurance to Fortegra Europe Insurance Company Ltd. (registered office: Office 13, SOHO Office The Strand, Fawwara Building, Triq l-Imsida, Gzira, GZR 1401, Malta) with effect on 1 May 2021. The transfer has taken place and the financial aspects of the settlement have also been completed by 9 July 2021.

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

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 will further expand its range of non-life insurance as an integral part of the implementation of the Growth Strategy and will offer travel and home insurance to its retail customers from 2022. At the same time, EMABIT is expected to launch a new home insurance product in an outsourcing cooperation in the first half of 2022, with which the CIG Pannonia Group will further expand its range of non-life insurances.

The Company decided on 23 December 2021 to increase the share capital of EMABIT by an additional HUF 5,000,000, as a result of which the new share capital of EMABIT increased to HUF 1,070,000,000. The share capital increase has taken place through the private placement of 5 new dematerialized registered ordinary shares with a nominal value of HUF 1,000,000 and an issue value of HUF 400,000,000, with the payment of a cash contribution - having the same rights as the shares previously issued. The full share capital increase has been performed by the Company as the sole owner of EMABIT. Simultaneously with the share capital increase, the Company placed the difference between the issue and the nominal value of the shares, i.e. HUF 1,995,000,000, in the capital reserve of EMABIT. The share capital increase was registered on 23 December 2021.

At the meeting held on June 29, 2020, the Board of Directors of the Company with its resolution No. 47/2020.06.29. decided to increase of the share capital of the Company (hereinafter: Share Capital Increase). The Share Capital Increase was carried out by the

Company in such a way that it increased the nominal value of 94,428,260 dematerialized, series "A" ordinary registered voting shares with a nominal value of HUF 33 each, issued by the Company, to HUF 100 per share. With its announcement on 4 August 2020, the Company postponed the share exchange required in connection with the Share Capital Increase. The share exchange was postponed in order (i) to comply fully with the regulation dated on 17 June 2017 (2017/1129) of the European Parliament and the Council and (ii) in view of the fact that the Extraordinary General Meeting of the Company convened on 14 August 2020 intended to decide on the reduction of the Company's share capital.

Subsequently, the General Meeting of the Company decided on 14 August 2020 to reduce the share capital of the Company with its resolution No. 22/2020 (VIII.14) ("Share Capital Reduction"). As a result, the share capital of the Company decreased from HUF 9,442,826,000 to HUF 3,116,132,580. The share capital reduction was carried out by the Company in such a way as to reduce the nominal value of 94,428,260 dematerialized, series "A" ordinary registered voting shares with a nominal value of HUF 100 each, issued by the Company, to HUF 33 per share. This change was entered in the register of companies by the number Cg.01-10-045857/439. order of the Registry Court of the Metropolitan Court. In view of the registration of the Share Capital Reduction in the meantime, the registration of the Share Capital Increase has become obsolete, so KELER Ltd. will not create registered shares of the "A" series with a nominal value of HUF 100 and issued on the regulated market. However, taking into account the fact that a new series of shares was issued as a result of the Share Capital Decrease, the ISIN identifier of the newly issued series "A" ordinary shares with a nominal value of HUF 33 has changed, therefore the Company has carried out a technical share exchange. The first trading day of the new ordinary shares with a nominal value of HUF 33 (HU0000180112) on the Budapest Stock Exchange was 9 December 2020.

On 27 November 2020, the Board of Directors of the Company amended its dividend policy. According to the Company's new dividend policy, after realistic provisioning -which aims to take advantage of acquisition and non-organic growth opportunities-, dividends should be paid taken into account the Solvency Capital Requirement and the Company's liabilities, financial and management plans; the funds available beyond this and possibly payable as dividends, may be paid as dividends to the stakeholders.

Hungarikum Insurance Broker Ltd. (registered office: 8086 Felcsút, Fő utca 65 .; Company registration number 07-09-028910) 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 Insurance Broker Ltd. purchased an additional 400,000 ordinary shares in a stock exchange transaction, for which reason its direct voting rights in the Company exceeded 5%.

The HFSA authorized Hungarikum Biztosítási Alkusz Ltd to acquire a qualified influence in the Company based on direct ownership exceeding the 20% threshold but not exceeding 33% with its resolution No. H-EN-II-128/2020. The HFSA's decision also extended Hungarikum Biztosítási Alkusz Ltd. acquiring a qualifying influence in the Company's subsidiary, CIG Pannónia Első Magyar Általános Biztosító Ltd., based on indirect ownership exceeding the 20% threshold but not reaching 33%. The HFSA authorized Keszthelyi Holding Ltd. and Erik Keszthelyi to acquire a qualifying influence in the Company and in the Company's subsidiary CIG Pannónia Első Magyar Általános Biztosító Ltd. based on direct ownership exceeding the 10% threshold but not exceeding 20% with its resolutions No. H-EN-II-129/2020 and No. H-EN-II-130/2020. The rate of the Hungarikum Biztosítási Alkusz Ltd. direct share hence changed to 31.5%, the number of ordinary shares changed to a total of 29,746,921, which direct share, as found in public data and as known to the Company, amounted to 31,025,072 CIG Pannonia shares at the end of 2020, i.e. an ownership of 32.86%.

Pursuant to the authorization of the Articles of Association, the Board of Directors transferred the registered office of the Company with effect from 1 February 2021; the new registered office is: 1097 Budapest, Könyves Kálmán krt. 11. Building B. The Company also relocated the registered offices of its subsidiaries with the same effect to the indicated location.

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

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

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

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

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

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

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

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

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

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

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

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

The owners of the Company are Hungarian and foreign private individuals and legal entities, the number of shareholders is 5,806 at 31 December 2021, with a public share ratio of 36.33%.

Pursuant to Article 61 of the Act CXX of 2001 on the capital market, shareholders holding directly and indirectly is above 10% of the voting shares and voting rights are as follows:

Hungarikum Biztosítási Alkusz Ltd. has with 54,018,523 shares a 57.21% share. According to the information published on 3 January 2022, this changed to 54,082,693 shares, bringing the proportion of its voting shares to 57.27%.

Dr. Gábor Móricz has a total of 3,000,000 (3.18%) CIG Pannónia ordinary shares. Kaptár Investment Ltd., which is in close contact with Gábor Móricz, has a total of 3,100,000 (3.28%) ordinary shares.

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.

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

NAME OF SUBSIDIARY	ACTIVITY	COUNTRY	SHARE AT 31.12.2021.	SHARE AT 31.12.2020.
CIG Pannónia First Hungarian General Insurance Ltd.	Non-life insurance	Hungary	100%	100%
Pannónia PI-ETA Funeral Services Ltd.	Funeral services	Hungary	100%	100%
CIG Pannónia Financial Intermediary Ltd. "v.a." (under liquidation)	Financial services	Hungary	95%	95%
CIG Pannónia Life Insurance Employee Ownership Programme Organisation	Remuneration	Hungary	-	-

The subsidiary CIG Pannónia Pénzügyi Közvetítő Zrt. "v.a." (under liquidation) is a non-continuing operation in the consolidated financial statements, its balance in the financial statements after consolidation eliminations is not significant.

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 31.12.2021.	SHARE AT 31.12.2020.
MKB-Pannónia Fund Manager Ltd.	Fund management; portfolio management	Hungary	16%	16%

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 2021.

AUDITORS OF THE GROUP:

In case of CIG Pannónia Life Insurance Plc.:

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

Kinga Molnár Andrea,
registered auditor (from 19.04.2021),
Chamber registration number: 007145

Ernst & Young Könyvvizsgáló Ltd.
H-1132 Budapest, Váci street 20.

Zsuzsanna Nagyváradiné Szépfalvi,
registered auditor (until 16.04.2021),
Chamber registration number: 005313

The professional auditor charged the following fees for its services in respect of the business year 2021:

- Audit of the annual consolidated and individual financial statements of the Insurer 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 26,500 thousand plus VAT.

In case of CIG Pannónia First Hungarian General Insurance Ltd.:

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

Kinga Molnár Andrea,
registered auditor (from 19.04.2021),
Chamber registration number: 007145

Ernst & Young Könyvvizsgáló Ltd.
H-1132 Budapest, Váci street 20.

Zsuzsanna Nagyváradiné Szépfalvi,
registered auditor (until 16.04.2021),
Chamber registration number: 005313

The professional auditor charged the following fees for its audit services in respect of the business year 2021:

- Audit of the annual financial statements of the Insurer 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 a 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): HUF 6,500 thousand plus VAT.

In case of CIG Pannónia Pénzügyi Közvetítő Zrt. "v.a." (under liquidiation):

TRUSTED ADVISER Könyvvizsgáló és Tanácsadó Ltd.
(1082 Budapest, Baross street 66-68.)

Zsolt Szovics,
registered auditor,
Chamber registration number: 005784

The professional auditor charged the following fees for its services in respect of the business year 2021:

Audit of the annual financial statements of the Insurer prepared in accordance with the Hungarian Act on Accounting and issuance of Auditor's Report: HUF 300 thousands plus VAT.

In case of MKB-Pannónia Fund Manager Ltd.:

TRUSTED ADVISER Könyvvizsgáló és Tanácsadó Ltd.
(1082 Budapest, Baross street 66-68.))

Zsolt Szovics,
registered auditor,
Chamber registration number: 005784

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

SIGNATORIES TO THE FINANCIAL STATEMENTS:

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

Géza Szabó
Chief Actuary
1123 Budapest, Csörsz street 13.

Public data of the person compiling financial statements:

Alexandra Tóth
Chief Accounting Officer
8996 Zalacséb, Ady Endre street 6.
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: derivative financial instruments, financial instruments at fair value through profit or loss, and available-for-sale financial instruments.

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: MKB-Pannónia 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 distribution of the result of the MKB-Pannónia Fund Manager 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, MKB-Pannónia Fund Manager Ltd. from November 2017 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 Investments accounted for using equity method.

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 available for sale, where the impact of the translation is recorded under other comprehensive income.

3.4. Policy classification – separation of insurance and investment contracts

At the end of 2018, the Group decided to change its accounting policy regarding the classification of insurance contracts.

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

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

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

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

3.5. Insurance policies

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

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

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

b. *its reinsurance contracts.*

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

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

The insurer has the opportunity to continue the following exercises

- valuation of insurance liabilities without discounting;
- presenting contractual rights for future investment management fees at a value that exceeds their fair value as compared to current fees charged by other market participants for similar services. Most likely the initial fair value of these contractual rights equals the acquisition costs paid for them, unless future investment management fees and related costs are not consistent with market comparative information;
- the use of non-uniform accounting policies for affiliates' insurance contracts (and related deferred acquisition costs and related intangible assets, if any). If the accounting policy applied is not unified, the insurer may change it if the change does not make the policies applied even more diversified and complies with the other requirements of IFRS.

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

3.5.1. Gross written premium

Premiums are recognized as income when earned. Premiums are recognized before the deduction of commissions and before any sales-based taxes or duties. When policies lapse due to non-receipt of premiums or lapse of interest, then all the related earned but not received premium income or cancelled premium related to lapse of interest is offset against premiums. In accordance with the reservation policy the Group also establishes a cancellation reserve for premiums due but not received and for premiums might be cancelled due to lapse of interest (see Note 3.5.4.(f)).

3.5.2. Claims and benefits

Claims, including payments relating to surrenders, are accounted for in the accounting period in which they are incurred. When claims are reported the Group allocates an RBNS reserve totalling the amount of the expected payment; when the claims are paid the reserve is then released and the claim payment settled. At the end of each reporting date a reserve is established for claims incurred but not yet reported (IBNR, see Note 3.5.4. (c)). Reinsurance recoveries are accounted for in the same period as the related claim,.

3.5.3. Acquisition costs

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

Regarding the life segment, deferred acquisition costs is allocated on an individual basis, at policy level and amortized at a rate based on the pattern of coverage received in respect of the related policies in accordance with the product plan and local GAAP. When deferring acquisition cost the Insurer, in accordance with the accruals principle, carries forward to later years the portion of the acquisition cost which will be covered by subsequent insurance premiums, and which cost were not taken into account as a deduction when establishing reserves and the accrual can be reversed when the charge coverage of the insurance premium is received in these later years. The total amount of accruals is calculated based on accrued amounts assessed on a policy-by-policy basis, the inflow of amounts providing coverage and current amortization rates used. The Group defers only the costs that can be directly attributed to the acquisition. In the event that future income is not likely to cover deferred costs, the Group accounts for and eliminates the deferral at an appropriately reduced level, accounting the reduction immediately as costs. In case of unit-linked products this amortization is accounted for within the first two years of the policies.

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

Regarding the non-life segment, deferred acquisition costs are recognised with time proportional method, in the rate of the written unearned premiums. The Insurer recognised the deferred acquisition costs in the books, as far as the premiums of the later periods could cover them.

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

3.5.4. Measurement of technical liabilities

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

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

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

Regarding the non-life products, among the actuarial reserves, the Group can apply third-party liability insurance annuity reserve. The third-party liability insurance annuity reserve covers the annuity liabilities of the third-party insurance, and the related costs.

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

In non-life segment, the reported but not settled (direct) claim reserve is supplemented with the estimated, indirect claim settlements by the consideration of the proportion of the claim cost and claim payments in the reference year.

The claim reserves for Italian suretyship claims were determined on the basis of an individual reserve proposal issued by the trusted law firm for each claim. Outstanding claims under our own management that have not been commented on by the trusted law firm, we have reserved the amounts drawn, taking into account the contractual limits. In the RBNS claim reserves, the Insurer also formed the expected claim expenditure related to them.

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

The Group allocates a regress reserve in extent of the expected recover of regressable claims.

The regress reserves for the Italian suretyship claims were formed by the Insurer with an average expected return between 0% - 50% on the basis of the proposal of the entrusted law firms. The amount of the regress reserve was determined on a case-by-case basis, based on a classification system valuating the recoverability of the claims, unified for each category.

When allocating the claim reserves the incurred but not reported claim reserve (IBNR) is calculated separately. In accordance with the local GAAP requirements, in the life insurance segment (in case of the sectors operating more than 3 years) the IBNR is calculated by statistical estimation with the method of the run-off triangles, based on available statistics. In case of sectors, which are not operating more than 3 years or operating based on an individual contract, the IBNR is calculated as 5.995% of earned premiums for the year. Exceptions to the former rule may be made for product groups whose late claim trends differ from the average. The claim history accumulated by the fourth year of the group loan coverage product did not yet provide a sufficiently reliable basis for estimating IBNR using run-off triangles, therefore in this case the Company estimated IBNR on the basis of the premium earned.

In the non-life insurance segment, the Group also allocates an IBNR reserve for late claims incurred but not reported by the balance sheet date and for expected related costs. The IBNR reserve, calculated together with the cost reserve, is 6% of the earned premium of the current year, with the exception of product-groups which are uncompared to the average, in respect of the late claims.

For the Italian suretyship insurance, the Company has set up an IBNR reserve primarily with respect to the extended claim period, in order to cover the cost of losses related to bonds drawn down after the end of the risk-taking period. Similarly to the previous year, the reserve was estimated with the chain-ladder method using the claim history's run-off triangle. For the appropriate actuarial estimation of IBNR reserve, the Group continuously collects the historical data, relating to claim occurrences, notification dates, and the data relating to the late claims incurred until the record date but not reported.

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

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

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

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

Regarding the non-life insurance segment of the Group, at the reporting date of the reference year, cancellation reserve was applied to cover the contractual premium refunds (due to the risks of the termination, reduction, or the temporary interruption), the amount to be corrected of the written premiums (due to the mentioned reasons) and the expected amount to be cancelled of the written premium receivables (due to non-payment) less the UPR.

As the determination basis of the cancellation reserve, the Group estimates the expected amount to be cancelled of the outstanding premium receivables (also because of lapse of interest and non-payment) to the extent which is not handled by UPR taken into account the amount of refunded premiums-, the reduced or cancelled written premiums and the amount of written premiums related to previuos year.

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

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

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

To avoid this situation, the Group uses prudent assumptions while estimating the sufficient amount of the reserves (in case of the years, when risk of the external/non-controllable factors are high), therefore neither unexpected changes in the yield environment, nor choosing payment cycles unfavourable from the Company's perspective can lead to under-reserving in the portfolio level.

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

h. *Other technical reserves*

The Group allocates other technical reserves for unit-linked life insurance policies on policy basis where the clients were entitled to a loyalty bonus benefit based on the terms and conditions and the terms of the loyalty bonus exist at the balance sheet date.

Cross selling between policies (the expected probability of losing the right) is not taken into account. The Group calculates the amount and the growth rate of the reserve in a way that reserve allocation is made at the same time when cost coverages are deductible from the policies, and the reserve for premium refunds should cover bonus refunds to policyholder on the due date of loyalty bonuses.

The Company also shows the reserve for other bonuses for the Pannonia Loyalty Program. At the moment, the reserve corresponding to the amount of the final Pannonia Loyalty Bonus is created for contracts that are also eligible for (normal) loyalty bonus and Pannonia Loyalty Bonus (thus covering both reserve charges).

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

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

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

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

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

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

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

j. *Suretyship insurance reserve*
Regarding risk from suretyship insurance the Group may create a separate reserve among other technical reserves. The reserve is allocated in line with the suretyship risk occurred, in the rate of the earned own premium. The surety reserve is released when the surety business line is not profitable. The Group used the suretyship reserve formed in previous years to cover losses, no new suretyship reserve was formed in 2021.

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

3.6. Investment contracts

3.6.1. Premiums paid

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

3.6.2. 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.

3.6.3. Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the sale of investment contracts. All acquisition costs are expensed as incurred. The portion of the accounted acquisition costs, which is covered by subsequent premiums for the investment contract, or if the policy is cancelled, then by returned commissions from brokers, is deferred until the cost coverage is received by the 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.

3.6.4. Liabilities

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

3.6.5. Premium and commission income from investment contracts

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

3.7. Income and expenses relating investments

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

3.8. Other operating income

3.8.1. Income from the fund management

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

3.8.2. Income of pending charge

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

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

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

3.9. Leases

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

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

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

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

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

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

In the case of software leasing, the lessee may choose, in accordance with IFRS 16.4, not to apply the requirements of the standard and continue to account for the cost of the lease as an expense. The Company 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 48 months, and is 36 months in average.

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.

When transitioning to the IFRS 16 standards, the Company decided to use the modified retrospective approach (IFRS 16. C8-C11): within the discounted cash flow of leasing payments were calculated from the beginning of the lease contract, and set to the date of transition taken into account the previously paid leasing installements and the interest. The occurring margins are accounted for in their entirety within the equity at the moment of the transition (01.01.2019), therefore the previous period does not need to be presented under the principle that the Company has used the same standard forever.

3.10. Determining operating costs and expenses

The total of costs and expenses incurred at the Insurer is included in a separate section in the statement of comprehensive income. The Insurer shows the following cost and expense items here:

- **Charges, commissions and other acquisition costs:** this line shows the costs paid for one or more years that are incurred through the issuance of an insurance policy. The acquisition costs include costs directly linked to the insurance policy such as the initial or renewal commissions, the cost of incentives, the invoiced or not invoiced costs of external partners for distribution (advertising and propaganda), or the costs of editing an insurance policy and the costs associated with the inclusion of the insurance policies in the portfolio of insurers and the costs associated with the issue of insurance policies such as personal expenses and costs directly attributable to that staff, including travel and other expenses, the expenses of external bodies dealing with distribution, the operating and maintenance costs of the business offices, if they are incurred.

- **Other operating expenses:** Other operating expenses include the collection of insurance premiums, the recording of insurance portfolios, management of shareholdings and discounts, and the costs of outbound and inward reinsurance. This includes the staff costs, which are not presented as acquisition costs, claims settlement costs or investment costs, and salaries and related contributions paid to elected officials and other expenses paid to them. Depreciation of the office and office machinery and the amortisation of intangible assets should also be included here if it cannot be linked directly to the sales, claim settlement or investment areas.

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

    - impairment of receivables,
    - write off bad debts
    - insurance tax expenditures
    - fines and fees
    - extraordinary depreciation
    - the amount of debt owed
    - given donations
    - assets given free of charge

3.11. Income from state subsidies

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

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

3.12. 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 Company decided to establish the Employee Ownership Program (hereinafter referred to as "MRP"). The establishment of the MRP took place in order to implement the Remuneration Directives adopted by the General Meeting of the Company. The MRP Organisation is a separate legal entity, over which 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 the business year to which the bonus agreement applies; the performance criteria must be evaluated for this period. A further three-year deferred performance criterion needs to be applied for the payment of the additional 10-10-10%. IFRS 2 does not lay down specific rules for the valuation of the benefit, but according to IFRS 2 BC106-118 the valuation of a payment principally defined in a fixed amount should not differ whether it is paid in cash or in shares. Based on the above, the Company presents this benefit as the fixed amount's discounted present value against the equity, accounted for continuously for the year of the benefit. In the course of valuation, the Company considers expected changes in performance criteria and vesting conditions using historical data of the previous periods. After valuation at grant, the value of the benefit remains unchanged even if it expires without payment because the criteria were not met. In this case, the share-based benefit equity may be reconciled to retained earnings in the following year. There was no mutual agreement between the parties in 2021 regarding the bonus to be paid through the MRP organization, therefore the 2021 financial statements do not include share-based payment under IFRS 2.

In the Company'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 (6 years), that is the tax expected to be deductible according to the Group's business plans and the effective tax rate. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which the temporary differences are reversed. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.14. Intangible assets

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

Goodwill acquired in business combinations is initially recognized under intangible assets in accordance with Note 3.1. Goodwill is subsequently presented at cost less any impairment losses.

3.15. 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	33%
Furniture and other fittings	14,5%

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

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

Property, plant and equipment include computers, office equipment, fixtures and vehicles at cost less accumulated depreciation and impairment losses. Acquisitions below HUF 100 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

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

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

Financial assets and liabilities are netted and presented in the statement of financial position when, and only when, the 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.

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

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

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

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

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

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

3.17.2. Loans and receivables

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

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

3.17.3. Available-for-sale financial assets

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

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

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

3.17.4. Impairment of financial assets

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

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

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

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

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

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

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

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

3.18. Determination of fair value

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

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

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

- Debt securities
    - Debt securities excluding government bonds and treasury bills introduced into the primary distribution system, shall be valued on a unified basis during the valuation period using the last closing net price by adding accrued interest up to the date of financial statements when determining the market value;
    - in the case of fixed or floating-rate debt securities with a mandatory price-fixing, with a remaining period of more than 3 months, in the primary distribution system, or in case of treasury bills, the arithmetic average of the best buy-and-sell net prices issued by the State Debt Management Center (hereinafter ÁKK)

on the date of the Financial Statements or on last working day before it and the interest accrued up to the date of Financial Statements should be determined;

- in case of debt securities and treasury bills with a non-compulsory pricing, with a remaining period of less than 3 months to maturity, with fixed-rate, including state-guaranteed debt securities, the market value should be determined by using the 3-month reference yield published by ÁKK on the closing date or on the last working day before it as the sum of the calculated net price and interest accrued up to date of Financial Statements;

- If a debt securities listed on a stock exchange - with the exception of government securities issued in the primary distribution system - do not have a price not earlier than 30 days, then the market value is determined by using the last registered traded weighted average net price over-the-counter and the interest accrued up to the balance sheet date if this data is not older than 30 days. The 30-day validity of the prices quoted by OTC is the date of the publication, i.e. the last day of the reference period, even if it falls on a non-working day. The same methodology shall be applied to debt securities not traded on the stock exchange;

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

3.19. Cash and cash equivalents

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

3.20. 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.

3.21. Financial liabilities

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

The Group classifies its liabilities in the following categories:

3.21.1. Liabilities at fair value through profit or loss

The Group initially recognizes all liabilities from unit-linked life insurance policies as liabilities at fair value through profit or loss which do not comply with the criteria for inclusion as insurance policies. (cf. Notes 3.4 Policy classification, 3.6 Investment contracts). The Group has no financial liabilities held for trading purposes. Among the liabilities at fair value through profit or loss, financial liabilities derivatives, are also presented in the line.

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

3.21.2. Other financial liabilities

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

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

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

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

3.21.4. Liabilities from financial reinsurance

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

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

As the repayment of the loan is covered by the cash flow of insurance policies, the repayments were scheduled in accordance with the insurance premiums. In the contract, from 2012 onwards, the ratio of the portfolio reinsured was adjusted from 60 percent to 85 percent of the portfolio's regular premiums regarding new generations. From 2012 the Company received a liquidity surplus of 50-52 percentage of annual premiums (before 2012 this was 35-37 percent) in the first year, which is used to finance 38 percentage of acquisition commissions (before 2012 this ratio was 27 percentage). In the second year 40 percent of the received premium (in case of generation before 2012 27.6 percentage), in the next years 3-6 percentage of received premium (for generations before 2012 3.6 percentage) is due until full repayment. The outstanding balance bears a fixed interest rate of 3.38-7.91% depending on the given policy generation.

3.22. Share capital and capital reserve

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

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

3.23. Other reserves

Under other reserves the Group recognizes the difference between the cost net of impairment and the fair value of available-for-sale securities, and changes in fair values accounted under other comprehensive income. The part of the difference of the fair values of investments constituting the cover for the actuarial reserve due to the policyholders are reclassified as reserve for premium refunds dependent on profit.

3.24. Treasury shares

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

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

3.25. Earnings per share

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

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

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

3.26. Contingent liabilities

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

3.27. 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.

3.28. Cash flow statement

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

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

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

Cash flow from operating activities:

Cash flow from operating activities provides key information for investors to judge how well an enterprise can finance its own operations, how much cash flow generating capacity of its main business 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.

3.29. Introduction of IFRS 9

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

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

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

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

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

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

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

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

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

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

   i. *higher than 90%, or*

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

These criteria are met by the Insurer because it has not previously applied any of the IFRS 9 releases and more than 90% of all its liabilities are related to the insurance business and therefore decided to postpone the introduction of IFRS 9 until 1 January 2023.

3.30. 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 4 and IFRS 9 / IAS 36. Relevant transactions from the standpoint of the standard are other non-insurance activities, typically the reinvoicing of services and the sale of 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 products sold in the different operating segments are specified in the Notes.

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.
- the differences between Hungarian Accounting Laws and EU IFRS also cause adjustments.

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 received 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. Estimates of future benefit payments arising from insurance policies

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

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

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

4.2. Liability adequacy test

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

4.2.1. Estimates and assumptions relating to the model

4.2.1.1. Life insurance segment

In LAT the future cash-flows of the life- and health insurance policies and relating expenses are modelled, therefore it includes premium income, commission payments, reversed commissions, costs (arising from existing insurance policies), (partial) surrenders, death and maturity benefits, furthermore payments related to methods include health risk. The adequacy of reserves recognised for covering liabilities, is checked on a policy group basis.

Simplification is that the model does not take into account the existing insurance policies future top-up payments, and future profit coverage of those what is more prudent than the best estimate.

In case of the whole life unit linked products the Group also applies a 20-year modelling period, at the end of which all policies are assumed to have been terminated, repurchased. After that period, all of the policies deemed to be terminated. This assumption is more prudent than the “best estimate method”. Regarding grace policies lasting a lifetime, the mentioned simplifications aren’t applied, due to the departure of the guaranteed post-mortem payments - after the expected premium-paying periods- would have a decreasing effect, in respect of the required reserve relating to the coverage of the liabilities. Cash flow projections are made for fixed-term contracts until maturity.

4.2.1.2. Non-life insurance segment

The Group has examined for each homogeneous product group the adequacy of provisions formed for the balance sheet date and compliance with future obligations related to all contracts concluded by the balance sheet date or which are in a state of renewal, and all non-rejectable bids. It estimated future liabilities using a simplified combined claim and cost ratio model. In the simplified model it used past claim payments and the sum of itemized and IBNR claims reserves. To assess, if the accumulated claim reserves can provide adequate coverage for future claim payments and costs already incurred, it compared the claim reserves with the value of reserves calculated with the best estimate.

DATA IN HUF

CLAIM RESERVES	NAME OF THE UNIT	CASCO	SURETYSHIP HUNGARIAN	SURETYSHIP ITALIAN
Claim reserves used in LAT		2 418	111 539	1 989 731
Claim reserve using the best estimate		258	110 000	1 879 175
Run-off using the best estimate	2022	245	110 000	195 329
	2023	5	0	2 280
	2024	3	0	336 580
	2025	2	0	672 495
	>=2026	3	0	672 491

The Company expects that contingent claim reserves for individual products' future claims will be paid in the next five years and, based on related assumptions, their volume will not change, which will not affect the claim ratios used in the LAT calculation. The Insurer considers the resulting risk to be negligible. The reserve value used in the LAT assessment is higher than the best estimated reserve value for each business line, so it is expected to provide coverage for future payments.

The cash flow elements taken into account in the calculation are, on the one hand, payments for claims and cost of claims, payments for acquisition costs, other payments for operating expenses related to the maintenance of contracts, taxes and tax expenses on premiums; on the other hand, future premiums of the examined contracts. As a future premium, only unearned premium reserves formed at the end of 2021 are included in the model's analysis at the end of 2021, as the existing portfolio consists mainly of single premium contracts or group contracts for which the future earned premium cannot be clearly derived from the premium parameters of the current group composition. In the calculation, future expenses are based on premiums of future risks estimated on the basis of unearned premiums.

For products already in operation in previous years, past experience is the basis for estimating future claims; for new portfolios, the basis is formed by loss ratio assumptions in future plans, as the short damage experience of the new products does not allow the use of past data.

In the model, future costs are treated in a differentiated manner by the Insurer: the estimation of future costs related to unearned premiums is largely based on empirical data, and for future costs related to new premiums, it is based on planned cost data.

The estimation for future acquisition and tax-like costs has been calculated for non-earned fees with the 2021 cost ratios, and for new premiums with the cost ratios planned for 2022. As an administrative cost, all future earned premiums will be charged with an estimated cost based on the planned cost ratio for 2022.

4.2.2. Estimates and assumptions relating to the parameters

4.2.2.1. Life insurance segment

During the modelling the Group supposed that no indexing by the client (voluntarily) have been occurred – except for the Product "Értékmegörző". The mortality rates were set a higher level than in best estimates.

Due to the accuracy of the modelling of the other callable client options, the Group separetes the various scenarios of policy failure from insurance portfolio, therefore the applied assumptions could be compared with the subsequent experiences.

Distinguished client-options:

Likelihood of non-payment

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

Cancellation requested by the client, surrender

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

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

The source of mortality data applied by the Company was the standard Hungarian mortality table of 2007 - also considering the effects of the COVID-19 pandemic -, which was modified by a mortality factor typical for that group of contracts. The mortality data applied durint the LAT calculations contain a risk margin compared to the assumptions of official short and midterm budget accepted by the management of the Company.

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

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

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

4.2.2.2. Non-life insurance segment

Insurance contracts can be terminated on the anniversary of the contract, so for continuous premiums, the model includes a maximum premium of one year. The small number of longer-term contracts included in the portfolio are mostly single premium contracts, thus the subsequent risk is covered by the unearned premium reserve. The fee cancellation parameter is derived from the actual cancellation experience of future fees used in the previous assessment.

The Company calculated its expected claim expense for future risks on the basis of the estimated claim ratio per product group. For product groups of the new products, the claim ratio was estimated on the basis of the assumptions used in the 2022 plans; for products previously sold, on the basis of the previous year's aggregate premium and empiric data on claims. In the case of products, where further claims are expected, IBNR-type claim ratio was also taken into account. For the Italian suretyship portfolio, the claim ratio was calculated on the basis of most of the available premiums and data on claims, considering the entire period of operation. Claim expense also includes the IBNR reserve, which covers claims due to the extended claim reporting period after the risk expires. The claim ratios were determined without taking into account the expected settlement results.

The claim ratio assumptions used in the model for the year-end 2020 calculations:

SECTOR	CLAIM RATIO
Casco	59.67%
Corporate property and liability	36.52%
Guarantee (Hungarian)	58.07%
Guarantee (Italian)	82.76%

The cost expense of the upcoming period's risks was estimated using cost ratios, i.e. the ratio of the total cost of the product groups's products' individual costs, and the earned premiums. The product of the cost ratio and the premiums gives the future cost expense of the particular product group.

Cost ratios, taxes and tax expenses per product group:

SECTOR	COST RATIOS, TAXES AND TAX EXPENSES
Casco	30,95%
Corporate property and liability	34,83%
Suretyship (Hungarian)	44,28%
Suretyship (Italian)	10,51%

Estimates of future acquisition and tax expenses for unearned premiums have been made using cost ratios calculated from 2021 empiric data, for new premiums using the planned cost ratios for 2022. As an operating cost, all future premiums will be charged with an estimated cost based on the planned cost ratio for 2022. The previous 2019 LAT investigation on the Italian suretyship product showed significant losses, therefore the Company then released the full amount of deferred acquisition costs related to the portfolio, thus, in the current investigation, future premiums are not subject to acquisition costs.

5. CHANGES IN ACCOUNTING POLICIES

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

The Company assessed the following mandatory standards to be used from 1 January 2021 and has determined that their impact on the financial statements is not significant:

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

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

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

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

IFRS 17 insurance contracts (expected to be applied as of January 1, 2023) - The Insurer performed a gap analysis on IFRS 17 implementation in 2018 and prepared a detailed IFRS 17 project plan in 2019.

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

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

6. MANAGEMENT OF INSURANCE RISK

6.1. Introduction and overview

The 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 relating to the motor third party liability insurance. 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

Non-life insurances (In accordance with EMABIT's Solvency Recovery Plan, the Group sold its portfolio of property, liability, transportation and vehicle insurance as part of a portfolio transfer. It managed the risks of the following types of contracts until the sale of the portfolios and the run-off of the remaining portfolios.)

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. extended guarantee insurance policies

r. suretyship-related insurance policies

s. group credit coverage and account protection contracts

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. In connection with the reinsurance fraud detected in 2019, the Group introduced in its non-life segment strict measures regarding reinsurance matters and minimized its own retention risks.

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

The 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, arising either in direct relation or as a spin-off effect of the Italian activity:

1. The capital adequacy risk arising from the Italian cross-border activity for EMABIT

2. Reputational risk and consequent failure to meet new acquisition plans, loss of premium income

3. Change in reinsurance structure (rate and cost)

In addition, there is a significant risk of the introduction of IFRS 17 due to its numerical impact on future results.

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

6.4.4. *Customer options*

The 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 Company 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 May 2020).

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

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

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 (Hungary, Poland)

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. Extended guarantee insurance (Hungary, Poland)

Terms and conditions:
In case of extended guarantee insurances, the Group will provide coverage for the failure of insured objects after the manufacturing guarantee time. In case of an insurance event, after the claim is justifiable, the Group covers the repair or spare part costs.

The Insurer sold his portfolio during 2021, and as of 31 December 2021, it had no stock.

Key factors affecting future cash flows:
The Company will not have any future cash flows related to the transferred portfolio.

6.5.18. 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.

6.5.19. Group credit coverage and income protection insurance

Terms and conditions:
The Insurer 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.

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 Insurer ongoing fulfils and puts a great emphasis on the solvency requirements according to Solvency II and the requirements of Act on Insurance.

The consolidated available solvency capital of the Group as at 31.12.2021 is more than two and a half 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 31.12.2020 includes the amount established in the annual Solvency II report, which has changed slightly compared to the published report.

DATA IN THUF/%

	31.12.2021	31.12.2020
Available solvency capital for SCR	17 825 142	17 329 386
Available solvency capital for MCR	17 825 142	17 283 123
Solvency capital requirement (SCR)	7 000 692	5 194 398
Minimal capital requirement (MCR)	2 400 000	2 400 000
Solvency capital adequacy (to SCR)	255%	334%
Solvency capital adequacy (to MCR)	743%	720%

8. NET EARNED PREMIUM

DATA IN THUF

	2021	2020
Regular premiums written	16 998 359	16 093 985
Top-up payments, and single premiums	5 714 564	3 224 784
Gross written premiums	**22 712 923**	**19 318 768**
Change in unearned premiums reserve	-157 355	611 047
Earned premium, gross	**22 555 568**	**19 929 815**
Ceded reinsurance premiums	-502 078	-462 770
Earned premium, net	**22 053 490**	**19 467 045**

A part of the insurance policies of the Group is reinsured by several reinsurer partners, therefore reinsurance premium liability arose.

The change in the reserve for unearned premiums is a loss of HUF 157 million in 2021 (a gain of HUF 611 million in 2020), which decreased mainly due to the run-off of the non-life segment's guarantee portfolio and the new products of the non-life segment. At the same time, the amount of earned premiums transferred to reinsurers (HUF 502 million loss in 2021, HUF 463 million loss in 2020) increased slightly, also due to the restart of the non-life segment.

Breakdown of gross written premiums by insurance line of businesses:

DATA IN THUF

	2021	2020
Unit-linked insurance product	16 581 684	14 698 332
Traditional life insurance	4 675 748	3 707 756
Health insurance	822 636	697 791
Suretyship and guarantee	97 964	33 584
Income protection insurance	199 301	119 904
Credit insurance	59 953	61 402
Casco insurance	10 753	-
Property products	264 884	-
Total	**22 712 923**	**19 318 768**

In 2021, from the amount of unit-linked insurance HUF 6,815,111 thousand is pension insurance (in 2020: HUF 975,113 thousands). The traditional pension insurance income in 2021 was HUF 1,263,747 thousand. The pension insurance was HUF 1,208,708 thousand in 2020.

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

DATA IN THUF

	2021	2020
Hungary	22 558 546	19 163 537
Romania	4 305	4 523
Slovakia	151 327	171 766
Italy	-1 255	-21 058
Total	**22 712 923**	**19 318 768**

9. PREMIUM AND COMMISSION INCOME, INVESTMENT CONTRACTS

DATA IN THUF

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

10. COMISSION AND PROFIT SHARE DUE TO REINSURANCE

DATA IN THUF

	2021	2020
Life insurances	2 379	1 257
Guarantee products	23 642	52 251
Income protection insurances	15 907	9 066
Credit insurance	11 632	10 461
Casco insurance	1 032	-
Property products	5 846	-
Commission and profit share due to reinsurance	**60 438**	**73 035**

The commission and profit share due to reinsurance contains the commissions and profit share incomes to the Group according to the existing contracts with the reinsurance partners. The majority of reinsurance commissions are the result of the non-life segment's reinsurances. The most significant reinsurance commissions were realized by the Group in the suretyship and guarantee sectors.

11. INCOME FROM AND EXPENSES ON INVESTMENTS

DATA IN THUF

	2021	2020
Effective interest income	472 144	608 878
Gains on investment sales	81 944	38 257
Realized gains on derivatives	24 131	57 916
Fair valuation gains on deivatives	568	15 633
Foreign currency gains	45 952	134 341
Foreign currency gains	11 465 810	3 781 650
Income from investments	**12 090 549**	**4 636 675**
Share of the profit of associates accounted for using the equity method	**808 075**	**436 244**
Operation expenses on investments	73 753	71 637
Financial reinsurance interest	1 938	6 979
Non-realized losses on derivatives	22 497	-
Foreign currency losses	6 727	39 325
Realised foreign exchange losses on investments	124 603	229 661
Impairment of investments	14 036	-
Leasing interests	10 791	1 970
Expense on investments	**254 345**	**349 572**
Total income from (expenses on) investments	**12 644 279**	**4 723 347**

Fair value change gain is the 2021 return on customers' unit-linked investments.

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

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

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

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

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

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

In 2021, the forint also weakened against the euro and the dollar. The forint appreciated significantly during the year, but by November the EURHUF pair had approached 372, while the USDHUF had risen above 330. Finally, we closed the year at 369.0 euros and 325.71 dollars. Overall, this represents a depreciation of 1.8% and 9.3%, respectively, compared to the leading currencies. The Issuer had HUF 371 million yield profit on its own investments in 2021, while in the 2020 the profit was HUF 505 million. The lower gain is mainly due to the realised loss on declining priced securities caused by the rising yield environment.

Earnings from the MKB-Pannónia Fund Management Company to the Company appear on “investments accounted for using the equity method”, which is a profit of HUF 808 million gain in 2021, while it was HUF 436 million gain in 2020, mainly as a result of increasing assets under management and the success fee realized from the return of the funds over benchmark.

12. OTHER OPERATING INCOME

DATA IN THUF

	2021	2020
Portfolio management income	554 302	578 424
Other technical income	45 892	55 248
Other income	80 789	130 928
Reversal of extraordinary depreciation	-	41 021
Release of provision	431 425	32 447
Reversal of claim impairment loss	394	-
Other operating income	**1 112 802**	**838 068**

The portfolio management income is realized fund management fee of unit-linked portfolio and decreased by HUF 24 million compared to the comparison period, as it is related to the Group's previously sold unit-linked product type with an already declining portfolio.

Release of provision is detailed under Note 45.

13. NET CLAIM PAYMENTS AND BENEFITS

	2021	2020
Claim payments and benefits for insurance policy holders	14 690 025	12 642 544
Claim adjustment costs	498 984	715 458
Claim refunds	-130 320	-7 776
Claim refunds from reinsurance	-146 813	-48 772
Total net claim payments and benefits	**14 911 876**	**13 301 454**

In 2021, 83% of claim payments and benefits related to partial and full surrenders of life insurances (in 2020 78.8%), while payment upon death accounted for 6.9% (in 2020 6.8%), matured services accounted for 6.7% (in 2020 12.2%), and other claim payments 3.2% (in 2020 2.3%).

In 2021, a smaller part of claim payments and benefits in the non-life sector – 26% - was related to claim payments of the Italian suretyship (in 2020 94%). In 2021, two claim payments were made in connection with the Hungarian guarantee, which is 72% of the total claim payments.

Claim payments and benefits for insurance policy holders was reduced by the amount of the claim refunds on reinsured policies which is HUF 147 million (in 2020 HUF 49 million).

14. CHANGES ON RESERVES

DATA IN THUF

	2021	2020
Net unit-linked reserves increase/(decrease)	10 355 775	3 574 034
Net RBNS increase/(decrease)	373 569	556 157
Net mathematical reserve increase/(decrease)	1 216 559	883 246
Other net technical reserves increase/(decrease)	251 176	-11 850
Net expected loss reserves increase/(decrease)	-44 401	44 401
Total	**12 152 678**	**5 045 986**

Following 2020 the unit-linked insurances increased significantly in 2021 as well, primarily due to the positive returns, which influenced the change in reserves significantly.

The increase of mathematical reserve can mainly be explained by the payments related to pension products and the formation of reserves.

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

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

The net increase / (decrease) in mathematical reserve also includes the change in the result-dependent reversed premium reserves (excluding the shadow reserve).

The change in further technical provisions includes the changes in the shadow reserve of the result-dependent reversed premium reserves, the change in the result-independent reserves, the other reserves and the cancellation reserves. The shadow reserve part of the result-dependet reversed premium reserves - which is the unrealized exchange rate difference of available-for-sale financial assets attributable to insurance policyholders - is recognized against other comprehensive income. As the unrealized exchange rate difference on available-for-sale financial assets is a loss at the end of 2021, it will not have anything to attribute to policy holders, i.e. the reserve at the end of the year is 0.As the unrealized exchange rate difference of available-for-sale financial assets is a loss at the end of 2021, no portion of it will accrue to policyholders, i.e. the reserve at the end of the year is 0.

In the case of the Italian suretyship product group, the Insurer formed a provision for expected losses in 2020, which became resolvable at the end of 2021 in parallel with the restart of the Insurer.

15. COMMISSIONS AND OTHER ACQUISITION COSTS

DATA IN THUF

	2021	2020
Commissions and fees	3 418 915	2 739 692
Changes in deferred acquisition costs	-113 297	318 520
Other acquisition costs	848 040	776 367
Total fees, commissions and other acquisition costs	**4 153 658**	**3 834 579**

Other acquisition costs include expenses related to the operation of the sales networks (salary, IT, office, operating costs, etc.), the costs of sales promotions and the amount of impairment loss recognized on commission receivables, HUF 4 million in 2021 (HUF 60 milion in 2020). The impairment loss recognized amounts to HUF 4 million on the life segment. The other acquisition costs also contain the operating cost of the CIG Pannónia Financial Intermediary as a separate sales channel, the cost of which decreased significantly in 2021 due to the closure of activities.

Fees and commissions, including deferred acquisition costs, show a slightly increasing trend (+ 8%), while gross earned fees increased by 13%. This is mainly due to the change in the product mix, with a significant increase in premiums earned in group and one-time premium contracts in the life segment, however, their commission ratio is lower compared to other products.

16. OTHER OPERATING COSTS

DATA IN THUF

	2021	2020
Salaries	883 914	795 362
Salary contributions and other personal costs	236 734	216 465
Advisory and consultancy services	177 164	219 535
Training costs	3 072	5 757
Marketing and PR costs	5 721	5 362
Administration costs	101 700	56 728
IT services	239 883	308 638
Office rental and operation	79 062	89 918
Travelling, and car expenses	24 718	5 075
Office supplies, phone, bank costs	85 705	92 106
Depreciation and amortisation	247 852	252 056
Other administration costs	170 489	140 160
Other operating costs total	**2 256 014**	**2 187 162**

The other operating costs increased by HUF 69 million compared to the previous year. This increase is largely due to the increase of salaries, caused by dynamic growth of the staff count.

Among salaries there was HUF 246 037 thousand related to salary payments of the Group's directors according to the SRD Act in 2021.

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 months. In 2021, the Company paid for short-term office leasing contracts HUF 7,880 thousand (HUF 11,565 thousand in 2020); while the expenses of low value leasing contracts (water dispenser, printers, dirt carpets) totalled HUF 1,304 thousand (HUF 1,229 thousand in 2020).

17. OTHER EXPENSES

DATA IN THUF

	2021	2020
Net expenditure on pending charges	107 700	128 699
Extraordinary depreciation	12 710	-
Insurance tax	60 068	44 518
Other expenses	55 117	99 187
Fines	1 997	32 072
Impairment	835	21 121
Loss due to expected termination of contracts related to exited intermediaries	-	173 888
Total other expenses	**238 427**	**499 485**

The recognition of losses in 2020 due to the expected termination of contracts related to exited intermediaries contains the created provisions for these contracts.

No further provisions were made in 2021, a part of the provisions formed in 2020 (HUF 60,276 thousand) reduced impairment in 2021, and a significant part (HUF 96,087 thousand) was released against income.

18. TAX INCOME (EXPENSES)

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 2021 the Group increased deferred tax asset by HUF 88 million because the coverable part of the tax loss carried forward increased.

In the calculation of the corporate tax, the tax benefit on deferred tax accumulated in previous years (HUF 11 million) continued to increase against taxable profit. Accrued losses up to 2015 can be used at longest till 2030.

Based on the Company strategy 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 474 million set at the end of 2021 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

	2021	2020
Local business tax, innovation contribution	-167 327	-183 469
Corporation tax expenses in reporting year	-25 110	-35 077
Deferred tax expenses/gains	87 797	29 253
Total tax income/(expenses) realised in profit statement	**-104 640**	**-247 799**
Deferred tax liabilities arising from available-for-sale financial assets	-	-
Total tax income/(expenses) realised in other comprehensive income	**-**	**-**

In 2020 and 2021 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

	31 DECEMBER 2021	CHANGE	31 DECEMBER 2020
Deductible temporary differences	3 716 391	1 527 383	2 189 008
Loss carried forward	10 702 097	979 348	9 722 749
Total	**14 418 487**	**2 506 731**	**11 911 757**

HUF 281,031 thousand from the unrecognized deferred tax differences would decrease the other comprehensive income (HUF 66,385 thousand in 2020).

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

DATA IN THUF

PRESENTATION OF EFFECTIVE TAX RATE	2021	2020
Profit/loss before taxation	1 786 515	907 884
Calculated tax income/(expenses) (9%)	-145 727	-65 197
Recognition of the unrecognized deferred tax assets relating to the losses of prior years	87 797	-29 253
Unrecognised deferred tax assets on losses in the actual year	-98 326	-62 462
Other unrecognized temporary differences	-137 464	-2 666
Permanent differences	356 408	95 248
Local business tax, innovation contribution	-167 327	-183 469
Total tax income (expenses)	**-104 640**	**-247 799**

19. RESULT OF ASSETS HELD FOR SALE

As described in Notes 1, the criteria held for sale in relation to EMABIT, i.e. the total non-life segment, were met in accordance with IFRS 5 in parallel with the Group's portfolio transfer decision in early 2020, therefore it classified its entire non-life segment portfolio as held for sale in its 2019 consolidated financial statements. This is because, in the case of the entire non-life segment, the criterion that it was ready for sale in its present condition at that time was met. The Group has commissioned an international consulting firm to sell its entire non-life portfolio, which has begun to identify potential buyers and negotiations have begun between the parties. In accordance with the above accounting policy, the Group has measured the portfolio held for sale at book value, as the expected fair value less costs to sell was higher than the book value. Fair value less costs to sell was the expected purchase price, less legal, consulting and data room service costs.

In the consolidated financial statements for 2019 and for the first three quarters of 2020, the Group presented its non-life segment insurance portfolio in accordance with IFRS 5 separated, as a discontinued operation. That is, the full result of the non-life segment appeared on a single line in the consolidated statement of comprehensive income. Similarly, all assets and liabilities of the non-life segment appeared in the consolidated statement of financial position as single report lines.

In 2020, as a result of the remedial measures, EMABIT's Solvency Capital Requirement increased to 147% by 30 June 2020, including the imposition of the additional capital requirement, its capital position was restored; at the end of 2020 capital adequacy was 113%.

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

In the fourth quarter of 2020 the Group took steps at the operational level to ensure opportunities for the relaunch of operations -parallel to the intent of insuring guarantee elements at the Group-level as required- after EMABIT implemented the provisions of the recovery plan set by the HFSA, and its solvency position has stabilized, with the aim to strengthen its sales, internal defence lines and capital position following the adoption of EMABIT's strategy. To implement all these objectives, the parent company undertook to carry out the necessary capital increases, enabling EMABIT to continue operating in the long term. Thus, in addition to the non-life segment and the remaining portfolios, the operational planning also plans with the development and sale of new products from 2021 onwards. In addition to the finalized business plans and the support of the parent company, when preparing the 2020 annual report, the operation was ensured for at least the next 12 months, because of which the principle of business continuity became maintained.

As a result of all these steps, the above definition of IFRS 5 for "held for sale" was no longer appropriate for the entire non-life segment at the time of the 2020 annual and the following quarterly financial statements' preparation. For the Italian suretyship portfolio the criteria are no longer valid due to the unlikely scenario of the sale of the portfolio, despite the fact that the Insurer has not accepted new contracts for more than two years.

Following the sale of the Hungarian and Polish extended guarantee and gap casco insurances on 1 May 2021, the Insurer has no stock held for further sale. For this reason, live stocks currently appeared as continuing operations in the 2020 consolidated financial statements, as likewise in the 2021 consolidated financial statements.

For this reason, additional current live portfolios will appear as continuing operations in the 2020 separate and consolidated financial statements. According to IFRS 5, the data of the comparative period are included in the consolidated statement of financial position and the consolidated statement of comprehensive income for comparability in such a way that only the effects of the assets actually sold or currently held for sale are shown in the lines of the result of assets held for sale, assets held for sale, and liabilities held for sale.

The following tables show the effects of the reclassification in the consolidated financial statements for 2020 and 2021 and in the consolidated statement of comprehensive income.

DATA IN THUF

ASSETS	CONSOLIDATED DATA BEFORE RECLASSIFICATION	RECLASSIFICATION OF ASSETS HELD FOR SALE	31.12.2021
Intangible Assets	720 063	-	720 063
Property, plant and equipment	179 026	-	179 026
Right of use assets	494 093	-	494 093
Deferred tax asset	473 820	-	473 820
Deferred acquisition costs	1 327 898	-	1 327 898
Reinsurer's share of technical reserves	453 038	-	453 038
Investments accounted for using the equity method	1 013 290	-	1 013 290
Available-for-sale financial assets	28 409 074	-	28 409 074
Investments for policyholders of unit-linked life insurance policies	84 532 896	-	84 532 896
Financial assets – investment contracts	6 369 064	-	6 369 064
Financial assets – derivatives	937	-	937
Receivables from insurance policy holders	1 909 636	-	1 909 636
Receivables from insurance intermediaries	55 980	-	55 980
Receivables from reinsurance	87 679	-	87 679
Other assets and prepayments	76 015	-	76 015
Other receivables	183 396	-	183 396
Cash and cash equivalents	1 498 385	-	1 498 385
Assets held for sale	-	-	-
Total assets	**127 784 290**	**-**	**127 784 290**

LIABILITIES	CONSOLIDATED DATA BEFORE RECLASSIFICATION	RECLASSIFICATION OF ASSETS HELD FOR SALE	31.12.2021
Technical reserves	19 297 996	-	19 297 996
Technical reserves for policyholders of unit-linked life insurance policies	84 532 896	-	84 532 896
Investment contracts	6 369 064	-	6 369 064
Financial liabilities-derivatives	11 760	-	11 760
Loans and financial reinsurance	37 739	-	37 739
Liabilities from reinsurance	278 926	-	278 926
Liabilities to insurance policy holders	882 408	-	882 408
Liabilities to insurance intermediaries	244 158	-	244 158
Lease liabilities	531 909	-	531 909
Other liabilities and provisions	2 408 969	-	2 408 969
Liabilites to shareholders	19 929	-	19 929
Liabilities held for sale	-	-	-
Total liabilities	**114 615 754**	**-**	**114 615 754**
NET ASSETS	**13 168 536**	**-**	**13 168 536**

DATA IN THUF

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	CONSOLIDATED DATA BEFORE RECLASSIFICATION	RECLASSIFICATION OF ASSETS HELD FOR SALE	2021
Gross written premium	22 746 952	-34 029	22 712 923
Changes in unearned premiums reserve	-120 120	-37 235	-157 355
Earned premiums, gross	22 626 832	-71 264	22 555 568
Ceded reinsurance premiums	-523 402	21 324	-502 078
Earned premiums, net	**22 103 430**	**-49 940**	**22 053 490**
Premium and commission income from investment contracts	223 060	-	223 060
Commission and profit sharing due from reinsurers	61 650	-1 212	60 438
Investment income	12 090 549	-	12 090 549
Yield on investment accounted for using equity method	808 075	-	808 075
Other operating income	1 141 302	-28 500	1 112 802
Other income	**14 324 636**	**-29 712**	**14 294 924**
Total income	**36 428 066**	**-79 652**	**36 348 414**
Claim payments and benefits, claim settlement costs	-15 063 813	5 124	-15 058 689
Recoveries, reinsurer's share	150 732	-3 919	146 813
Net changes in value of the life technical reserves and unit-linked life insurance reserves	-12 148 888	-3 790	-12 152 678
Investment expenses	-254 345	-	-254 345
Change in the fair value of liabilities relating to investment contracts	-597 619	-	-597 619
Investment expenses, changes in reserves and benefits, net	**-27 913 933**	**-2 585**	**-27 916 518**
Fees, commissions and other acquisition costs	-4 197 245	43 587	-4 153 658
Other operating costs	-2 256 014	-	-2 256 014
Other expenses	-274 359	35 932	-238 427
Operating costs	**-6 727 618**	**79 519**	**-6 648 099**
Result of assets held for sale	-	**2 718**	**2 718**
Profit/Loss before taxation	**1 786 515**	**-**	**1 786 515**
Tax income/expenses	-192 437	-	-192 437
Deferred tax income/expenses	87 797	-	87 797
Profit/Loss after taxation	**1 681 875**	**-**	**1 681 875**
Comprehensive income, would be reclassified to profit or loss in the future	-2 375 398	-	-2 375 398
Other comprehensive income	**-2 375 398**	**-**	**-2 375 398**
Total comprehensive income	**-693 523**	**-**	**-693 523**

Data of the comparative period:

DATA IN THUF

ASSETS	CONSOLIDATED DATA BEFORE RECLASSIFICATION	RECLASSIFICATION OF ASSETS HELD FOR SALE	31.12.2020
Intangible Assets	570 251	-	570 251
Property, plant and equipment	58 158	-	58 158
Right of use assets	58 059	-	58 059
Deferred tax asset	386 022	-	386 022
Deferred acquisition costs	1 214 601	-	1 214 601
Reinsurer's share of technical reserves	681 414	-59 219	622 195
Investments accounted for using the equity method	641 372	-	641 372
Available-for-sale financial assets	27 484 180	-22 629	27 461 551
Investments for policyholders of unit-linked life insurance policies	74 121 735	-	74 121 735
Financial assets – investment contracts	4 230 068	-	4 230 068
Financial assets – derivatives	11 106	-	11 106
Receivables from insurance policy holders	1 764 661	-	1 764 661
Receivables from insurance intermediaries	88 955	-11 149	77 806
Receivables from reinsurance	58 673	-2 300	56 373
Other assets and prepayments	224 784	-199 112	25 672
Other receivables	240 688	-	240 688
Cash and cash equivalents	862 255	-	862 255
Assets held for sale	-	294 409	294 409
Total assets	**112 696 982**	**-**	**112 696 982**

LIABILITIES	CONSOLIDATED DATA BEFORE RECLASSIFICATION	RECLASSIFICATION OF ASSETS HELD FOR SALE	31.12.2020
Technical reserves	17 258 704	-194 482	17 064 222
Technical reserves for policyholders of unit-linked life insurance policies	74 121 735	-	74 121 735
Investment contracts	4 230 068	-	4 230 068
Financial liabilities-derivatives	-	-	-
Loans and financial reinsurance	149 901	-	149 901
Liabilities from reinsurance	166 276	-4 038	162 238
Liabilities to insurance policy holders	665 081	-	665 081
Liabilities to insurance intermediaries	245 155	- 95	245 060
Lease liabilities	59 880	-	59 880
Other liabilities and provisions	1 886 198	-183	1 886 015
Liabilites to shareholders	19 929	-	19 929
Liabilities held for sale	-	198 798	198 798
Total liabilities	**98 802 927**	**-**	**98 802 927**
NET ASSETS	**13 894 055**	**-**	**13 894 055**

DATA IN THUF

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	CONSOLIDATED DATA BEFORE RECLASSIFICATION	RECLASSIFICATION OF THE RESULTS OF ASSETS HELD FOR SALE	31.12.2020
Gross written premium	22 043 883	-2 725 115	19 318 768
Changes in unearned premiums reserve	1 077 019	-465 972	611 047
Earned premiums, gross	23 120 902	-3 191 087	19 929 815
Ceded reinsurance premiums	-2 508 361	2 045 591	-462 770
Earned premiums, net	**20 612 541**	**-1 145 496**	19 467 045
Premium and commission income from investment contracts	159 078	-	159 078
Commission and profit sharing due from reinsurers	619 204	-546 169	73 035
Investment income	4 636 675	-	4 636 675
Yield on investment accounted for using equity method	436 244	-	436 244
Other operating income	1 156 213	-318 145	838 068
Other income	**7 007 414**	**-864 314**	**6 143 100**
Total income	**27 619 955**	**-2 009 810**	**25 610 145**
Claim payments and benefits, claim settlement costs	-14 597 528	1 247 302	-13 350 226
Recoveries, reinsurer's share	1 109 017	-1 060 245	48 772
Net changes in value of the life technical reserves and unit-linked life insurance reserves	-4 712 134	-333 852	-5 045 986
Investment expenses	-349 572	-	-349 572
Change in the fair value of liabilities relating to investment contracts	-273 975	-	-273 975
Investment expenses, changes in reserves and benefits, net	**-18 824 192**	**-146 795**	**-18 970 987**
Fees, commissions and other acquisition costs	-4 904 909	1 070 330	-3 834 579
Other operating costs	-2 280 116	92 954	-2 187 162
Other expenses	-702 854	203 369	-499 485
Operating costs	**-7 887 879**	**1 366 653**	**-6 521 226**
Result of assets held for sale	**-**	**789 952**	**789 952**
Profit/Loss before taxation	**907 884**	**-**	**907 884**
Tax income/expenses	-218 546	-	-218 546
Deferred tax income/expenses	-29 253	-	-29 253
Profit/Loss after taxation	**660 085**	**-**	**660 085**
Comprehensive income, would be reclassified to profit or loss in the future	-375 949	-	-375 949
Total other comprehensive income	-375 949	**-**	**-375 949**
Total comprehensive income	284 136	**-**	**284 136**

20. OTHER COMPREHENSIVE INCOME

DATA IN THUF

	2021	2020
Other comprehensive income which can be reclassified to profit or loss in the future	-2 375 398	-375 949
Total other comprehensive income	**-2 375 398**	**-375 949**

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

21. EARNINGS PER SHARE

DATA IN THUF

	2021	2020
Profit/loss after taxation attributable to the Company's shareholders (HUF thousand)	1 675 065	667 799
Weighted average number of ordinary shares (thousand)	93 978 364	94 054 254
Earnings per share (basic) (HUF)	**17,8**	**7,1**

	2021	2020
Modified profit/loss after taxation attributable to the Company's shareholders (HUF thousand)	1 675 065	667 799
Weighted average number of ordinary shares (thousand)	94 428 260	94 428 260
Calculated earnings per share (diluted) (HUF)	17,7	7,1
Earnings per share (diluted) (HUF)	**17,7**	**7,1**

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 17.8. According to IFRS, the maximum value of calculated diluted EPS (HUF 17.7) can be maximum equivalent with the amount of the basic EPS. 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 0.1 HUF.

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

2021

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

2020

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

22. INTANGIBLE ASSETS

Intellectual property includes purchased and externally developed software. The increase in intellectual property is related to the improvement of the portfolio administration system and the data consolidation system under development in IFRS 17. The amount of intangible assets under development is HUF 202,534 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

31.12.2021	INTELLECTUAL PROPERTY, ASSETS VALUE RIGHTS	GOODWILL	TOTAL INTANGIBLE ASSETS
Cost			
01.01.2021	2 687 069	37 613	2 724 682
Increase	379 405	-	379 405
Decrease	-2 467	-	-2 467
31.12.2021	3 064 007	**37 613**	**3 101 620**
Accumulated amortization, impairment			
01.01.2021	-2 116 818	-37 613	-2 154 431
Increase	-228 260	-	-228 260
Decrease	1 134	-	1 134
31.12.2021	**-2 343 944**	**-37 613**	**-2 381 557**
Net book value	**720 063**	**-**	**720 063**

DATA IN THUF

31.12.2020	INTELLECTUAL PROPERTY, ASSETS VALUE RIGHTS	GOODWILL	TOTAL INTANGIBLE ASSETS
Cost			
01.01.2020	3 268 885	37 613	3 306 498
Increase	150 332	-	150 332
Decrease	-732 148	-	732 148
31.12.2020	2 687 069	**37 613**	**2 724 682**
Accumulated amortization, impairment			
01.01.2020	-2 622 418	-37 613	-2 660 031
Increase	-259 885	-	-259 885
Decrease	765 485	-	765 485
31.12.2020	**-2 116 818**	**-37 613**	**-2 154 431**
Net book value	**570 251**	**-**	**570 251**

23. PROPERTY, PLANT AND EQUIPMENT

DATA IN THUF

31.12.2021	MOTOR VEHICLES	OFFICE FURNITURE, EQUIPMENT	REAL ESTATES	WORK IN PROGRESS	TOTAL
Cost					
01.01.2021	47 641	181 415	66 610	3 523	299 189
Increase		60 231	128 200	4 917	193 348
Decrease	-47 641	-15 496	-75 051		-138 188
31.12.2021	**-**	**226 150**	**119 759**	**8 440**	**354 349**
Accumulated amortization					
01.01.2021	-26 467	-148 137	-66 427	-	-241 031
Increase	-1 434	-29 491	-18 707	-	-49 632
Decrease	27 901	12 388	75 051	-	115 340
31.12.2021	**-**	**-165 240**	**-10 083**	**-**	**-175 323**
Net book value	**-**	**60 910**	**109 676**	**8 440**	**179 026**

DATA IN THUF

31.12.2020	MOTOR VEHICLES	OFFICE FURNITURE, EQUIPMENT	REAL ESTATES	WORK IN PROGRESS	TOTAL
Cost					
01.01.2020	85 014	241 961	70 719	7 901	405 595
Increase	10 484	15 729	1 070	-	27 283
Decrease	-47 857	-76 275	-5 179	-4 378	-133 689
31.12.2020	**47 641**	**181 415**	**66 610**	**3 523**	**299 189**
Accumulated amortization					
01.01.2020	-35 701	-196 013	-66 218	-	-297 932
Increase	-11 324	-17 733	-1 201	-	-30 258
Decrease	20 558	65 609	992	-	87 159
31.12.2020	**-26 467**	**-148 137**	**-66 427**	**-**	**-241 031**
Net book value	**21 174**	**33 278**	**183**	**3 523**	**58 158**

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 2020 and 2021 IT equipments, small value office equipments and furnitures were written off, therefore the office furniture and equipment coloumn decreased.

24. RIGHT OF USE ASSETS

DATA IN THUF

31.12.2021	OFFICE LEASING	CAR LEASING	TOTAL
Cost			
01.01.2021 - Adding leased assets	217 707	25 729	243 436
Increase	292 741	267 451	560 192
Decrease	-204 422	-	-204 422
31.12.2021	306 026	293 180	599 206
Accumulated amortization			
01.01.2021 Adding accumulated amortization of leased assets	-184 689	-688	- 185 377
Increase	-65 860	-40 553	-106 413
Decrease	186 676	-	186 676
31.12.2021	-63 872	-41 241	-105 113
Net book value	**242 154**	**251 939**	**494 093**

DATA IN THUF

31.12.2020	OFFICE LEASING	CAR LEASING	TOTAL
Cost			
01.01.2020 -Adding leased assets	273 298	-	273 298
Increase	39 193	25 729	64 922
Decrease	-94 785	-	-94 785
31.12.2020	217 707	25 729	243 436
Accumulated amortization			
01.01.2020 Adding accumulated amortization of leased assets	-128 511	-	-128 511
Increase	-80 051	-688	-80 739
Decrease	23 873	-	23 873
31.12.2020	-184 689	-688	-185 377
Net book value	**33 018**	**25 041**	**58 059**

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

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

25. DEFERRED ACQUISITION COSTS

DATA IN THUF

DEFERRED ACQUISITION COSTS	31.12.2021	31.12.2020
Balance on 1 January	1 214 601	1 532 782
Net change in deferred acquisition costs	113 297	318 181
Balance on 31 December	**1 327 898**	**1 214 601**

In the case of deferred acquisition costs, the Insurer used the valuation method set by its previous accounting policy, taking into account, whether there will be future income against the deferred acquisition costs, which can make up for them. As the LAT calculation for the Italian suretyship portfolio is not expected to recover the deferred acquisition cost, all deferred acquisition costs for Italian products have been eliminated already in 2019. Based on the LAT calculation, a part of the deferred acquisition costs related to the Hungarian suretyship portfolio (in the amount of HUF 4 million) was impaired.

26. INVESTMENTS ACCOUNTED BY EQUITY METHOD

DATA IN THUF

	31.12.2021	31.12.2020
MKB-Pannónia Fund Manager Ltd.	1 013 290	641 372
Investment accounted by equity method	**1 013 290**	**641 372**

The revenue of the MKB-Pannonia Fund Manager Ltd. in 2021 was HUF 8,702 million, its profit after tax was HUF 6,025 million, of which HUF 808 million went to the Group.

MKB-Pannonia 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 Life Insurance Plc. delegates 1-1 member to the Board of Directors and the Supervisory Board of MKB-Pannónia Fund Manager Ltd.

The allocation of the profit of MKB-Pannónia 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 2021, 13.41% percent of the result of the Fund Manager was allocated to the Group.

The Group obtained dividend from jointly controlled company was amount to HUF 361 million in 2020, and HUF 436 million in 2021.

The Group has not identified any significant credit, interest rate, foreign exchange rate or liquidation risk in connection with the MKB-Pannónia 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 MKB-Pannónia Fund Manager in 2021 and in 2020:

DATA IN THUF

2021	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	AFTER TAX PROFIT	SHAREHOLDERS' EQUITY
Fund Manager	306 120	957 498	6 026 826	7 290 444
Group's share	16%	16.32%	13.41%	
Capital per Group	**48 980**	**156 235**	**808 075**	**1 013 290**

DATA IN THUF

2020	SHARE CAPITAL	RETAINED EARNINGS OF PREVIOUS YEARS	AFTER TAX PROFIT	SHAREHOLDERS' EQUITY
Fund Manager	306 120	957 498	4 252 498	5 516 116
Group's share	16%	16.32%	10.26%	
Capital per Group	**48 980**	**156 235**	**436 156**	**641 371**

MAIN DATA OF THE FINANCIAL STATEMENTS OF MKB-PANNÓNIA FUND MANAGER LTD.*

DATA IN THUF

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

DATA IN THUF

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

** The financial statements of the Fund Manager prepared in accordance with the Hungarian Act on Accounting*

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

DATA IN THUF

	31.12.2021	31.12.2020
Corporate bonds	1 551 652	224 989
Equities	1 409 917	1 984 834
Investment funds	234 382	514 842
Government bonds, discounted T-bills	25 213 123	24 736 886
Total available-for-sale financial assets	**28 409 074**	**27 461 551**

Among equities, the Company records its holdings in Opus Global Plc.

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

DATA IN THUF

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

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 2020 the Group had 79 segregated unit-linked funds, which changed to 92 funds by the end of 2021. The executed investments are invested into various financial instruments depending on the investment policy of the unit-linked funds. Cash on account that is not invested – but is part of the unit-linked fund – is recognized within the unit-linked fund as cash. The derivative instruments are currency forward transactions in the unit-linked funds.

Other investments line contains the instruments in transit, and the fee liabilities of the funds.

29. FINANCIAL ASSETS – INVESTMENT CONTRACTS

DATA IN THUF

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

Investments for policyholders of unit-linked life insurance policies and Financial assets – investment contracts contain investment funds investing in closed investment funds managed by MKB-Pannónia Fund Manager Ltd. the associate company of the Insurer. Determinative part of these funds (Pannónia CIG Oraculum Alap, Pannónia CIG Hazai Részvény Indexkövető Alap, Magyar Állampapír Alap, MKB Bonus Közép-Európiai Részvény Alap) were owned by the Group at the end of 2021.

The following table shows the asset composition of these funds:

DATA IN THUF

PANNÓNIA CIG FUNDS' UNDERLYING INVESTMENTS	31 DECEMBER 2021	31 DECEMBER 2020
Equities	5 988 746	4 781 091
Government bonds, discounted T-bills	2 051 053	384 511
Corporate bonds	590 017	790 048
Investment funds	1 205 364	1 648 517
Cash and cash equivalents	1 281 144	314 255
Other investments	1 051 913	634 932
Total	**12 168 237**	**8 553 354**

30. INSURANCE RECEIVABLES FROM POLICY HOLDERS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Insurance premium receivables from policy holders	1 730 021	1 477 346
Pending charge receivables	179 615	287 315
Total of insurance receivables from policy holders	**1 909 636**	**1 764 661**

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

The Company establishes a cancellation reserve for receivables expected to be not recovered, as described in Section 3.5.4 (d).

31. RECEIVABLES FROM INSURANCE INTERMEDIARIES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Receivables from insurance brokers gross	302 497	419 222
Receivables from insurance brokers-impairment	-246 517	-341 416
Total of receivables from insurance intermediaries	**55 980**	**77 806**

Receivables on insurance intermediaries mainly include claims receivables from reversed commission to non-active (discontinued) brokers, which have not changed in net value significantly compared to 2020. In case of the non-life segment the receivables from insurance brokers decreased slightly.

Impairment includes impairment due to past commission advances, and impairment formed against receivables from other brokers.

32. RECEIVABLES FROM REINSURERS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Receivables from reinsurers (gross)	123 991	92 686
Impairment of receivables from reinsurers	-36 312	-36 312
Total of receivables from reinsurers	**87 679**	**56 373**

The increase of receivables is due to the restart of the non-life segment.

33. OTHER ASSETS AND PREPAYMENTS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Prepaid expenses	59 579	22 125
Accrued income	13 442	1 240
Inventories	2 994	2 307
Total of other assets and prepaid expenses and accrued income	**76 015**	**25 672**

34. OTHER RECEIVABLES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Customer receivables	638	3 639
Loans granted	1 179	27 725
Receivables from investment fund management	44 262	48 138
Advance payments to suppliers and state	134 497	131 325
Other receivables	2 820	4 862
Purchase of shares advance payment	-	25 000
Total of other receivables	**183 396**	**240 688**

Other receivables decreased compared to 2020 mainly due to a decrease in advances and the repayment of specific loans.

The advance payment for the share purchase was repaid to the Insurer in parallel with the portfolio transfer of the Dimenzió Insurance Association.

35. CASH AND CASH EQUIVALENTS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Demand deposits	1 498 385	862 255
Total cash and cash equivalents	**1 498 385**	**862 255**

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

DATA IN THUF

GROSS VALUE OF TECHNICAL RESERVES	31 DECEMBER 2021	31 DECEMBER 2020
Unearned premium reserve	1 178 252	1 020 557
Actuarial reserves	10 733 569	8 732 595
Reserve for premium refunds dependent on profit	103 363	1 024 379
Reserve for premium refunds independent of profit	157 709	64 892
Claim reserves:	3 550 561	3 486 662
• RBNS	3 170 053	3 159 889
• IBNR	380 508	326 773
Cancellation reserve	1 082 565	1 100 767
Other reserve	2 491 977	1 634 370
• Reserve for policyholder's loyalty bonuses	1 797 253	1 589 969
• Reserve for other reasons	694 725	-
• Reserve for expected losses	-	44 401
Total technical reserves	**19 297 996**	**17 064 222**

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

In the non-life segment of the Group, a part of the claim reserves formed at the end of 2020 were transferred and released as a result of the portfolio transfer. In terms of run-off results, this results in a apparently run-off gains. In order to show measurable results with respect to the level of reserves in 2020, the Group calculated the run-off results separately for the remaining portfolio.

There was a -1.13% run-off loss (totally HUF 21.6 million) in case of RBNS in the non-life segment, which was mainly due to the -1.2% run-off result (HUF -21.7 million) of the suretyship, guarantee insurance business line. The run-off result of the accident, illness and other financial losses sectors was altogether HUF 83 thousand.

The negative run-off result is due to the itemized regression claim reserve adjustment made in 2021 in the Italian guarantee area.

The run-off result of the opening IBNR reserve without the transferred products amounts to 14%, HUF 16.5 million, of which 5%, HUF 5.7 million run-off result was generated on in the suretyship sector, and a comparatively large run-off result of 87%, HUF 10.7 million was generated on the accident, illness and financial losses sectors. These latter sectors' IBNR reserve is formed in connection with two group contracts, the terms of which provide a level of service that can easily achieve the run-off results of the scale shown here.

The itemized and IBNR run-off results shown here are largely due to the revalued reserves. Payout values over the past year have contributed much more modestly to the result.

In compiling the current year's reserves, the Group took into account the experience of previous years' run-off results; in the case of RBNS by reviewing the losses and updating the expected payments according to the expected payments, setting regress reserves and revising the basic data used for estimating IBNR reserves. The insurer mainly seeks to clarify the estimation of reserves by reviewing RBNS.

In the life segment, we experienced a significant performance result in the case of the traditional portfolio RBNS reserve, which was caused in part by the rejection of reported claims and by the adjustment of the amount of previous claim estimates. On the claims of the Best Doctors product group's contracts the positive result is 82% (HUF 317 million). In the case of the insurance services related to the Best Doctors product group 90% of the risk is borne by the Company's reinsurer partners, therefore the positive result's net effect on the results is HUF 31.7 million. The positive result on group contracts' claims is 24% (HUF 16 million).

DATA IN THUF

REINSURER'S SHARE OF TECHNICAL RESERVES	31 DECEMBER 2021	31 DECEMBER 2020
Unearned premium reserve	301 793	161 765
Claim reserves:	150 760	460 430
• RBNR	78 149	393 111
• IBNR	72 611	67 319
Cancellation reserve	485	-
Total reinsurer's share of technical reserve	**453 038**	**622 195**

The Company's loss of passive reinsurance was HUF 307,222 thousand in 2021 and a loss of HUF 216,719 thousand in 2020.

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

DATA IN THUF

RESERVES ALLOCATION AS PER MAIN LINE OF BUSINESS (2020)	UNIT-LINKED	TRADITIONAL HEALTH AND ACCIDENT INSURANCE	OTHER PROPERTY CLAIMS	GENERAL LIABILITY	SURETYSHIP AND GUARANTEE INSURANCE	OTHER NON-LIFE INSURANCES	TOTAL
Unearned premium reserve	32 239	638 383	-	-	349 935	1	1 020 558
Actuarial reserves (premium reserve of life insurance)	-	8 732 595	-	-	-	-	8 732 595
Outstanding claim reserves (RBNS, IBNR)	367 018	851 071	436	10	2 658 385	15 614	3 892 534
Reserve for premium refunds	-	1 081 821	-	-	-	7 450	1 089 271
of which: reserve for result-dependent premium refunds	-	1 024 379	-	-	-	-	1 024 379
of which: reserve for premium refunds independent of profit	-	57 442	-	-	-	7 450	64 892
Gross cancellation reserves	1 066 448	34 320	-	-	-	-	1 100 768
Gross regress reserves	-		-	-	-405 874	-	- 405 874
Other technical reserves	1 476 222	113 747	-	-	44 401	-	1 634 370
Total	**2 941 927**	**11 451 937**	**436**	**10**	**2 646 847**	**23 065**	**17 064 222**

RESERVES ALLOCATION AS PER MAIN LINE OF BUSINESS (2021)	UNIT-LINKED	TRADITIONAL HEALTH AND ACCIDENT INSURANCE	LAND VEHICLES	OTHER PROPERTY CLAIMS	GENERAL LIABILITY	SURETYSHIP AND GUARANTEE INSURANCE	OTHER NON-LIFE INSURANCES	TOTAL
Unearned premium reserve	33 079	708 095	5 448	198 522	4 981	228 127	-	1 178 252
Actuarial reserves	-	10 733 569	-	-	-	-	-	10 733 569
Outstanding claim reserves (RBNS, IBNR)	635 076	685 188	2 418	1 433	2 285	2 550 376	19 702	3 896 477
Reserve for premium refunds	1 238	241 663	-	-	-	-	18 171	261 072
of which: reserve for result-dependent premium refunds	1 238	102 124	-	-	-	-	-	103 363
of which: reserve for premium refunds independent of profit	-	139 538	-	-	-	-	18 171	157 709
Gross cancellation reserves	1 038 984	42 583	997	-	-	-	-	1 082 565
Gross regress reserves	-	-	-	-	-	-345 916	-	-345 916
Other technical reserves	1 660 055	831 922	-	-	-	-	-	2 491 977
Total	**3 368 432**	**13 243 020**	**8 863**	**199 955**	**7 266**	**2 432 587**	**37 873**	**19 297 996**

37. RESULTS OF LIABILITY ADEQUACY TEST (LAT)

Life segment

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

The endowment policies due to the small amount of the population weren't significant portfolios at the year-end.

DATA IN MILLION HUF, AND THOUSAND EURO

	2021				2020			
	HUF UL (MILLION HUF)	EUR UL (MILLION HUF)	HUF TRAD (MILLION HUF)	BD* TRAD (MILLION HUF)	HUF UL (MILLION HUF)	EUR UL (MILLION HUF)	HUF TRAD (MILLION HUF)	BD* TRAD (MILLION HUF)
+ Written premium	51 771	3 961	15 896	277	50 452	4 559	15 597	294
- Death insurance benefits	-3 565	-647	-5 549	-180	-3 073	-537	-1 670	-8
- Surrender	-86 783	-16 487	- 2 006	-9	-79 164	-15 324	-6 083	-165
- Endowment	-25 768	-1 742	- 11 589	-62	-23 050	-1 064	-11 254	-52
- Sickness service	-	-	- 798	-63	-	-	-715	-69
- Costs	-6 411	-675	-2 056	-42	-7 202	-1 148	-1 098	-35
- First-year commission	-175	- 6	-24	-1	-138	-3	-13	-2
- Renewal commission	-1 198	- 112	-1 336	- 10	-1 007	-114	-899	-10
+ commission reversal	94	9	57	0	80	9	61	1
Total CF	**-72 034**	**-15 699**	**-7 405**	**-90**	**-63 102**	**-13 623**	**-6 073**	**-46**
Current assets	-	-	-	-	-	-	-	-
Unit-linked reserve	74 252	16 545	-	-	63 999	13 965	-	-
+ Actuarial reserve	-	-	9 876	117	-	-	8 153	86
+ Loyalty bonus reserve	27	6	555	132	65 289	14 183	8 734	236
- DAC	1 491	162	718	-	-628	-32	-457	-13
Net reserves	**74 995**	**16 682**	**10 724**	**235**	**64 661**	**14 151**	**8 277**	**222**
Surplus / deficit	**2 962**	**983**	**3 320**	**145**	**1 559**	**528**	**2 204**	**176**

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

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

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

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

In the LAT calculations, the Company assumed a value 16% higher than the premium non-payment and cancellation ratios used to calculate technical reserves and 5% higher than the mortality rates used to calculate technical reserves.

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

The decrease of the future sales has a negative effect on the surplus, because ceteris paribus the existing portfolio will get more costs. A 20% decrease of the amount of the future sales compared to the accepted budget will cause an 11% decrease in the surplus of the portfolio.

Due to the sensitivity levels outlined above the Company closely monitors the achievement of the assumptions underlying the cost budget and sales plan.

Non-life segment

The results of the Insurer's liability analysis related to its contracts in its portfolio at the end of 2021 are shown in the table below, by product group:

DATA IN THUF

	CASCO	CORPORATE PROPERTY AND LIABILIGY	SURETYSHIP - HUNGARIAN	SURETYSHIP - ITALIAN
Future premium income to be earned	1 488 797	252 865	160 374	67 753
Payments total	1 375 112	183 550	164 134	63 192
Claim payments	888 360	92 339	93 127	56 069
Administrative costs	156 521	26 584	16 861	7 123
Acquisition costs	204 643	56 493	50 134	-
Taxes	125 588	8 134	4 013	-
CF Total	**113 685**	**69 315**	**- 3 760**	**4 560**

The future cash flow of the Insurer's liabilities in the Hungarian suretyship business unit shows a negative result. Based on the results, unearned premiums for future risks do not cover the expected payments, additional provisioning is required.

Based on the calculation results, the insurer reduced the cost accrual of the Hungarian suretyship business by the amount of the loss shown here.

The calculated results of non-life insurance product groups may be significantly affected by the estimation-based parameters used. In order to properly evaluate the results, it is necessary to examine the sensitivity of the model to parameters.

The sensitivity analysis of the model to the assumptions related to the claim ratio and the cost ratio, taking into account the size of the examined portfolios, shows that the casco -having a large premium volume- is the most sensitive to the assumptions.

The Italian and the Hungarian suretyship products are equally sensitive to the claim ratio. In the case of Italian risks, the high level of the estimated claim ratio and in the Hungarian suretyship portfolio the combined level of the claim and cost ratio (acquisition and administrative cost ratio together) have a greater impact on the results.

The future portfolio of the casco product will become unprofitable with a 13% increase in the claim ratio. Larger losses in the scale of 100 million can occur in case of a 25% increase in the claim ratio.

In the case of the Hungarian suretyship portfolio, two times the claim ratio (i.e. a 116% claim ratio) is needed for a loss of 100 million. On the current portfolio such a loss can be caused by already one claim. A similar (twofold) increase in the cost parameter of the product would only result in a loss in the scale of 20 million. The lower acquisition cost level of the new contracts in the Hungarian suretyship's portfolio and the lower administrative cost level of the insurer's growing portfolio are expected to increase the profitability of the product and improve its cost sensitivity.

The sensitivity analysis of the Italian suretyship product also shows that, in addition to the claim expenses and cost ratios taken into account in the current estimate, the loss as a result of future cash flows will reach at a threefold claim ratio the scale of 100 million. Such a significant increase in future claims is unlikely, given that the model already estimates future claims based on a high past basis, which includes according to our current knowledge all large claims, expected unresolved claims and the legal costs of multiple claim reviews.

In terms of cost expenditure, in case of the Italian business we only need to calculate with administrative cost. At least one and a half times of this amount would cause a loss that requires to be formed as an expected loss. However, its size is not significant, and doubling the administrative costs would result in a reserve requirement of HUF 2.5 million.

In addition to the suretyship business, other contracts in the portfolio are also sensitive to deviations from claim ratio and cost ratio estimates, but in absolute terms this cannot cause significant losses. On the other hand, these products have been operating at a stable claim- and cost ratio for years.

Overall, the liability adequacy analysis also points to the Italian suretyship's risks, which are sensitive to the future cash flows of the contracts in the portfolio and which the Insurer is constantly striving to reduce, as well as the need to increase the portfolio in terms of cost-bearing capacity.

38. TECHNICAL RESERVES OF POLICYHOLDERS OF UNIT–LIKED LIFE INSURANCE POLICIES

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

DATA IN THUF

	2021	2020
Opening balance on 1 January	74 121 735	70 547 706
Effect of acquisition (Dimenzió)	55 391	-
Written premium	16 562 188	14 90 573
Fees deducted	-4 114 170	-3 869 153
Release of reserves due to claim payments and benefits	-13 244 513	-11 080 700
Investment result	10 872 119	3 566 204
Reclassification between deemed and real initial units	-27 690	-34 272
Other changes	307 838	201 376
Balance on 31 December	**84 532 896**	**74 121 735**

39. INVESTMENT CONTRACTS

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

DATA IN THUF

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

Investment contracts are unit-linked policies which do not include significant insurance risk based on the Group's accounting policy relating to policy classification (see Note 3.6.).

40. BORROWINGS AND FINANCIAL REINSURANCE

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

Since the repayment of the loan is covered by the cash-flow of the insurance policies, therefore the timing of the repayments is in accordance with the premiums received. The policies for the new generations of 2012, has been amended in respect of the reinsurance regular premiums, increased from 60% to 85%. In the first year –from 2012- (before 2012, 35-37%) the Company obtained liquidity surplus amounting to 50-52% of the gross premium written, which financed approx. 38% of the acquisition costs (before 2012, 27%). In the second year, 40% of the gross written premiums is repayable (relating to the generations before 2012, 27,6%), and in the further years – until the full repayments – yearly 3-6% of the gross written premiums is repayable (relating to the generations before 2012, 3,6%). The outstanding balance bears interest at a fixed rate of between 3.38% and 7.91% depending on the given generation of policies.

In 2018, the Company decided not to renew its financial reinsurance contract in respect of the generations starting in 2019, i.e. it repays since the used financing and its interest.

Changes in 2021 and 2020 are presented below:

DATA IN THUF

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

From the other changes of the balance in 2021, HUF -901 thousand (HUF 24,674 thousand in 2020) is relating to exchange rate difference, HUF 6,630 thousand is relating to capitalized interest charge in 2021 (in 2020 HUF 9,201 thousand).

IFRS 7 disclosures for financing cash flow

DATA IN THUF

	01.01.2021	CASH FLOWS	RECLASSIFI-CATION	CURRENCY DIFFERENCES	OTHER	31.12.2021
Lease repayment and interests	59 880	-80 242	546 696	5 576	-	531 909
Loans and financial reinsurance	149 901	-117 862	-	-931	6 631	37 739
Purchase / inclusion of treasury shares	-	-31 996	-	-	-	-31 996
Total financing liabilities	**209 781**	**-230 099**	**546 696**	**4 645**	**6 631**	**537 653**

DATA IN THUF

	01.01.2020	CASH FLOWS	RECLASSIFI-CATION	CURRENCY DIFFERENCES	OTHER	31.12.2020
Financial liablilities - derivatives	152 472	-44 297	-13 994	-34 301	-	59 880
Loans and financial reinsurance	435 613	-319 587	-	24 674	9 201	149 901
Total financing liabilities	**588 085**	**-363 884**	**-13 994**	**-9 627**	**9 201**	**209 781**

41. LIABILITIES TO REINSURERS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Liabilities to reinsurers	193 547	49 854
Unearned part of reinsurance commission	85 379	112 384
Total liabilities related to reinsurers	**278 926**	**162 238**

Reinsurers' unearned part of the reinsurance commissions represented the unearned portion of reinsurance commissions and profit participation as an obligation. However, this non-life segment obligation has no cash-flow implications, and over time, it is earned and not actually paid.

The significant increase in reinsurance liabilities is due to the restart of the non-life segment.

42. LIABILITIES TO POLICY HOLDERS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Liabilities arising from services	61 476	41 698
Liabilities arising from premiums	820 932	623 383
Total liabilities to policy holders	**882 408**	**665 081**

Liabilities to insurance policy holders mainly contain premium advances on insurance policies which were still at the proposal status on the reporting date. If the proposal becomes a policy after the reporting date, the relevant amount is invested (in life segment) and booked as premium income or an investment contract liability. Should the proposal be rejected, the amount concerned is repaid to the policy holder. From the amount on the contingent account, the Insurer will pay the current premium with the next written premium. In the life segment, the value of prepaid premiums is significant at the end of 2021 and 2020.

43. LIABILITIES RELATED TO INSURANCE INTERMEDIARIES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Liabilities related to insurance intermediaries	244 158	245 060
Liabilities related to insurance intermediaries	**244 158**	**245 060**

Liabilities to insurance intermediaries include such commission liabilities which were invoiced by the brokers in December, however the Group paid them only in January 2022, furthermore commission which shall fall due in December according to the accounting, nevertheless the invoicing took place in the next year.

44. LEASE LIABILITIES

DATA IN THUF

	2021	2020
Balance on 1 January	59 880	152 472
Increase	560 192	39 193
Derecognition	- 13 497	-
Paid leasing fees	91 033	94 530
Of which: Interest rate	10 791	4 622
Decrease of liabilities	80 242	142 108
Difference due to exchange rate	5 576	10 323
Balance on 31 December	**531 909**	**59 880**

The reason for the increase in lease liabilities is the lease agreement concluded in connection with the new headquarters of the Group and the lease of cars.

45. OTHER LIABILITIES AND PROVISIONS

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Trade payables	143 910	160 438
Liabilities to fund managers	110 960	36 644
Liabilities to employees	98 106	36 716
Social contribution and taxes	149 812	92 586
Other liabilities	24 655	23 591
Accrued expenses and deferred income	503 212	351 803
Provisions	297 342	783 959
Collateral obligation	568 724	393 497
Obligations arising from an employee share based program	-	6 780
Advance payments of state subsidies	512 248	-
Other liabilities and provision total	**2 408 969**	**1 886 015**

Liabilities to fund managers represent amounts relating to unit-linked investments settled with the respective fund managers subsequent to the reporting date. Also on this line are the obligations arising from securities purchased before the end of the year but financially settled only after the balance sheet date.

Accrued expenses include costs due before but not invoiced by the reporting date.

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

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

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

DATA IN THUF

	2021	2020
Provision on 1 January	783 959	491 317
Provision release	-553 207	-312 522
Provision allocation	66 590	605 164
Provision on 31 December	**297 342**	**783 959**

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

DATA IN THUF

PROVISION FOR EXPECTED LIABILITIES	EXPECTED PAYMENT PERIOD	31 DECEMBER	2020
Provision for losses due to expected termination of contracts	1-2 years	17 525	173 888
Provision for legal fees	1-2 years	237 885	296 097
Provision for litigation	1-2 years	34 300	82 524
Provision for expected liabilities	within 1 year	7 632	54 118
Provision for expected other costs	within 1-2 years	-	177 332
Total provisions		**297 342**	**783 959**

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

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

The most significant item is the provision for legal fees (HUF 238 million), which includes legal expenses of which the fulfillment is disputed by the insurer.

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

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

46. SHARE CAPITAL AND CAPITAL RESERVE

As of 31 December 2021 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 share is different from outstanding number of shares because of the treasury shares, which are shown in Note 47.

At the meeting held on June 29, 2020, the Board of Directors of the Company with its resolution No. 47/2020.06.29. decided to increase of the share capital of the Company (hereinafter: Share Capital Increase). The Share Capital Increase was carried out by the Company in such a way that it increased the nominal value of 94,428,260 dematerialized, series “A” ordinary registered voting shares with a nominal value of HUF 33 each, issued by the Company, to HUF 100 per share. With its announcement on 4 August 2020, the Company postponed the share exchange required in connection with the Share Capital Increase. The share exchange was postponed in order (i) to comply fully with the regulation dated on 17 June 2017 (2017/1129) of the European Parliament and the Council and (ii) in view of the fact that the Extraordinary General Meeting of the Company convened on 14 August 2020 intended to decide on the reduction of the Company’s share capital.

Subsequently, the General Meeting of the Company decided on 14 August 2020 to reduce the share capital of the Company with its resolution No. 22/2020 (VIII.14) (“Share Capital Reduction”). As a result, the share capital of the Company decreased from HUF 9,442,826,000 to HUF 3,116,132,580. The share capital reduction was carried out by the Company in such a way as to reduce the nominal value of 94,428,260 dematerialized, series “A” ordinary registered voting shares with a nominal value of HUF 100 each, issued by the Company, to HUF 33 per share. This change was entered in the register of companies by the number Cg.01-10-045857/439. order of the Registry Court of the Metropolitan Court. In view of the registration of the Share Capital Reduction in the meantime, the registration of the Share Capital Increase has become obsolete, so KELER Ltd. will not create registered shares of the “A” series with a nominal value of HUF 100 and issued on the regulated market. However, taking into account the fact that a new series of shares was issued as a result of the Share Capital Decrease, the ISIN identifier of the newly issued series “A” ordinary shares with a nominal value of HUF 33 has changed, therefore the Company has carried out a technical share exchange. The first trading day of the new ordinary shares with a nominal value of HUF 33 (HU0000180112) on the Budapest Stock Exchange was 9 December 2020.

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

2021

SHARE SERIES	NOMINAL VALUE (HUF/SHARE)	ISSUED SHARES	TOTAL NOMINAL VALUE (THUF)
"A" series	33	94 428 260	3 116 132
Amount of share capital			**3 116 132**

2020

SHARE SERIES	NOMINAL VALUE (HUF/SHARE)	ISSUED SHARES	TOTAL NOMINAL VALUE (THUF)
"A" series	33	94 428 260	3 116 132
Amount of share capital			**3 116 132**

47. TREASURY SHARES

DESCRIPTION	DATE OF AQUIRING	NUMBER OF OWN SHARES	PAR VALUE OF TREASURY SHARES (THUF)	COST OF TREASURY SHARES (THUF)
Transfer of "A" series ordinary shares to MKB Bank as consideration for a minority interest	11.05.2014	1 196 750	47 870	-
Repurchase and conversion of "B" series of interest bearing shares	04.07.2017	-92 744	- 3 710	-
Of which: employee share based payment program	15.10.2018	-230 000	- 9 200	-
Of which: employee share based payment program	07.11.2018	-160 000	- 6 400	-
Of which: employee share based payment program	05.04.2019	-340 000	-13 600	-
Of which: transfer of treasury shares to MRP	05.04.2019	-374 006	-14 960	-
Purchase of "A" series ordinary shares	30.03.2021	100 000	3 300	31 996
Transfer of treasury shares to MRP	06.05.2021	-100 000	-3 300	-31 996
31.12.2021		**-**	**-**	**-**

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. Following the transfer of shares, the Company does not hold CIGPANNONIA shares anymore. Meanwhile according to Note 3.12 the Company has control over MRP, in consolidated financial statements the transferred shares are treated as treasury shares with a 0 cost value.

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

Following the transfer of the shares, the Company did not own any CIGPANNONIA shares.

However, as the Company exercises control over the MRP organization as described in Note 3.12, the shares transferred to MRP are treasury shares in the consolidated financial statements with a cost of HUF 32 million.

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

48. OTHER RESERVES

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Difference in fair value of available-for-sale financial assets	-3 146 551	-771 153
Other reserves	**-3 146 551**	**-771 153**

Other reserves include the difference between the fair value of available-for-sale financial assets recognized directly in equity, of which the negative evaluation difference of OPUS explain HUF 1,640 million, while the negative silent reserve of government bond portfolios explain HUF -1,507 million.

49. FINANCIAL INFORMATION BY SEGMENTS

2021 segment data

ASSETS (DATA IN THUF)	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ENTRIES FOR CALCULATIONS IN THE FINANCIAL STATEMENTS (CONSOLIDATION)	TOTAL
Intangible assets	615 124	104 939	-	-	720 063
Property, plant and equipment	159 823	19 203	-	-	179 026
Right of use assets	385 461	108 632	-	-	494 093
Deferred tax assets	473 820	-	-	-	473 820
Deferred acquisition costs	1 251 601	76 297	-	-	1 327 898
Reinsurer's share of technical reserves	178 930	274 108	-	-	453 038
Subsidiaries	4 068 923	-	-	-4 068 923	-
Investments in companies consolidated by equity method	51 753	-	-	961 537	1 013 290
Available-for-sale financial assets	21 507 124	6 901 950	-	-	28 409 074
Investments for policyholders of unit-linked life insurance policies	84 532 896	-	-	-	84 532 896
Financial assets - investment contracts	6 369 064	-	-	-	6 369 064
Financial assets - derivatives	937	-	-	-	937
Receivables from insurance policyholders	1 784 676	124 960	-	-	1 909 636
Receivables from intermediaries	32 481	23 499	-	-	55 980
Reinsurance receivables	15 663	72 016	-	-	87 679
Treasury shares	-	-	183 677	-183 677	-
Other assets and prepayments	43 796	32 219	-	-	76 015
Other receivables	69 757	110 440	426	2 773	183 396
Cash and cash equivalents	741 831	745 112	11 442	0	1 498 385
Intercompany receivables	880 790	10 777	627 226	-1 518 793	-
Assets held for sale	-	-	-	-	-
Total assets	**123 164 450**	**8 604 152**	**822 771**	**-4 807 083**	**127 784 290**

LIABILITIES (DATA IN THUF)	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ENTRIES FOR CALCULATIONS IN THE FINANCIAL STATEMENTS (CONSOLIDATION)	TOTAL
Technical reserves	16 611 452	2 686 544	-	-	19 297 996
Technical reserves for policyholders of unit-linked insurance	84 532 896	-	-	-	84 532 896
Investment contracts	6 369 064	-	-	-	6 369 064
Financial liabilities – derivatives	-	11 760	-	-	11 760
Loans and financial reinsurance	37 739	-	-	-	37 739
Liabilities from reinsurance	85 013	193 913	-	-	278 926
Liabilities to insurance policy holders	833 437	48 971	-	-	882 408
Liabilities to insurance intermediaries	156 728	87 430	-	-	244 158
Intercompany liabilities	638 003	69 826	90	-707 919	-
Lease liabilities	414 318	117 591	-	-	531 909
Other liabilities and provisions	1 060 277	1 322 993	1 872	23 827	2 408 969
Liabilities to shareholders	19 929	-	-	-	19 929
Liabilities held for sale	**-**	**-**	**-**	**-**	**-**
Total liabilities	**110 758 856**	**4 539 028**	**1 962**	**-684 092**	**114 615 754**
NET ASSETS	**12 405 594**	**4 065 124**	**820 809**	**-4 122 991**	**13 168 536**

SHAREHOLDERS' EQUITY					
Registered capital	3 116 133	1 070 000	265 730	-1 335 730	3 116 133
Capital reserve	4 019 111	6 625 236	80 000	-9 571 357	1 152 990
Treasury shares	-	-	-	-31 996	-31 996
Share-based payment	-	-	-	-	8 838
Other reserves	-2 971 871	-174 679	-	-1	-3 146 551
Profit reserve	8 242 221	-3 455 433	475 079	6 815 969	12 077 836
NCI	-	-	-	124	124
Total shareholders' equity	**12 405 594**	**4 065 124**	**820 809**	**-4 122 991**	**13 168 536**

COMPREHENSIVE INCOME STATEMENT (DATA IN THUF)	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ENTRIES FOR CALCULATIONS IN THE FINANCIAL STATEMENTS (CONSOLIDATION)	TOTAL
Gross written premium	22 080 068	632 855	-	-	22 712 923
Changes in unearned premiums reserve	-70 210	-87 145	-	-	-157 355
Earned premiums, gross	**22 009 858**	**545 710**	**-**	**-**	**22 555 568**
Ceded reinsurance premiums	-276 242	-225 836	-	-	-502 078
Earned premiums, net	**21 733 616**	**319 874**	**-**	**-**	**22 053 490**
Premium and commission income from investment contracts	223 060	-	-	-	223 060
Investment income	12 030 788	87 877	215 816	-243 932	12 090 549
Share of the profit of associates and joint ventures accounted for using the equity method	448 109	-	-	359 966	808 075
Other operating income	937 423	246 621	165 973	-237 215	1 112 820
Commission and profit sharing from reinsurance	2 380	58 058	-	-	60 438
Other income	**13 641 760**	**392 556**	**381 789**	**-121 181**	**14 294 924**
Total income	**35 375 376**	**712 430**	**381 789**	**-121 181**	**36 348 414**

COMPREHENSIVE INCOME STATEMENT (DATA IN THUF)	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ENTRIES FOR CALCULATIONS IN THE FINANCIAL STATEMENTS (CONSOLIDATION)	TOTAL
Claim payments and benefits, and claim settlement costs	-14 541 872	-516 817	-	-	-15 058 689
Claim refunds from reinsurance	64 081	82 732	-	-	146 813
Net change in the value of life technical reserves and unit-linked life insurance reserves	-12 197 828	45 150	-	-	-12 152 678
Investment expenditure	-1 066 163	-75 450	-219 418	1 106 686	-254 345
Change in the fair value of liabilities relating to investment contracts	-597 619	-	-	-	-597 619
Investment expenses, changes in reserves and benefits, net	**-28 339 401**	**-464 385**	**-219 418**	**1 106 686**	**-27 916 518**
Fees, commissions and other acquisition costs	-3 763 252	-372 277	10 855	-28 984	-4 153 658
Other operating costs	-1 707 839	-556 682	-23 880	32 387	-2 256 014
Other expenses	-307 790	-23 755	-3 048	96 166	-238 427
Operating costs	**-5 778 881**	**-952 714**	**-16 073**	**99 569**	**-6 648 099**
Result of assets held for sale	**-**	**2 718**	**-**	**-**	**-**
Profit/loss before taxation	**1 257 094**	**-701 951**	**146 298**	**1 085 073**	**1 786 514**
Tax income / (expenses)	**-184 214**	**-1 523**	**-6 700**	**-**	**-192 437**
Deferred tax income / (expenses)	87 797	-	-	-	87 797
Profit/loss after taxation	**1 160 677**	**-703 474**	**139 598**	**1 085 074**	**1 681 875**
Other comprehensive income	-2 191 605	-183 793	-	-	-2 375 398
Comprehensive income	**-1 030 928**	**-887 267**	**139 598**	**1 085 074**	**-693 523**

2020 segment data

ASSETS (DATA IN THUF)	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ENTRIES FOR CALCULATIONS IN THE FINANCIAL STATEMENTS (CONSOLIDATION)	TOTAL
Intangible assets	539 878	30 373	-	-	570 251
Property, plant and equipment	52 232	5 926	-	-	58 158
Right of use assets	53 019	5 040	-	-	58 059
Deferred tax assets	386 022	-	-	-	386 022
Deferred acquisition costs	1 136 075	78 526	-	-	1 214 601
Reinsurer's share of technical reserves	467 763	154 432	-	-	622 195
Subsidiaries	1 456 191	-	-	-1 456 191	-
Investments in companies consolidated by equity method	51 753	-	-	589 619	641 372
Available-for-sale financial assets	22 991 881	4 469 670	-	-	27 461 551
Investments for policyholders of unit-linked life insurance policies	74 121 735	-	-	-	74 121 735
Financial assets - investment contracts	4 230 068	-	-	-	4 230 068
Financial assets - derivatives	11 106	-	-	-	11 106
Treasury shares	-	-	126 788	-126 788	-
Receivables from insurance policyholders	1 763 771	890	-	-	1 764 661
Receivables from intermediaries	40 251	35 981	1 574	-	77 806
Reinsurance receivables	11 312	45 061	-	-	56 373
Other assets and prepayments	11 143	14 529	-	-	25 672
Other receivables	149 203	86 404	2 309	2 772	240 688
Receivables from shareholders	-	-	-	-	-
Cash and cash equivalents	449 401	384 173	28 681	-	862 255
Intercompany receivables	850 780	51 581	643 490	-1 545 851	-
Assets held for sale	-	294 409	-	-	294 409
Total assets	**108 773 584**	**5 656 995**	**802 842**	**-2 536 439**	**112 696 982**

LIABILITIES (DATA IN THUF)	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ENTRIES FOR CALCULATIONS IN THE FINANCIAL STATEMENTS (CONSOLIDATION)	TOTAL
Technical reserves	14 393 864	2 670 358	-	-	17 064 222
Technical reserves for policyholders of unit-linked insurance	74 121 735	-	-	-	74 121 735
Investment contracts	4 230 068	-	-	-	4 230 068
Loans and financial reinsurance	149 901	-	-	-	149 901
Liabilities from reinsurance	94 600	67 638	-	-	162 238
Liabilities to insurance policyholders	642 098	22 983	-	-	665 081
Liabilities to insurance intermediaries	176 460	62 291	6 309	-	245 060
Intercompany liabilities	53 400	6 480	-	-	59 880
Lease liabilities	686 498	89 375	136 647	-912 520	-
Other liabilities and provisions	769 513	1 086 681	6 724	23 097	1 886 015
Liabilities to shareholders	19 929	-	-	-	19 929
Liabilities held for sale	-	198 798	-	-	198 798
Total liabilities	**95 338 066**	**4 204 604**	**149 680**	**-889 423**	**98 802 927**
NET ASSETS	**13 435 518**	**1 452 391**	**653 161**	**-1 647 016**	**13 894 055**

SHAREHOLDERS' EQUITY					
Registered capital	3 116 133	1 060 000	245 730	-1 305 730	3 116 133
Capital reserve	4 019 111	3 135 236	80 000	-6 081 357	1 152 990
Share-based payment	8 838	-	-	-	8 838
Other reserves	-780 267	9 114	-	-	-771 153
Profit reserve	7 071 703	-2 751 959	327 432	5 746 757	10 393 933
NCI	-	-	-	-6 686	-6 686
Total shareholders' equity	**13 435 518**	**1 452 391**	**653 162**	**-1 647 016**	**13 894 055**

COMPREHENSIVE INCOME STATEMENT (DATA IN THUF)	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ENTRIES FOR CALCULATIONS IN THE FINANCIAL STATEMENTS (CONSOLIDATION)	TOTAL
Gross written premium	19 103 878	214 890	-	-	19 318 768
Changes in unearned premiums reserve	-6 196	617 243	-	-	611 047
Earned premiums, gross	**19 097 682**	**832 133**	**-**	**-**	**19 929 815**
Ceded reinsurance premiums	-260 862	-201 908	-	-	-462 770
Earned premiums, net	**18 836 820**	**630 225**	**-**	**-**	**19 467 045**
Premium and commission income from investment contracts	159 078	-	-	-	159 078
Investment income	4 357 922	335 161	532 577	-588 985	4 636 675
Share of the profit of associates and joint ventures accounted for using the equity method	360 660	-	-	75 584	436 244
Other operating income	818 145	530 450	138 525	-649 052	838 068
Commission and profit sharing from reinsurance	1 257	71 778	-	-	73 035
Other income	**5 697 062**	**937 389**	**671 102**	**-1 162 453**	**6 143 100**
Total income	**24 533 882**	**1 567 614**	**671 102**	**-1 162 453**	**25 610 145**
Claim payments and benefits, and claim settlement costs	-12 598 130	-752 096	-	-	-13 350 226
Claim refunds from reinsurance	40 151	8 621	-	-	48 772
Net change in the value of life technical reserves and unit-linked life insurance reserves	-4 363 322	-682 664	-	-	-5 045 986
Investment expenditure	-922 129	-243 378	-3 158	819 093	-349 572
Change in the fair value of liabilities relating to investment contracts	-273 975	-	-	-	-273 975
Investment expenses, changes in reserves and benefits, net	**-18 117 405**	**-1 669 517**	**-3 158**	**819 093**	**-18 970 987**
Fees, commissions and other acquisition costs	-3 396 826	-249 542	-208 652	20 441	-3 834 579
Other operating costs	-1 451 211	-683 432	-28 034	-24 485	-2 187 162
Other expenses	-633 685	-84 594	-51 199	269 994	-499 484
Operating costs	**-5 481 722**	**-1 017 568**	**-287 885**	**265 950**	**-6 521 225**

COMPREHENSIVE INCOME STATEMENT (DATA IN THUF)	CIG LIFE INSURANCE SEGMENT	CIG NON-LIFE INSURANCE SEGMENT	OTHER	ADJUSTING ENTRIES FOR CALCULATIONS IN THE FINANCIAL STATEMENTS (CONSOLIDATION)	TOTAL
Result of assets held for sale	**-**	**391 302**	**-**	**-**	**398 650**
Profit/loss before taxation	**934 755**	**-728 169**	**380 059**	**321 240**	**907 885**
Tax income / (expenses)	-187 231	-29 819	-1 496	-	-218 546
Deferred tax income / (expenses)	-29 254	-	-	-	-29 254
Profit/loss after taxation	**718 270**	**-757 988**	**378 563**	**321 240**	**660 085**
Other comprehensive income	-333 293	-42 656	-	-	-375 949
Comprehensive income	**384 977**	**-800 644**	**378 563**	**321 240**	**284 136**

The recognized commission impairment of the life segment was HUF 4 million in 2021. In 2020, the recognized impairment loss of the life segment related to commissions was HUF 15 million, while that of the other segment was HUF 37 million and that of the life segment was HUF 8 million.

The consolidated financial statements of the Group and the information presented separately by segments are different for the following reasons:

1. Shareholdings between the segments have been eliminated during consolidation.

2. Receivables and liabilities between the segments have been eliminated during consolidation.

3. Income and expenses between the segments have been eliminated during consolidation. The following type of transactions appeared between the segments, which were treated according to the IFRSs adopted by the EU:
   - administration services, claim management, IT services
   - business advisory services
   - cross-invoicing, sale of assets
   - obligation assumption
   - cash transferred free of charge

4. Interim profit or loss arising from a transaction between the segments, which has been eliminated during consolidation

5. The differences between Hungarian Accounting Laws and EU IFRS also cause adjustments in the consolidated financial statement.

50. FINANCIAL RISK

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

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

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

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

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

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

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

The Group's financial risk assessment made independently for each risk, since the combined effect of those aren't significant (according to the opinion of the management). The financial risks affecting the Group are assessed independently of each other, as their combined effect, according to Solvency II analyses and calculations, is in all cases smaller than the sum of the individual effects. Due to the diversification effect between risks, the sum of the individual risks results in an upper estimate compared to the aggregate financial risk.

These risks are presented below.

50.1. Credit risk exposure

The Group's credit risk exposure arises primarily on premium receivables from insurance policy holders, receivables from insurance brokers due to commission clawbacks, bank deposits, given loans and on debt securities. The Group allocates a cancellation reserve under local accounting rules for the part of receivables from policyholders, that is not expected to be recovered (cf. note 3.5 (iv)).

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

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

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Government bonds	32 805 829	32 474 450
Corporate bonds	1 551 652	224 989
Equity	26 099 260	17 928 241
Investment notes	53 218 264	52 138 430
Cash	7 615 638	4 025 234
Receivables	2 383 335	2 150 634
Other financial assets	-626 930	-115 736
Reinsurance share of the technical results	453 038	622 195

In case of the government bonds, which are the most significant financial assets, the credit risk exposure is not significant (Baa3), due to this bonds are guaranteed by the state.

Claims on reinsurers are not considered to be material from a credit risk perspective as our reinsurance partners have ratings of at least A-.

Impairment

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

DATA IN THUF

	2021	2020
Opening balance on 1 January	1 880 481	1 831 636
Derecognition of impairment on irrecoverable receivables	-28 898	-135 344
Impairment of assigned receivables	-	106
Impairment booked to income statement	19 448	184 083
Impairment recognized against the release of provision	-67 072	-
Derecognition of impairment	-4 196	-
Closing balance on 31 December	**1 799 763**	**1 880 481**

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

DATA IN THUF

	31.12.2021.		31.12.2020.	
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Not overdue	653 190	-	717 866	-
between 0 and 30 days overdue	948 044	-	730 348	-
between 31 and 120 days overdue	377 078	-	573 256	-42 827
between 121 and 360 days overdue	61 500	-	52 988	-
Overdue by more than a year	1 996 643	-1 799 764	1 945 551	-1 837 654
Total	**4 036 454**	**-1 799 764**	**4 020 009**	**-1 880 481**

On 31 December 2021, The Group does not have any not overdue and not impaired receivables those return is uncertain. 100% of receivables due between 121 and 360 days, and non-impaired receivables overdue for more than one year are receivables from policyholders for which the Company forms a cancellation reserve.

50.2. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of claims 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 can be met; maintaining a portfolio of easily marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow, and monitoring the liquidity ratios calculated based on the consolidated financial statements to ensure compliance with internal and regulatory requirements.

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

31.12.2021 DATA IN THUF	BOOK VALUE	CONTRAC-TUAL CASH FLOW	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Liabilities *	**10 699 483**	**10 701 905**	**9 697 595**	**243 186**	**476 240**	**284 884**	**-**
of which: leasing liabilities	**531 909**	**531 909**	**76 443**	**76 443**	**152 886**	**226 137**	**-**
Government bonds	10 453 131	10 818 909	2 274 235	3 170 604	3 464 164	1 704 696	205 210
Corporate bonds	301 169	374 904	-	13 284	13 284	39 852	308 484
Equity	3 139 781	-	-	-	-	-	-
Investment notes	3 946 708	-	-	-	-	-	-
Cash	1 795 312	1 795 312	1 795 312	-	-	-	-
Receivables	2 246 966	2 246 966	2 246 126	339	501	-	-
Other financial assets	-43 992	-43 992	-43 992	-	-	-	-
Total assets * *	**21 839 075**	**15 142 080**	**6 221 662**	**3 184 227**	**3 477 949**	**1 744 548**	**513 694**

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

*** As the investments covering technical reserves and unit-linked reserves aren't available for settling financial obligations, therefore the table's amounts do not contain them.*

31.12.2020 DATA IN THUF	BOOK VALUE	CONTRAC-TUAL CASH FLOW	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Liabilities*	**7 418 172**	**7 422 429**	**7 184 824**	**43 954**	**123 893**	**69 757**	**-**
of which: leasing liabilities	**59 880**	**59 880**	**12 063**	**5 583**	**22 334**	**19 899**	**-**
Government bonds	10 776 160	10 744 309	2 108 717	1 226 847	1 748 526	5 213 494	446 725
Corporate bonds	-	-	-	-	-	-	-
Equity	2 845 589	-	-	-	-	-	-
Investment notes	3 301 903	-	-	-	-	-	-
Cash	986 163	986 163	986 163	-	-	-	-
Receivables	2 145 099	2 117 374	2 115 891	339	678	466	-
Other financial assets	-714	-714	-714	-	-	-	-
Total assets * *	**20 054 201**	**13 847 133**	**5 210 057**	**1 227 186**	**1 749 204**	**5 213 960**	**446 725**

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

*** As the investments covering technical reserves and unit-linked reserves aren't available for settling financial obligations, therefore the table's amounts do not contain them.*

50.3. Foreign exchange risk

The Group underwrites insurance and investment contracts denominated in euro and forint. 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 acquisition costs related to the policies generally arise in the currency that the income arises in.

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

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

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

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

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

DATA IN THUF

31.12.2021.	HUF	EUR	USD	DKK	RON	PLN
State bonds, discounted T-bills	32 805 829	-	-	-	-	-
Corporate shares	983 196	568 456	-	-	-	-
Equity	2 755 079	277 139	23 034 969	32 073	-	-
Investment notes	18 074 814	3 302 286	31 841 164	-	-	-
Cash	4 373 282	2 327 499	907 893	884	6 080	398
Receivables	2 041 830	324 437	17 070	-	-2	-
Derivative instruments	-	-64 602	-	-	-	-
Other UL assets	-398 357	-107 774	-56 193	-	-	-
Loans and financial reinsurance	-	-531 909	-	-	-	-
Insurance and other liabilities	-3 360 646	-473 744	-	-	-	-
Other financial liabilities	-255 808	-276 100	-	-	-	-
Investment contracts	-5 303 211	-1 065 854	-	-	-	-

DATA IN THUF

31.12.2020.	HUF	EUR	USD	DKK	RON	PLN
State bonds, discounted T-bills	32 474 451	-	-	-	-	
Corporate shares		224 989	-	-	-	
Equity	2 428 972	465 685	14 954 182	79 402	-	
Investment notes	15 556 509	5 543 321	31 038 600	-	-	
Cash	2 110 884	1 707 493	200 766	-	6 092	1 180
Receivables	1 6897 711	449 887	3 039	-	-2	
Derivative instruments	43 261	-	-	-	-	
Other UL assets	-174 408	-62 364	-14 308	-	-	
Loans and financial reinsurance	-	-59 880	-	-	-	
Insurance and other liabilities	-2 841 736	-136 586	-	-	-	
Other financial liabilities	-25 324	-34 556	-	-	-	
Investment contracts	-3 488 731	-741 337	-	-	-	

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

DATA IN THUF

31.12.2021	EUR	USD	RON	DKK	PLN
Year-end FX rate	369	325.71	74.56	49.61	80.30
Possible change (+)	10%	10%	5%	5%	5%
Possible change (-)	10%	10%	5%	5%	5%
The impact of the increase of the FX rate on the profit or loss / shareholders' capital	**5 852**	**40**	**304**	**-**	**20**
The impact of the decrease of the FX rate on the profit or loss / shareholders' capital	**-5 852**	**- 40**	**-304**	**-**	**-20**

DATA IN THUF

31.12.2020	EUR	USD	RON	DKK
Year-end FX rate	365,13	297,36	74,99	49,08
Possible change (+)	10%	10%	5%	5%
Possible change (-)	10%	10%	5%	5%
The impact of the increase of the FX rate on the profit or loss / shareholders' capital	**117 103**	**118**	**305**	**59**
The impact of the decrease of the FX rate on the profit or loss / shareholders' capital	**-117 103**	**-118**	**-305**	**-59**

50.4. Interest rate risk

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

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

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

DATA IN THUF

	31 DECEMBER 2021	31 DECEMBER 2020
Fixed-interest	34 444 018	33 003 059
Floating-interest	-	65 170
Interest-bearing assets	**34 444 018**	**33 068 229**
Fixed-interest	569 648	209 780
Floating-interest	-	-
Interest-bearing liabilities	**569 648**	**209 780**

For fixed-interest available-for-sale financial assets a possible change in the interest rate (30 basis points in the case of HUF and PLN investments and 20 basis points in the case of the EUR investments in 2021) would alter the Company's equity by HUF -405,375 thousand in annual terms. (30 basis points in the case of HUF and PLN investments and -20 basis points in the case of EUR investments in 2020, which would have altered the Company's profit/loss and equity by HUF -468,043 thousand in annual terms.)

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

	31.12.2021		31.12.2020	
	HUF	EUR	HUF	EUR
Government bonds	0.01%-7.0%	-	0.01%-7.0%	3%
Corporate bonds	3.25%	4.5%	n/a	4.5%
Cash and cash equivalents	-	-	-	-
Loans, and financial reinsurance	n/a	3.38% - 7.91%	n/a	3.38% - 7.91%
Leasing liabilities	2.65%-2.88%	2.7%-2.8%	2.83-2.88%	3.42%

50.5. Accounting classification and fair values

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

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

DATA IN THUF

31.12.2021	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES
Government bonds	7 060 721	-	25 213 123	-	-
Corporate bonds	-	-	1 551 652	-	-
Equity	22 959 479	-	1 409 917	-	-
Investment notes units	49 271 556	-	234 382	-	-
Cash (unit-linked & own)	5 688 647	1 498 385	-	-	-
Receivables	136 369	2 236 691	-	-	-
Other UL assets	-522 929	-	-		-
Loans, financial reinsurance, other liabilities and provisions, liabilities from insurance, leasing liabilities, intercompany liabilities	-	-	-	-	4 404 038
Investment contracts	-	-	-	6 369 064	
Derivative instruments	-60 009	-	-	11 760	-
Total	**84 533 833**	**3 735 076**	**28 409 074**	**6 369 064**	**4 404 038**

DATA IN THUF

31.12.2020	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES
Government bonds	7 319 828	-	24 736 886	-	-
Corporate bonds	-	-	224 989	-	-
Equity	15 082 652	-	1 984 834	-	-
Investment notes units	48 836 527	-	514 842	-	-
Cash (unit-linked & own)	2 992 216	862 255	-	-	-
Receivables	97 623	2 139 528	-	-	-
Other UL assets	-237 529	-	-	-	-
Loans, financial reinsurance, other liabilities and provisions, liabilities from insurance, leasing liabilities, intercompany liabilities	-	-	-	-	3 188 104
Investment contracts	-	-	-	4 230 068	-
Derivative instruments	41 525	-	-	-	-
Total	**74 132 841**	**3 001 783**	**27 461 551**	**4 230 068**	**3 188 104**

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

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

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

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

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

    - in case of the unlisted share, the valuation price shall base on the OTC trading price and the last weighted average price, unless the last weighted average price is older than 30 days;
    - if none of the mentioned valuation method is applicable, then the lower of the last exchange price or the purchase price shall be used, independently from the date of the data.

- Derivative instruments:
    - according to the Regulation of the T-daily results of the forward transactions of the Budapest Stock Exchange, if the transactions opened at „T day" than by using the strike price and the stock exchange settlement price of „T day", if the transactions closed at „T-day" than by using the strike price and the stock exchange settlement price of „T-1 day, and in case of the transactions opened before „T day", then by using stock exchange settlement price of „T day" and „T-1 day";
    - in case of the foreign currency forward transactions over the counter, the valuation based on the prompt exchange rate and forward exchange rate based on the interbank interest rates denominated in the relating foreign currencies. The interest rates applied in the calculation, are the interbank interest rates, with the closest term to the remaining maturity of the future contract.

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

DATA IN THUF

31.12.2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government bonds	32 173 933	-	99 912	32 273 844
Corporate bonds	-	-	1 551 652	1 551 652
Equity	24 369 396	-	-	24 369 396
Investment notes	49 505 938	-	-	49 505 938
Unit-linked cash	5 688 647	-	-	5 688 647
Receivables and other unit-linked financial assets	-386 560	-	-	-386 560
Derivative instruments	-	-60 009	-	-60 009
Total assets:	**111 351 353**	**- 60 009**	**1 651 564**	**112 942 907**
Liabilities measured on fair value	6 369 064	11 760	-	6 380 824
Total Liabilities:	**6 369 064**	**11 760**	**-**	**6 380 824**

DATA IN THUF

31.12.2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government bonds	32 056 714	-	-	32 056 714
Corporate bonds	224 989	-	-	224 989
Equity	17 067 486	-	-	17 067 486
Investment notes	49 351 369	-	-	49 351 369
Unit-linked cash	2 992 216	-	-	2 992 216
Receivables and other unit-linked financial assets	-139 907	-	-	-139 907
Derivative instruments	-	41 525	-	41 525
Total assets:	**101 552 867**	**41 525**	**-**	**101 594 392**
Liabilities measured on fair value	4 230 068	-	-	4 230 068
Total Liabilities:	**4 230 068**	**-**	**-**	**4 230 068**

51. 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.

As described in Note 1, regarding the Italian suretyship-guarantee insurances, at the end of 2018 and in early 2019 the beneficiary Customs and Monopoly Agency (agency responsible for the supervision of gambling in Italy, ADM) has submitted a request for drawdown of insurance promissory notes (related to products Gaming and Public Concessions) issued to four large clients. The total value of the contractual obligations was approx. EUR 12 million. However, these drawbacks did not provide adequate justification and the primary opinion of Italian experts was that the claim lacks legal basis. During the conciliation negotiations in 2019, the beneficiary reduced its claim to almost one quarter of the original amount and provided adequate justification for this remaining amount. Further expert opinion requested in the case proposed the settlement of claims amounting to approx. EUR 3,167 million and estimated the recoverable amount from regress and commission reversals to be HUF 537 million. EMABIT settled the claim of HUF 3,167 million by the end of November 2019.

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

After investigating the circumstances of the claim, EMABIT declined to launch claim payments, filed a demand for prosecution on fraudulent contracts, sought legal redress from the courts for ADM initiating the claim payment, and then brought an action for declaring the contract invalid.

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

At the end of 2020, the Insurer reviewed all outstanding claims in its Italian suretyship-guarantee insurance portfolio with the involvement of new legal experts and significantly increased its reserves for outstanding claims. The Insurer has re-examined the reserves for the 2021 financial statements. In this report, the total amount of claims reported to the Insurer, taking into account the damage related to the above excise tax liability, is EUR 23.118 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 5.187 million. Considering the experience of regress procedures, EMABIT significantly reduced the amount of regress reserves to EUR 503 thousand. If the amount of the claims to be paid will differ, the difference will change the Group's future result and equity.

The effect of contingent liabilities to consolidated financial statement can be the maximum of HUF 4,065 million, the equity of EMABIT.

52. COMMITMENTS FOR CAPITAL EXPENDITURE

The Company had no commitments for capital expenditure as at 31 December 2021 and 31 December 2020.

53. 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.

53.1. Related party transactions between the Company and the members of the Board of Directors and the Supervisory Board

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

In 2021 the members of the Board and Supervisory Board received HUF 18,850 thousand (in 2020 HUF 27,550 thousand) honorarium. No advances or loans were provided to them.

Contracted services:

The Insurer used marketing services of companies under the control of the members of the Board of Directors and the Supervisory Board from Mediaworks Kft. in the amount of HUF 762 thousand.

53.2. Transactions with intercompanies

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

- HUF 374,073 thousand unit-linked portfolio management fee (in 2020 HUF 374,953 thousand), and HUF 404,986 thousand unit-linked fund management fee1 (in 2020 HUF 111,220 thousand)
- HUF 47,103 thousand portfolio management fee relating to own portfolio (turnover with CIG Pannonia Life Insurance Plc was HUF 38,068 thousand and HUF 9,035 thousand with CIG Pannonia First Hungarian General Insurance Ltd), in 2020 the own portfolio management fee was HUF 46,236 thousand.

CIG Pannónia Life Insurance Plc. invoiced services in an amount of HUF 462 thousand to Pannónia CIG Fund Manager Ltd. in 2021 (in 2020 HUF 948 thousand).

53.3. Transactions with other related parties

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

- from Hungarikum Biztosítási Alkusz Kft. in the amount of HUF 181,189 thousand,
- from HUNBankbiztosítás Kft. in the amount of HUF 188,635 thousand,
- from HUNPénzügyi Tervező Kft. in the amount of HUF 200,547 thousand,
- from HUNInsurance Kft. in the amount of HUF 3,581 thousand, and
- from HUNPartner Kft. in the amount of HUF 17,777 thousand.

All services were provided at market prices.

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

- towards Hungarikum Biztosítási Alkusz Kft. in the amount of HUF 4,059 thousand,
- towards HUNBankbiztosítás Kft. in the amount of HUF 7,013 thousand,
- towards HUNPénzügyi Tervező Kft. in the amount of HUF 9,176 thousand,
- towards HUNInsurance Kft. in the amount of HUF 3,269 thousand,
- towards HUNPartner Kft. in the amount of HUF 1,376 thousand.

The Company purchased used tangible assets from HUNInsurtech Kft. in the amount of HUF 5,828 thousand.

The Company supported the publication of the Insurance Almanac with HUF 4,445 thousand, which was published by HUNMédia Kft.

No transactions occurred with other related parties.

54. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Based on the information provided by the Magyar Nemzeti Bank (MNB) on 9 March, the Group's LakóTárs Extra home insurance product was successfully awarded the Qualified Consumer-Friendly Home Insurance rating. As a strategic step, as promised, CIG Pannónia further expands its range of non-life insurance products and offers Qualified Consumer Home Insurance to its customers from the spring of 2022, in addition to its classic home and travel insurance products launching in March.

With the introduction of Qualified Consumer-Friendly Home Insurances, MNB's goal is to encourage the introduction of home insurance products that are as widely available as possible, with easy-to-understand and clearly stated conditions, simple and fast administration, and customer-friendly claims settlement processes. Following the MNB's approval, CIG Pannónia Biztosító's LakóTárs Extra Qualified Consumer-Friendly Home Insurance products is now also member of this illustrious circle, which product will be available at the Insurer's sales channels from 25 April.

Furthermore, there was no other significant subsequent event in the life of the Company.

55. STATEMENT

Consolidated Financial Statements and Consolidated Business Report of CIG Pannónia Life Insurance Plc. for the year 2021, prepared according to the international financial reporting standards accepted by the European Union provides a true and fair view of the assets, liabilities, financial position and profit/loss of the Insurer furthermore the consolidated business report provides a fair view of the position, development and achievement of the Insurer indicating the main risks and uncertainties. On 28 March 2022 the Company's Board of Directors accepted the submission of the Company's 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: for the business year 2021, the whole profit shall be transfered to the retained earnings.

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

Budapest, 28 March 2022

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

CIG PANNÓNIA
INSURANCE

CIG PANNÓNIA LIFE INSURANCE PUBLIC LIMITED

CONSOLIDATED BUSINESS REPORT FOR THE YEAR 2021

28 MARCH 2022

REPORT ON THE DEVELOPMENT AND BUSINESS PERFORMANCE OF THE GROUP

First it should be emphasized that our consolidated profit after tax in the reporting period was HUF 1,682 million, which was 155% higher than last year, meaning that we achieved more than two and a half times the profit on this reporting line.

The sale of the non-life portfolios, completed in 2021, had a significant impact in the comparison period. Ignoring the impact of these portfolios on earnings, the results of the so-called continuing operations showed the first signs of the realization of the CIG Group's Growth Strategy, as we realized a profit of HUF 1,679 million following last year's loss of HUF 130 million.

In the fourth quarter, in line with the Growth Strategy, the sales of our corporate property, liability and fleet casco products restarted, allowing us to launch our market presence according to our plans and strategy.

The structure of the growth of our after-tax profit shows a healthy picture, as we have replaced the missing profit of the sold portfolio with the growing profit of unit-linked insurance, in addition, the positive effect of the traditional portfolios on our result is also decisive. Overall, the components beyond these two major items, including the increased cost of projects aiming to prepare further growth, are broadly revenue-neutral compared to last year.

Our revenues increased by 42%, within which our insurance premiums increased by 18% compared to the same period in 2020, with premium revenues higher than a year earlier in each quarter.

Outstanding was the growth of the banking sales channel with 55%, followed by the independent brokerage area (49%) and the own network (31%). The independent brokerage channel plays a prominent role in implementing our strategy, as it had a key role in the relaunch of the non-life insurance.

At the portfolio level, group life insurance products accounted for the largest increase in premiums with 76%, but the unit-linked products' increase of 13% is significant as well.

The significant increase in sales of the non-life insurance policies referred to in the previous paragraph is not yet reflected in the net premiums statement line, as they are recognized pro rata temporis over the period covered by the full insurance policy in accordance with the reporting standards in force.

Our consolidated capital adequacy ratio is 255%, which significantly exceeds the minimum capital adequacy ratio of 150% set by the Hungarian National Bank. Despite the extraordinary rise of yields in the government bond market in 2021, especially in the last quarter, which had a depressing effect on exchange rates.

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.

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 Insurer hedged its portfolio in unit-linked investments in 2021, 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.

PRESENTATION OF THE GROUP'S FINANCIAL SITUATION IN 2021

In 2021, the Group's gross written premium was HUF 22,713 million, which is 118 percent of the revenues generated in the same period of 2020. Of this HUF 16,582 million are revenue from the gross written premium of unit-linked life insurance (of this HUF 6,809 million of pension insurance policies), HUF 4,675 million from traditional life products (of this HUF 1,263 million from pension insurance policies), HUF 823 million from health insurance policies and HUF 633 million from non-life insurance.

Non-life insurance generated premium income of HUF 633 million in 2021, which is an 195 percent increase to the comparative period. The non-life segment restarted in the third quarter, so the Group expects dynamic growth in the future in the segment. In the life segment the gross written premium from the first annual premiums of policies sold was HUF 2,567 million, which is a 1% increase compared to the previous year (HUF 2,531 million). The gross written premium income from renewals was HUF 14,313 million in 2021 in contrast to HUF 12,756 million in the the previous year, so the renewal premiums increased by 12%. Top-up and single premiums (HUF 5,200 million) were 36% higher as the premiums in the same period of the previous year, mainly relating to unit-linked life insurance policies. According to IFRS, within the total life insurance premium income of HUF 22,800 million, the rate of top-up and single premiums is 24 percent, which is a significant increase compared to previous year's 20 percent. The increase in premium earnings is therefore mainly due to the surge in one-off premium sales and the stable but growing portfolio of regular premium contracts.

The change in unearned premium reserve in 2021 was a loss of HUF 157 million (in 2020 a profit of HUF 611 million), which decreased mainly due to the run-off of the suretyship portfolio of the non-life segment and due to new products in the non-life segment. At the same time, the amount of ceded reinsurance premiums (a HUF 502 million loss in 2021 and a loss of HUF 463 million in 2020) increased slightly, also due to the restart of the non-life segment.

Unit-linked life insurance policies sold by the Group that do not qualify as insurance policies under IFRS are classified by the Group as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 223 million in total during the reporting period, HUF 64 million more than in the comparative period, also due to the increase in the sales of single premium contracts. The change in the fair value of liabilities related to investment contracts was a loss of HUF 598 million in 2021 due to the outstanding unit-linked returns.

The most significant item of other operating income (HUF 1,113 million) was the income from the Issuer's fund management (HUF 554 million), which decreased by HUF 24 million compared to 2020, as it is linked to the Group's previously sold unit-linked product type with a declining portfolio. In addition, the other significant item is the release of provisions in the amount of HUF 433 million, which were formed by the Insurer at the end of the previous year for lawsuits, fines, disputed liabilities and losses arising from expected commission derecognition, which are no longer likely to arise in the future.

The defining item among expenses are claim payments and benefits and claim settlement costs (together HUF 15,059 million), which expenditure is decreased by the recoveries from reinsurers (HUF 147 million). Claims incurred increased by HUF 1,709 million compared to 2020, primarily in the life segment due to claims and repurchases of unit-linked products.

The amount of net change in reserves is a loss of HUF 12,153 million, which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount increased by HUF 10,355 million, which is primarily due to the significantly positive unit-linked returns. The actuarial reserves increased by HUF 1,165 million, the technical reserves for the bonus payment of the life insurance clients increased by HUF +177 million, the reserve for premium refunds independent of profit increased by HUF 93 million. The reserve for premium refunds dependent of profit increased by HUF 52 million. The outstanding net claim reserves increased by HUF 374 million, while the cancellation reserves decreased by HUF 19 million concurrently parallel to the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 6,648 million in 2021, of which HUF 4,154 million is related to the fees, commissions and other acquisition costs, HUF 2,256 million to other operating costs and HUF 238 million to other expenses. Acquisition costs show a somewhat growing trend (+8%), while gross earned premiums increased by 13%. This is primarily due to the change in the product mix; in the life segment, the earned premium growth of group and one-time contracts is significant, however, their commission ratio is lower compared to other products. The other operating costs increased by HUF 68 million compared to the same period of the previous year (HUF 2,188 million in 2020), primarily duean increase in personnel expenses. The volume of other expenses (HUF 238 million) is HUF 261 million less than the comparative period (HUF 499 million). The decrease in expenses is significantly explained by the provision for expected losses (HUF 174 million) in the comparative period on contracts brokered by Pannónia Pénzügyi Közvetítő Zrt. and other significant exited partners, which did not arise in 2021.

The investment result in 2021 is a profit of HUF 11,837 million, which is due to the aggregated effect of the following issues.

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

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

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

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

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

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

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

The Issuer had HUF 371 million yield profit on its own investments in 2021, while in the 2020 the profit was HUF 505 million. The lower gain is mainly due to the realised loss on declining priced securities caused by the rising yield environment.

Earnings from the MKB-Pannónia Fund Management Company to the Company appear on “investments accounted for using the equity method”, which is a profit of HUF 808 million gain in 2021, while it was HUF 436 million gain in 2020, mainly as a result of increasing assets under management and the success fee realized from the return of the funds over benchmark. The result of assets held for sale was HUF 3 million in 2021, while it was HUF 790 million in 2020. In 2020, the total non-life segment held for sale still contributed to the results. After the sale of the portfolio, in this year the profit of HUF 3 million has come only from the remaining portfolio held for sale, which was sold at 1 of May.

As a result of all of the above, the profit before tax amounted to HUF 1,786 million profit (in 2020 the profit before taxation was HUF 947 million gain), that was reduced by HUF 192 million tax liability and increased deferred tax revenue of HUF 88 million. The overall profit after tax is HUF 1,682 million, that is HUF 1,022 million higher than the profit after tax in 2020. The other comprehensive income contains the decrease in the fair value of available-for-sale financial assets amounting to HUF 2,376 million, of which HUF 575 million is the unrealized loss on OPUS shares owned by the Group, while the remaining loss (HUF 1,801 million) arose from the unrealized loss on government bonds caused by rising yields on the government securities market. The total comprehensive income represents a loss of HUF 694 million in 2021.

The Issuer’s balance sheet total was HUF 127,785 million; its financial position is stable; the company has met its liabilities in full. On 31 December 2021 the shareholders’ equity was HUF 13,168 million.

IMPLEMENTATION OF BUSINESS POLICY GOALS IN 2021

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

Our Growth Strategy in a nutshell:

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

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

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

A further goal of ours was to transform our organizational structure in 2021. To this end, we have focused on the development and finalization of a new organizational structure, including filling at the group level the launched unit of assets and liabilities with experienced professionals and with these professionals to review and revise, and in some cases form products and product groups, as well as to create an operational model tailored to the size of the organization, that accurately reflects responsibilities and tasks within the organization.

This work, the "customization" of the organization, was completed in the case of the Company, the Board of Directors adopted and enacted it with its Resolution 76/2021.10.04. and entered into force the Organizational and Operating Regulations, which contains principal provisions to the Company's operation, organization and management system, and thus serves as the Company's internal basic document, which reflects management expectations in line with the renewed strategy and prudential requirements, while for EMABIT this renewal has entered its final phase. The corporate assets and liabilities unit mentioned in the previous section – in the hope and expectation of the Company's management – will significantly contribute to the profitability of the CIG Pannonia Group.

A key project in 2021 was the introduction of IFRS 17 and the preparation for its successful implementation in due course. We used the help of external consultants and IT developers.

Due to the complexity of the project, it has not been completed yet, however, the developments, calculations and build-up of the necessary models are underway in close control of the Company's management. According to our plans, the financial planning for the next business year will be implemented in accordance with the new standards in the autumn of 2022. We consider it necessary and plan to inform and broaden the knowledge of investors and the general public on the new rules, once the transitions results are available, as we believe that the valuation method of insurance companies will change radically.

The relaunch of EMABIT and the continuation of activities in 2021 were also among our goals. Aeveral important events make the realization of this apparent:

- EMABIT's share capital was increased twice, by a total of HUF 10 million, which – due to the issue value being above the nominal value – increased the value of its equity and cash instruments by a total of HUF 3.5 billion. These capital increases were necessary because of the minimum capital requirements, and because of the further financing needs of the expected growth.

- In the fourth quarter the sales of our corporate property, liabilities and fleet casco products resumed, allowing us to launch our market presence according to our plans and strategy.

- The first signs of the resumption and also growth were already visible in the fourth quarter, as annual growth in premiums was strongest in the non-life business with its 194%.

We set ourselves the goal of creating a fact-based strategy with fixed goals, which strategy we already mentioned, and the above results can be evaluated as steps of this strategy's implementation.

BUSINESS POLICY GOALS OF CIG PANNÓNIA LIFE INSURANCE PLC. FOR 2022

In 2022, our goal is to maintain the unbroken momentum we wrote about in the previous chapter.

After a long and thorough preparatory work, as one of the main pillars of our growth strategy, we are launching a long-term strategic partnership with Magyar Bankholding and its member companies, MKB Bank Plc., Takarékbank Ltd. and Budapest Bank Ltd. to provide the greatest possible customer experience to our consumers.

The strategic goal of the CIG Pannónia Group is to develop, as a domestic company, a portfolio of innovative products and services, which are simple and easy to sell, as well as tailored to the real needs of the Hungarian market, all this complemented by a focused product portfolio in the banking insurance market and a professional service to the banking network holding the largest branch network and in parallel the highest customer access. To this end, we plan to strengthen our retail and corporate market presence and, at the same time, our banking partnerships. The agreement covers, inter alia, property-, accident-, pension-, life-, liability-, freight-, surety-, construction-, credit coverage- and account protection insurances, as well as health insurance services, which latter's portfolio is divided to retail (private) customers and corporate customers. The above underlines that we will be present in this market basically with our entire portfolio. In line with our Growth Strategy, we aim to cover the entire insurance market and respond to all arising needs with our products and services. With the relaunch of the First Hungarian General Insurance Company (EMABIT) in 2021, new perspectives have opened up for the CIG Pannonia Group, which we will further expand in 2022 as well. Accordingly, after the large corporate and the small- and medium-sized enterprise sectors, we also enter the retail market first with travel- and home insurances, for which we offer our products with a joint reinsurance background with another insurance partner. We are proud to enter the home insurance market in the spring with our qualified consumer-friendly home insurance. In addition, it is not a secret, that our goal is to enter the agricultural insurance market in the third quarter with our agricultural crop insurance and livestock insurance products. In the first half of the year, our dedicated professional team will finalize the product developments and optimize the related processes, after which, according to the plans, our products will be available by September at the latest.

The focus of our Company is on the customers and their needs in all cases, consequently, we will continue to regularly monitor in the future the quality of our services and product development processes, and we will place even greater emphasis on customer experience and measuring customer satisfaction, to be able to operate even more efficient considering the feedback of our customers and partners.

Our sales teams started as planned last year; in the case of the brokerage network, we can already provide full nationwide coverage to the independent network partners - therefore we do not calculate with direct growth in this area; and on the dependent agency line, we plan with a consolidated recruitment this year.

It is very important to emphasize, that our countless successes are owed to our employees; we all agree that both professionally and humanly, our employees form an exceptionally professional team. The unity of the team is of utmost importance to us, therefore both the performance evaluation and the employer branding will play an important role this year. By today the number of our employees already exceeds 170, with which we can cover all needs to the maximum – even as this number is still below the Hungarian insurance market's average employee count. Staff headcount efficiency is an important aspect, and we do not plan to recruit a significantly larger team. For us, it is paramount to maintain motivation and to provide ongoing support, uninterrupted working conditions, and flexible home office working opportunities; last but not least, to provide ongoing professional challenges to our employees. For all of this to work properly, a well-thought-through performance evaluation system is essential, which we intend to introduce with our HR team at the end of the first quarter of this year.

Sustainability is still at our heart, and we believe that sustainability is a common cause and as an insurance company we are present in virtually all areas of life, thus we strive to effectively incorporate this sentiment into our processes.

Thus we have a number of ambitious plans, and we can rightfully say, that the year 2022 will not be uneventful either. We will follow our goals as set out in the strategy and are continuously developing, entering new markets, providing our customers and partners with the widest possible range of services, while also placing large emphasis on keeping the unity of our professional team.

SUBSEQUENT EVENTS IN ACCORDANCE WITH SUPPLEMENTARY NOTES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Furthermore, there was no other significant 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 2021)

OWNERS DESCRIPTION	NUMBER OF SHARES	OWNERSHIP RATIO	VOTING RIGHT
Domestic private individual	29 906 281	31,67%	31,67%
Domestic institution	62 958 013	66,67%	66,67%
Foreign private individual	152 339	0,16%	0,16%
Foreign institution	75 566	0,08%	0,08%
Nominee, domestic individual	1 174 961	1,24%	1,24%
Nominee, foreign individual	118 400	0,13%	0,13%
Nominee, foreign institution	32 512	0,03%	0,03%
Unidentified item	10 188	0,01%	0,01%
Total	**94 428 260**	**100%**	**100%**

The 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 "unidentified item" in the shareholders' register.

The owners of the Company are private and legal persons residing in Hungary and abroad, as of 31 December 2021 the number of owners is 5,806. Over 10 percent ownership is present at Hungarikum Insurance Broker Ltd., who has a 57.21 percent stake with 54,018,523 shares, Dr. Gábor Móricz has a total of 3,000,000 (3.18%) CIGPANNONIA ordinary shares. Kaptár Investment Ltd., which is in close contact with Gábor Móricz, has a total of 3,100,000 (3.28%) ordinary 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.

EMPLOYMENT POLICY

On the road of the Group's Growth Strategy implementation, human resources, the existence of our colleagues and the efficient implementation of their organizational tasks are essential. For this reason, we place great emphasis on the development of an organization adapted to the growing tasks and on the training, career building and motivation of our colleagues already working at us.

In the framework of organizational development, it is worth emphasizing that the CIG Pannónia Group is interested in creating an organizational environment in which the outstanding customer management of the colleagues is guaranteed by the fact that they perform their tasks in a motivated manner, giving the best of their professional knowledge. The company's management is committed to ensure all this through an open, transparent communication and mutual trust. To this end, a strategic motivational map has been prepared for the entire organization, which contributes to the consolidation of the corporate culture by mapping the individual motivational concepts, preferences and levels.

Market positioning of salaries for each job is regularly carried out by the Company and any corrections are made to this effect. The policy of remuneration has been published by the Insurer on its website. This states that remuneration must be proportional to performance and all payments should encourage performance over the longer term. The incentive and thus the Company's remuneration system was reconsidered this year along a thought-through strategy. There are three regulatory pillars of the Company's remuneration that are transparent to both the public and employees:

a. *the Company's Remuneration Policy with respect to the personnel as defined in Section 2.§ (2) of the Act LXVII of 2019 on the promotion of long-term shareholder participation and the amendment of certain laws for the purpose of legal harmonization;*

b. *regulation adopted by the Board of Directors of the Company containing the principles and rules for determining the general performance-oriented remuneration for all employees of the Company;*

c. *the Company's MRP Remuneration Policy.*

The purpose of the remuneration system is to ensure that the Company has a sufficiently detailed remuneration system which, given the Company's presence on the regulated market, takes into consideration the regulatory environment's impositions in all aspects - its relevant remuneration principles, rules and recommendations -, and which is in line with the Remuneration Regulation of the Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

The Company is convinced that workforce needs continuous motivation, therefore -taking into account the framework described above- it supports and initiates programs, which improve the employees' commitment and professionalism. We have formulated seven basic principles that we want to make the basic pillars of our culture and joint work. It is important for us to live by the principles set out here in our daily work. These pillars and principles are as follows:

- expertise
- reliability
- performance
- innovation
- strategy
- commitment
- quality

In order to ensure equal opportunities and the protection of human rights, the Company adopted a code that is an important element of employment policy. The Company's risk management policy provides for the handling of fraud and fraud prevention activities, and the application of the compliance policy is an important tool in the fight against corruption and bribery.

OTHER DISCLOSURES

In December 2011 the 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 did not engage in research and experimental development activities in 2021.

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, 28 March 2022

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

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