Solvency and Financial Condition Report

UNIQA Biztosító Zrt.
31 December 2021

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Executive Summary

The following summary presents in a compact way the most important facts regarding the solvency situation of UNIQA Biztosító Zrt. and gives an overview of the report content.

The year 2021 has been defined in many ways by the COVID pandemic and is expected to be with us in 2022 in some form. UNIQA Biztosító Zrt. reacted confidently and flexibly to the changes due to its capital position and operational agility. The pandemic strengthened the Risk Management and Crisis Management capabilities in the Company and through the whole UNIQA Group.

In **Chapter A. Business and Performance** we present the company and the underlying business model with the most important figures presenting the business volume, the claims side and the investment result.

- UNIQA Biztosító Zrt., owned to 100% by UNIQA International AG, provides its customers with Property and casualty-, health- and life insurance products.
- Insurance products are provided for retail clients as well as corporate clients and the insurance products are sold via a multi-channel strategy, like exclusive sales, general agencies, brokers and bank sales.

With this wide range product portfolio and the strong sales channel UNIQA Biztosító Zrt. covers the insurance and risk protection needs of its clients. An integral part of the insurance products is the service for the customer. It is the clear target for UNIQA Biztosító Zrt. to deliver excellent service quality to our clients.

With this approach UNIQA Biztosító Zrt. diversifies the insurance technical risk and has well composed portfolio in force as shown on Figure 1.

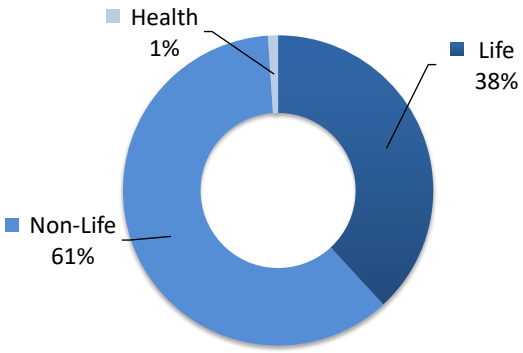

Figure 1. Share of portfolio segments by Gross Written Premium in 2021

We continued to serve our customers in our customer-oriented structure (retail, corporate, direct) in 2021. In the year 2021, in accordance with our new strategic perspectives, we focus on founding our further growth, enhancing our operational efficiency and introducing new agile working methods. We set the target to become the best employer of the insurance sector, while still focusing our strategy on our clients.

We set a new path in Retail business: we focus on the best value proposition for our clients through planning end-to-end client journeys, shaped according to real client needs. We continued to develop our digital channels to ensure the servicing of our clients through a multi-channel approach.

In the Corporate business line, we continued the transformation, of which an important element is to increase our clients' risk awareness through risk engineering services as well as traditional insurance products. In course of this service, we analyse our clients' circumstances and help them realize all the kinds of financial and human risks they are facing. In the Corporate business line personal sales will continue to have a major role due to the complexity of the products and to serve the individual needs of our clients.

In non-life business, thanks to risk underwriting, risk assumption and pricing rules, despite higher than usual natural catastrophe claims and other extraordinary claims occurring in 2021, P&C business closed the year with positive insurance technical result. The cost structure of the portfolio was improved through cost optimization measures affecting the entire Company, in which our transitioning to digital communication with customers played a key role. Parallelly, it has become clear that the online and remote solutions forced on us by the epidemic, are being integrated into our daily lives and reinterpreting personal contact processes. As a result, we started the development of long-term sustainable "remote sales" processes (in relation to retail non-life insurance) in addition to or to replace our existing sales processes, based on the needs and feedback of our external and internal customers. Shaping our claims handling services, a key topic was for our clients to receive the compensation as quickly as possible after the insurance event. To support this, we created a claims handling process in which the claim assessment and reimbursement takes place in an automatized way in a few days.

The year 2021 was a challenging but successful business year in personal insurance. In the individual personal insurance business, mainly our life and accident insurance products contributed to the growth of our premium income. The increase in the population's willingness to save, which was made possible by the postponed consumption expenditures due to the epidemic, contributed significantly to the increase in life insurance. In addition, the monetary easing that will accompany the year 2021 at the international level established a favourable capital market valuation trend, as a result of which the majority of the year offered a favourable entry point for our customers to purchase single-premium unit-linked life insurance. Riding this favourable capital market trend, our sales channels increased our one-time premium income to our company by more than 36%. In the area of personal insurance, we have further simplified our processes and digitized the process of concluding savings life insurance policies.

The Company achieved gross written premium of 81.0 billion HUF. Life related part is 31.8 billion HUF with 0.9 bn HUF Health part, whereas non-Life premium is 49.2 billion HUF. Total GWP increased by 7.2% versus last year mainly driven by Life growth. UNIQA Biztosító Zrt. closed the reporting period with successful new business acquisition and policy renewals. Life gross written premium increased by 4.0 billion HUF versus prior year, the majority of the growth derive from Single sales. Non-life portfolio is rather stagnating with slight increase (3.1%). UNIQA Biztosító Zrt. closed the year with positive technical result, however the net insurance technical result was lower than last year due to the weaker performance of the Non-Life business. Detailed figures to the various Lines of Business are shown in chapter A.2.

As shown in **Chapter B. System of Governance**, UNIQA Biztosító developed an organisational structure in line with the legal requirements and which reflects the principles of the "three lines of

defence". This organisational concept clearly differentiates between the parts of the organisation which take and actively manage business risks (first line of defence) and parts of the organisation which overview and monitor the risk situation (second line of defence). The third line of defence manages the independent monitoring of the 1st and the 2nd line of defence. Further details are described in the chapter B.3.2.

The Board of UNIQA Biztosító Zrt. is supported by various committees in the decision-making process (please see related details in B.1.4). These committees cover issues regarding executive management, risk management, product development management and reserving. Structured management information and reporting points are defined and discussed. Furthermore, the Solvency 2 key functions, the actuarial function, the risk management function, the compliance function and the internal audit function are implemented with the respective processes. Clear remuneration rules (B.1.6) and the requirements to the business qualifications („Fit") and personal integrity („Proper") of persons which lead the company and other key functions (B.2), are part of a state of the art governance model.

A central part of the governance structure is the risk management system. It defines the responsibilities, the processes and the general rules which enable the company to manage the risks in an efficient and proper way. It is the clear aim of the risk management system to support the management to safeguard the management of financial losses and to provide the information for operative and strategic business decision making. In that respect the own risk and solvency assessment process plays an important role.

The capital requirement to be covered by own funds, defined as a potential economic loss within one year with a probability of 1:200, is the main pillar in quantitative focus of Solvency II. In **Chapter C. Risk Profile** the details of the composition of the capital requirement can be found. Furthermore, the background information to the calculation details is provided. The section comprises information to the major risks an insurance company is facing: the insurance technical risks, market risks, credit- and counterparty default risks and furthermore operational risks. As a multiline insurer UNIQA Biztosító Zrt. is very well diversified.

The subsequent overview shows the capital requirement of the different risk modules, the whole solvency capital requirement and the related own funds.

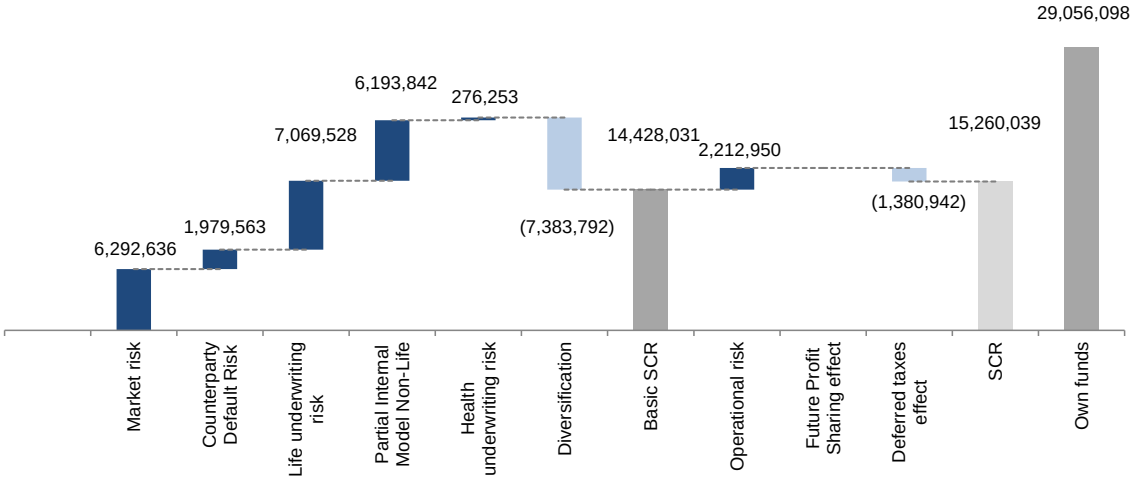

Figure 2. Overview of capital requirements and own funds (Thousand HUF)

The underwriting risk of the life and non-life business together with market risk dominate the risk profile of UNIQA Biztosító.

The Solvency 2 ratio with 190.4% shows capitalization of UNIQA Biztosító Zrt. complying with the Solvency 2 Delegated Regulation (details see C.7). This ratio is also in line with MNB Guideline 6/2016. (VI.14.) and the undertakings internal limit system. Stress test and sensitivity calculation regarding risk drivers and the impact on the solvency situation are made on a regular basis to receive additional information regarding the quality and level of capitalization.

Furthermore, UNIQA Biztosító Zrt. is the only insurance company in Hungary which uses a Partial Internal Model for the calculation of the solvency capital requirement of the non-life underwriting risk for solvency requirement calculations. The model was approved by the College of Supervisors in December 2017. The model is used to gather further deep insight and additional analysis for the management of the underwriting risk non-life.

In **Chapter D. Valuation for Solvency Purposes** the methods for the valuation of the single balance sheet positions for the setup of the economic balance sheet are explained and these balance sheet positions are compared with the local GAAP values.

Finally, in **Chapter E. Capital Management** the derivation from the economic capital to the eligible own funds is performed. UNIQA Biztosító Zrt.'s capital consists of tier 1 capital and from first quarter of 2019 a tier 2 capital strengthens its solvency position. The eligible own fund amounts to 29,056,098 thousand HUF and covers the solvency capital requirement of 15,260,039 thousand HUF.

In section E.6 we also introduce our actions during 2021 regarding COVID-19 pandemic. Our current estimates still show that the Solvency position of the company is well established and is not in danger from this pandemic. We also reflect shortly on what challenges we need to analyse in the upcoming months regarding the macroeconomic situation currently unfolding in the world.

A. Business and Performance

A.1 Business

UNIQA BIZTOSÍTÓ Zrt.
Róbert Károly körút 70-74
1134 Budapest
www.uniqa.hu

UNIQA Biztosító Zrt. is supervised by the Hungarian National Bank.

Felügyelet – MNB
Krisztina körút 39
1013, Budapest
www.mnb.hu/felugyelet

For the current financial year PwC Auditing Ltd. was our appointed auditor.

PricewaterhouseCoopers Könyvvizsgáló Kft.
Bajcsy-Zsilinszky út 78.
1055 Budapest
www.pwc.com/hu

Shareholder structure

The direct shareholders of UNIQA Biztosító Zrt. was simplified during the year 2021. UNIQA Biztositó Zrt. is owned to 100% by UNIQA Österreich Versicherungen AG.

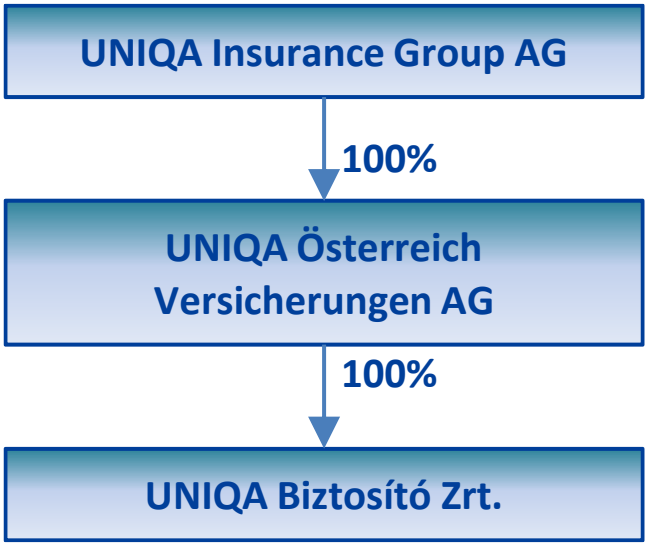

Figure 3. Shareholder structure of UNIQA Biztosító Zrt.

Essential business units

Name of the business unit	Share % (direct)
UNIQA Claims Services International Kft.	99.63%
UNIQA Ingatlanhasznosító Kft.	99.98%
DEKRA-EXPERT Műszaki Szakértő Kft.	50.00%

Table 1. Subsidiaries of UNIQA Biztosító Zrt.

Business lines and business development

In line with our new strategic directions, in 2021 we focused on laying the foundations for further growth, improving our operational efficiency and introducing new, agile work performance methods. We set the goal to become the best employer of the insurance market while continuing to keep our customers at the centre of our strategy.

We also set a new direction in the retail business line, focusing on offering the best possible value proposition to our customers by planning end-to-end customer journeys designed on the basis of real customer needs. We commenced further developments in our digital channels to put in place multichannel customer service.

The transformation continued in our corporate business line, an important element of which is to increase the risk awareness of corporate customers by offering risk engineering services in addition to traditional insurance products. In this context, we assess – and help customers identify – the financial and human threats that they face over and above their classical risks. In the corporate segment personal contact will continue to play a prominent role in sales, due to the complexity of the products and in order to serve ad hoc customer needs.

We introduced a new, agile approach at our Company in order to enable the Company to execute developments faster and in a more flexible way. During our developments we perform continuous checks to assess whether the result offers the expected value to our customers. Feedbacks are immediately incorporated into further developments. Moreover, we also launched structural, organisational changes to facilitate the desired business operation and culture.

Property insurances

Thanks to the changes effected in risk underwriting, assumption and pricing rules, the business line closed the year with a positive technical result despite larger than usual natural disasters and other major losses in 2021. The cost structure of the portfolio was improved through cost optimisation measures affecting the entire Company, in which our transitioning to digital communication with customers played a key role.

In the field of non-life insurance, the main focus remained on the optimization and standardization of our customer facing processes. Both our retail and corporate businesses concentrated on providing modern, fast and outstanding service to their customers. In process-driven retail customer service, we focused entirely on customer experience, from the inception of the product concept through sales to claims settlement.

It has also become clear that the online / remote solutions forced to us by the pandemic situation will remain an organic part of our day-to-day life and reinterpret personal contact fundamentally. As a result, in addition to – or replacing – the sales processes that required personal communication in the retail non-life segment, the design of sustainable “remote sales” processes has begun on the basis of the needs and feedback of external and internal customers.

Our ambition to ensure that our customers receive the amount of compensation as soon as possible after the claim occurred played a key role in the design of our claims settlement service. To support this, we have developed a claims reporting and settlement process that automates the evaluation of claims and the disbursement of the loss amount within a few days.

Thanks to the significant expansion of the home product portfolio, our retail non-life business line exhibited considerable growth in 2021. In the case of home and motor insurance products, the drastic increase in the prices of parts and construction material as well as in repair costs posed a great challenge this year. In the case of both products, we ensure that customers reporting claims are compensated at current price levels by continuously monitoring the risk assumption directives and pricing rules.

In the corporate portfolio, the fronting cooperation with a major international insurance company ended; thus a substantial portion of the non-life portfolio was not renewed for 2021. That notwithstanding, thanks to the continuous acquisition of new businesses, the closing insurance portfolio exhibited an increase in the corporate non-life segment.

Personal insurance

2021 was a year full of challenges but also a successful business year in the personal insurance business line.

In the individual personal insurance business it was primarily the life insurance and secondly the accident insurance segment that contributed to the growth in our premium revenues.

To a large degree, the growth in life insurances reflected the increased propensity to save in the household segment, which was fuelled by deferred consumption expenditures amid the pandemic situation. In addition, the monetary easing characterising 2021 on a global scale laid the foundation for a favourable capital market valuation trend and as a result, the vast majority of the year offered favourable points of entry to customers to invest in single-premium unit-linked life insurance products. Taking advantage of this favourable capital market trend, our sales channels increased the Company’s single-premium revenues by more than 36%.

We continued to streamline our processes in the field of personal insurance and digitalized the contract conclusion process of investment-based life insurance products.

A.2 Underwriting Performance

The following chapter presents the technical performance of the UNIQA Biztosító Zrt. during the reporting period. The information is qualitatively and quantitatively presented in both aggregated form as well as broken down to the essential business units and geographic areas, where UNIQA Biztosító Zrt. operates during the reporting period. Subsequently, the information presented in this report is compared to the data collected in the last reporting period and presented in the financial statements of the company.

Premium development

The pandemic situation of the year 2020 hit Hungary hard as well and thus, exerted an impact both on the workflow and on the financial result of the Company not only in 2020, but in 2021 too. Due to the Covid situation customers postponed their consumption, however the release of the purchasing power looked for its place even though many used the unspent income to prepay loans or used it as an own contribution to buy a real estate, therefore the household savings began to grow dynamically. As a result, the financial assets of the households increased to 75,847.9 billion HUF by the end of 2021, which reflects a new record and a dynamic increase of 11.3 % (well above inflation) compared to the previous year. The dynamic increase of the household savings significantly affected the performance of the insurance market regarding the growing new acquisitions of life business. Numerous measures have been implemented from an organisational aspect with a view to maintaining smooth, uninterrupted business operations. Thanks to these efforts, we were able to keep our Customer Services at pre-pandemic levels, which strengthened the confidence of our customers. Despite the restrictive measures necessitated by the pandemic, our sales partners and brokers managed to increase their new acquisitions, outperforming the results of the pre-pandemic years. The operating profit of financial year stayed below the last year's level, the positive effects of the pandemic (e.g.: better claim development, pandemic related costs savings) became less intense in 2021. Company achieved gross written premium of 81.0 billion HUF. Life related part is 31.8 billion HUF with 0.9 bn HUF Health part, whereas non-Life premium is 49.2 billion HUF. Total GWP increased by 7.2% versus last year mainly driven by Life growth. UNIQA Biztosító Zrt. closed the reporting period with successful new business acquisition and policy renewals. Life gross written premium increased by 4.0 billion HUF versus prior year, the majority of the growth derive from Single sales. Non-life portfolio is rather stagnating with slight increase (3.1%).

In the aspect of premium paying frequency more than 85% of the gross written premium derive from contracts with regular payment.

Premiums, claims and expenses - Non Life

Gross (th HUF)	2021	2020
Premiums written	49,255,622	47,787,867
Premiums earned	48,254,294	47,415,209
Claims incurred	22,765,526	19,420,851
Changes in other technical provisions	265,933	-229,322
Expenses incured	16,605,128	15,868,412

Table 2. Gross premiums, claims and expenses comparison - Non Life

Premiums, claims and expenses by line of business - Non Life

in Thousand HUF	Premiums written - Gross 2021	Premiums earned - Gross 2021	Claims incurred - Gross 2021	Changes in other technical provisions - Gross 2021	Expenses incured - Gross 2021
Medical expense insurance	-	-	-	-	-
Income protection insurance	3,778,248	3,754,571	784,659	43,385	2,025,256
Workers' compensation insurance	-	-	-	-	-
Motor vehicle liability insurance	14,331,391	14,315,192	7,750,671	162,606	3,979,188
Other motor insurance	14,793,557	14,512,911	8,595,290	69,959	4,235,787
Marine, aviation and transport insurance	660,160	564,310	- 16,049	12,779	204,711
Fire and other damage to property insurance	10,435,647	10,062,020	4,163,290	- 17,688	3,932,161
General liability insurance	2,114,437	2,091,608	428,953	- 52	854,018
Credit and surety insurance	-	-	-	-	-
Legal expenses insurance	12,738	13,018	4,193	-	1,047
Assistance	496,618	492,813	47,714	1,525	404,141
Miscellaneous financial loss	2,632,825	2,447,850	1,006,805	- 6,581	968,820
Total	**49,255,622**	**48,254,294**	**22,765,526**	**265,933**	**16,605,128**

Table 3. Gross premiums, claims and expenses by line of business - Non Life

The gross premium written of Life business for reporting period was 31.8 billion HUF, 16.4% percent growth versus prior year driven by increase in unit-linked new business insurance acquisition, especially on single side. A one-off contribution to the growth is raised from favourable capital market movements.

Life insurance regular portfolio lifecycle is on maturity stage. Table below excludes investment result.

Premiums, claims and expenses - Life

Gross (th HUF)	2021	2020
Premiums written	31,769,675	27,804,070
Premiums earned	31,703,598	27,809,593
Claims incurred	19,531,260	17,184,114
Changes in other technical provisions	-16,356,471	-15,149,134
Expenses incurred	7,035,355	6,208,314

Table 4. Gross premiums, claims and expenses comparison - Life

Premiums, claims and expenses by line of business - Life

in Thousand HUF	Premiums written – Gross 2021	Premiums earned - Gross 2021	Claims incurred - Gross 2021		Changes in other technical provisions - Gross 2021	Expenses incurred - Gross 2021
Health insurance	854,530	858,918	295,159		825	3,770
Insurance with profit participation	1,155,909	1,163,057	1,708,720		637,592	375,308
Index- and unit-linked insurance	27,600,201	27,600,201	16,717,815	-	17,092,618	5,350,494
Other life insurance products	2,159,034	2,081,422	809,566		97,730	1,305,783
Total	**31,769,675**	**31,703,598**	**19,531,260**	**-**	**16,356,471**	**7,035,355**

Table 5. Gross premiums, claims and expenses by line of business - Life

The company net Non-Life premium without reinsurance part is 23.6 billion HUF, which results a 3.3% improvement versus previous year. The 58 percent of Non-Life premium derive from Motor portfolio as prior year, slight increase is observable both MTPL (2.9%) and Casco (3.2%) lines. The Fire and other damage to property insurance has showed the highest improvement in 2021, the net premium of this LoB increased by 12.6% compared to 2020.

Similar to 2020, 2021 was characterized by lower claims frequency due to the pandemic, however the average claim amount significantly increased compared to prior years. Furthermore, the technical result of the Non-Life business was affected by extremely large claims and changing weather conditions, which resulted in a lower profitability compared to 2020

Premiums, claims and expenses - Non Life

Net (th HUF)	2021	2020
Premiums written	23,660,399	22,893,483
Premiums earned	23,123,611	22,580,610
Claims incurred	10,066,935	9,346,854
Changes in other technical provisions	227,762	-127,838
Expenses incured	6,995,522	6,429,675

Table 6. Net premiums, claims and expenses comparison - Non Life

Premiums, claims and expenses by line of business - Non Life

in Thousand HUF	Premiums written - Net	Premiums earned - Net	Claims incurred - Net	Changes in other technical provisions - Net	Expenses incured - Net
	2021	2021	2021	2021	2021
Medical expense insurance	-	-	-	-	-
Income protection insurance	3,475,625	3,463,775	764,151	44,812	1,880,160
Workers' compensation insurance	-	-	-	-	-
Motor vehicle liability insurance	6,816,508	6,808,857	3,180,885	119,116	1,325,578
Other motor insurance	6,860,669	6,720,783	4,239,194	36,407	884,634
Marine, aviation and transport insurance	236,562	188,452	20,569	8,809	100,070
Fire and other damage to property insurance	4,187,237	4,000,563	1,057,969	16,957	1,584,754
General liability insurance	662,910	592,426	178,303	324	461,594
Credit and surety insurance	-	-	-	-	-
Legal expenses insurance	12,738	13,018	4,193	-	1,047
Assistance	405,692	400,378	35,407	2,402	367,060
Miscellaneous financial loss	1,002,457	935,359	586,264	- 1,065	390,627
Total	**23,660,399**	**23,123,611**	**10,066,935**	**227,762**	**6,995,522**

Table 7. Net premiums, claims and expenses by line of business - Non Life

Premiums, claims and expenses - Life

Net (th HUF)	2021	2020
Premiums written	31,382,872	27,414,686
Premiums earned	31,316,662	27,423,556
Claims incurred	19,411,484	17,097,835
Changes in other technical provisions	-16,356,431	-15,149,143
Expenses incurred	6,883,244	6,048,352

Table 8. Net premiums, claims and expenses comparison - Life

Premiums, claims and expenses by line of business - Life

in Thousand HUF	Premiums written – Net	Premiums earned - Net	Claims incurred - Net	Changes in other technical provisions - Net	Expenses incurred - Net
	2021	2021	2021	2021	2021
Health insurance	744,116	742,882	285,945	825	3,770
Insurance with profit participation	1,155,909	1,163,057	1,708,720	637,592	375,308
Index- and unit-linked insurance	27,600,201	27,600,201	16,717,815	- 17,092,618	5,350,494
Other life insurance products	1,882,646	1,810,522	699,004	97,770	1,153,672
Total	**31,382,872**	**31,316,662**	**19,411,484**	**- 16,356,431**	**6,883,244**

Table 9. Net premiums, claims and expenses by line of business - Life

More than 99% of the insurance activity - relates to direct gross premium written both for Life and Non-Life - acquired from territory of Hungary.

Insurance benefits

Non-Life P&C claims ratio both for gross and net is higher than last year, 2020 was positively affected by the pandemic related restrictions. In case of Life major part relates to Index- and unit-linked insurance as surrenders and partial surrenders are continuously high share within the total.

in Thousand HUF	Non Life 2021	Health 2021	Life 2021	Non Life 2020	Health 2020	Life 2020
Premiums written (gross)	49,255,622	854,530	30,915,145	47,787,867	892,405	26,911,665
Premiums earned (net)	23,123,611	742,882	30,573,780	22,580,610	770,347	26,653,209
Insurance benefits	10,294,697	286,769	2,768,283	9,219,016	353,843	1,594,849
Operating expenses	6,995,522	0	6,883,244	6,429,675	0	6,048,352

Table 10. Gross premiums, claims and expenses by line of business - Total

Operating expenses

Nominal expense level increased versus 2020. On one hand the pandemic related cost savings significantly decreased in 2021, on the other hand the personnel expenses increased due to the higher fluctuation of the workforce, furthermore, the representation costs as well as travel costs increased due to less pandemic related travel restrictions. Furthermore, IT and consultancy expenses increased due to the strategic initiatives. Intercompany recharges increased significantly compared to 2020.

UNIQA Biztosító Zrt. closed the year with positive technical result, however the net insurance technical result was lower than last year due to the weaker performance of the Non-Life business. In 2021, the Company was still obligated to provide better client experience and satisfying customer needs. Company continues to optimize the business models Retail, Corporate and Bankassurance via competences around the specific customer needs. Digitization and customer satisfaction will continue to be the top priority in the future.

A.3 Investment Performance

In the following section, the investment result of UNIQA Biztosító in the reporting period is presented.

		2020	2021
I.	**Investment property**	0	0
II.	**Financial assets accounted for using the equity method**	0	0
III.	**Variable-income securities**	**0**	**0**
1.	Available for sale	0	0
2.	Fair value through profit or loss	0	0
IV.	**Fixed-income securities**	**1,639,815**	**231,759**
1.	Available for sale	1,639,815	231,759
2.	Fair value through profit or losses	0	0
V.	**Loans and other investments**	**41,653**	**1,199**
1.	Loans	41,653	1,199
2.	Other investments	0	0
VI.	**Derivate financial instruments (trading portfolio)**	**0**	**0**
VII.	**Investment administration expenses, interest paid and other investment expenses**	**-392,949**	**-384,622**
Total (fully consolidated figures)		**1,288,519**	**-151,664**
Reclassification of technical interest income		0	0

Table 11. (Net) Investment income [THUF] according to local GAAP

The direct investment portfolio of UNIQA Biztosító, including shares in associated companies, current cash held in financial institutions, excluding investment of unit-linked life insurance was HUF 43,838 million (31 December 2020: HUF 43,741 million).

Net investment income was HUF -151.6 million, which compares to HUF 1,288.5 million a year earlier. Asset composition within the direct portfolio remained weighed heavily toward locally issued government bonds (75.8% of the direct investment portfolio) in line with the matching portfolio concept. 3.5% of the portfolio was invested in foreign issued government bonds. We invested 7.5% of the portfolio in corporate (mostly foreign) bonds, 1.5% in money-market funds, while 11.7% of the portfolio was cash held in financial institutions. Generated investment income derived almost exclusively from the fixed income portfolio; the company did not have equity, investment property or derivative financial instrument positions for investment purposes. The negative net investment result in 2021 is mostly due to the initial recognition of the effective amortization of the Insurer's bond portfolio and the impairment recognized due to the increase in interest rates in the second half of the year. Admin expenses slightly decreased (from HUF 393 million to 385 million).

Information about directly in equity reported profits and losses

UNIQA Biztosító did not have equity positions in the direct investment portfolio in the reporting period.

A.4 Performance of Other Activities

In 2021, there was no significant item on other income at UNIQA Biztosító Zrt.

The following material other expenses were incurred:

Other expenses - HUF thousand	Staturory Values 2020	Staturory Values 2021
Local business tax	**420,233**	**432,918**
Impairment of receivables	**0**	**0**

Table 12. Other expenses

The change in the value of the local business tax is a consequence of the increase in the company's operating profit.

A.5 Any Other Information

Employees

In 2021 the members of the Supervisory Board received no remuneration or advances in connection with their activity; the total personnel expenditures related to the members of the Board of Directors in 2021 amounted to HUF 96,084 thousand; loans were granted in the amount of HUF 0. No pension payment obligations exist towards former members.

Expenses for the auditor of the financial statements

In 2021, the Company recognised a cost of HUF 63,695 thousand for the audit of the current year's financial statements and for the inspection of the consolidation data supply to the parent company. The Company paid a fee of HUF 6,858 thousand to the auditor for the educational service, the audit of the new reinsurance module for HUF 7,700 thousand + VAT is underway.

B. System of Governance

B.1 General Information on the System of Governance

According to Solvency II, insurance and reinsurance companies shall have in place an effective governance system which provides for sound and prudent management of the business and which corresponds to the nature, extent and complexity of their business activities. Such a system includes at least an adequate transparent organizational structure with a clear allocation and adequate separation of responsibilities as well as an effective system for ensuring the conveyance of information.

The aim of this chapter is to describe the organizational structure with clearly defined roles, responsibilities and tasks of the corporate bodies as well as the governance and other key functions of the UNIQA Biztosító Zrt.

The corporate bodies of UNIQA Biztosító Zrt. consist of the following:

B.1.1 Sole Shareholder

The Sole Shareholder acts as the supreme body of UNIQA Biztosító Zrt..

The main tasks and decisions of the Sole Shareholder are the followings in particular:

- approval of the financial report, decision regarding the appropriation of taxed profits;
- decision on the change of the corporate form;
- appointment and removal of Management Board members, procurers;
- appointment and removal of Supervisory Board members;
- appointment and removal of Audit Committee members;
- appointment and removal of the Statutory Auditor;
- decision on the amendment of the Statutes;
- decision on other matters which fall into exclusive competence of the sole shareholder in accordance with the law or the Statutes.

B.1.2 Supervisory Board

The Supervisory Board controls the Management Board to ensure that the Management Board and the middle management implement proper measures to create a sustainable company value. The Supervisory Board meets as necessary, but at least once every quarter of the calendar year.

The main tasks and decisions of the Supervisory Board are the followings in particular:

- Supervision of the management in order to protect the interests of the company;
- Assessment of all motions brought before the Sole Shareholder, and presenting its opinion thereof;
- Written report on financial report with the auditor’s report prior to the Sole Shareholder;
- Ascertaining that the insurance or reinsurance company has a comprehensive control system in place affording suitable facilities for effective operation;
- Supervision of the activities of the person performing the internal control function.

B.1.3 Audit Committee

The Audit Committee assists the Supervisory Board to exercise proper control of the financial reporting system, makes a recommendation concerning the election of the Auditor and assists in the cooperation with the auditor. The Audit Committee meets at least once a year.

The main tasks and scope of the Audit Committee are the followings in particular:

- The tasks of the audit committee according to the Civil Code Section 3:291 and Act on Insurance Business Section 116 subsection 7:
    - Reviewing the efficiency of the internal audit, risk management systems and the financial reporting process and in case it is needed, it proposes recommendations;
    - Monitoring the annual and consolidated financial report prepared according to the legal regulations;
    - Reviewing and monitoring compliance with the regulations on independence on the part of the auditor person or company;
- Giving opinion on the financial report prepared according to the Act C of 2000 on Accounting (Accounting Act);
- Making recommendation concerning the person and remuneration of the auditor;
- Preparation of the contract to be concluded with the auditor.

B.1.4 Management Board and Committees

The Management Board runs the company's business on its own responsibility in proper and accurate way. The Management Board is responsible for all matters which are not assigned to the Sole Shareholder, the Supervisory Board or the Audit Committee. The Management Board meets at least once per quarter.

The Management Board of UNIQA Biztosító Zrt. regulates the goals and strategies. Particularly it is responsible for the implementation, development and supervision of the governance system. It defines the risk strategy, the organisation of set-up and structure and provides a robust internal monitoring and control system.

Management Board structure

- CEO (Chief Executive Officer)
- Director of Retail Insurance
- Director of Corporate Insurance
- CFRO (Chief Finance and Risk Officer)

The allocation of responsibilities of the Management Board of the UNIQA Biztosító Zrt. are illustrated below:

CEO	Directorate of Retail Insurances	Directorate of Corporate Insurances	CFRO
Legal	Retail Product Management and Direct Sales	Corporate Personal Insurances	Risk Management*
HR and Brand	Exclusive Sales	Corporate Non-life Insurances	Performance Management
Transformation and Client management	Partner Sales	Corporate Business Development	Finance and Accounting
Bankassurance		Tender and Key brokers	Actuaries*
IT			Asset Management
Operations			Facility Management
Internal Audit*			Procurement
			Compliance**

Figure 4. Allocation of responsibilities of the Management Board

* The internal control functions are independent of any activity and line of business, which shall be controlled/supervised by them. In case of the Risk Manager, the Chief Actuary and the Compliance Officer the employer's rights shall be exercised by the Management Board, rights related to organising work have been delegated to the responsible board members. In case of the Internal Auditor the employer's rights shall be exercised by the CEO.

** Certain 2nd line of defense functions (Compliance, Financial Compliance and Data Protection) were united in Compliance department in order to strengthen the compliance functions and to make more efficient of the operation. These Compliance functions are independent in their work, and they are obliged to report regularly to the Management Board, Audit Committee, Supervisory Committee, Group functions, among others.

Committee structure of UNIQA Biztosító Zrt.

In order to support the work of the Management Board and the operation of the company, numerous separate committees have been developed to cover the core topics of UNIQA Biztosító Zrt.:

- Product Portfolio Committee;
- Risk Management Committee.
- Data Protection Committee;
- Committee for Conflict of Interest;
- Information Security Management Forum (IBMF);
- Asset Liability Management Committee (ALCO);
- Operation Committee (Organization of Business Continuity);
- Organization of Crisis Management;
- Outsourcing Supervisory Committee; and
- Reserve Committee.

The figure below provides an overview of the characteristics of these committees:

Committee	Responsibility
Product Portfolio Committee	The Product Portfolio Committee is a regular forum, where the sales and insurance technical departments are equally represented. The Committee monitors the life cycle of the products from the beginning to the point of abandoning of the products and it draws up measures in order to achieve its strategic objectives. The Product Portfolio Committee regulates and monitors the product development processes and it has a supporting role in decision making.
Risk Management Committee	The Risk Management Committee prepares recommendations for the Management Board as an independent control function and it supports the work of the Risk Management.
Data Protection Committee	The aim of the Data Protection Committee is having an efficient personal data management in accordance with the legal requirements.
Committee for Conflict of Interest	The aim of the Committee is to review at least yearly the Conflict of interest policy regarding the investment based insurance products.
Information Security Management Forum (IBMF)	The aim is the information security controll within the Company, and on the Forum the Report is presented to the participants by IT Security Officer and the Director of IT and Operations about the Security Report reagrding the evaluation of the past period, furthermore it contains proposals for the improvement of the information security management.
Asset Liability Management Committee (ALCO)	During its investment and reserving activities, UNIQA Biztosító Zrt. acts in such a way as to fulfill its undertaken liabilities at all times. UNIQA Biztosító Zrt. is committed as a priority to adequete ALM strategy. The members of ALCO shall ensure the recognised and distinct reserves and the cover statements for them in monthly repports.
Operation Committee (Organization of Business Continuity)	UNIQA Biztosító Zrt. operates the Operation Committee as part of the business continuity framesystem (BCP) and the disaster response (DRP). The scope of the Operation Committee is the announcement of disaster situation within the company and the decision-making in relation to dealing with and to prevent disaster situations and also the management of insurance emergency situations - as described in the Act on Insurance Business section 320.
Organization of Crisis Management	UNIQA Biztosító Zrt. - in case of company crisis caused by external factors, which presents high risk to the employees and the tangible and intangible property of the Company - may operate a Crisis management team. The Management Board defines the composition of the crisis management team depending on the severity of the case.
Outsourcing Supervisory Committee	The operation of such Committee is a must in case there is a contractual relationship between UNIQA Biztosító Zrt. and an outsourcing service provider company for critical or essential outsourcing activity where any executive officer or their close relative is the chief executive officer according to the Act on Insurance Business Section 50. The aim of the committee is to provide evaluation and controll continouosly at highest level primarily focusing on the conformity of the outsourced activities (service providing), efficiency of the outsourced activity and evaluation of the strategic performance.
Reserve Committee	The aim of Reserve Committee is to monitor the Solvency I and IFRS reserves.

Figure 5. Overview of committees

B.1.5 Key Functions

The following shows the tasks and organisational integration of the four mandatory key functions required by Solvency II:

- Actuarial Function
- Risk Management Function
- Compliance Function
- Internal Audit Function

Each of the key functions generates regular reports which are presented to the Management Board and /or the Audit Committee and/or the Supervisory Board. The reported information is used in the monitoring and decision-making process.

UNIQA Biztosító Zrt. has also defined the following departments as key functions: Accounting, Product Development, Underwriting, Claim Management, Insurance Fee Recovery/Payment, Own Risk Assessment and Solvency Assessment, Data Storage, Continuous Daily System Maintenance and Support (IT), Administration of Insurance Contracts and Asset Management.

Actuarial function

The Actuarial Function is provided by the Actuarial Department which department is headed by the Director of Actuaries who is responsible for and coordinates the tasks of the Department and is the Chief Actuary as well (Director of Actuaries). The holder of employer's right is the Management Board that delegated the rights of work organisation to the CFRO and the department belongs to CFRO in the organisation structure.

The Director of Actuaries may report directly to the Management Board according to the management system the Actuarial Function is independent from any other governance and key functions. The involvement of the Actuarial Function in the work of the different committees (Risk Committee) provides opportunity for him/her to receive information from and to inform directly the Management Board.

In order to the proper separation of the lines of defence, the actuaries who undertake the tasks of pricing – as part of the actuary department – has direct reporting opportunity according to the management system to the appropriate (L/NL) member of the Management Board

The Actuarial Function supports Risk Management in the Solvency Capital Requirement (SCR)-calculations and provides the Technical Provision calculations (maintains methodologies, processes and models and carries out the calculations). Within the guidelines of the actuarial function, it is set that conflicts of interest resulting from new tasks under Solvency II are to be avoided. The table below summarizes the tasks of the actuarial function:

Actuarial function
• Coordination of the technical provision calculation for the solvency balance sheet;
• Determination of the calculation process and development of fundamental methods;
• Coordination of the embedded value calculations;
• Assessment of the underwriting policy and reinsurance agreement;
• Validation of models, assumptions, data and results of calculations;
• Support of risk management;
• Preparation of actuarial reports, especially of the annual report of the actuarial function;
• Coordination of the technical provision calculation and information for the Management Board about the reliability and appropriateness of technical provision calculation;
• Providing the appropriateness of the applied methodology and the underlying models, and the assumptions observed in the technical provison calculation;
• Assessment of the sufficiency and quality of data used for technical provison calculation;
• Comparison of best estimate and data of experience; and
• Distribution of return on investment in Life business.

Figure 6. Actuarial Function

Risk Management Function

The Risk Management function of UNIQA Biztosító Zrt. reports directly to the Management Board, it is supervised by the Management Board. Regarding the Director of Risk Management, the holder of the employer's right is the Management Board that delegated the rights of work organisation to the CFRO. The Risk Management function is, within UNIQA Biztosító Zrt., independent of further governance and key functions.

The Risk Management function is responsible for the efficient implementation of the risk management system and the monitoring thereof. The processes and models of risk management in UNIQA Biztosító Zrt. are carried out in line with UNIQA Group standards. A close cooperation with the actuarial function is decisive for fulfilling the main tasks. In the context of the partial internal model, the risk management function has additional tasks.

The main tasks of the risk management function are specified below:

Risk Management function
• Execution, maintenance and coordination of the risk management at UNIQA Biztosító Zrt.;
• Execution of UNIQA Group's risk management regulations and guidelines at UNIQA Biztosító Zrt.;
• Specification of and continuous follow-up on UNIQA Biztosító Zrt's risk exposure and risk profile;
• Execution, maintenance and development of the limit system;
• Identification, follow-up and reporting the risks;
• Make risk calculations:
o SCR;
o ECR;
• Administration and development of risk models:
o Partial Internal Model for NL insurance business;
• Supporting the activity of asset-liability management;
• Operating the own risk and solvency-assessment system;
• Reporting:
o Supplying of concerning data to Supervisory Authority;
o SFCR Report;
o RSR Report;
o ORSA Report;
• Preparation to the Risk Committee meetings;
• Communication to the affected parties (eg. Supervisory auditors, external auditors).

Figure 7. Risk Management Function

In addition to the above-mentioned, the Director of Risk Management has the responsibility of all tasks regarding reinsurance and the IT and physical security department.

Compliance function

UNIQA Biztosító Zrt. established a Compliance Function as part of the second defense line to identify and to manage compliance risks. The Compliance Function is performed by the Compliance department (hereafter: Compliance). Compliance is headed by the Compliance Manager who is also the Compliance Officer as defined in Bit.

The Compliance Manager is responsible to fulfill the tasks defined in the Compliance Policy and Standard and in the Compliance plan.

The Compliance Manager performs all tasks related to a designated person deriving from Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing (hereafter: Pmt.) and Act LII of 2017 on the execution of financial and material restrictive measures imposed by the European Union and the United Nations' Security Council (Kit.).

Employees of Compliance act independently in the performance of their duties and may only be instructed by the Compliance Manager in connection with their work.

In case of the Compliance Manager, the holder of the employer's right is the Management Board that delegated the rights of work organisation to the CFRO. Compliance is required to report regularly to

the Management Board, the Audit Committee, the Supervisory Board, Group Compliance and /or the Group Data Protection Officer and the Risk Management Committee on its activities and compliance risks. It is also entitled to report on an ad-hoc basis to the member of the Management Board affected by the compliance risk.

Compliance features:

1. general compliance
2. other financial adequacy (prevention of money laundering, financial sanctions, FATCA, CRS compliance)
3. managing the structure of the internal regulations and the related processes as defined in the Rules of Policy Management.

The Data Protection Officer is organisationally part of Compliance, but performs his or her duties independently, in which case the Compliance Manager shall exercise only the rights relating to organization of work.

Main fields of activity of the Compliance Function are the following:

Compliance function
General Compliance
• Performing regulatory tasks related to Compliance.
• Monitoring changes in insurance laws and other regulations (eg supervisory regulatory tools) and parent company compliance regulations. In the event of a change in the regulatory environment, initiating the review of internal processes and regulations and amending them as necessary, informing the relevant fields.
• Examination of compliance with Compliance rules.
• According to the annual compliance plan:
o it performs risk analyses,
o monitors compliance with the regulatory environment,
o evaluates the measures taken with regard to identified compliance risks,
o examines whether internal regulations comply with the regulatory environment,
o organises trainings concerning compliance relevant topics.
• Examining the conflict of interest statement of senior executives to prevent conflicts of interest. Management and registration of conflicts of interest, making proposals for resolving the identified conflicts of interest.
• Management of the whistleblowing system, examining the reported cases.
• It provides advice about compliance risks.
• It maintains records specified in the Compliance Standard (declarations of conflicts of interest, gifts and invitations above a predetermined threshold).
Other Financial Compliance
• AML regulations, monitoring of it, data processing.
• FATCA, CRS
Data Protection Officer
• Regarding personal data, responsible for the tasks definied in the legislation and the Data Protection Policy.

Figure 8. Compliance Function

Internal audit

The internal audit function is carried out by the Internal Audit department of the UNIQA Biztosító Zrt. which is headed and organized by the Director of Internal audit, who is also the chief internal auditor as defined by Bit. and is directly subordinated to the Supervisory Board of the UNIQA Biztosító Zrt. The holder of the employer's right is directly the chief executive officer.

It is an exclusive function and cannot be conducted together with other non-audit functions. This guarantees their independence and therefore warrants efficient supervision and evaluation of the efficiency of the internal control system and other components of the governance system. The tasks of the internal audit are summarized below:

Internal Audit function
• Overall responsibility for audit activities within the companies of the UNIQA Biztosító Zrt.;
• Creation of a risk based multi-year audit plan for the UNIQA Biztosító Zrt. and obtainment of authorization – if necessary – of the Supervisory Board when substantial changes to the audit plan occur;
• Conducting of planned and special audits within the Company and the subsidiaries of UNIQA Biztosító Zrt. and regarding the outsourced activities;
• Initiation of special audits in case of imminent danger;
• Annual and quarterly reporting of the audit plan fulfilment which is presented to the Supervisory Board and Audit Committee in accordance with the periodicity required;
• Securing of the audit reporting required by law;
• Verifying the effectiveness of internal policies of UNIQA Biztosító Zrt. and the efficiency of its internal processes;
• Verifying the activity of UNIQA Biztosító Zrt. In respect of legality, security, transparency and prudential requirements;
• Audit of the correctness and completeness of regular and ad-hoc data supply to the Supervisory Authority;
• Interface between the UNIQA Biztosító Zrt. and Supervisory Authority;
• Regulary reporting the planned and ad-hoc audits to the Management Board, Audit Committee and the Supervisory Board.

Figure 9. Internal Audit Function

B.1.6 Remuneration

The remuneration policy of UNIQA Biztosító aims to achieve a balance between market trends, statutory requirements, shareholders' expectations and the needs of employees.

The basic principles of UNIQA's remuneration practice are:

Internal fairness: fair treatment of individuals within the unit/organisation with regard to their work and individual characteristics (experience, knowledge, performance, talent and potential)

External competitiveness: positioning parts of the remuneration package in the desired market position to attract, motivate and retain skilled resources; defining competitive salary ranges and monitoring market trends and salary levels by participating in remuneration surveys conducted by independent salary benchmarking providers

Preventing excessive risk-taking: adapting the size and structure of remuneration packages and remuneration instruments to the type of risks inherent in the job, taking into account the latest legislative requirements.

Financial sustainability: compliance with the approved staff budget and monitoring the impact of staff costs on the balance sheet and profit and loss account in the short and long term.

UNIQA strives to ensure that its remuneration rules promote the appropriate and effective management of sustainability risks, in such a way that the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks

In this context, UNIQA does not apply remuneration principles that are inconsistent with the integration of sustainability risks into investment decision-making processes and does not include factors that would lead to conflicts of interest with respect to sustainability risks in the design of its remuneration rules.

A key consideration in the design and review of remuneration packages is alignment with UNIQA's business strategy, short-term objectives and long-term strategic plans. The performance of individuals, teams, groups and organisations and their contribution to UNIQA's success will be rewarded through performance-based components of the remuneration package.

The Board of Directors decides on the remuneration system and the individual remuneration package for each employee, taking into account local legal regulations and the UNIQA Group Remuneration Guidelines and Regulations.

Remuneration and its individual elements are based on market reference levels and UNIQA's business results and remuneration strategy.

The subjects of the Remuneration Policy are:

- Board members,
- Persons with key responsibilities,
- Managers designated in the Corporate Governance and Organisational and Operational Rules and Team Leaders,
- as well as Employees.

General elements and principles of remuneration:

Fixed remuneration

The basic salary is a fixed element of remuneration, which is determined for employees on the basis of their responsibilities, the complexity of their tasks and their position in the hierarchy, as well as individual qualities such as experience, skills, talent and potential.

The fixed component of remuneration is a significant part of the remuneration package, to ensure that individual employees are not overly dependent on variable elements of remuneration and to limit and/or avoid excessive risk-taking.

In addition to the basic salary, individual employees may also receive fixed allowances and benefits in accordance with local rules and conditions.

Variable remuneration

Principles of variable pay

In addition to fixed elements of remuneration, UNIQA also promises employees variable elements of remuneration depending on performance.

The total amount of variable remuneration is based on an assessment of individual and company performance. Accordingly, UNIQA aims to link remuneration directly to economic objectives and business performance. Individual performance is assessed on the basis of financial and non-financial criteria.

The elements of variable remuneration are designed to encourage performance. However, the system should not encourage risk-taking that would be incompatible with UNIQA's risk profile and/or strategy.

The weighting of the variable remuneration elements depends on the length of service required and the position.

Variable remuneration elements can be linked to different time horizons. The annual bonus is a short-term incentive (STI) that measures performance over a one-year period.

UNIQA considers both financial and non-financial criteria when assessing variable remuneration.

Other variable remuneration elements

- Various performance- and results-related pay - e.g. sales bonus scheme for salaried sales staff
- Commission - sales-related payment
- Bonus on completion of projects (“project bonus”)

Extraordinary and one-off payments

Extraordinary and one-off payments are made, for example, on the hiring, buy-out, retention or other special occasions of an employee, and on termination of employment, when justified by business needs and/or market conditions

B.2 Fit and Proper Requirements

The aim of applying rules concerning fitness and propriety is to ensure that the members of the Supervisory Board and the Management Board (senior executives), the non-management officers, the key function holders and their deputies appointed by the Management Board, as well as those employees who exercise work organizational rights in relation to key function holders are sufficiently qualified and reliable for the tasks entrusted to them.

B.2.1 Supervisory Board and Management Board

Corporate fitness requirements

Members of the Supervisory and Management Board are required to collectively possess at least qualification, experience, and knowledge about the following fields of competence:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis;
- regulatory framework and requirements.

Collective “fitness” means that members of the Supervisory and Management Board are not each expected to possess expert knowledge, competence and experience within all of those areas but the Supervisory and the Management Board as a whole has to possess the collective knowledge, competence and experience in order to provide for a sound and prudent management.

Fitness requirements of members

Fitness requirements for members of the Supervisory Board and the Management Board are the following:

- management experience and
- university-level degree and
- that they are not in the employ of an insurance or reinsurance company in the capacity of auditor.

In addition to the above, UNIQA Insurance Group AG requires the candidate to satisfy at least the following conditions:

- Degree in a relevant subject (business management, legal or natural science degree), and/or completed external or internal professional training or corresponding education and/or;
- Adequate professional experience, particularly executive experience as a manager or an expert at least three years at UNIQA or in a company with similar size and/or line of business.

Assessment of fitness

The general evaluation of the candidate will be carried out first, followed by a specific examination with regard to the specifics of the institution and the function to be performed.

The assessment of the person's fitness should consider both the theoretical experience obtained through education and training and the practical experience gained from previous positions.

When assessing the theoretical experience, particular consideration should be given to the level and profile of the education and whether it relates to the areas of insurance, finance, economics, law, administration, etc.

Beyond the mandatory provisions laid down in the Act LXXXVIII of 2014 on the Business of Insurance (Bit.), practical and professional experience gained from previous positions should be assessed, with particular regard to

- length of service,
- nature and complexity of the business in which the position was held, including its organizational structure,
- scope of competencies, decision making powers and responsibilities,
- professional knowledge gained through the position about the line of business and its risks,
- number of subordinates.

In the case of members of the Supervisory Board and the Management Board, other aspects of the assessment of professional fitness include the assessment of independent thinking and the assessment of time available for the performance of the given function.

Propriety requirements of members and their assessment

Regarding propriety – beyond having no prior criminal record and beyond the obligatory provisions of Bit. – every conviction or condemnatory decision of a court, authority and professional chamber should be taken into consideration. In case of infringements that do not exclude the propriety of a person by the operation of law, the assessment should be done on a case-by-case basis. Consideration needs to be given to the severity and the type of the infringement, the level of appeal (definitive vs. non-definitive convictions), the lapse of time, as well as the person's subsequent conduct. The assessment

is based on the excerpt from criminal record, the declaration of the applicant and on publicly available data. It is also important to pay attention to any existing or potential conflict of interests, as well as to circumstances that give rise to a reasonable doubt about the persons' honesty, repute, integrity, character, personal behaviour, and financial soundness.

B.2.2 Non-management Officers According to Bit. and the Key Function Holders

UNIQA Biztosító Zrt. operates the following key functions:

Governance functions:

- Risk Management Function;
- Internal Audit Function;
- Compliance Function;
- Actuarial Function;

Other key functions:

- Accounting;
- Product Development;
- Underwriting;
- Claims Handling;
- Insurance Premium Collection / Disbursement;
- Own Risk and Solvency Assessment;
- Data Storage;
- Continuous, Daily System Maintenance and Support (IT);
- Administration of Insurance Contracts;
- Asset Management.

Fitness requirements

When assessing the fitness of non-management officers, key function holders and their deputies appointed by the Management Board, as well as those employees who exercise work organizational rights in relation to key function holders UNIQA Biztosító Zrt. extends the scope of requirements beyond what is laid down in mandatory legal provisions and regulatory requirements in terms of qualification, educational degree and other requirements if it is required by UNIQA Insurance Group AG.

The persons responsible for other key functions must have a university-level degree in the relevant field – such as in particular in the field of natural sciences, social sciences, economics, law, or engineering – or must have at least two years of relevant experience. The end of professional experience must be within ten years of the date of the beginning of employment.

Special rules apply to the fitness requirements of the person responsible for the asset management function.

Assessment of fitness

Criteria taken into account at the assessment are identical with those applied in the case of senior executives.

Propriety requirements and their assessment

Criteria and their assessment are identical with those applied in the case of senior executives.

B.2.3 Process of Fit and Proper Assessment

The assessment of fitness and propriety is implemented in the external and internal recruitment process.

Collecting the documentation required for the decision on fitness and propriety of members of the Supervisory and the Management Board is the task of Group HR in close cooperation with the General Secretary.

As a result of prior assessment by Group HR a proposal regarding the fitness and propriety of the relevant person is submitted to the person/body responsible for the assessment. As regards the members of the Supervisory Board and the Management Board it is the Board of UNIQA Österreich Versicherungen AG that is responsible for the assessment and the final decision.

Collecting the documentation which is required for the decision on fitness and propriety of non-management officers, key function holders and their deputies appointed by the Management Board, as well as those employees who exercise work organizational rights in relation to key function holders is the task of the HR Department of UNIQA Biztosító Zrt.

The HR Department submits a proposal regarding the fitness and propriety of the relevant person to the respective member of the Management Board who is responsible for the assessment and the final decision.

Re-assessment

Members of the Supervisory and Management Board, non-management officers, key function holders and their deputies appointed by the Management Board, as well as those employees who exercise work organizational rights in relation to key function holders are obliged to notify the body/person responsible for Fit and Proper assessment about any essential changes to the documentation, declarations and other information or data provided by them in the course of the assessment procedure.

The body/person responsible for Fit and Proper assessment considers and decides whether a re-assessment is required based on the changes. In the cases indicated in the internal regulation on fitness and propriety a re-assessment must be performed.

Ensuring continuous compliance

Persons subject to fit and proper rules are obliged to continue and update their education and knowledge relevant for their position.

Trainings attended by persons subject to fit and proper assessment have to be documented in their personal file. Moreover, these persons have a duty to report changes in respect to the facts and data that form the basis of their fitness and propriety.

Based on the report about changes, the body/person responsible for the assessment might initiate a re-assessment or take other appropriate measures.

B.3 Risk Management System Including the Own Risk and Solvency Assessment

B.3.1 General Information

The risk management system, as part of the governance system, serves the identification, the valuation and the surveillance of short and long-term risks which UNIQA Biztosító Zrt. is exposed to. The internal guidelines in line with UNIQA Group uniform standards include a detailed description of the organisational and process structure.

B.3.2 Risk Management, Governance and Organisational Structure

The organisational structure of the risk management system reflects the concept of the “three lines of defence”. It is precisely defined in the following sections.

First line of defence: Risk management within the business activities

The persons responsible for the business activities are responsible for establishing and operating an appropriate system of internal controls in the areas and processes for which they are responsible, while identifying and monitoring the risks associated with the business processes.

Second line of defence: Supervisory functions, including the risk management function

The risk management area and the control functions are required to monitor the business without interfering with business decisions.

Third line of defence: Internal and external examination

Internal and external audits provide independent assurance on the design and effectiveness of the internal control system, including Risk Management and Compliance.

The organisational structure of the risk management system and the most significant responsibilities within UNIQA Biztosító Zrt. are depicted below:

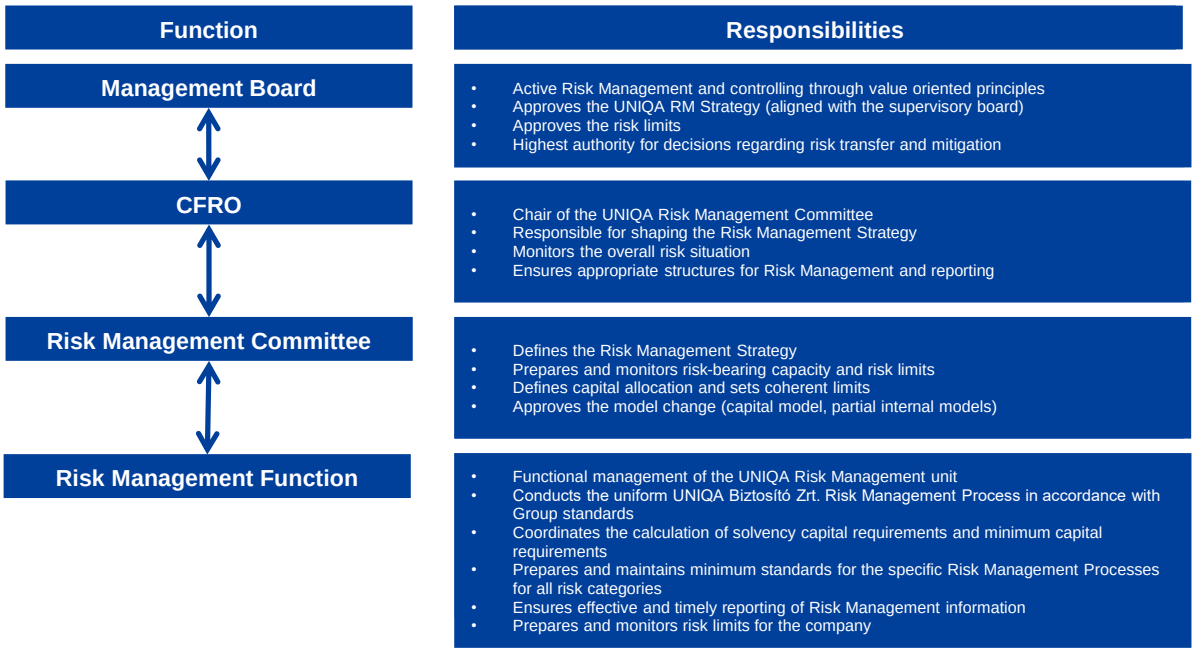

Figure 10. Organisational structure of the risk management system

Management Board functions

The Management Board of UNIQA Biztosító Zrt. is responsible for establishing the business strategy and determining the associated risk strategy. The core components of the risk management system and the associated governance are embedded in the UNIQA Biztosító Zrt. Risk Management Policy which was adopted by the Management Board.

On the level of the UNIQA Biztosító Zrt. Management Board, the function of the Chief Finance and Risk Officer (CFRO) is a separate position. This ensures that the topic of risk management is represented in the Management Board.

The risk management committee is a core component within the risk management organisation. It monitors and controls the risk profile of the UNIQA Biztosító Zrt. The aims are the control and the monitoring of the short and long-term risk profile as it is defined within the risk strategy of UNIQA Biztosító Zrt. Moreover, the committee is responsible for defining, controlling and monitoring the risk-bearing capacity and the risk limits.

B.3.3 Risk Strategy

The risk strategy describes how the company deals with risks, which represent a potential threat for achieving strategic business goals. The main purposes are maintaining and protecting the financial stability, the reputation and the profitability of UNIQA Biztosító Zrt. in order to meet the obligations towards the clients, share- and stakeholders. Last but not least, UNIQA Biztosító Zrt.'s carefully formulated risk strategy contributes to complying with the Supervisory requirements and recommendations regarding continuous capital adequacy.

The risk strategy is prepared by the risk management function of UNIQA Biztosító Zrt. and is approved by the Management Board.

A core component of the risk strategy is the definition of the risk categories. UNIQA prefers risks which can be influenced and controlled efficiently and effectively according to a reliable model. The risk profile mainly focuses on underwriting risks. The table below provides an overview of the defined risk preferences structured by risk categories.

Risk category	Risk appetite		
	low	medium	high
Underwriting Risk Non-Life			X
Underwriting Risk Life			X
Underwriting Risk Health			X
Market Risk	X		
Credit Risk / Counterparty Default Risk		X	
Operational Risk	X		
Strategic Risk	X		
Liquidty Risk	X		
Concentration Risk	X		
Reputational Risk	X		
Emerging Risk	X		
Contagion Risk	X		

Table 13. Risk appetite

UNIQA Biztosító Zrt. defines its risk appetite on the basis of the “Solvency Capital Requirements” (SCR) but corresponds to the further development of the European Insurance and Occupational Pensions Authority (EIOPA) standard formula for the SCR. The calculation of the underwriting risks within the property and casualty insurance is performed by means of a partial internal model (PIM), which following the Regulatory approval is also used for regulatory capital requirement beginning with Dec 2017.

B.3.4 Risk Management Process

On the one hand, the risk management defines the risk categories, which are in the focus of the risk management processes. On the other hand, it provides the organisation and process structure to ensure a transparent and optimal risk management process.

The risk management process delivers information on the risk profile regularly and enables the top management to take control measures in order to achieve the long-term strategic objectives. The process focuses on company-relevant risks and is defined for the following risk categories:

- Underwriting risk (property and casualty insurance, health insurance, life insurance)
- Market risk / Asset-Liability Management (ALM) risk
- Credit risk / Default risk
- Liquidity risk
- Concentration risk
- Strategic risk
- Reputation risk
- Operational risk
- Contagion risk

- Emerging risk

For these risk categories, risks are regularly identified, evaluated and reported according to a Group-wide standardised risk management process. Guidelines, that aim to regulate the processes, are implemented for most of the risk categories mentioned above. The figure below depicts the risk management process of UNIQA Biztosító:

Figure 11. Risk management process

Risk and context identification

The risk identification is the starting point for the risk management process. All significant risks are recorded systematically and described as detailed as possible. In order to process a risk identification as complete as possible, different approaches are used simultaneously. In addition, all risk categories, departments, processes and systems are taken into account.

Risk assessment

The risk categories of market risk, underwriting risk, counterparty default risk and concentration risk are evaluated by means of quantitative methods based on the Solvency II requirements[1] for the SCR and the ECM (Economic Capital Model) approach. For the results of the standard approach, risk drivers are identified and analysed in order to assess whether the risk situation is reflected adequately (in accordance with the ORSA process). All other risk categories are evaluated quantitatively or qualitatively using proper risk scenarios.

Limits and early warning indicators

Within the limit and early warning system, the risk bearing capacity and the capital requirements are determined regularly based on the risk situation and thereby, the level of coverage is derived. If critical

[1] Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 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)

coverage thresholds are reached, a precisely defined process is set in motion, which aims to bring the level of solvency coverage back to a non-critical level.

Monitoring and controlling

The process of the monitoring and controlling of risks focuses on the continuous audit of the risk environment and the fulfilment of the risk strategies. The risk manager of UNIQA Biztosító Zrt. performs the process and is thereby supported by the Risk Management Committee.

Reporting

As a result of the risk analysis and the monitoring, a risk report is prepared for UNIQA Biztosító. All risk reports have the same structure and provide an overview of the main risk indicators, the risk bearing capacity, the solvency requirements and the risk profile. Furthermore, a reporting form is available to provide a monthly update regarding the major risks of UNIQA Biztosító Zrt.

Besides the evaluation according to Solvency II, operational and other significant risks are evaluated regularly by means of expert assessments. The quantitative and qualitative risk evaluations are consolidated in a risk report and are placed at the disposal of the management.

B.3.5 Committees Relevant to Risks

An overview of the committees has already been presented in chapter B.1.4. In particular, the Risk Management Committee represents a key element within the risk management organisation. This committee is responsible for the control of the risk profile and the related definition and monitoring of the risk bearing capacity and risk limits.

B.3.6 Governance of the Partial Internal Model

The partial internal model is subject to UNIQA Group Model Governance policy and the related standards that, both at the Group and the local level, set out the governance requirement for the partial internal model. In particular, the model governance framework covers the following areas:

- Roles and responsibilities
- Internal Control System for the partial internal model
- Model validation
- Model change process
- Data quality
- Expert judgement

Roles and responsibilities

Roles and responsibilities regarding the partial internal model are the following:

Managing Board

- Approves the application to the supervisory authorities for approval of the internal model, as well as the application for approval of any subsequent major changes made to that model
- Responsible for putting in place systems which ensure that the internal model operates properly on a continuous basis
- Uses the results of PIM for steering the strategy of the company

Board Member responsible for risk management and finance

- Approval or rejection of the model and its results based on the outcome of the validation
- Approval of new assumptions that cause a major model change
- Approval of the application to the supervisory authorities for an approval of a major model change

Risk Management Committee

- Regular discussion of the model results and of the results of model validation
- Internal approval of major model changes
- Delegation of specific partial internal model related tasks to expert sub-committees, as described below

Internal Model Subcommittee

- Ongoing discussion of the partial internal model at a technical level
- Regarding the locally owned model components, decision on model changes to be implemented and development of these changes
- Internal approval of minor model changes, notifying the Risk Management Committee
- Approval of new methodology assumptions that imply a minor model change

Validation Subcommittee

- Discussion of the validation results and decision on the validation outcome

Risk Management Function

- Local implementation of model governance standards
- Planning and coordination of the model calculation
- Definition and review of internal controls
- Preparing, maintaining and updating the model documentation
- Performing independent validation of the model including suitability assessments, preparing validation reports
- Monitoring the ongoing compliance of the model with the requirements for internal model approval
- Suggesting areas for model improvements

Actuarial Function

- Coordination of data collection for the partial internal model
- Model parameterisation, including documentation in the Parameterisation Report
- Performing meta-control tasks over the Reserve Risk parameterisation parts performed by Group Actuarial
- Preparing model inputs
- Performing dependent validation tests on the model inputs, supporting independent validation with quantitative inputs

Group Actuarial

- performs Reserve Risk parameterisation for those lines of business where the Bootstrap methodology is used

Internal Audit Function

- Independent review of model governance, use test, data quality and documentation

Internal Control System for the partial internal model

A comprehensive control checklist, covering every data collection and calculation step, is completed during each partial internal model calculation process. Control responsibilities ensure that the four-eyes principle is observed. In addition, internal controls apply to the model validation process.

Model Validation

Comprehensive requirements for the validation process are set out by the UNIQA Group Validation Standard. The following types of validation are distinguished:

- Initial validation
- Ongoing validation
- Ad-hoc validation

The initial validation of the partial internal model was performed in 2015 and it is to be repeated at regular 5-year intervals beginning from the regulatory approval of the model. Accordingly, a comprehensive re-validation took place during 2020. The scope of the initial validation or re-validation program includes the review of all sub-models and all model components: coverage and use, model structure and methodology, data, model parameterisation, computational processes and results testing, model-specific governance. The initial validation program also includes a non-model specific part, covering model governance, use test, data quality management, profit and loss attribution, calibration standards and compliance with partial internal model requirements.

An ongoing validation process is performed parallel to each annual partial internal model calculation, where a successful validation result is required for the approval of the model results. The ongoing validation program includes the following tests:

- Documentation appropriateness
- Data quality assessment
- Profit & Loss attribution
- Use test and risk mitigation
- Model Back-testing
- Model re-parameterisation including expert judgment
    - Goodness of Fit
    - Sensitivity and Stability Analysis
    - Analysis of Change
    - Model versus Plan
    - Scenario-, Stress- and Reverse-Stress-Testing
    - Diversification effects
- Parameter uncertainty
- Emerging risk assessment and model assumptions

An ad-hoc validation process is triggered by model changes, changes in the risk profile or the need for re-validation of the problem areas identified by an earlier validation process.

Model Change Process

Standards for the model change process are set out in UNIQA Group Model Change Sub-Policy. Qualitative and quantitative criteria are defined for classifying a model change as either a minor or a major one (a major model change requiring regulatory approval before use). Triggers for model changes include emerging risk assessments and the weaknesses identified in the validation process. There are rules for the reporting, documentation, validation and approval of model changes. As a general rule, a model change cannot be used before it is successfully validated and approved.

Data Quality

The partial internal model is subject to the UNIQA Group Data Quality Standard. Data quality requirements include the definition of data dictionaries and data flows as well as data quality assessments.

Expert Judgement

Areas of expert judgement include the setting of methodology assumptions and regular expert judgement during the model parameterisation. Both are subject to UNIQA Group Expert Judgement Standard. In particular, the assumptions of the model have to be identified, documented, assessed for materiality and regularly validated.

B.3.7 The Company's Own Risk and Solvency Assessment

UNIQA's Own Risk and Solvency Assessment (ORSA) process is forward-looking and is an integral part of the business strategy, the planning processes and the overall risk management concept at the same time. The results of the ORSA cover the following contents:

1. Standard formula: process, methodology, appropriateness and variations;
2. Assessment of the overall solvency needs: process, methodology, own funds (OF), economic capital requirement (ECR), stress and scenario analyses, risk mitigation, climate risk;
3. Assessment of continuous compliance of the solvency-/minimal capital requirements (SCR/MCR) and technical provisions: limit system, SCR projection, stress and scenario analyses, technical provisions
4. Conclusions and strategy review and
5. Appendix.

Integration of the ORSA process

The ORSA process is of significant importance to the entire UNIQA Biztosító Zrt.. A continuous exchange occurs between the ORSA and risk management processes, which supplies ORSA with the relevant inputs. It ensures an effective and efficient management of UNIQA Biztosító Zrt.'s risks and is therefore a crucial element for the fulfilment of all regulatory capital requirements (SCR and MCR) and the complete solvency requirements (internal perspective) both at the moment and throughout the whole planning period.

The reference date for the ORSA of UNIQA Biztosító Zrt. is 31 December of the previous year. This ensures that ORSA is up to date and that the results of the strategy and planning processes as well as the specification of the risk and strategy framework for the following year can be included. Next to the annual ORSA, unscheduled ORSA runs can also take place. For this purpose, UNIQA Biztosító Zrt. has defined various incidents which initiate the assessment process to determine whether an

unscheduled ORSA is necessary. As soon as an initiating incident takes place, the Management Board of UNIQA Biztosító, is informed. The risk management department analyses, whether an unscheduled ORSA has to be performed. In form of a recommendation, the result is delivered to the Management Board, which decides, whether an unscheduled ORSA is necessary.

The ORSA 8-step approach

The ORSA process of UNIQA Biztosító Zrt. is based on an 8-step approach which is executed in an integrated way between the risk management function and the Management Board. In the paragraph below, UNIQA Biztosító Zrt.'s 8-step approach is explained.

During step (1) of the UNIQA ORSA approach, the relevant risks for the ORSA process are identified and the methods and assumptions defined. Step (2) 'Analysis of Risk Profile' covers the valuation of UNIQA risks within the ECR framework. Step (3) comprises the projection of the ECR, the SCR, the application of stress (including reverse) tests and scenario analysis. The results and the methods applied are recorded as 'ORSA results' in step (4). During step (5) 'steering/management (coordination)' the necessity for the application of risk mitigation measures is reviewed and if necessary applied, while the risk position UNIQA Biztosító Zrt. is monitored during step (6) based on a stoplight system and if necessary additional measures are applied. The final ORSA report is also created during step (7). The application of risk limits step (8) covers the limitation of risks based on individual risk categories and the allocation of own funds to the identified risks.

The ORSA 8-step approach explained above is characterised by a continuous exchange of information between the various involved parties. The Management Board of UNIQA Biztosító carries the final responsibility of the approval of UNIQA Biztosító Zrt.'s ORSA and it discusses the methods and assumptions for the ORSA process with the risk management department. Furthermore, the Management Board is responsible for the approval of the results of the ORSA report. The participation of the Management Board of the company ensures that it is always informed about UNIQA Biztosító Zrt.'s risk positions and the Own Funds requirements resulting from it.

Risk identification

The identification of risks is the basis of a complete risk management and ORSA process. This identification process covers the risk exposures with regard to all risk categories as described in Section Risk profile. The risks are identified by the appropriate risk owner. This identification is based on various expert conversations regarding the risks. Consequently, particular risk-generating processes are analysed. Risk owners are chosen on basis of the extent of their radius of operation within the organisational structure.

Continuous fulfilment of solvency requirements

The overall solvency needs of UNIQA Biztosító Zrt. that are called economic capital requirement (ECR) represent the result of all capital requirements. For the particular risks, diversification effects are included according to the Solvency II standard formula for the individual risk modules and lines of businesses, for which the standard model is used. The risk evaluation occurs by means of the following methods: Solvency II standard approach, internal economic capital requirements, partial internal model or qualitative assessment of non-quantitative risks.

On the basis of projections, UNIQA Biztosító Zrt. guarantees that it continually ensures the regulatory capital requirements throughout the business planning period and beyond. This is the reason why the regulatory capital requirements SCR, the ECR and the available capital are projected over a planning

period of five years. Moreover, stress tests are carried out by performing scenario and sensitivity analyses. These scenario analyses are based on possible future scenarios with a material influence on the capital and the solvency position of UNIQA Biztosító Zrt. By analysing the sensitivities, the influence on individual risk drivers is assessed by means of scenario tests. A hypothetical world, consisting of different risk drivers, is being analysed here. Based on the available capital and the risk appetite, the overall risk budget of UNIQA Biztosító Zrt. can be determined.

B.4 Internal Control System

B.4.1 Internal Control System

The Internal Control System (ICS) shall ensure the insurance company's compliance with applicable laws, regulations and administrative provisions and the effectiveness and the efficiency of the company's operations in light of its objectives as well as ensure the availability and reliability of financial and non-financial information. ICS is a framework that provides a standardized process, which guarantees that risks related to the effectiveness and efficiency of insurance activities, compliance and generation of reliable (non-) financial information will be minimized, prevented or eliminated through predefined controls and procedures. Special importance is attached to the transparent and efficient organisation of the process. Therefore, an internal control system for the reduction and avoidance of risks was implemented for all processes in which significant financial and/or operative risks as well as compliance risks can occur.

For UNIQA Biztosító Zrt. an internal guideline serves as base for the implementation of the internal control system. It defines the minimal requirements regarding organisation, methods and extent. The ICS guideline specifies that the internal control system has to be implemented based on an approved value chain from the Group, focusing on the processes on a higher level, with flexibility to customize to local needs. During the ICS process the local unit has to assure that all significant risks are identified based on a common risk catalogue developed by the Group. Main areas that are covered within the ICS, evaluated mainly on a qualitative basis, are: Sales, (Non-)Life Underwriting, Claims Management, Finance and Accounting, (Non-)Life Actuarial, Compliance, Legal, Risk Management, Reinsurance, Human Resources, Controlling, Customer Services, Marketing, IT & Operations, Strategy & Project Management, AML and Internal Audit. Additionally there are two main processes, IFRS and EBS, that are quantitatively evaluated.

The concept of the "Three lines of defence" is also valid for the ICS framework. There is a person in charge for each of the mentioned areas covered who is responsible for the organisation of an efficient internal control system within his or her field of responsibilities.

According to the ICS guidelines of UNIQA Biztosító Zrt., the following activities have to be carried out during the execution of the ICS process in the areas mentioned above:

- Scoping of relevant risks for the area from the common risk catalogue
- Risk and control self-assessment
- Monitoring
- Management reporting

In order to guarantee a continuous assessment of the control quality, a monitoring system for the examination of the control performance, transparency and efficiency is crucial and has to be established for every process. The assessment of these criteria should take place via standardised control assessment and has to be defined individually for each process.

The following criteria have to be taken into account:

- Design effectiveness – measures the effectiveness of the control based on the way the control is designed, i.e. expected risk mitigation effect
- Operational effectiveness – determines whether a control is effective during its operation

Each owner of the above-mentioned areas annually submits an ICS report, which includes information on the control performance, as well as residual risk assessment and planned measures. Then also an overall ICS summary for the whole company is prepared. This includes an overall assessment of the areas covered in the ICS, risks identified from the common risk catalogue, controls defined and evaluated, residual risk assessment and planned measures. The ICS summary for the company is created on an annual basis. It is brought to the attention of the CFRO and discussed within the Risk Management Committee.

B.4.2 Compliance Function

A permanent, properly functioning compliance function is installed at UNIQA Biztosító Zrt. in line with the governance principles set out by UNIQA Group and the National Bank of Hungary. Independence of the Compliance function, - from the areas it monitors and advises for- is ensured by the Organizational and Operational Rules of UNIQA Biztosító Zrt. The Board of Directors appoints the Compliance Officer. Compliance is required to report regularly to the Board of Directors, the Audit Committee, the Supervisory Board, the Group Compliance and the Risk Management Committee on its activities and compliance risks.

The activities of the compliance function are performed in accordance with the Annual Activity Plan. The scope of activities of the compliance function is described in the Compliance Policy. One of the main obligations of the Compliance Function is the monitoring of the changes of legislative acts and other regulatory tools (e.g. supervisory regulatory tools) (hereinafter: regulatory environment) and accordingly the initiation of the review - and if it is necessary - the modification of internal processes and internal regulations. The Compliance Function performs compliance risk analyses, monitors compliance with the regulatory environment, evaluates the measures taken with regard to identified compliance risks, and organizes trainings concerning compliance relevant topics and maintains records specified in the Compliance Standard. The Compliance Function has to draw up and regularly update the Compliance Policy and the Compliance Standard according to the guidelines of the Group Compliance Function as well as other compliance-related internal regulations such as about policy management, conflicts of interest, evaluation of fitness and propriety, code of conduct etc.

The Compliance Function is entitled to have access to all data and documents that are necessary to perform its tasks.

Compliance risks are owned by business departments, while Compliance, as the second line of defence function is accountable for supporting the business and monitoring these risks through preventive advice and control related activities.

B.5 Internal Audit Function

“Internal Audit” function is one of the key functions under Solvency II framework Directive. In order to comply with the regulations, a separate department has been created for the Internal Audit function at UNIQA Biztosító Zrt. Internal Audit is directly subordinated to the Supervisory Board of UNIQA

Biztosító Zrt. and the Chief Executive Officer of UNIQA Biztosító Zrt. exercises the employer's rights over Internal Audit.

Responsibilities of the Internal Audit function:

- audit of the insurance activities of UNIQA Biztosító Zrt. from a regulatory, security, transparency and efficiency (prudential) point of view
- audit of internal processes of UNIQA Biztosító Zrt. with respect to the effectiveness of related internal policies
- checking the quality (accuracy) and completeness of the Regulatory data reports submitted to the Authority at least quarterly
- providing independent and objective auditing and consultancy services, in order to improve business processes and enhance business value
- preparation of audit reports and submission at least the summary of reports to the supervisory and management board

Main tasks of the Internal Audit function:

- auditing of UNIQA Biztosító Zrt. and its subsidiaries
- execution of planned and ad-hoc audits
- in case of immediate risk situations performs special investigation, which is approved by the Supervisory Board
- preparation of quarterly reports on the fulfilment of internal audit plan
- regular submitting and reporting of internal audit results to the Management Board, Audit Committee, and Supervisory Board of UNIQA Biztosító Zrt. and to the heads of the audited departments
- preparation of annual report on the fulfilment of internal audit plan, submission of the report to the Supervisory Board
- monthly follow-up of the execution of audit findings
- performing internal audits required by the regulations
- audit of the proper operation and effectiveness of the internal policies of UNIQA Biztosító Zrt.
- checking the quality (accuracy) and completeness of the Regulatory data reports of UNIQA Biztosító Zrt. submitted to the Authority
- operating as a single point of contact between the Supervisory Authority (National Bank of Hungary), and UNIQA Biztosító Zrt.

Organization

Internal audit function is performed by the Internal Audit Directorate at UNIQA Biztosító Zrt. The unit is managed and organized by the Internal Audit Director, who at the same time performs all tasks required by the Insurance Act.

Internal Audit is an exclusive function that cannot be performed together with other non-audit tasks. It guarantees the independence of Internal Audit and ensures the effective supervision and evaluation of the internal control system and the other management systems within UNIQA Biztosító Zrt.

In order to be able to fulfil the audit function, internal auditors are authorised to review all documents and data and to receive all necessary information that are needed to fulfil their audit assignments. Every employee of UNIQA Biztosító Zrt. and its subsidiaries, including the contractual partners of outsourced activities, is obliged to ensure the availability of all required documents and data without any delay and to give all information internal auditors need. Access to all rooms of UNIQA Biztosító Zrt. must be granted without any exception.

B.6 Actuarial Function

Within UNIQA Biztosító Zrt., the Actuarial Function is held by the head of Actuarial Department. The tasks of the Actuarial Function have already been described in chapter B.1.5. Key Functions.

The director of the unit Actuarial Department, the Chief Actuary is defined as a key function within UNIQA Biztosító Zrt. and has to fulfil the Fit & Proper requirements as described in section B.2.2.

Within the annual Actuarial Function Report, the Actuarial Function reports to the Management Board. The report contains all activities completed within the reporting period, as well as their results. Here, especially optimisation potentials are highlighted and recommendations for actions are made in order to improve them, together with a follow-up on last year's recommendations. The report follows precisely defined structure specifications.

B.7 Outsourcing

The Outsourcing Policy of UNIQA Biztosító Zrt. provides for detailed rules regarding the types of outsourcing, as well as the entire process, the control and supervision and the termination of outsourcing.

Outsourcing of activities to legal entities in which UNIQA Insurance Group AG has at least a share (and/or voting rights) of 50% directly or indirectly, is defined as intragroup type of outsourcing, whereas outsourcing towards legal entities where UNIQA Insurance Group AG has less than the previously mentioned shares (and/or voting rights), belong to the category of external outsourcing. It is important to highlight that key functions are not allowed to be outsourced externally in their entirety.

An outsourcing agreement is defined as Group outsourcing if more than one legal entity of the UNIQA Group outsources the same business processes to one internal or external service provider.

The Outsourcing Policy defines also those functions and activities which are considered to be key.

As far as the process of outsourcing is concerned, detailed rules have been laid down regarding the criteria for choosing the eligible service provider. The Procurement Policy and the Outsourcing Policy specifies those organisational units that participate in the election of the service provider and in drafting the outsourcing agreement. It also names the cases that require prior approval of the Management Board or Supervisory Board and contains a list of mandatory elements of the outsourcing agreement. This latter is of particular importance in order to ensure that UNIQA Biztosító Zrt. is able to meet its obligations of effective control and supervision towards the service provider and that it is equipped with proper strategies of exiting the outsourcing arrangement in case of noncontractual delivery of services.

UNIQA Biztosító Zrt. has outsourced the following key functions and activities:

Activity	Jurisdiction of service providers	Type of outsourcing
Claims handling activities	Hungary	group internal
Other claims handling and claims adjustment activities related to life & non-life claims handling	Hungary	group internal
Certain activities related to asset management	Austria	group internal
Administration, back-office, electronic data procession, product development	Hungary	group internal
Certain IT and telecommunication activities	Austria	group internal
Certain claims handling and service organization activities related to medical care	Hungary	group external

Table 14. Outsourced activities

B.8 Any Other Information

UNIQA Biztosító Zrt. places a high quality standard on the design of its governance system. In particular, strict adherence to the so-called “Three Lines of Defence” concept is crucial for a clear separation of roles and responsibilities. This is underscored by the development of a committee system by which the Board integrates the governance and key functions into the decision-making process in structured form. The governance system of the UNIQA Biztosító Zrt. is examined on an annual basis.

C. Risk Profile

C.1 Overview of the Risk Profile

The solvency capital requirement of UNIQA Biztosító Zrt. is calculated on the basis of the Solvency II standard formula and a partial internal model (PIM) for the calculation of the solvency capital requirement non-life integrated in into the Solvency II standard formula. The calculation approach serves the determination of the regulatory capital requirement for the company. The partial internal model covers non-life underwriting risk and health underwriting risk non-similar to life techniques. The calculation method of the partial internal model and the standard formula ensures that the capital requirement takes into account all quantifiable risks to which UNIQA Biztosító Zrt. is exposed to. An essential goal is to fully cover the existing business as well as the new business, which will be concluded within the next 12 months. New business is only considered in the non-life business line or health business line (similar to non-life). The underlying risk measure for both the partial internal model and the standard formula is 99.5 per cent VaR (Value-at-Risk) over a one-year time horizon. This means that the solvency capital requirement represents an amount of loss whose probability of occurrence over a one-year period is 1 in 200.

The solvency capital requirement is the sum of three components:

- Basic Solvency Capital Requirement (BSCR)
- Capital requirement for operational risk
- Adjustment for loss absorbency effects

The BSCR is calculated by aggregating the different risk and sub-risk modules taking into account correlation effects. Moreover adjustments for the loss-absorbing capacity of future profit sharing and deferred taxes are made. The sum of BSCR as well as capital requirements for operational risk and adjustments for future profit sharing and deferred taxes amounts to the SCR (Solvency Capital Requirement).

The following figure illustrates the composition of the corresponding risk and sub-risk modules. Each standard formula-based module is calculated by means of a scenario or a factor-based approach according to Delegated Regulation (EU) 2015/35 of the Commission[2]. In the partial internal model a probability distribution forecast is calculated via stochastic simulation.

[2] Delegated Regulation (EU) 2015/35 of the Commission from 10 October 2014 in addition to the Directive 2009/138/ EG of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

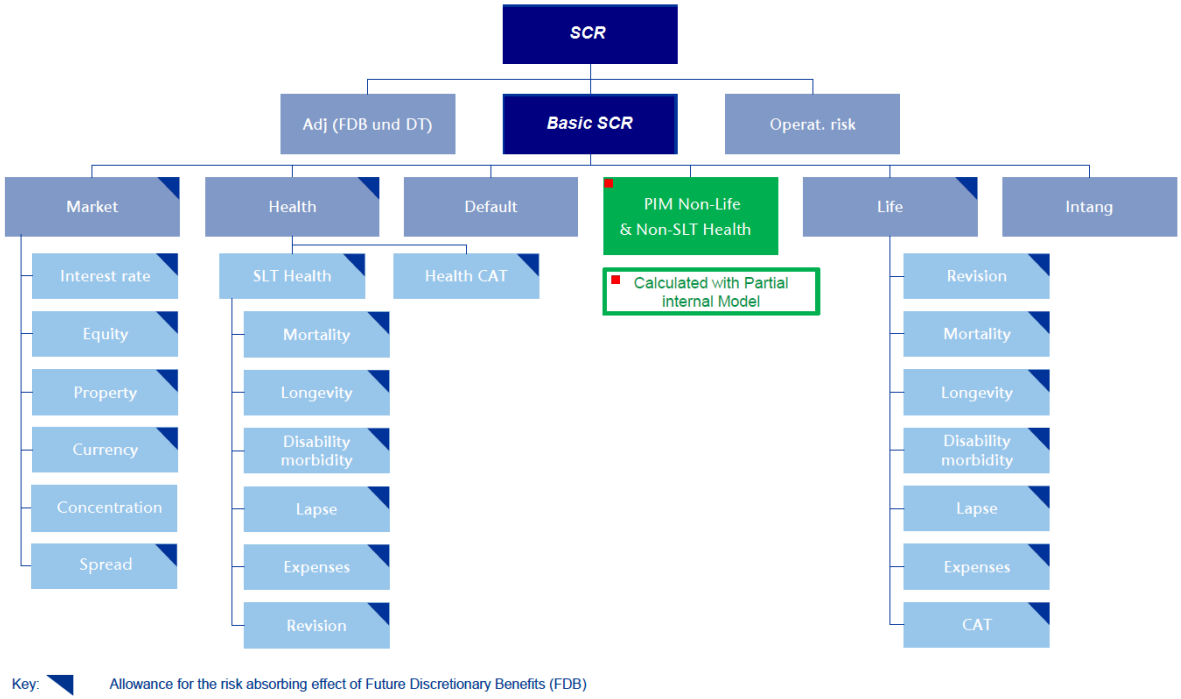

Figure 12. Risk Composition of the SCR

Table 15 illustrates the risk profile and the composition of the SCR of UNIQA Biztosító Zrt. as at 31 December 2021. The biggest risk driver of the company is life underwriting risk with a share of 32 per cent of the overall capital requirement (SCR). The detailed composition of the individual risk modules is described in the following sections. The solvency ratio as at 31 December 2021 is 190.4 per cent which indicates that UNIQA Biztosító Zrt. has sufficient capital to meet its risk profile according to Solvency II standards, as well as the internally-defined target level and is in line with the Supervisor's Guideline on Volatility Capital Buffer.

Position	2021 in Thousand HUF
SCR	**15,260,039**
Basic SCR	14,428,031
Market risk	6,292,636
Counterparty Default Risk	1,979,563
Life underwriting risk	7,069,528
Partial Internal Model Non-Life	6,193,842
Health Underwriting Risk	276,253
Diversification	(7,383,792)
Intangible assets (related risk)	-
Operational risk	2,212,950
Loss absorbency of future profit sharing	-
Loss absorbency of deferred taxes	(1,380,942)
Own funds to cover SCR	**29,056,098**
Solvency ratio	190.4%
Free surplus	13,796,059

Table 15. Risk profile and the composition of the SCR

C.2 Underwriting Risk

C.2.1 Description of Risk

Underwriting risk includes the following risk components:

- Non-life underwriting risk
- Life underwriting risk
- Health underwriting risk

Non-life underwriting risk

Non-life underwriting risk is defined as follows:

- The risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements (reserve and premium risk).
- The risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events (catastrophe risk).

Life underwriting risk

Life underwriting risk is defined as follows:

- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the mortality rates which are ascribed to an increase (mortality risk) or decrease in the mortality rate (longevity risk).

- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the disability, illness and morbidity rates (disability-/morbidity risk).
- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the administrative expenses (operating expenses) of insurance and reinsurance contracts (life insurance expense risk).
- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the revision rates for annuity insurances, which are ascribed to changes in the legal environment (revision risk).
- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the lapse, cancellation, renewal and surrender rates of insurance policies (lapse risk).
- The risk of loss, or of adverse changes in the value of insurance liabilities, resulting from a significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events (life catastrophe risk).

Health underwriting risk

Health underwriting risk is defined as follows:

- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the costs incurred in servicing insurance and reinsurance contracts.
- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the timing, the frequency and the severity of insured risks, as well as the amount of performance regulations at the time of the provisioning.
- The risk of loss, or of adverse changes in the value of insurance liabilities, resulting from a significant uncertainty of pricing and provisioning assumptions in respect of outbreaks of larger epidemics and the risks related to them.

C.2.2 Risk Exposure

Non-life underwriting risk and health underwriting risk similar to non-life insurance

In UNIQA's partial internal model, non-life underwriting risk is modelled jointly with Health underwriting risk similar to non-life insurance (NSLT) which includes short-term accident and health insurance. These risks are displayed in Table 16 below. The amounts shown are allocated figures including diversification effects. The premium risk figures shown in the table also include catastrophe risk (the risk of natural catastrophes, man-made catastrophes and catastrophic accidents) and business risk (the risk that future premiums and costs deviate from the plans). The largest component of the risk module is non-life premium risk, which is dominated by the Fire and other property insurance, Motor vehicle liability insurance, Income protection and Other motor insurance lines of business.

Position	in Thousand HUF	2021 in %
SCR non-life underwriting risk	**6,193,285**	
Non-life premium risk (allocated)	5,038,191	81.3%
Non-life reserve risk (allocated)	259,456	4.2%
Health NSLT premium risk (allocated)	862,503	13.9%
Health NSLT reserve risk (allocated)	33,135	0.5%

Table 16. Composition of the risk module non-life underwriting risk and health underwriting risk similar to non-life

Life underwriting risk

This risk module was the largest component of the company's SCR at the end of 2021, contributing 32 per cent of the basic solvency capital requirement (BSCR).

Table 17 illustrates the composition of the solvency capital requirements of life underwriting risk for each sub-risk module.

The biggest sub-risk is lapse risk: in this sub-module the most adverse one of three alternative shocks (increase in lapse rates, decrease in lapse rates, mass lapse scenario) is selected. For UNIQA Biztosító Zrt. the dominant scenario is the mass lapse shock. The second biggest sub-risk is expense risk: this sub-module reflects the impact of simultaneous significant shocks affecting both the level and the annual inflation rate of life underwriting expenses. The largest part of both lapse and expense risk is related to the unit-linked portfolio of the company.

The sub-risk modules for longevity and revision risk arise in respect of non-life annuities, mainly in respect of Motor TPL claims.

Position	in Thousand HUF	2021 in %
SCR life underwriting risk	**7,069,528**	
Mortality Risk	397,909	4.4%
Longevity Risk	46,184	0.5%
Disability Risk	32,629	0.4%
Lapse Risk	4,594,887	50.6%
Expense Risk	3,014,767	33.2%
Revision Risk	28,493	0.3%
CAT Risk	963,856	10.6%
Diversification	*(2,009,197)*	

Table 17. Composition of the risk module life underwriting risk

Health underwriting risk similar to life insurance

Health underwriting risk (similar to life insurance, SLT) includes long-term health insurance contracts. The tables below illustrate the composition of the solvency capital requirements of health underwriting risk (similar to life insurance) by sub-risk module, and of health catastrophe risk similar to life insurance. Disability and morbidity risk is the main risk driver within this risk module. The marginal catastrophe risk component reflects the mass accident risk related to all accident contracts.

Position	in Thousand HUF	2021 in %
SCR health underwriting risk	**276,253**	
Health underwriting risk similar to life	40,672	13.4%
Health insurance CAT risk similar to life	263,264	86.6%
Diversification	*(27,682)*	

Table 18. Composition of the risk module Health underwriting risk

Position	in Thousand HUF	2021 in %
SCR health underwriting risk similar to life	**40,672**	
Mortality risk	0	0.0%
Longevity risk	-	0.0%
Disability/Morbidity risk	31,998	58.3%
Lapse risk	16,109	29.4%
Expense risk	6,758	12.3%
Revision risk	-	0.0%
Diversification	*(14,194)*	

Table 19. Composition of the risk module Health underwriting risk - details

C.2.3 Risk Assessment

This section gives a brief overview of the risk quantification methods used for determining the solvency capital requirement.

Non-life underwriting risk and health underwriting risk similar to non-life insurance

Non-life underwriting risk, including health underwriting risk similar to non-life insurance is quantified by a partial internal model developed by UNIQA Group and approved by the regulator since late 2017. The partial internal model generates a probability distribution forecast of the economic underwriting result on a one-year time horizon via stochastic simulation. In particular, the following stochastic risk drivers are modelled:

- Premium Risk
  - Business risk: premium rates, risk years exposure and operating costs
  - Non-CAT claims: attritional losses and individual large losses
  - CAT claims: natural catastrophe losses and man-made catastrophe scenarios
- Reserve risk
  - Reserve run-off result

The capital requirement is determined as the 99.5 per cent VaR (Value-at-Risk) of the simulated economic underwriting loss. The probability distributions of the individual risk drivers are based on company-specific parameterisation derived from historical experience and forecast information.

Simulated natural catastrophes are drawn from event-loss tables generated by external catastrophe models. The aggregation of the stochastic variables is done by the Gaussian copula method, taking into account the dependencies between lines of business and between risk drivers.

The partial internal model uses a more granular line-of-business structure than the standard formula, which allows the modelling of the risk mitigating impact of individual reinsurance arrangements, including non-proportional reinsurance contracts. The calculation of non-life underwriting risks also covers unexpected losses generated by new business to be acquired within the following 12 months.

Life underwriting risk[3]

The solvency capital requirement for life underwriting risk and risk mitigation from future profit participation are calculated by applying the risk factors and methods which are described in the Delegated Regulations 2015/35 in the chapter concerning the module underwriting risk.

The solvency capital requirement per sub risk module is derived from the change of Best Estimates for guaranteed payments under shock. The following figure illustrates the Net Asset Value (NAV) approach.

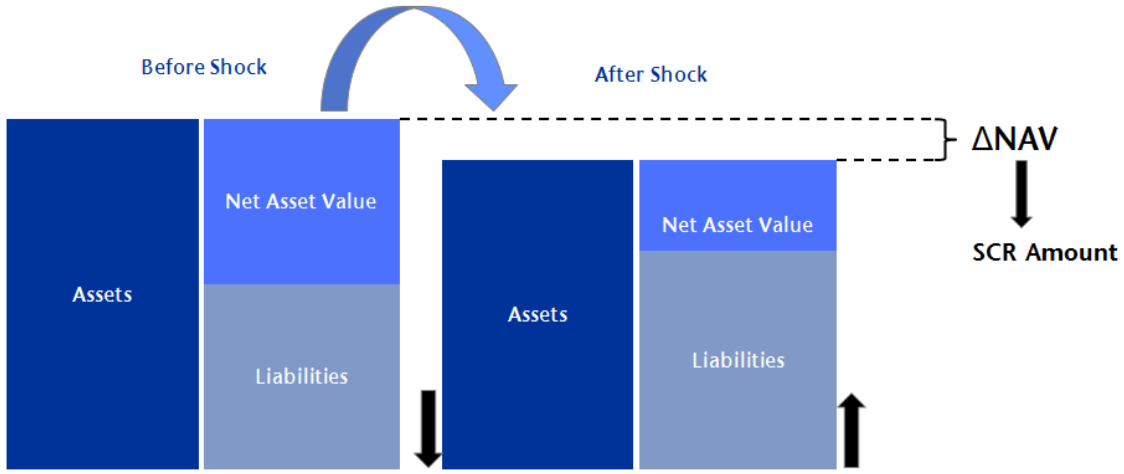

Figure 13. NAV approach

The following table illustrates the application of shocks per sub risk module under the NAV approach. The NAV is calculated on this basis.

[3] Delegated Regulation (EU) 2015/35, Chapter V, Section 3, Article 136ff

Sub risk module	Used shock
Mortality risk	Instantaneous permanent increase of mortality rate by 15%
Longevity risk	Instantaneous permanent decrease of mortality rate by 20%
Disability risk	A combination of the following instantaneous permanent changes: increase of disability and morbidity rate by 35% within the following 12 months, 25% within the time after the following 12 months, as well as a decrease of disability and morbidity rate by 20%.
Lapse risk	3 shocks are being used: • imminent and constant decrease concerning the exercise of option rights by 50% • imminent and constant increase concerning the exercise of option rights by 50% • a mass lapse based on a combination of different imminent events
Cost risk	A combination of the following imminent and constant events: • An increase of costs by 10%, as well as • An increase of cost inflation rate by 1 percent point
Revision risk	An imminent and constant increase of annual payments for annuities, which are exposed to a revision risk by 3%
CAT risk	An imminent, inconstant increase of 0.15 % of the mortality rates for the next 12 months expressed in percentage points

Table 20. Application of shocks per sub risk module under the NAV approach

In respect of almost all of the life insurance portfolio, the life underwriting risk sub-modules have been calculated according to the standard scenario-based approaches. In respect of part of life insurance business without profit participations (including group life insurance contracts), factor-based simplifications according to Articles 91, 93, 94 and 96 of the Delegated Regulation (EU) 2015/35 have been used to calculate the life mortality, life disability-morbidity, life expense and life catastrophe capital requirements. The capital requirements calculated via simplifications covered 33% of life mortality risk, 51% of life disability-morbidity risk, 0.1% of life expense risk and 93% of life catastrophe risk.

Undertaking-specific parameters have not been used in the calculation of life underwriting risk.

Applying the correlation factors, which are described in the Delegated Regulation 2015/35, the results of sub-risk modules are aggregated in order to determine the solvency capital requirement for life underwriting risk. Regarding lapse risk, the most adverse one of 3 scenarios (increase of lapse rates, decrease of lapse rates, mass lapse scenario) is taken into account in the aggregation.

Health underwriting risk similar to life insurance[4]

The Health SLT underwriting risk sub-modules have been calculated according to the standard scenario-based approach for the following relevant submodules: Longevity risk, Disability-morbidity risk, Lapse risk, Expense risk. Undertaking-specific parameters have not been used in the calculation.

Applying the correlation factors, which are described in the Delegated Regulation 2015/35, the results of sub-risk modules are aggregated for health underwriting risk (similar to life insurance).

In order to calculate the catastrophe risk for health insurance, three different stress scenarios are calculated. The scenarios include a) the mass accident risk, b) concentration risk for accidents and c) pandemic risks. The results of these scenarios are correlated into one catastrophe risk. As at end-of-year 2021, the health catastrophe risk profile of the company (other than those risks similar to non-life, covered by the partial internal model) only included the mass accident risk.

C.2.4 Risk Concentration

Material underwriting concentrations exist in non-life underwriting risk, in particular regarding catastrophe risk, as explained below. It is noted on the other hand that the probability of a catastrophic event causing a major loss due to this risk concentration is low, furthermore the risk for the company is strongly reduced via reinsurance arrangements covering catastrophic losses.

Non-life underwriting risk

The essential risk concentration is the exposure to natural catastrophe risk, most importantly to the earthquake and flood perils.

Regarding the earthquake peril, UNIQA Biztosító Zrt. has a risk concentration in the Budapest area (industrial and property risk concentration). While seismic activity in the area of Hungary has been moderate historically, nonetheless a number of destructive earthquakes have been recorded at return periods upward from hundred years. This includes some historical events in the larger Budapest area, which, if repeated, could cause significant gross loss to the company. Regarding floods, events affecting the Danube river catchment area may cause flooding simultaneously along several river sections in Hungary, which could hit insured property across a large geographical area.

Natural catastrophe risk is analysed by UNIQA Biztosító Zrt. via the natural catastrophe module of the company's Partial Internal Model Non-Life, approved by the regulator since late 2017. Alongside earthquake and flood, this model includes peril components covering also windstorm and hail events.

On the basis of the results of these models, appropriate risk management measures are taken. Uniform policies and standards are in place in UNIQA Biztosító Zrt., in line with those of UNIQA Group, aiming to guarantee existence of comprehensive risk management processes and risk mitigation measures that reduce the risks to a big extent. The most essential risk mitigation measures are appropriate guidelines for underwriting (for example no sale of flood insurance for buildings in unprotected floodplain areas) as well as the purchase of sufficient reinsurance protection to cover potential loss accumulation due to natural catastrophes.

[4] Delegated Regulation (EU) 2015/35, Chapter V, Section 4, Article 144ff

C.2.5 Risk Mitigation

Non-life underwriting risk

Increasing the profitability of the non-life portfolio of UNIQA Biztosító Zrt is an element of the company's strategy, consistent with the group-level UNIQA 3.0 strategy, which defines a longterm strategy for UNIQA Group and sharpens the focus on core business. A targeted continuous process of in-force management and a consistent assessment of tariffs are essential components. The latter represents a vital prerequisite for the calculation and the distribution of premiums adapted to risk.

Reinsurance is an essential risk mitigation technique for the non-life insurance of UNIQA Biztosító Zrt. It is additionally used in order to reduce the earnings volatility as capital and risk management tool and as a substitute of risk capital. UNIQA Re AG serves as a service entity within UNIQA Group. UNIQA Re AG is responsible for coordination, internal arrangements and external reinsurance relationships and helps optimise the Group's risk capital commitments. This structure permits on the one hand to balance risks internally and on the other hand to acquire effective retrocession cover and is therefore crucial for the risk strategy of both the Group and UNIQA Biztosító Zrt. The organisation and the acquisition of reinsurance cover serve to control the necessary risk capital.

The effectiveness of the risk control and risk mitigation techniques described for non-life business is monitored within the Partial Internal Model (PIM) Non-life. A quantified measurement of reinsurance cover is affected by means of key figures, such as the Return on Risk Adjusted Capital (RoRAC) and the Economic Value Added (EVA), both before and after the deduction of reinsurance cover.

Use of reinsurance
UNIQA's risk mitigation technique is mainly reinsurance.

The reinsurance activities are centralised at the group-owned reinsurance company UNIQA Re AG (UNIQA Re) in Zurich. This structure allows balancing risks internally as well as purchasing efficient retrocession cover and is therefore central to UNIQA's risk strategy. UNIQA Re constitutes the central point of a complex system of reinsurance relationships within UNIQA Group, but also with external parties. UNIQA Group Reinsurance Policy defines the minimum group-wide standards how affected parties shall interact in that system.

The organisation and purchase of external reinsurance covers (retrocession) is of high importance to reduce the required risk capital and to balance results of UNIQA Group. All decisions concerning reinsurance cessions will be made taking into account their effects on needed risk capital. In particular an efficiency analysis of reinsurance cover has to be established for each class/contract. UNIQA Re has to make an adequate return on capital within the group's target and in addition, participates in the appropriate maximisation of the group's return. The risk appetite of UNIQA Insurance Group is reflected in its target net economic capital ratio as defined in the risk strategy. Therefore, the level of risk transfer to UNIQA Re is indirectly predefined via planning of the target net economic capital requirement (ECR). If the planned ECR is not in line with the target ECR, adjustment of reinsurance can be used as a substitute for available risk capital.

Based on the results of the UNIQA partial internal model, UNIQA Re and UNIQA Biztosító Zrt. regularly check the reinsurance structure and the conditions that are most appropriate to achieve solvency targets considering the underwriting risk profile. Generally, reinsurance is structured in such a way that the relief of required capital and capital costs is efficient compared to the cost of reinsurance.

The organisation and the purchase of external reinsurances provide essential advantages for the optimisation and controlling of the required risk capital. The amount of risk transfer to the UNIQA Re AG, Switzerland, as well as to external retrocessionaires are defined depending on the planning of the solvency capital requirements, which are defined by developing the risk strategy.

Life underwriting risk

As a classical risk mitigation technique, reinsurance is used. Concerning life insurance, the focus of the reinsurance program is the mitigation of large individual risks. In addition, group insurance contracts are covered by specific reinsurance arrangements.

In addition, the following classical risk control techniques are used in the context of life insurance:

- Risk selection when preselecting interested parties for life insurance products (for example by means of health checks)
- A prudent selection of mortality and life tables in order to make sure that they correspond with the policyholders within UNIQA Biztosító Zrt.

Apart from these classical risk control techniques, UNIQA Biztosító Zrt. applies a strategic program in order to ensure the sustainability of the business model. The aim of this strategic program is to pursue profitable life insurance business also in a low-interest rate environment with the existing risk budget.

The success of the strategic program is measured within the annual calculation of the Market Consistent Embedded Value (MCEV) and calculated as Value of In-Force (VIF) and New Business Value (NBV). The calculation of MCEV reflects the value of personal insurance as well as the current situation in the financial markets. The VIF corresponds with the net present value of all profits from life insurance, respectively the NBV with the net present value of future annual surpluses, which can be generated from new in-force business of the current year. This assessment basis represents the main instrument for monitoring the effectiveness of the techniques mentioned above.

The effectiveness of the described risk mitigation measures for life-business is monitored on an ongoing basis. A quantified measurement is affected by means of the key figures Embedded Value and New Business Value/Margin.

Health underwriting risk

As a classical risk mitigation technique, reinsurance is used.

In addition, classical risk control techniques are applied in the context of health insurance. These include:

- Risk selection, in particular: targeted pre-selection of interested parties (for example by means of health checks)
- The consideration of premium adjustment clauses in different health insurance products in order to be able to adjust the premiums corresponding to the changes of calculation bases.

Besides the classic risk control processes, continuous in-force management is carried out on a regular basis. The effectiveness of the risk control techniques for health business is assessed by comparison of expected and occurred payments as well as contribution margin calculation.

C.3 Market Risk

C.3.1 Description of Risk

The market risk reflects the risk arising from the level or volatility of market prices of financial instruments, which have an impact upon the value of the assets and liabilities of the undertaking. It has to adequately reflect the structural incongruity between assets and liabilities, with special regard to their duration. As part of the SCR model, market risk is divided into the following sub-risk modules illustrated in Table 21 that are in line with Directive 2009/138/EC.

Sub risk module	Used shock
Currency risk	The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.
Interest rate risk	The sensitivity of the values of assets, liabilities and financial instruments to changes of the interest rate curve or in the volatility of interest rates.
Equity risk	The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.
Property risk	The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate.
Spread risk	The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate curve.
Concentration risk	Additional risks to an insurance or reinsurance company stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.

Table 21. Sub-risk modules of market risk

C.3.2 Risk Exposure

The figure below shows the asset allocation of the non-unit linked investment portfolio of the UNIQA Biztosító Zrt. as at end-of-year 2021. The total volume of the non-unit linked investments displayed in the pie diagram was 40,814 million HUF at the end of the year.

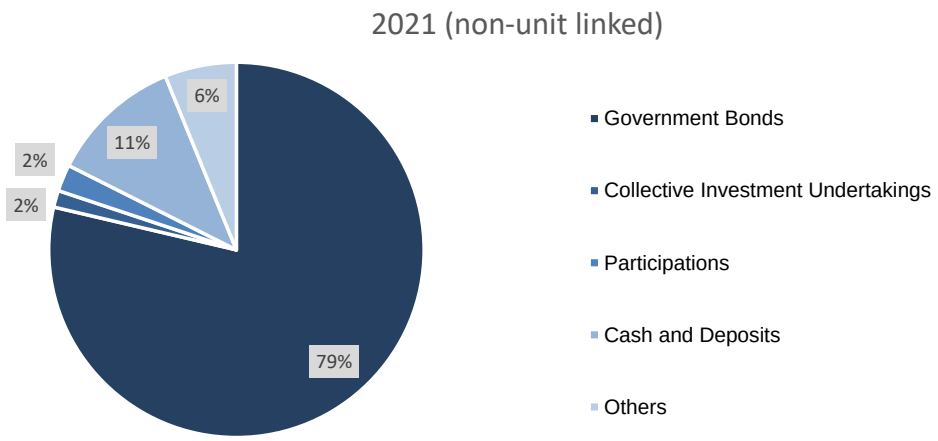

Figure 14. Asset allocation of the non-unit linked investment portfolio

In accordance with the prudent person principle, the investment activities in 2021 – just as in prior years – were strongly influenced by an investment approach oriented towards the liability side. Investments other than unit-linked have been dominated by Hungarian government bonds, selected to optimally match expected liability cash flows.

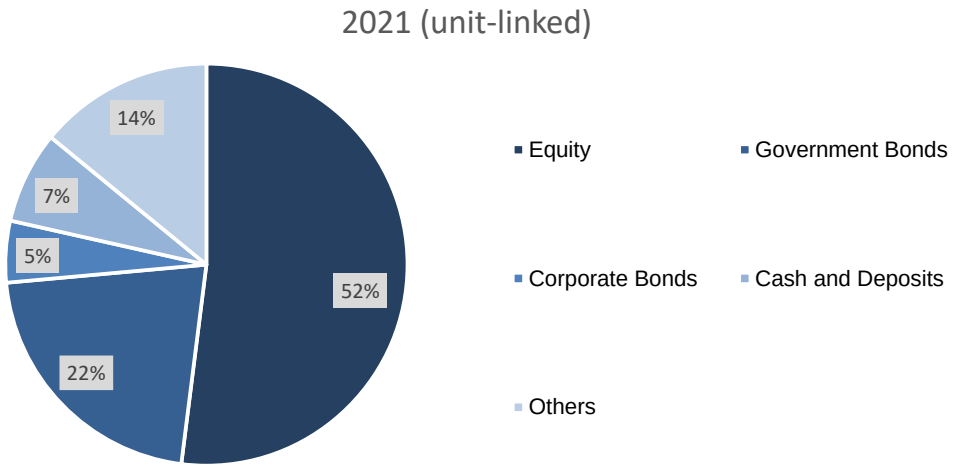

Figure 15. Asset allocation of the unit linked investment portfolio

Figure 15 shows the asset allocation of the unit linked investment portfolio, totalling 135,180 million HUF at the end of 2021. Unit-linked investments were driven by the policyholders' portfolio selections.

Table 22 illustrates the composition of the solvency capital requirements for the risk module market risk. Because extreme shocks for particular market risks usually do not occur simultaneously, the aggregated need for capital for individual sub risk modules is smaller than the sum of the risk requirements and therefore a pure addition would display an overestimation of risk.

Position	in Thousand HUF	2021 in %
SCR Market Risk	**6,292,636**	
Interest rate risk	2,539,601	26.3%
Equity risk	4,171,967	43.2%
Property risk	81,307	0.8%
Spread risk	531,029	5.5%
Concentration risk	306,136	3.2%
Currency risk	2,020,958	20.9%
Diversification	*(3,358,361)*	

Table 22. Composition of the solvency capital requirements for the risk module market risk

As at the end of 2021, market risk contributed 29% of the basic solvency capital requirement (BSCR) of the company before diversification. On the one hand this is a significant risk in the company's risk profile, on the other hand its level is moderate compared to the volume of the exposed assets (and liabilities). This is attributable to the fact that the dominant part of the market risk-exposed portfolio is unit-linked business where the investment risk is borne by the policyholders.

The three largest sub-risks of market risk are equity risk, currency risk and interest rate risk. Of these sub-risks, equity risk is mainly attributable to unit-linked business, where the asset-side shocks are largely absorbed by the liability side, nonetheless a residual part of the shock affects the company's net asset value due to the impact on expected future profits. The second biggest sub-risk module is interest rate risk, reflecting the sensitivity of technical provisions and their covering fixed-income investments to changes in the risk-free interest rate term structures. The third biggest sub-risk module is currency risk, which is mainly attributable to unit-linked business (however this risk has been partly mitigated by the use of currency derivatives) and also related to euro cash savings (non-life assets).

In the previous year currency risk was the second most significant sub-risk of market risk but as a consequence of increasing yield curves interest rate risk jumped.

C.3.3 Risk Assessment[5]

UNIQA Biztosító Zrt. calculates the market risk according to the standard formula, as described in the Delegated Regulation (EU) 2015/35. Market risk consists of sub-risk modules, as defined in the standard formula, which are aggregated by a correlation matrix. For the correlation between interest rate risk and equity risk, property risk and spread risk, two alternate factors are specified depending on the relevant interest rate shock. In the case of UNIQA Biztosító Zrt. a zero correlation factor has been used as the scenario of an increase in interest rates causes a higher capital requirement for interest rate risk.

The calculation of the capital requirements for the different sub risk modules is elaborated on below.

[5] Delegated Regulation (EU) 2015/35, Chapter V, Section 5, Article 164ff

Interest rate risk

The capital requirements for interest rate risk are calculated by applying two stress scenarios to all assets which are sensitive to interest rate changes and by determining the resulting loss of basic own funds. One of the scenarios simulates an increase in interest rates and the other one a decrease in interest rates. However, only the scenario which causes the more adverse change is considered relevant for the calculation of capital requirements. The scenarios are applied to the risk-free interest rate term structure for the respective currency published by EIOPA and the impacts on the capital requirements are ultimately aggregated. According to the standard approach, a distinction shall be made between the two following scenarios:

- Scenario for an increase in interest rates: The estimated increase of the interest rate fluctuates between 70 per cent for maturities up to two years and 26 per cent with maturities of 20 years. Starting from maturities of 20 years, the increase in interest rates is linearly reduced to 20 per cent for maturities of 90 years or more. In any case, the increase of interest rates amounts to at least one percentage point.
- Scenario for a decrease in interest rates: The estimated decrease of interest rates fluctuates between 75 per cent with maturities up to one year and 29 per cent with maturities of 20 years. Starting from maturities of 20 years, the decrease in interest rates is linearly reduced to 20 per cent for maturities of 90 years or more. The decrease of risk-free base interest rates equals zero.

In the case of the year-end 2021 calculation, the scenario of an increase in interest rates causes higher capital requirements and is therefore considered as the basis for the calculation of UNIQA Biztosító Zrt.

Equity risk

For the calculation of equity risk, UNIQA Biztosító Zrt. uses the standard approach according to Articles 168–169, 171–172 of Delegated Regulation (EU) 2015/35. It is based on calculating the impact of scenario-based shocks including a symmetric adjustment factor on the Net Asset Value and the resulting consequences on the basic own funds of the company.

In the context of the standard approach, Type 1 and Type 2 equity risks are distinguished:

- Type 1 equities: Equities listed in regulated markets in countries which are members of the EEA or the OECD.
- Type 2 equities: Equities listed in stock exchanges in countries which are not members of the EEA or the OECD, equities which are not listed commodities and other alternative investments. They also comprise all other assets other than those covered in the sub risk modules interest rate risk, property risk or spread risk, including exposures to collective investment undertakings where a look-through approach is not possible.

For the calculation of the capital requirements for equity risk the following scenarios shall be used:

- Scenario for Type 1 equities: An instantaneous decrease of the market value of 39 per cent plus a symmetric adjustment of up to (+/-) 10 per cent, as well as an instantaneous decrease of 22 per cent of the market value of strategic equity investments in related undertakings.
- Scenario for Type 2 equities: An instantaneous decrease of the market value of 49 per cent, plus a symmetric adjustment of up to (+/-) 10 per cent, as well as an instantaneous

decrease of 22 per cent of the market value of strategic equity investments in related undertakings.

The capital requirements for Type 1 and Type 2 equity risk are aggregated by using a correlation factor of 0.75.

Property risk

The calculation of the capital requirements for property risk corresponds to a loss of basic own funds resulting from an instantaneous decrease of the value of all real estate values by 25 per cent. It is noted that, as at the end of 2021, while applying lookthrough approach a non-significant exposure to property risk is observed.

Spread risk

The capital requirement for spread risk is calculated by aggregating the sum of the capital requirements under stress scenarios for bonds and loans, securitisations and credit derivatives. According to the standard formula, certain derogations apply to bonds, loans and derivatives related to certain organisations, governments and banks.

In the case of UNIQA Biztosító Zrt., only the calculation for bonds and loans has been relevant. Marginal exposures to securitisations and credit derivatives have been present only in those parts of the investments in collective investment undertakings where the look-through approach has not been possible. Regarding the derogations mentioned above, those relating to Member States' government bonds are relevant for the company's portfolio, resulting in a zero risk factor for Hungarian government bond investments.

The capital requirement for bonds and loans (excluded are mortgage loans for residential properties) is determined by a factor-based calculation under a stress scenario. The calculation assumes the market value of the instrument and considers credit rating and duration. It is assumed that the spreads of all instruments will rise, which will lead to an imminent decrease in the value of bonds. The shock of the spread risk of bonds and loans is a concave function of the duration.

Concentration risk

The capital requirement for the concentration risk is calculated by applying risk factors depending on the credit quality step, defined in accordance with the standard formula, to single name exposures in excess of pre-defined concentration thresholds. Thresholds are defined for each credit quality step. Provided that the thresholds are exceeded, the risk factors prescribed in the standard formula shall be applied to the surplus of risk exposure above the threshold and the sum of all requirements shall be aggregated

According to the standard formula, exceptions and derogations apply to the calculation of concentration risk, which exclude certain risk exposures from the calculation. Most importantly in the case of UNIQA Biztosító Zrt., unit-linked investments and cash-at-bank exposures in the scope of the counterparty default risk module are not included in the calculation base for determining the concentration thresholds. Furthermore the company's holdings in Hungarian government bonds are subject to a zero risk factor.

Currency risk

The capital requirements for currency risk are calculated by applying two foreign currency shocks, defined according to the standard formula, to every single relevant foreign currency and by determining the resulting consequences for the own funds. Currency risk concerns all currency sensitive positions on the asset side and on the liability side. The consequences of the shocks for the original own funds are aggregated. According to the standard approach, every foreign currency whose exchange rate fluctuations effect the company's basic own funds is considered relevant.

Two shocks are applied to every currency for the calculation of currency risk. However, only the shock, which produces the greater adverse change, is considered relevant for the calculation of capital requirements. According to the standard approach, a distinction shall be made between the following foreign currency shocks:

- Increase in the value of the foreign currency in comparison to the local currency by 25 per cent.
- Decrease in the value of the foreign currency in comparison to the local currency by 25 per cent.

Look-through approach

According to Article 84 of Delegated regulation (EU) 2015/35, the capital requirement for market risk is calculated on the basis of each of the underlying assets of collective investment undertakings and other investments packaged as funds. Where the look-through approach cannot be applied because of the lack of available data, the Type 2 equity shock is applied to the asset value.

C.3.4 Risk Concentration

A minor concentration risk component has been present in the end-of-year 2021 market risk profile of the company due to intra-group exposures: strategic participations.

In addition to the assessment of concentration risk according to the SCR standard formula, all issuers (groups of issuers respectively) are monitored in accordance with UNIQA Group Risk Management Standard, based on economic risk measurement.

C.3.5 Risk Mitigation

Derivative Instruments

Since late 2017, currency derivatives have been used by UNIQA Biztosító Zrt. as a risk mitigation technique to reduce the significant currency risk profile. Plain vanilla EUR and USD put options are held in order to protect the company's own funds against an extreme drop in the rates of these foreign currencies against the local currency. As these options have been selected to cover the tail risk, they are out-of-the-money under normal circumstances, however they are available to the company at a low cost and they respond to currency shocks in an asymmetrical manner: they gain a high value in the case of an extreme currency fall scenario. The use of currency derivatives as a risk mitigation technique, including the planning of derivative transactions, the selection of counterparties, the regular replacement of the instruments and the monitoring of the risk mitigating effect is regulated by the Solvency 2 Market Risk Mitigation Policy of the company.

Investment Limits

With the introduction of the UNIQA Group Limit & Trigger Standards and UNIQA Investment Process Standards, a harmonisation of the existing regulations for investment activities was introduced by Group Actuarial & Risk Management in the year 2016. UNIQA Group Limit & Trigger Standards has since then been integrated into UNIQA Group Risk Management Standard. These regulations were directed to all insurance companies with an asset management outsourcing agreement in force with UNIQA Capital Markets GmbH (UCM) and contain detailed descriptions of all limits available by Group Actuarial and Risk Management as well as procedures relevant for dealing with those limits. The close cooperation between local and Group risk management is particularly important given the centralized responsibility of UCM for asset management. The risk management approach reflected in the limit system aims the measuring and controlling of asset-related market risks. Group Actuarial and Risk Management has made use of the Strategic Asset Allocation (SAA) approach. Based on the risk profile of the SAA, the premise of the market risk limits is that each market sub-risk, as well as consequently the total market risk of the portfolio stemming from the asset side, shall remain within a pre-determined range for the relevant calendar year. Investment limits are monitored every two weeks.

Asset-Liability Management

Projected cash flows of traditional life insurance (broken down by guaranteed interest rate), non-life insurance (broken down by currency) and health insurance are regularly reported by local actuaries to UCM via Group Actuarial Department. Asset allocations thereafter are managed centrally by UCM, aiming for an optimal match between the maturity and currency profiles of liabilities and covering investments. In coordination between UNIQA Group and local asset management and actuaries, held-to-maturity (HTM) bond portfolios have been established to match the projected cash flows stemming from life insurance contracts with 3.5% or higher guaranteed rates.

It is noted that the unit-linked portfolio, where the investment structure is driven by policyholders' risk appetite, is not in the scope of the ALM scheme.

C.4 Credit Risk

C.4.1 Description of Risk

In accordance with Directive 2009/138/EC (Article 105), credit risk or default risk shall reflect possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings over the following 12 months. The credit risk/default risk covers risk mitigating contracts such as reinsurance agreements, securitisations and derivatives, as well as receivables from intermediaries and all other credit risks, which are not covered by the spread risk module. It shall take account of collateral or other securities held by or for the account of the insurance or reinsurance company and the risks associated therewith. For each counterparty, the credit risk/default risk shall take into account the overall counterparty risk exposure of the insurance concerning that counterparty, irrespective of the legal form of its contractual obligations to that company.

Credit risk or default risk is composed of the two following types:

- Risk exposure type 1: The class of type 1 exposures covers the exposures which may not be diversified and where the counterparty is likely to be rated. Among others, this type usually comprises: reinsurance agreements, derivatives, securitisations, bank deposits,

other risk mitigating contracts, letters of credit, guarantees and products with third party guarantors.

- Risk exposure according to type 2: Usually comprises all exposures which are not covered by the sub-risk module spread risk, but are usually highly diversified and do not have a rating. Among others, this type usually comprises: receivables from intermediaries, receivables from policyholders, other receivables and mortgage loans.

C.4.2 Risk Exposure

With a contribution of 9% to the basic solvency capital requirement (BSCR) before diversification at end-of-year 2021, credit risk / default risk (CDR) is not a dominant but still a significant part of the company's risk profile.

Position	in Thousand HUF	2021 in %
CDR total	**1,979,563**	
CDR type 1 total	1,578,346	76.0%
CDR type 2 total	498,138	24.0%
Diversification	*(96,921)*	

Table 23. Composition of the solvency capital requirements for the risk module credit risk

Table 23 shows the composition of credit risk or default risk for the year 2021. A distinction is made between type 1 and type 2 of risk exposure.

With a 76.0 per cent share of the overall credit / default risk excluding diversification, type 1 risk exposure is the main driver of the risk. The solvency capital requirements for type 1 CDR result primarily from reinsurance arrangements, secondly from deposits at credit institutions, thirdly from derivatives.

Risk exposures of type 2 have a 24.0 per cent share of the overall CDR risk before diversification. Receivables from intermediates and policyholders are the main drivers for this risk exposure.

C.4.3 Risk Assessment[6]

The risk factors and methods described in the Delegated Regulation 2015/35, in the chapter concerning the module counterparty default risk, are used for the calculation of the solvency capital requirement for credit risk or default risk.

The capital requirement for type 1 exposures is determined based on the Loss-Given-Default (LGD) and Probability of Default (PD) of each counterparty. The definition of the standard formula includes precise definitions for the calculation of the LGD and PD dependent on the form of exposure. In addition it is specified to what extent the risk mitigating effect of collateral can be used. The capital requirement for type 2 exposures is calculated from exposed amounts by applying a factor-based formula including standard risk factors. The capital requirements for type 1 and type 2 CDR are aggregated by using a correlation factor of 0.75.

[6] Delegated Regulation (EU) 2015/35, Chapter V, Section 6, Article 189ff

For the CDR calculation as at the end of 2021 UNIQA Biztosító Zrt. has used partial internal model inputs for determining the LGD of non-life reinsurance counterparties.

C.4.4 Risk Concentration

From the perspective of UNIQA Biztosító Zrt., the reinsurance exposure to UNIQA Re AG presents the significant part of counterparty risk concentration. On the other hand the establishment of an in-house reinsurance company centralising all business units' reinsurance cessions has been a strategic decision by UNIQA Group which allows the optimisation of external retrocessions at the Group level. UNIQA Re AG is responsible for the selection of external reinsurers. For that purpose, UNIQA Re has determined a policy which regulates the selection of counterparties and avoids external concentrations (e.g. there are limits on the share of individual external reinsurers in each contract and there is a minimum rating requirement in place).

C.4.5 Risk Mitigation

UNIQA Biztosító Zrt. uses the following measures in order to control credit risk or default risk:

- Limits
- Minimum ratings
- Reminder procedures

All reinsurance arrangements between UNIQA Biztosító Zrt. are coordinated with UNIQA Re AG and are subject to the standards determined by UNIQA Re. For external reinsurers, minimum ratings and an upper limit for the released exposure per reinsurer are defined.

In order to avoid concentrations concerning default risk and credit risk, limits on bank deposits are defined. These limits are monitored every two weeks.

Derivative instruments are also subject to limits and minimum counterparty rating requirements.

To keep the level of receivables from insurance intermediates and insurance companies as low as possible, clear reminder procedures were implemented. These are subject to regular monitoring by precise evaluation possibilities.

C.5 Liquidity Risk

C.5.1 Description of Risk

Liquidity risk is composed of market liquidity risk and refinancing risk. Liquidity risk represents the risk that an asset cannot be traded fast enough to prevent a loss or make the required profit. Refinancing risk can arise if the insurance undertaking is unable to realise assets in order to settle their financial obligations when they are due.

C.5.2 Risk Exposure

The following table shows the expected profit in future premiums, as required by Article 295(5) of Delegated Regulation (EU) 2015/35 with regard to liquidity risk.

Position	2021 in Thousand HUF
Expected profit in future premiums	19,120,408
Of which non-life	865,122
Of which life	18,255,285

Table 24. Expected profit in future premiums

C.5.3 Risk Assessment and Risk Mitigation

The liquidity position of the company is monitored on an ongoing basis. In order to ensure that UNIQA Biztosító Zrt. can meet its payment obligations, a regular planning process is in place to ensure the availability of appropriate amounts of cash to cover anticipated cash flows. As part of the planning process, UNIQA Biztosító Zrt. prepares a liquidity plan. The constant adjustment and monitoring of this plan is ensured by the liquidity management process.

C.6 Operational Risk

C.6.1 Description of Risk

Operational risk covers the risk of financial losses, caused by insufficient internal processes, systems, personal resources or external events. Operational risk includes legal risk, but not reputation risk and strategic risk. Legal risk is the risk of financial losses due to complaints or uncertainty in the applicability or interpretation of contracts, laws or other legal requirements.

The topics of the prevention of money laundering and terrorism financing are subject to special attention. Operational risk in connection to this topic results from missing or inadequate processes of identification, monitoring, as well as reporting to prevent potential money laundering operations.

C.6.2 Risk Exposure

UNIQA Biztosító Zrt. is exposed to operational risks in a diverse environment. These risks are regularly identified and monitored with the help of the risk management system of the company. Among others the following risks are considered significant:

- Process risks, in particular regarding product development and claims settlement
- Human Resources (HR) risks (possible shortage of personnel and dependence on individuals with the required know-how)
- IT risks (in particular the IT security and the high complexity of the IT landscape, as well as the risk of business interruption)
- Various project risks

The following table shows the composition of the SCR for operational risk as at end-of-year 2021.

	2021	
	Premium earned	Technical provisions gross
Reporting year		
Life (without unit-linked)	4,103,397	9,843,274
Non-Life	48,254,294	21,452,406
Previous year		
Life (without unit-linked)	4,094,654	
Non-Life	47,415,209	
Capital requirement for Operational Risk based on Premiums / Technical Provisions	**1,611,765**	**687,867**
25% of Unit-linked annual expenses	601,185	
Operational risk	**2,212,950**	

Table 25. Composition of the SCR for operational risk

As apparent in the table above, the dominant component of the capital requirement has been the premium-based risk charge. The component for unit-linked expenses also contributed significantly to the capital requirement.

C.6.3 Risk Assessment

For the calculation of operational risk, UNIQA Biztosító Zrt. uses a factor-based approach, according to the standard formula as described in Article 204 of Delegated Regulation (EU) 2015/35. The capital requirement for operational risk is calculated as:

The lower of the following values:

- Basic capital requirement for operational risk, or
- 30 per cent of the calculated basic solvency capital requirement (BSCR),

plus 25 per cent of the amount of expenses in respect of life insurance whose investment risk is borne by the policyholders (i.e. unit-linked business).

The basic capital requirement for operational risk is the higher of the following two calculation results:

- Premium-based calculation: 4 per cent of the gross premiums earned for life insurance obligations (excluded are the premiums where the policyholder bears the investment risk) and 3 per cent of the gross premiums earned for non-life insurance obligations. Furthermore, in case of an increase of these premiums by more than 120 per cent in comparison to the previous year, additional margins shall be added in accordance with the standard approach.
- Technical provisions-based calculation: 0.45 per cent of the gross best estimate of the technical provisions for life insurance obligations (excluded are the provisions where the policyholder bears the investment risk) and 3 per cent of the gross best estimate of the technical provisions for non-life insurance obligations.

Furthermore, UNIQA Biztosító Zrt. performs an internal assessment process of operational risks by means of process owners and experts. These assessments are discussed with the management and the Board.

C.6.4 Risk Concentration

The risk concentrations within operational risk are evaluated regularly and include, for example, dependencies of distribution channels, major customers or key personnel. Depending on the result of the evaluation, adequate control measures are to be put in action (e.g. risk acceptance, risk minimization, etc.) In addition, the development of risk concentrations concerning operational risk is minimized by:

- A clear and structured governance model with adequate processes
- Operating a compliance function, responsible for conforming with the rules, as well as
- A clearly stated and structured Internal Control System

C.6.5 Risk Mitigation

Defining risk mitigating measures is an essential step in the risk management process for operational risks. In the risk strategy of UNIQA Biztosító Zrt. the risk preference for taking on operational risks is classified as “low”. Therefore, UNIQA Biztosító Zrt. shall try to reduce the operational risk as much as possible. The most important risk mitigation measures for operational risks are the following:

- Implementation and maintenance of an Internal Control System
- Optimisation and maintenance of processes
- Continuous education and training of personnel, as well as
- Preparation of emergency plans.

C.7 Stress and Scenario Analysis

UNIQA Biztosító Zrt. uses the following definitions for sensitivities, stress tests and scenarios, which are shown in Table 26.

Sensitivity	Recalculation of a Key Performance Indicator (KPI) based on the change of one input parameter. The change is not significant / extreme and can have either a positive or negative impact.
Scenario	Impact of a KPI based on the change of generally more than one input parameter. The change can have either a positive or negative impact. Scenarios are usually linked to events (e.g. historic scenarios).
Stress test	Recalculation of a KPI based on the change of one input parameter. The change is significant / extreme with a negative impact.
Combined stress test	Recalculation of a KPI based on the change of more than one input parameter. The change is significant / extreme with a negative impact.
Reverse stress test	Definition of a scenario that gives a predefined negative result of a KPI.

Table 26. Definitions for sensitivities, stress tests and scenarios

Motivated by the risk areas important for UNIQA Group and in light of the low interest rate environment, an important focus of the sensitivity analysis is interest rate sensitivities, in addition to other market risk scenarios. UNIQA Biztosító Zrt. evaluated the sensitivities, stress tests and scenarios presented in Table 27.

No.	Key sensitivities	Impact
1	Parallel shift interest rate +100 basis points (until LLP, not floored)	Own Funds
2	Parallel shift interest rate -100 basis points (until LLP, not floored)	Own Funds
3	Parallel shift interest rate +50 basis points (until LLP, not floored)	Own Funds
4	Parallel shift interest rate -50 basis points (until LLP, not floored)	Own Funds
5	Decrease of UFR by 50 basis points	Own Funds
6	No volatillity adjustment	Own Funds and SCR
7	Shock on equities	Own Funds
8	+10 per cent shock on foreign currencies	Own Funds
9	-10 per cent shock on foreign currencies	Own Funds
10	Government bonds: Credit spread +50bp & dynamic volatility adjustment	Own Funds
11	Corporate debt: Credit spread +50bp & dynamic volatility adjustment	Own Funds
12	Combined Scenario 1	Own Funds
13	Combined Scenario 2	Own Funds

Table 27. List of evaluated sensitivities, stress tests and scenarios

For most of the sensitivities only the own funds impact was calculated. However the sensitivity “no volatility adjustment” included the recalculation of the SCR too.

The sensitivities, stress tests and scenarios listed above are described in detail below.

Interest rate sensitivities

As described further below, the interest rates are only shocked for maturities where the underlying instruments can be classified as close to liquid. The last point at which an instrument can still be classified as liquid is the last liquid point (LLP). Afterwards interest rates are extrapolated to the unchanged Ultimate Forward Rate (UFR) with an unchanged convergence period. The UFR is a value that reflects the interest rates of the past decades, including forecasts on economic development in the EEA. The UFR is stressed from its base case value only in the sensitivity “decrease of UFR by 50 basis points”.

The following sensitivities focus on interest rates:

- 1. A parallel shift of the interest rate curve by +100 basis points until the last liquid point (LLP) and extrapolation towards the UFR afterwards
- 2. A parallel shift of the interest rate curve by -100 basis points until the last liquid point (LLP) and extrapolation towards the UFR afterwards
- 3. A parallel shift of the interest rate curve by +50 basis points until the last liquid point and extrapolation towards the UFR afterwards
- 4. A parallel shift of the interest rate curve by -50 basis points until the last liquid point and extrapolation towards the UFR afterwards
- 5. The Ultimate Forward Rate is decreased by 50 basis points
- 6. Use of the basic risk free yield curve as published by EIOPA without Volatility Adjustment (VA)

Equity and equity-related instruments

For equity exposures, the following sensitivity is evaluated:

- 7. An overall -25 per cent shock is applied to all equities, including derivatives on equity securities, private equity, hedge funds, fund certificates that are not decomposed, index securities, participations, etc. Contrary to the Solvency II methodology, no differentiation is made between “equity type 1”, “equity type 2” and “strategic participations”.

Foreign currency instruments

For foreign currency exposures, all currencies are shocked simultaneously. There are no exceptions for currencies which are pegged to the euro. The shocks are applied to all instruments where the underlying is an FX rate (FX forwards, FX options, etc.) and all positions where the quotation currency is different from the local reporting currency. The following sensitivities are calculated:

- 8. Foreign currency values increase by 10% relative to the reporting currency
- 9. Foreign currency values decrease by 10% relative to the reporting currency

Credit spreads

For credit spreads the following sensitivities are evaluated:

- 10. A widening of the credit spread for Government bonds by 50 basis points is assumed, independent of the rating. There is no exemption for specific exposures e.g. government bonds with dynamic volatility adjustment applied

- 11. A widening of the credit spread for Corporate bonds by 50 basis points is assumed, independent of the rating. There is no exemption for specific exposures e.g. government bonds with dynamic volatility adjustment applied

Combined scenarios

For a view on a more complex shock situation we also calculated two sensitivities with combined effects of multiple adverse events happening simultaneously. These scenarios are as follows:

- 12. Combined scenario 1 combines the following above sensitivities:
    - Parallel shift interest rate -50 basis points (until LLP, not floored) (4)
    - Corporate debt: Credit spread +50bp incl. dynVA (10)
    - Government bonds: Credit spread +50bp incl. dynVA (11)
    - Equity shock -25% (7)
- 13. Combined scenario 2 combines the following sensitivities:
    - Parallel shift interest rate -50 basis points (until LLP, not floored) (4)
    - Corporate debt: Credit spread -50bp incl. dynVA
    - Government bonds: Credit spread -50bp incl. dynVA
    - Equity shock +25%

Results

The following table shows the results of scenarios, especially with regard to the change in Own Funds. The stressed SCR is only shown where it was recalculated.

	(in 1000 HUF)	Own Funds	Change in Own Funds	SCR
	Base case	29,056,098		15,260,039
	Key sensitivities			
1	Parallel shift interest rate +100 basis points (until LLP, not floored)	27,845,990	-4.2%	
2	Parallel shift interest rate -100 basis points (until LLP, not floored)	30,333,478	4.4%	
3	Parallel shift interest rate +50 basis points (until LLP, not floored)	28,443,670	-2.1%	
4	Parallel shift interest rate -50 basis points (until LLP, not floored)	29,689,784	2.2%	
5	Decrease of UFR by 50 basis points	29,063,861	0.0%	
6	No volatillity adjustment	29,195,208	0.5%	15,260,757
7	Shock on equities	27,277,772	-6.1%	
8	+10 per cent shock on foreign currencies	31,212,213	7.4%	
9	-10 per cent shock on foreign currencies	27,070,604	-6.8%	
10	Government bonds: Credit spread +50bp & dynamic volatility adjustment	28,395,065	-2.3%	
11	Corporate debt: Credit spread +50bp & dynamic volatility adjustment	29,022,858	-0.1%	
12	Combined Scenario 1	27,227,019	-6.3%	
13	Combined Scenario 2	32,321,981	11.2%	

Table 28. Results of scenarios

C.8 Other Material Risks

In addition to the risk categories described above, the UNIQA Biztosító Zrt. has also defined risk management processes for strategic risk, reputational risk and contagion risk.

Reputational risk is the risk of losses incurred as a result of potential damage to the reputation of the company, the deterioration of its image, or a negative overall impression due to a negative perception by clients, business partners, shareholders or the supervisory authority.

Strategic risk is the risk resulting from management decisions or the inadequate implementation of management decisions with an impact on current / future earnings and solvency. It comprises the risk arising from inadequate management decisions resulting from the failure to take a changing business environment into account.

Contagion risk is the possibility that adverse impacts occurring in other entities may have an impact on UNIQA Biztosító Zrt. or vice versa. Due to the fact that contagion risk can have many origins, there is no standardized approach on how to deal with contagion risk. First and foremost, getting an understanding for the correlation between the different types of risks is essential for identifying a potential contagion risk.

The most important reputational risks, as well as strategic risks are identified, assessed and reported similarly to operational risks. The risk management of UNIQA Biztosító Zrt. subsequently analyses whether the threat of an intragroup contagion is present.

C.9 Any Other Information

No other disclosure is made on the risk profile.

D. Valuation for Solvency Purposes

Methods stated in the Solvency II Directive and Delegated Acts are used for the derivation of the solvency balance sheet. They are based on the going concern-principle. Assets and liabilities are evaluated according to Art. 75. of the Solvency II Directive. Thereby, assets are valuated at the value for which they can be exchanged between knowledgeable, willing business partners independent from each other. Wherever available, marked-to-market values are used for the valuation. In case they are not available, marked-to-model values are used. Liabilities are valuated at the value that is used by knowledgeable and willing parties to transfer or meet them in the framework of a standard market transaction. In general, a marked-to-model approach that models future cash flows of the existing business is used for the valuation.

Foreign currency conversion

For the revaluation of items denominated in foreign currencies in the solvency balance sheet the following exchange rates of the Hungarian National Bank are used during the reporting period:

HUF prices as of balance sheet date	
CHF	356.90
CZK	14.84
EUR	369.00
GBP	440.03
PLN	80.30
RON	74.56
USD	325.71

Table 29. Exchange Rates

D.1 Assets

The following table shows the comparison between the evaluation of total assets according to Solvency II and Statutory values based on valuation date 31 December 2021.

	Assets [in Thousand HUF]	Solvency II	Statutory	Revaluation
1	Goodwill	n.a.	-	n.a.
2	Deferred acquisition costs	n.a.	4,745,267	n.a.
3	Intangible assets	-	947,139	- 947,139
4	Deferred tax assets	-	-	-
5	Pension benefit surplus	-	-	-
6	Property, plant & equipment (for own use)	2,136,165	1,158,620	977,545
7	Investments (except for assets for unit- and index-linked contracts)	36,156,149	38,760,389	- 2,604,241
7.1	Properties (except for own use)	-	-	-
7.2	Shares in affiliated companies, including participations	941,004	653,453	287,550
7.3	Shares	-	-	-
7.3.1	Shares - listed	-	-	-
7.3.2	Shares - not listed	-	-	-
7.4	Bonds	34,624,491	37,516,517	- 2,892,026
7.4.1	Government bonds	31,630,249	34,895,697	- 3,265,448
7.4.2	Corporate bonds	2,994,242	2,620,820	373,422
7.4.3	Structured debt securities	-	-	-
7.4.4	Asset backed securities	-	-	-
7.5	Undertakings for collective investment	590,400	590,418	- 18
7.6	Derivatives	254	-	254
7.7	Deposits except for cash equivalents	-	-	-
7.8	Other investments	-	-	-
7.9	Assets for unit- and index-linked contracts	135,180,328	135,439,902	- 259,574
8	Loans and mortgages	8,805	8,805	-
8.1	Policy loans	8,805	8,805	-
8.2	Loans and mortgages for private individuals	-	-	-
8.3	Other loans and mortgages	-	-	-
9	Recoverables from reinsurance contracts from:	11,743,684	17,837,872	- 6,094,188
9.1	Non-life insurances and health insurances similar to non-life	9,662,916	15,125,992	- 5,463,076
9.1.1	Non-life insurances except for health insurances	9,657,967	15,082,644	- 5,424,678
9.1.2	Health insurances similar to non-life	4,949	43,347	- 38,398
9.2	Life insurances and health insurances similar to life except for health insurances and unit- and index-linked insurances	2,080,768	2,711,880	- 631,111
9.2.1	Health insurance similar to life	23,666	28,282	- 4,617
9.2.2	Life insurance except for health insurance and unit- and index-linked insurances	2,057,102	2,683,597	- 626,495
9.3	Life insurances, unit- and index-linked	-	-	-
10	Deposit receivables	-	-	-
11	Receivables towards insurances and intermediaries	3,099,121	4,491,824	- 1,392,703
12	Reinsurance receivables	476,422	207,443	268,979
13	Receivables (trade, not insurance)	520,896	775,418	- 254,522
14	Own shares (held directly)	-	-	-
15	Contributions due regarding own-fund items or funds initially demanded but not yet deposited	-	-	-
16	Cash and cash equivalents	4,696,721	4,696,722	- 1
17	Other assets not reported elsewhere	2,129,442	2,628,821	- 499,378
	Total assets	**196,147,732**	**211,698,221**	**- 15,550,488**

Table 30. Assets based on valuation date 31 December 2021

The following asset classes are not classified as asset components of the UNIQA Biztosító Zrt. as at 31 December 2021 and were therefore not commented on:

- 1. Goodwill
- 5. Pension benefit surplus;
- 7.1 Properties (except for own use)
- 7.3 Shares
- 7.7 Deposits except for cash equivalents
- 7.8 Other investments
- 8.3 Other loans and mortgages
- 10. Deposit receivables

- 14. Own shares (held directly)
- 15. Contributions due regarding own-fund items or funds initially demanded but not yet deposited.

The following tables describe on an individual basis the basic principles, methods and key assumptions for each class of assets on which the valuation for solvency purposes is based and illustrates substantial differences, both quantitatively and qualitatively, for valuation in accordance with local GAAP in the annual financial statement.

Deferred acquisition costs

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Deferred acquisition costs	n.a.	4,745,267	n.a.

Table 31. Deferred acquisition costs

Deferred acquisition costs include costs which occur within the underwriting of insurance risks and the selling of insurance contracts, especially at the time of conclusion of the contract.

Deferred acquisition costs are balanced in accordance with local GAAP. Thereby, in contracts of property and casualty insurance, accruals of the costs directly allocated to conclusion and an attribution over the anticipated contractual period or an attribution in accordance with the premium deficiency are made. In life insurance, deferred acquisition costs are amortized based on projections of estimated gross profits or gross margins. Deferred acquisition costs are to be valued at zero according to Solvency II, which leads to the difference in value.

Intangible Assets

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Intangible assets	-	947,139	- 947,139

Table 32. Intangible assets

Intangible assets include self-developed data processing software acquired for consideration licences as well as copyrights. Amortization of intangible assets is done according to their economic lifetime over a fixed period.

Intangible assets can be scheduled for Solvency II purposes if they can be sold separately and if market values can be determined reliably. Since both criteria were not met, these assets were not set in the solvency balance sheet, which explains the difference in value.

Deferred Tax Assets

The method of calculating deferred tax assets is based on the provisions of IAS. Due to the time-limited differences between the valuation of assets and liabilities in the solvency balance sheet in accordance with Solvency II and the tax balance sheets, deferred tax assets and liabilities are set up for Solvency II purposes according to local tax regulations of UNIQA Biztosító Zrt.

The starting point of valuing deferred tax assets for solvency purposes is the value of deferred tax assets in the IFRS balance sheet. This value is further adjusted for the valuation differences between economic and IFRS values (hidden losses multiplied by the tax rate). An effective tax rate of 11,3 % has been estimated for the purpose of the latter adjustments. For losses carried forward, deferred tax assets are recognised if their future usability, according to internal forecast, is likely to be the case. The intrinsic value of deferred tax assets of temporary differences is reviewed at each balance sheet date.

Deferred tax assets are set up in the solvency balance sheet based on different valuations in the tax balance sheet and the solvency balance sheet.

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Deferred tax assets	0	0	0

Table 33. Deferred tax assets

No deferred tax asset is calculated on reclassifications in order to avoid grossing up of deferred tax assets and liabilities.

Property, Plant and Equipment (for own use)

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Property, plant & equipment (for own use)	2,136,165	1,158,620	977,545

Table 34. Property, plant and equipment (for own use)

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. If parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items (main components) of property, plant and equipment.

The company regularly evaluates the market value of the main investment categories and revaluates them if the book value is estimated to be higher than the market value. Investments in rented properties are considered zero in SII, while the right-of-use asset is included in the SII under the IFRS16 leasing standard; these two effects cause the difference.

Shares in affiliated companies including participations

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Shares in affiliated companies, including participations	941,004	653,453	287,550

Table 35. Shares in affiliated companies, including participations

Participations are listed at carrying value. Subsidiaries are entities controlled by the company. The company controls a subsidiary if

- the company is able to exercise power over the subsidiary in which investments are held
- it is exposed to fluctuating returns from its participation and
- it is able to influence the amount of the returns as a result of its power.

Under Solvency II, the proportionate net asset value (determined according to Solvency II valuation principles) must be used as an investment value, provided that no exchange rate exists, in accordance with Article 13 of the Level 2 Regulation.

If the valuation of individual assets and liabilities in accordance with Article 75 of Solvency II Directive is not practicable for calculating the excess of assets over liabilities for related undertakings other than insurance or reinsurance, the participating undertaking may consider the equity method as prescribed in IFRS to be consistent with Article 75 of Solvency II Directive. In this case, the value of goodwill and other intangible assets that would be valued at zero (Article 12(2) Delegated Regulation), shall be deducted from the Participating undertaking Subsidiary. This valuation method was used for Participations which are not fully consolidated or quoted at Group level (which are not relevant for the UNIQA Group consolidation).

Shares in affiliated companies, including participations in local financial reports are shown in original transaction cost, which explains the difference in value.

Bonds

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Bonds	**34,624,491**	**37,516,517**	**- 2,892,026**
Government bonds	31,630,249	34,895,697	- 3,265,448
Corporate bonds	2,994,242	2,620,820	373,422
Structured debt securities	-	-	-
Asset backed securities	-	-	-

Table 36. Bonds

Under Solvency II bonds are listed at the current fair market value including accrued interest, which is established by using the official closing rate published by Bloomberg. Under Local GAAP bonds are measured at their purchase price not including accrued interests, value impaired if necessary. Under Local GAAP bonds held to maturity are amortized using the straight-line method, other bonds are

amortized using the effective-interest method: Disagio is shown under Any other assets, not elsewhere shown, whereas agio is shown under Any other liabilities, not elsewhere.

Bonds, for which a price quotation on an active market was present at the time of observation, have been recorded with the unaltered stock market or market price (mark-to-market). If no prices are quoted on active markets, the economic value was derived from comparable assets in consideration of a required adjustment of specific parameters (marking-to-market). If marking-to-market valuation was not possible, alternative valuation methods were used in the valuation (mark-to-model).

Undertakings for collective investment in securities

Assets [in Thousand HUF]	Solvency II	Statutory Values		Revaluation
Undertakings for collective investment	590,400	590,418	-	18

Table 37. Undertakings for collective investment in securities

Investment funds are valued at the last available daily net asset value issued by the fund manager and in case of non-domestic, non-local currency investment funds, multiplied by the relevant exchange rate.

Derivatives

Derivatives held in the portfolio are OTC FX options. Under Solvency II their value is based on the latest available market value received by the option writer partner. In Local GAAP the derivatives are off-balance items, thus it is not shown among the assets.

Assets for Unit- and Index-Linked Contracts

Assets [in Thousand HUF]	Solvency II	Statutory Values		Revaluation
Assets for unit- and index-linked contracts	135,180,328	135,439,902	-	259,574

Table 38. Assets for unit- and index-linked contracts

Assets for unit- and index-linked contracts are recognised for local financial statement as well as for the solvency balance sheet at the fair value. Due to the different observation dates for the local financial statements (30.12.2021) and Solvency II (31.12.2021) approaches are value differences.

Loans and Mortgages

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Loans and mortgages	**8,805**	**8,805**	**-**
Policy loans	8,805	8,805	-
Loans and mortgages for private individuals	-	-	-
Other loans and mortgages	-	-	-

Table 39. Loans and mortgages

When recognised, such assets are measured at carrying value in the local GAAP balance sheet and Solvency II as well.

Recoverables from reinsurance contracts

Recoverables from reinsurance contracts [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Recoverables from reinsurance contracts	**11,743,684**	**17,837,872**	**- 6,094,188**
Non-life insurances and health insurances similar to non-life	9,662,916	15,125,992	- 5,463,076
Non-life insurances except for health insurances	9,657,967	15,082,644	- 5,424,678
Health insurances similar to non-life	4,949	43,347	- 38,398
Life insurances and health insurances similar to life except for health insurances and unit- and index-linked insurances	2,080,768	2,711,880	- 631,111
Health insurance similar to life	23,666	28,282	- 4,617
Life insurance except for health insurance and unit- and index-linked insurances	2,057,102	2,683,597	- 626,495
Life insurances, unit- and index-linked	-	-	-

Table 40. Recoverables from reinsurance contracts

The item “Recoverables from reinsurance contracts“ includes the reinsurance share of technical provisions. According to the economic valuation approach of technical provisions under Solvency II, i.e. based on the discounted Best Estimate, future claims recovery cash flows from reinsurance counterparties less the expected future reinsurance premiums are recognised under reinsurance recoverables.

In the present Economic Balance Sheet, the following technical approaches have been used:

- Claims Provision recoverables, Non-Life and Health similar to non-life: Recoverables cash flows are calculated from the projected gross cash flows using gross-to-net proxy ratios, determined on the basis of the statutory amounts of claims provisions at a line-of-business granularity. An adjustment for counterparty default is applied following the simplified method described in Article 61 of Commission Delegated Regulation 2015/35.
- Premium Provision recoverables, Non-Life and Health similar to non-life: Recoverables cash flows are modelled in line with best estimate assumptions, including the modelling of reinsurance cash-flows based on the reinsurance model of UNIQA’s Partial Internal Model (PIM) Non-Life. The impact of proportional and non-proportional reinsurance agreements on future loss payments is thereby modelled in an explicit fashion. Apart from claims recoveries, reinsurance commissions and reinstatement premiums are included in the

recoverables cash flow. An adjustment for counterparty default is applied following the simplified method described in Article 61 of Commission Delegated Regulation 2015/35.

- Recoverables for Non-Life Annuities (included in the recoverables for Life technical provisions): Recoverables cash flows are calculated from the projected gross cash flows using gross-to-net proxy ratios, determined on the basis of the statutory amounts of claims provisions at a line-of-business granularity. An adjustment for counterparty default is applied following the simplified method described in Article 61 of Commission Delegated Regulation 2015/35.
- Recoverables, Life and Health SLT Business: Reinsurance recoverables for Life and Health SLT business are considered as of low materiality and are currently not modelled in the cash flow projection models. The only life reinsurance recoverables taken into account in the economic balance sheet are the reinsurers' share of the claims reserve, with the statutory amount being used as a proxy.

Receivables towards insurances and intermediaries

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Receivables towards insurances and intermediaries	3,099,121	4,491,824	- 1,392,703

Table 41. Receivables towards insurances and intermediaries

This item includes receivables towards insurances and intermediaries. The local GAAP amount is adjusted in the economic balance sheet for the cancellation provision, reflecting the expected economic impact of the impairment of insurance premium receivables.

The year-end balance of accrued income in local GAAP contains insurance premium receivables, which are reclassified into insurance and intermediaries' receivables.

Reinsurance receivables

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Reinsurance receivables	476,422	207,443	268,979

Table 42. Reinsurance receivables

This item includes receivables from reinsurers, which were not categorized in the item of deposit receivables. The local GAAP carrying amount is taken into account, adjusted in the economic balance sheet for the reinsurers' part of the cancellation provision, reflecting the expected write-back of reinsurance premiums due to the impairment of direct premium receivables.

Receivables (trade, not insurance)

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Receivables (trade, not insurance)	520,896	775,418	- 254,522

Table 43. Receivables (trade, not insurance)

This item includes all receivables which do not derive from the insurance business. When recognised, such assets are measured at carrying value.

The difference is reclassified in the local GAAP to the position “Payables (trade, not insurance).

Cash and Cash Equivalents

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Cash and cash equivalents	4,696,721	4,696,722	- 1

Table 44. Cash and cash equivalents

Under this item credits at banks, cheques and cash balance are recognised. The valuation is achieved at an economic value which corresponds to the nominal value. There are minor rounding differences to Solvency II. Foreign currency cash balances are multiplied by the official exchange rates of the Central Bank of Hungary.

Other Assets Not Reported Elsewhere

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Other assets not reported elsewhere	2,129,442	2,628,821	- 499,378

Table 45. Other Assets not reported elsewhere

Other assets include all assets which are not already contained in the other items of the asset side. For economic valuation purposes, the local GAAP items displayed in this position are cleaned of accrued investment revenue and of unrealised gains on the HTM bond portfolio (as the latter items are considered to be part of the market value of the respective investments).

The year-end balance of accrued income in local GAAP contains also insurance premium receivables, which are reclassified into insurance and intermediaries’ receivables.

D.2 Technical Provisions

Due to the type of liabilities, technical provisions of UNIQA Biztosító Zrt. are solely valued as “Best Estimate plus Risk Margin”. A replication of technical cash flows by means of financial instruments and thus a valuation in total are not considered.

The calculation of provisions, based on the Best Estimate, is a matter of revaluation of technical provisions in accordance with IFRS or local GAAP on an economic valuation. By the use of assumptions regarding the Best Estimate in the calculation of these future cash flows (instead of cautious valuation assumptions), so called Best Estimate provisions or Best Estimate liabilities can be obtained. Options and guarantees (TVFOG), as far as they are relevant, are included in the Best Estimate of the provisions.

The following table shows the Solvency II provisions compared to the corresponding provisions in accordance with Local GAAP of UNIQA Biztosító Zrt. on 31.12.2021:

Evaluation of Technical Provisions

Technical provisions [thousand HUF]		Solvency II	Statutory Values	Revaluation
1	**Technical provisions - non-life insurance**	**21,996,374**	**29,649,383**	**- 7,653,009**
1.1	Technical provisions - non-life insurance (except for health insurance)	21,505,113	28,190,609	- 6,685,496
1.1.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
1.1.2	*Best Estimate*	*21,038,107*	*n.a.*	*n.a.*
1.1.3	*Risk margin*	*467,006*	*n.a.*	*n.a.*
1.2	Technical provisions-health insurance (similar to non-life)	491,261	1,458,774	- 967,513
1.2.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
1.2.2	*Best Estimate*	*414,299*	*n.a.*	*n.a.*
1.2.3	*Risk margin*	*76,962*	*n.a.*	*n.a.*
2	**Technical provisions– life insurance (except for unit- and index-linked insurances)**	**10,254,579**	**12,948,346**	**- 2,693,767**
2.1	Technical provisions– health insurance (similar to life)	24,679	1,180,786	- 1,156,107
2.1.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
2.1.2	*Best Estimate*	*19,876*	*n.a.*	*n.a.*
2.1.3	*Risk margin*	*4,803*	*n.a.*	*n.a.*
2.2	Technical provisions – Life insurance (except for health insurance and unit- and index-linked insurances)	10,229,900	11,767,560	- 1,537,660
2.2.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
2.2.2	*Best Estimate*	9,823,398	*n.a.*	*n.a.*
2.2.3	*Risk margin*	406,502	*n.a.*	*n.a.*
3	**Technical provisions–unit- and index-linked insurances**	**122,159,313**	**137,190,662**	**- 15,031,349**
3.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
3.2	*Best Estimate*	*119,348,407*	*n.a.*	*n.a.*
3.3	*Risk margin*	*2,810,906*	*n.a.*	*n.a.*
4	**Other technical provision**	**n.a.**	**1,471,754**	**n.a.**
Technical provisions in total		**154,410,265**	**181,260,146**	**- 26,849,880**

Table 46. Evaluation of technical provisions

In the following paragraphs, the basic principles, methods and key assumptions, on which the evaluation for the solvency balance sheet is based, are described separately for technical provisions non-life and life. Furthermore, significant differences for the evaluation according to the local GAAP in the financial statement are quantitatively and qualitatively explained.

D.2.1 Technical Provisions Non-life

The methods used for the evaluation of the technical provisions are determined by the UNIQA Insurance Group AG and regulated in the UNIQA Group Best Estimate Standard non-life. This Group-standard is used in UNIQA Biztosító Zrt. in all lines of business of property and casualty insurance. The methods from non-life are used as well in health business which is practiced on a similar basis to that of a property and casualty insurance (Health- NSLT).

The methods chosen for the evaluation of technical provisions correspond to the current actuarial standards. Furthermore, they are selected in accordance with the materiality and complexity of the modelled risks.

In Solvency II the following parts of technical provisions are generally distinguished:

- Claims Reserve
- Premium Reserve
- Risk margin

In the calculation of the technical provisions all expenses that are also mentioned in Article 31 of the Delegated Acts are taken into account:

- Administrative expenses
- Investment management expenses
- Claims settlement expenses
- Acquisition expenses

The assumptions of future cost ratios within the cash flow projections are based on the planned expenses in the business plans of UNIQA Biztosító Zrt.

In order to evaluate each part, different methods are in place:

Claims Reserve

The **homogeneous risk group (HRG)** structure for estimation of claims outstanding is defined taking into account the nature and the risk profile of the products. The HRG structure is harmonised with the locally used controlling and accounting aggregations. Reinsurance structure is the basis of the HRG structure, however the latter one is less granular. The HRG structure is reviewed once in year by Actuarial Department and the related Product Department.

Claims triangles per homogeneous risk group and also information on individual atypical claims in some cases form the basis for the valuation of reserves of claims that have not yet been settled. Generally acknowledged static methods are used for the evaluation of the Best Estimate (if applicable):

- Chain ladder;
- Munich chain ladder;
- Cape Cod; and
- Bornhuetter-Ferguson

These methods are available on yearly and quarterly basis and they are calculated with incurred and payment figures as well.

In case these methods are not suitable (e.g. for business divisions where only limited claims data are available), other Best-Practice methods (e.g. based on incidence of loss/extent of damage) are applied.

Salvage, subrogation and ALAEs are included in the basis data. Salvage and subrogations are included with adjustment for their expected recovery rate. Annuities are taken into account as a lump-sum in the non-life claims provision calculation.

Large claims are handled separately in industrial business where the largest claims typically occur. CAT claims are not marked in the best estimate calculation, they are estimated together with other claims.

To determine the discounted best-estimate reserves, the cash flow patterns are determined from the paid claims triangles using the appropriate curve fitting method. Three different methods are available for modeller to choose the proper one or there is a possibility to use the historical cash flow pattern or make manual corrections. Undiscounted best estimate and cash flow patterns are reviewed by UNIQA Group actuaries.

Premium Reserve

The Premium Provision calculation process is an integral part of the Partial Internal Model (PIM) calculation and is used also for the Standard Approach.

For the calculation of the premium provision, the following categories of premiums – and related obligations – are considered:

- unearned premium; and
- unincepted premium (these provisions are estimated by modelling the cash flows within the contract boundaries and allowing for lapses)

Future premiums are considered within the contract boundary determined in accordance with Article 18 of Commission Delegated regulation 2015/35. In effect the contract boundary considered in non-life is the future date where the company has a unilateral right to terminate the contract. One-year and multi-year contracts are treated separately in the Premium Provision calculation. Lapses are distinguished from contract boundaries. Expected lapse rates, determined from historical experience, are used to adjust future premium cash flows.

Future claims are modelled consistently with PIM. Claims distributions are determined using the historical claims experience. Statistical goodness-of-fit criteria are used to select the most appropriate distributions for each segment. Expert judgement is used to supplement the data in those cases where sufficient historical experience is not available. The homogeneous risk group structure used for the Premium Provision calculation is more granular than the one used for Claims Provision, with the aim of closely reflecting the reinsurance structure. Three types of claims (attritional, large and CAT) are distinguished. Attritional claims are modelled via a total loss distribution, while a frequency-severity approach is used for the modelling of large claims. Catastrophe (CAT) claims are either derived from event sets generated by external natural catastrophe models. Payment patterns for future claims are determined separately by homogeneous risk group and claim type using triangle methods based on historical experience.

Operating expenses are modelled consistently with planning assumptions. Expected future acquisition cost, premium refund and insurance tax cash flows within the contract boundary are also included in the Premium Provision calculation.

Risk Margin

The risk margin is calculated as the present value of all future costs of capital of hypothetical reference undertakings taking over the insurance obligations of the company, calculated with the Solvency 2 standard cost-of-capital rate of 6% per annum.

Following Level 2 (Implementing measures solvency 2) Article 38(1), it is assumed that a non-life reference undertaking takes over the obligations related to non-life activities. The reference undertakings are assumed to be empty before the hypothetical portfolio transfer. After the transfer, the reference undertakings raise eligible own funds equal to the SCR necessary to support the insurance obligations over their remaining lifetime. In line with Level 2 Article 38(1) it is also assumed that the reference undertakings do not take up new insurance obligations beyond the existing contract boundaries (e.g. it is assumed that contracts are terminated at the first possible future date where the company has a unilateral right to terminate a contract).

The future SCRs of the reference undertakings are approximated by scaling each relevant risk module (or submodule) proportionally to the projected value of the relevant risk driver(s).

Degree of Uncertainty

The parameters and assumptions used for the calculation of technical provisions are subject to natural uncertainty due to possible variations in the benefits and costs, as well as economic assumptions such as discount rates.

As UNIQA built a Partial Internal Model to quantify it's Non-Life underwriting risk, the full distribution of the underwriting results is available and is used to get an understanding about the volatility in the Best Estimate reserve.

Overview of the BE as at Valuation Date 31.12.2021

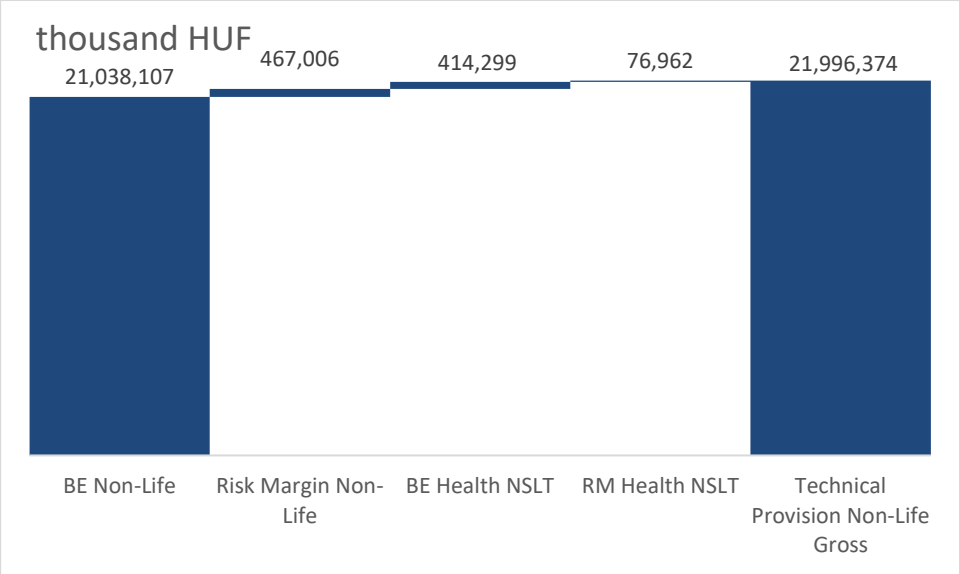

Figure 16. Technical provisions non-life & health-NSLT

The Best Estimate-reserves are mostly determined by claims reserves (CO), the premium reserve represents a smaller part. In order to calculate the technical provisions, no significant simplified methods were used. The same applies to the calculation of the risk margin.

Reconciliation of Gross Technical Provisions Non-life & Health-NSLT to Local GAAP Balance Sheet

Technical provisions [thousand HUF]	Solvency II	Statutory Values	Revaluation
Technical provisions – non-life insurance	**21,996,374**	**29,649,383**	**- 7,653,009**
Technical provisions – non-life insurance (except for health insurance)	21,505,113	28,190,609	- 6,685,496
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	*21,038,107*	*n.a.*	*n.a.*
Risk margin	*467,006*	*n.a.*	*n.a.*
Technical provisions – health insurance (similar to non-life)	491,261	1,458,774	- 967,513
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	*414,299*	*n.a.*	*n.a.*
Risk margin	*76,962*	*n.a.*	*n.a.*

Table 47. Evaluation of gross technical provisions

In property and casualty insurance under Solvency II, the technical provisions are less valuated than under local GAAP. The main reasons are:

- Claims reserves in Solvency II are shown as discounted, which has significant effect since there are high reserve stocks of long processing liability insurances.
- The unearned premium (UPR) represents in the accounting – in accordance with IFRS and the local GAAP - the equivalent to the premium provision's Best Estimate. Since not the whole UPR can be provisioned but a small part net of claims and fixed costs, there is a revaluation effect in Solvency II. Acquisition commissions are already paid, thus they are no longer considered in the cash flow.
- When it comes to the calculation of net liabilities, external reinsurance business are taken into consideration.

The following table compares the changes of Solvency II technical provisions between the last and current period.

Technical provisions [thousand HUF]	31/12/2020	31/12/2021	Difference
Technical provisions – non-life insurance	**20,663,459**	**21,996,374**	**1,332,915**
Technical provisions – non-life insurance (except for health insurance)	20,226,000	21,505,113	1,279,112
Technical provisions calculated in total	-	-	-
Best Estimate	*19,695,788*	*21,038,107*	*1,342,319*
Risk margin	*530,212*	*467,006*	*- 63,207*
Technical provisions – health insurance (similar to non-life)	437,459	491,261	53,802
Technical provisions calculated in total	-	-	-
Best Estimate	*435,566*	*414,299*	*- 21,267*
Risk margin	*1,893*	*76,962*	*75,070*

Table 48. Comparison of gross technical provisions

Technical Provisions increased during the year driven by growing Claims Provision. Main drivers are MTPL and Motor Hull. The increase is caused by the increasing claims inflation and the summer storm event.

The following table shows the reconciliation of the Local GAAP values to Solvency II values per segment of the largest LoBs in non-life insurance:

Thousand HUF	Solvency II	Statutory Values	Revaluation
Technical provisions – non-life insurance	**21,996,374**	**29,649,383**	**-7,653,009**
Motor vehicle liability insurance	**9,338,838**	**11,982,776**	**-2,643,938**
Technical provisions calculated as a whole	*n.a.*	*11,982,776*	*n.a.*
Best Estimate	*9,202,545*	*n.a.*	*n.a.*
Risk margin	*136,294*	*n.a.*	*n.a.*
Other motor insurance	**3,991,844**	**4,813,790**	**-821,945**
Technical provisions calculated as a whole	*n.a.*	*4,813,790*	*n.a.*
Best Estimate	*3,917,388*	*n.a.*	*n.a.*
Risk margin	*74,456*	*n.a.*	*n.a.*
Fire and other damage to property insurance	**4,847,895**	**4,968,649**	**-120,754**
Technical provisions calculated as a whole	*n.a.*	*4,968,649*	*n.a.*
Best Estimate	*4,651,494*	*n.a.*	*n.a.*
Risk margin	*196,402*	*n.a.*	*n.a.*
General liability insurance	**2,549,306**	**3,572,331**	**-1,023,025**
Technical provisions calculated as a whole	*n.a.*	*3,572,331*	*n.a.*
Best Estimate	*2,509,230*	*n.a.*	*n.a.*
Risk margin	*40,076*	*n.a.*	*n.a.*

Table 49. Evaluation of technical provisions for largest Non-Life LoBs

The revaluation differences per Line of Business comes from the same reasons as already mentioned above for the company level. The largest effects being in the two longest tailed businesses, namely Motor vehicle liability and general liability.

D.2.2 Technical Provisions Life & Health (SLT)

Description of Methods to Evaluate Technical Provisions

A Best Estimate reserve can be interpreted as a statutory reserve net of all prudent assumptions.

Thus, the re-evaluation of reserves implies replacing prudent assumptions (e.g. mortality, expenses) by best estimate assumptions. Under the principle of equivalence a reserve in life insurance is defined as difference of present value of future benefits and present value of future premiums. Calculating those future cash flows using best estimate assumptions (instead of prudent assumptions stated in the technical note) leads to a reserve called Best Estimate reserve or Best Estimate liability.

In case of Incurred but not reported (IBNR) and Reported but not settled (RBNS) claim reserve, Profit sharing reserve for group policies Best Estimate reserve equal to Statutory Reserve.

Unit-Linked Business (UL)
A deterministic projection model is used. Insurance products are reflected in the model as homogeneous risk groups and each model point corresponds to a single policy or a part of it. Investment return (unit growth) assumptions are consistent with the risk-free forward reference rates. Nearly all unit-linked policies are covered by the projection; a scaling factor based on unit reserves is applied to account for the marginal gap in the model coverage.

Traditional Business with Profit Sharing (WP)
A deterministic projection model is used. Insurance products are reflected in the model as homogeneous risk groups and each model point corresponds to a single policy or a part of it. Investment assumptions are consistent with the risk-free forward reference rates. Some products are not covered by the projection; a scaling factor based on statutory reserves is applied for the rest to account for the small gap in the model coverage.

Traditional Business without Profit Sharing (WoP)
A deterministic projection model is used. Insurance products are reflected in the model as homogeneous risk groups and each model point corresponds to a single policy or a part of it. Since 12.31.2019 the Funeral products are also modeled within this Line of Business, which are similar to the term life products in their main characteristics. The projection model does not have full coverage; the best estimate of those products that are currently out of the model scope is approximated by the statutory (Solvency 1) reserves.

Health SLT
A deterministic projection model is used. Insurance products are reflected in the model as homogeneous risk groups and each model point corresponds to a single policy or a part of it. The projection model does have full coverage.

Non-Life Annuities
The best estimate of non-life annuities is calculated by a cash-flow model. Mortality rates are taken from the 2016 Hungarian mortality table. The cash flow model includes an expense loading and an indexation assumption.

Assumptions

The assumptions relating to the Best Estimate are determined on the basis of the past, present and expected development and includes also other relevant data. The best estimate assumptions are used for a number of purposes including Liability Adequacy Testing (LAT) and Embedded Value (EV)

reporting. These assumptions are reviewed and updated annually and they are considered separately for each product group.

Profit Participation

The Company allocates a percentage of the earned interest over the guaranteed technical interest rate to each policyholder. The percentage is determined in the products terms and conditions. Regarding currently existing products it is either 80%, 85% or 90%. For the purpose of Best Estimates the actual percentage was used per product. Declared bonuses are treated in one of three possible ways, depending on the product. The three product groups with respect to profit sharing are: Increase of Sum Assured, Revalorisation and Profit Account. These are treated separately in the Cash-Flow model according to the product terms and conditions.

Costs

Cost assumptions are based on the actual costs that are incurred in the years before the valuation date. The allocation of expenses between initial and renewal expense assumptions reflects the reality. The allocation of expenses is differentiated by product class and between regular and single premium contracts.

Extraordinary costs, which are not expected in the future, are not included in the cost allocation. Additional costs are included in the allocation of costs in the event they are expected in the future.

Maintenance expenses are derived from actual expenses based on the company total expenses adjusted. The cost amount of group, term and rider subportfolios are calculated using a premium based ratio, then the remaining amount is allocated to individual policies as a fixed amount by dividing by the expected average policy number per type (regular, single premium, etc).

Future inflation is applied to modelled expenses in line with the inflation rates projected by the Central Bank of Hungary.

Cancellation

Lapse rates are based on an analysis of historic lapse rates, in particular on the average of the experienced lapse rates of the past years. For new products the lapse rates are based on the assumptions for similar products.

The lapse and paid-up rates that we used are based on the previous years' lapse experience. The analysis was carried out based on number of policies.

Lapse rates are derived independently for sales channel, premium frequency, product type, technical interest rate (just in case of traditional products) and policy year. Paid-up rates are modelled as dependent on sales channel, product type and policy year. For segments with too few data we made the estimations on an aggregated basis (i.e. all premium frequencies together, technical interest rates together, etc.).

We built up "run-off" triangles of policy lapses based on policy beginning year and policy age and used expert judgement for extrapolation. With the "run-off" triangle approach we were able to take into consideration calendar year effects (e.g.: loan payback effect at end of 2011), policy start year effects (poor or dynamic sales activity, etc.).

Commission

The estimates of the commission are based on the commission agreements in force with sales partners.

Mortality and Disability
The assumptions of mortality and disability are based on the Best Estimate for future events. The developments from the past are therefore taken into account. If this information should not be enough, developments from the sector will be used as well.

Interest Rate Assumptions
The interest rate assumptions, in the calculation of the reserves for the Best Estimate, are derived under Solvency II on the basis of the given risk-free interest rates. The interest rate assumptions have the strongest influence on the value of the Best Estimate reserves in the traditional life insurance business. The interest rate assumptions as of 31 December 2021 are as follows:

Risk-free interest rates 2021 (excl. Volatility Adjustment)

Year	EUR	HUF
1	-0.59%	3.49%
5	-0.08%	4.29%
10	0.21%	4.43%
15	0.40%	4.56%
20	0.46%	4.66%
25	0.74%	4.69%

Table 50. Interest rate assumptions

Risk Margin

The risk margin is calculated as the present value of all future capital costs. Thereby the future SCRs are updated analogously to the processing of the Best Estimate. Furthermore, the capital costs of 6 per cent are fixed. It is assumed that all market risks are hedgeable.

Following Level 2 Article 38(1), it is assumed that a life reference undertaking takes over the obligations relating to life activities. The reference undertakings are assumed to be empty before the hypothetical portfolio transfer. After the transfer, the reference undertakings raise eligible own funds equal to the SCR necessary to support the insurance obligations over their remaining lifetime. In line with Level 2 Article 38(1) it is also assumed that the reference undertakings do not take up new insurance obligations beyond the existing contract boundaries (e.g. it is assumed that contracts are terminated at the first possible future date where the company has a unilateral right to terminate a contract).

UNIQA uses an approach that calculates the future SCRs via their risk drivers. An example for a risk driver would be the trend of administrative costs in comparison to the development figure of the cost of risk capital. The risk margin is calculated on a net basis after deduction of reinsurance.

Degree of Uncertainty

The degree of uncertainty of technical provisions is reviewed within the scope of the Market Consistent Embedded Value (MCEV) account or within the analysis of change. In the analyses of the change the observed parameters are compared with the assumptions in the projection. If the development of the technical provisions can be explained with observed parameters, this means that all relevant risks are adequately depicted.

In the analyses of the change, it is shown particularly how realised events, in comparison with initially assumed parameters, affect the value of technical provisions under Solvency II.

Overview of the BE as at Valuation Date 31.12.2021

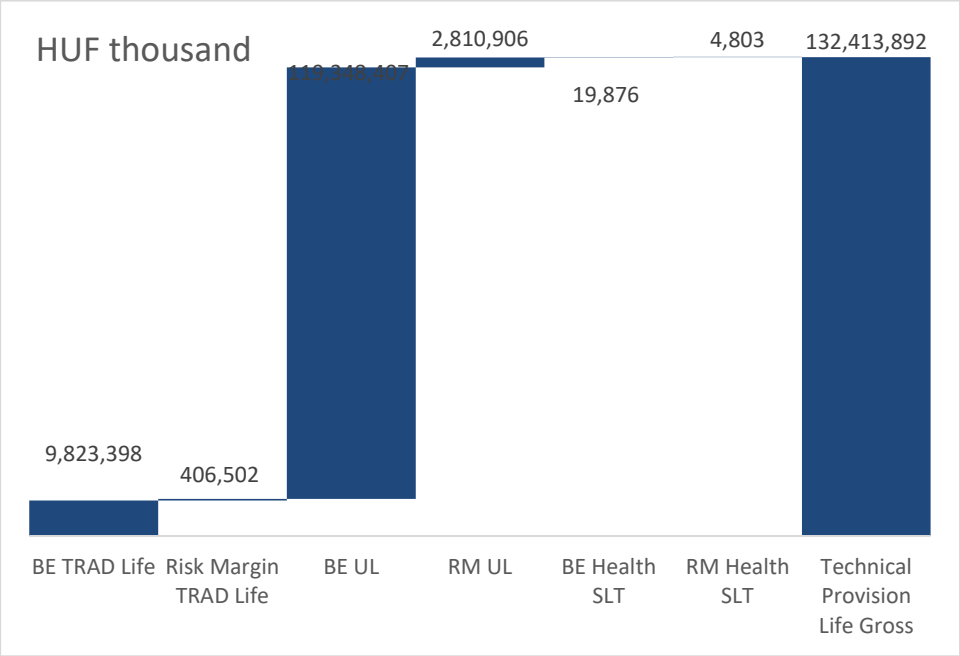

Figure 17. Technical provisions Life & health (SLT) (in THUF)

In order to calculate the technical provisions no significant simplified methods were used. The same applies to the calculation of the risk margin.

Reconciliation of Gross Technical Provisions to Local GAAP Balance Sheet

Technical provisions [thousand HUF]	Solvency II	Statutory Values	Revaluation
Technical provisions– life insurance (except for unit- and index-linked insurances)	**10,254,579**	**12,948,346**	**- 2,693,767**
Technical provisions– health insurance (similar to life)	24,679	1,180,786	- 1,156,107
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	*19,876*	*n.a.*	*n.a.*
Risk margin	*4,803*	*n.a.*	*n.a.*
Technical provisions – Life insurance (except for health insurance and unit- and index-linked insurances)	10,229,900	11,767,560	- 1,537,660
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	9,823,398	*n.a.*	*n.a.*
Risk margin	406,502	*n.a.*	*n.a.*
Technical provisions–unit- and index-linked insurances	**122,159,313**	**137,190,662**	**- 15,031,349**
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	*119,348,407*	*n.a.*	*n.a.*
Risk margin	*2,810,906*	*n.a.*	*n.a.*
Other technical provision	**n.a.**	**1,471,754**	**n.a.**

Table 51. Evaluation of gross technical provisions - Life

In the Traditional Life business (without health and index- and unit-linked business) the Technical Provisions under Solvency II, compared to Local GAAP, are lower on Company level. This is driven on

one hand by the effect of discounting and on the other hand prudent assumptions in statutory provisions. It should also be taken into account that under Solvency II future profit participation (in comparison with Local GAAP) is a part of the provision.

For the unit- and index-linked business, which has much lower interest sensitivity, provisions in the solvency balance sheet under Solvency II are smaller than those under Local GAAP by a large margin. This is driven by the expected future profits recognized in the Technical Provisions.

The effect of revaluation of Local GAAP to Solvency II in the health insurance business (SLT) leads to a reduction of technical provisions mainly because contract boundary is set to next policy's anniversary. Cash flows after this moment are not taken into account under Solvency II Best estimation calculation.

The following table compares the changes of Solvency II technical provisions between the last and current period.

Technical provisions [thousand HUF]	31/12/2020	31/12/2021	Difference
Technical provisions– life insurance (except for unit- and index-linked insurances)	**11,087,101**	**10,254,579**	**- 832,522**
Technical provisions– health insurance (similar to life)	- 6,564	24,679	31,243
Technical provisions calculated in total	-	-	-
Best Estimate	- *11,589*	*19,876*	*31,465*
Risk margin	*5,025*	*4,803*	- *222*
Technical provisions – Life insurance (except for health insurance and unit- and index-linked insurances)	11,093,665	10,229,900	- 863,766
Technical provisions calculated in total	-	-	-
Best Estimate	10,619,986	*9,823,398*	- *796,588*
Risk margin	473,679	*406,502*	- *67,178*
Technical provisions–unit- and index-linked insurances	**108,023,518**	**122,159,313**	**14,135,794**
Technical provisions calculated in total	-	-	-
Best Estimate	*104,790,418*	*119,348,407*	*14,557,989*
Risk margin	*3,233,101*	*2,810,906*	- *422,195*
Other technical provision	**n.a.**	**n.a.**	

Table 52. Comparison of gross technical provisions

The technical provisions increased significantly for unit- and index-linked insurances due to extraordinary yield in 2021. The health insurance business (SLT) technical provision increased because of the changes in the outstanding claims reserves.

Transitional Measures

The volatility adjustment, as defined in Article 77d SII Directive 2009/138/EC, was adapted in the Solvency II calculation for all lines of business. No matching adjustment or transitional discounting rates have been used.

The volatility adjustment is additionally added to the risk-free interest curve. In the following table, the effect of the volatility adjustment is shown:

In Thousand HUF	With volatility adjustment	Without volatility adjustment and without other transitional measures	Effect
Technical provisions	154,410,265	154,446,690	- 36,425
Basic own funds	29,056,098	29,036,818	19,279
Eligible own funds to meet Solvency Capital Requirement	29,056,098	29,036,818	19,279
SCR	15,260,039	15,278,479	- 18,440
Eligible own funds to meet Minimum Capital Requirement	26,151,179	26,132,648	18,531
Minimum Capital Requirement	4,598,087	4,601,831	- 3,744

Table 53. Technical provisions Life – Non-Life - Health (volatility adjustment)

Besides the volatility adjustment no other significant transition measures were used for the calculation of the technical provision.

D.3 Other Liabilities

The following table shows a comparison of all other liabilities at the reporting date 31.12.2021, valued in accordance with Solvency II and Local GAAP.

	Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
1	Contingent liabilities	-	-	-
2	Provisions other than technical provisions	-	-	-
3	Pension benefit obligations	-	-	-
4	Deposits from reinsurers	42,462	89,818	- 47,356
5	Deferred tax liabilities	1,380,942	-	1,380,942
6	Derivatives	-	-	-
7	Debts owed to credit institutions	-	-	-
8	Financial liabilities other than debts owed to credit institutions	1,153,830	-	1,153,830
9	Insurance & intermediaries payables	5,514,099	5,514,099	-
10	Reinsurance payables	999,994	952,638	47,356
11	Payables (trade, not insurance)	2,066,581	2,305,338	- 238,756
12	Subordinated liabilities	3,824,536	3,690,000	134,536
12.1	*Subordinated liabilities not in BOF*	-	-	-
12.2	*Subordinated liabilities in BOF*	*3,824,536*	*3,690,000*	*134,536*
13	Any other liabilities, not elsewhere shown	1,523,461	4,569,859	- 3,046,399
	Other liabilities total	**16,505,905**	**17,121,751**	**- 615,846**

Table 54. Other liabilities

The following classes of assets are not available at the reporting date 31.12.2021 and will not be further commented:

- Contingent liabilities;
- Pension benefit obligations
- Derivatives

- Debts owed to credit institutions

Provisions other than technical provisions

Other liabilities [in Thousand HUF]	Solvency II	atutory Values	Revaluation
Provisions other than technical provisions	-	-	-

Table 55. Provisions other than technical provisions

Deposits from reinsurers

Both for the local GAAP and for the solvency balance sheet, liabilities are valued at the settlement amount. As the same approach is applied under Solvency II, there are no valuation differences.

Deferred tax liabilities

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Deferred tax liabilities	1,380,942	-	1,380,942

Table 56. Deferred tax liabilities

The starting point of valuing deferred tax liabilities for solvency purposes is the value of deferred tax liabilities in the consolidated IFRS balance sheet. This value is further adjusted for the valuation differences between economic and IFRS values (hidden reserves multiplied by the tax rate). An effective tax rate of 11,3% has been estimated for the purpose of the latter adjustments.

Financial liabilities other than debts owed to credit institutions

[in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Financial liabilities other than debts owed to credit institutions	1,153,830	-	1,153,830

A lease liability under IFRS16 leasing standard is recognised in the SII, but not in local accounting standards.

Insurance & intermediaries payables

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Insurance & intermediaries payables	5,514,099	5,514,099	-

Table 57. Liabilities to insurance companies and agents

This item includes liabilities payable to insurance companies and intermediaries. Both for the local GAAP financial statements and for the solvency balance sheet liabilities are valued at the settlement amount.

Reinsurance payables

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Reinsurance payables	999,994	952,638	47,356

Table 58. Reinsurance payables

This item includes reinsurance payables. Both for the local GAAP and for the solvency balance sheet liabilities are measured at carrying value. The difference is reclassified in the local GAAP to the position “receivables from reinsurers”.

Payables (trade, not insurance)

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Payables (trade, not insurance)	2,066,581	2,305,338	- 238,756

Table 59. Payables (trade, not insurance)

This item includes liabilities, which cannot be assigned to other categories. Both for the local GAAP and for the solvency balance sheet, liabilities are measured at carrying value. As the same approach is applied under Solvency II, there are no valuation differences.

The difference is reclassified in the local GAAP to the position “Receivables (trade, not insurance)”.

Any other liabilities, not elsewhere shown

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Any other liabilities, not elsewhere shown	1,523,461	4,569,859	- 3,046,399

Table 60. Any other liabilities, not elsewhere shown

This item includes any other liabilities that are not shown elsewhere. This item includes miscellaneous payables e.g. tax and social security that are not related to insurance technical accounts.

These liabilities include accrued expenses valued at the local GAAP amount, cleaned of the reinsurance share of deferred acquisition costs and of unrealised losses on the HTM bond portfolio. There is also a difference in the accrued interest on subordinated loan capital, which in the case of the Solvency II Directive has been shown under subordinated loan capital.

D.4 Alternative Methods for Valuation

UNIQA Biztosító Zrt. uses no alternative methods for valuation.

D.5 Any Other Information

UNIQA Biztosító Zrt. has no further information to disclose related to the valuation used for solvency purposes.

E. Capital Management

E.1 Own Funds

This chapter contains information about own funds and the management of it. One of the most important targets of the top management is to be well capitalized over the time and to have enough own funds in place to manage large losses and negative financial business events.

Through active own fund management, UNIQA Biztosító Zrt. assures that the company's capitalisation is always adequate. There have to be sufficient available own funds in order to correspond to the capital requirements which have been calculated using the standard formula according to the requirements of the Supervisory Authority under Solvency II.

Furthermore, the management of own funds pursues the goal to increase UNIQA Biztosító Zrt.'s financial capability as much as possible and to keep it at a justifiable level at a target solvency ratio of 150% per cent defined in the company's Risk Strategy for 2021.

As long as strategic planning and capital strength allow for it, (taking into account MNB recommendations) UNIQA Biztosító Zrt. returns non-used capital in the form of dividends to its shareholders.

The overall solvency is regularly monitored in order to correspond to the overall solvency requirement.

A solvency ratio limit and capital requirement system with thresholds defines measures and escalation levels to be taken, if capitalisation falls below a certain level. This process guarantees that every time there is adequate and optimal own funds level to run the business.

The planning of the capital management activities and the overall solvency requirement for the internal risk model (ORSA, pillar 2) is based on a time horizon of 5 years.

Furthermore, UNIQA implemented the following processes for the management of own funds:

- The excess of assets over liabilities including own funds inside or outside the IFRS financial statements is monitored regularly.
- This comprises different categories of own funds ("tiers") in accordance with Solvency II in order to oppose the overall solvency requirement to the available own funds.
- Consequently, a possible adaptation need to meet the regulatory own funds requirements can be reviewed regularly.

In the reporting period, no major changes in connection to the management of own funds were carried out.

Classification of own funds in categories

In accordance with Solvency II, own funds, which differ in their capacity to absorb losses, are classified in categories, so-called Tiers. This varying capacity to absorb losses is shown in Figure 18.The loss absorbing capacity of Tier 1 own funds is estimated higher than that of Tier 2 and Tier 3 own funds respectively.

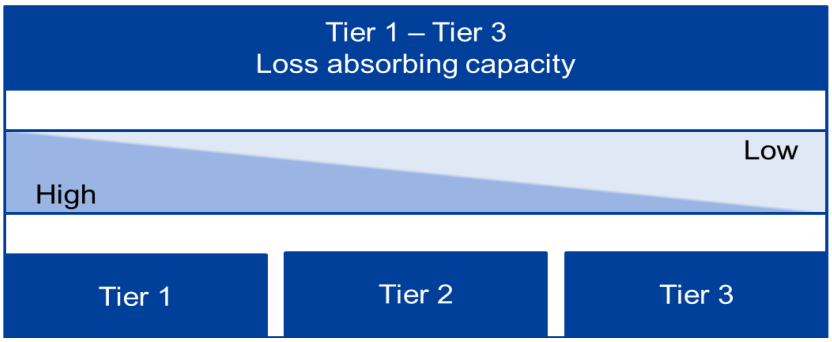

Figure 18. Loss absorbing capacity of own funds

As will be shown in the course of this section, UNIQA Biztosító Zrt. does not possess Tier 3 own funds. Figure 19 represents the relevant quality criteria for the respective own fund categories.

Quality criteria	Tier 1 restricted	Tier 2	Additional Tier 2
Capacity to absorb losses	Capacity to absorb losses in Going concern and winding-up	Capacity to absorb losses at least in winding-up	Capacity to absorb losses at least in winding-up
Maturity period	Unlimited maturity period; first contractual possibility to redeem or pay back at the earliest 5 years after issue	Unlimited or	Unlimited or initial maturity period of at least 5 years
Subordination ranking	Equal or preferential to the share capital or foundation funds respectively, subordinate to Tier 2- and Tier 3-basic own fund components, as well as to claims of all policy holders and entitled beneficiaries and non-subordinate creditors	Subordinate to all claims of all policy holders, entitled beneficiaries and non-subordinate creditors	Subordinate to all claims of all policy holders, entitled beneficiaries and non-subordinate creditors

Figure 19. Quality criteria per tier relevant to UNIQA Biztosító Zrt.

Reconciliation of local GAAP equity to regulatory own funds

A helyi számviteli előírások szerinti saját tőke összehasonlítása a szavatoló t		
Pozíció [ezer Forint]		2021
Helyi számviteli előírások szerinti saját tőke, beleérve a saját részvényeket is		**13,316,324**
Eszközök átértékelése	-	15,550,488
Goodwill		*n.a.*
Halasztott szerzési költség		*n.a.*
Kapcsolt vállalkozásokban fennálló részesedési viszonyok, ideértve a részesedéseket is		*287,550*
Saját használatú ingatlanok, gépek és berendezések		*977,545*
Hitelek és jelzáloghitelek		*-*
Egyéb eszközök	-	*16,815,583*
Biztosítástechnikai tartalék átértékelése	-	*10,346,777*
Biztosítástechnikai tartalékok – nem-életbiztosítási szerződések	-	7,653,009
Biztosítástechnikai tartalékok – Életbiztosítás (az indexhez vagy befektetési egységekhez kötött életbiztosítás kivételével)	-	2,693,767
Biztosítástechnikai tartalékok - egyéb		n.a.
Egyéb Biztosítástechnikai tartalékok átértékelése	-	*615,846*
Halasztott adókötelezettség		1,380,942
Egyéb	-	1,996,788
Az eszközök kötelezettségeket meghaladó többlete		29,056,098
Várható osztalékok, kifizetések és díjak		**-**
A szavatolótőke-szükségletnek való megfeleléshez figyelembe vehető szavatoló tőke összesen - 1-es szint korlátozott		-
A szavatolótőke-szükségletnek való megfeleléshez figyelembe vehető szavatoló tőke összesen - 2-es szint		3,824,536
Összes alapvető szavatoló tőke a levonások után		29,056,098

Table 61. Reconciliation of local GAAP equity to regulatory own funds

The essential drivers for the significantly higher own funds according to Solvency II compared to local GAAP equity are the following:

- Intangible assets are evaluated at zero in the solvency balance sheet.
- Deferred acquisition costs are evaluated at zero in the solvency balance sheet.
- Local GAAP values of participations, replaced by market values that are significantly higher on the valuation date.
- Technical provisions and reinsurance receivables are significantly higher evaluated in the regulatory own funds than according to the local GAAP. This is because they are evaluated on the basis of the discounted Best Estimate that includes a risk margin.

Information on own funds

Position [in Thousand HUF]	2021
Basic own funds	**29,056,098**
Tier 1	25,231,562
Core capital	8,685,082
Other posts	14,112,032
Planned dividends	-
Revaluation reserve according to IAS 39	*- 2,434,448*
Reconciliation reserve	*16,546,480*
Tier 1 Restricted – subordinated liabilities	-
Tier 2 – Subordinated liabilities	3,824,536
Tier 3 –Deferred tax assets	-
Reduction due to tiering limits	-
Own funds for coverage of SCR	29,056,098

Table 62. Information on own funds

According to Solvency II requirements, there are defined limits for whether or not the various tiers are eligible. Tier 1 own funds are of the highest quality and can therefore be used entirely to cover the regulatory capital requirements. In the current reporting period, the composition of own funds is extended by a Tier 2 capital to strengthen the undertaking's solvency position above the level according to the Regulator's guideline.

Table 63 shows the capital quality of UNIQA Biztosító Zrt. as at 31 December 2021 and the portion that can be used to cover the solvency requirement of UNIQA Biztosító Zrt.. Within UNIQA Biztosító Zrt., regulatory own funds consist mainly of Tier 1 capital (capital of the highest quality) that may be used entirely to cover the capital requirement and a smaller amount of Tier2 capital.

Position	in Thousand HUF	in %
Tier 1	25,231,562	87%
Tier 1 Restricted	-	0%
Tier 2	3,824,536	13%
Total	**29,056,098**	

Table 63. Own funds in the reporting period

Eligible own funds (coverage of SCR and MCR per Tier)

Under Solvency II, there are the following limitations which have been taken into account for the imputation of available own funds on the capital requirement (SCR/MCR). In accordance with the Delegated Regulation concerning the determination of eligible own funds for the coverage of the capital requirements, UNIQA Biztosító uses the following limitations:

Coverage of SCR and MCR per Tier	Limitation [per cent]	Limitation [in Thousand HUF]
SCR-Coverage		
Tier 1	Min. 50% of SCR	7,630,019
Tier 1 Restricted	Max. 20% of the total Tier 1	-
Tier 3	Max. 15% of SCR	2,289,006
Tier 2 + Tier 3	Max. 50% of SCR	7,630,019
MCR-Coverage		-
Tier 1	Min. 80% of MCR	3,678,470
Tier 1 Restricted	Max. 20% of the total Tier 1	-
Tier 2	Max. 20% of MCR	919,617

Table 64. Eligible own funds (general)

The following table shows the eligible own funds of UNIQA Biztosító Zrt. for SCR and MCR of available own funds as at 31 December 2021. On the valuation date, no additional own funds existed.

Components of own funds [in Thousand HUF]	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Basic own funds	29,056,098	25,231,562	-	3,824,536	-
Eligible own funds to cover SCR	29,056,098	25,231,562	-	3,824,536	-
Eligible own funds to cover MCR	26,151,179	25,231,562	-	919,617	-

Table 65. Eligible own funds as at 31 December 2021

Despite the quota which has to be calculated in the framework of Solvency II and that is indicated in the quantitative reporting template [QRT] S.23.01, UNIQA Biztosító Zrt. does not use any other supplementary quotas.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

For calculating the solvency capital requirement (SCR), UNIQA Biztosító Zrt. uses a partial internal model integrated into the standard formula. The partial internal model covers non-life underwriting risk and health underwriting risk similar to non-life (NSLT). The calculation of the solvency capital

requirement is carried out in accordance with the applicable Solvency II regulations and assumes that business activities are continued on a going-concern basis. The solvency capital requirement is calibrated so as to ensure that all quantifiable risks UNIQA Biztosító Zrt. is exposed to are taken into account. This covers not only existing business but also new business expected to be written over the following twelve months. With respect to existing business, the solvency capital requirement covers only unexpected losses.

The solvency capital requirement corresponds to the value at risk of the basic own funds at a 99.5 per cent confidence level over a one-year period, meaning that it represents an amount of loss whose probability of occurrence over a one-year period is 1 in 200.

The following overview shows the solvency and minimum capital requirement at the end of the reporting period on the valuation date of 31 December 2021, as well as the own funds eligible to meet each capital requirement.

In Thousand HUF	2021
Eligible own funds to meet Solvency Capital Requirement	29,056,098
Solvency Capital Requirement (SCR)	15,260,039
Eligible basic own funds to meet Minimum Capital Requirement	26,151,179
Minimum Capital Requirement (MCR)	4,598,087

Table 66. Solvency and minimum capital requirement and own funds

The detailed breakdown of the solvency capital requirement by risk modules is described in Section C on the risk profile. The non-life and health NSLT underwriting risk module has been calculated by the partial internal model, while all other risk modules have been calculated by the standard formula. Simplified calculations have been used for the calculation of the following modules and sub-modules:

- life mortality risk (for part of the portfolio), according to Article 91 of Delegated Regulation (EU) 2015/35
- life disability-morbidity risk (for part of the portfolio), according to Article 93 of Delegated Regulation (EU) 2015/35
- life expense risk (for part of the portfolio), according to Article 94 of Delegated Regulation (EU) 2015/35
- life catastrophe risk (for part of the portfolio), according to Article 96 of Delegated Regulation (EU) 2015/35

UNIQA Biztosító Zrt. does not use undertaking-specific parameters for calculating the solvency capital requirement.

No capital add-on is applied to the solvency capital requirement of UNIQA Biztosító Zrt.

The minimum capital requirement corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable risk if an undertaking were allowed to continue its operations. It is calculated by a linear function of technical provisions, written premiums and capital-at-risk. It shall neither fall below 25% nor exceed 45% of the solvency capital requirement. It is subject to an absolute floor defined in Article 129(1) of Directive 2009/138/EC. The minimum capital requirement is calculated according to the detailed rules set out by Articles 248–253 of Delegated Regulation (EU) 2015/35.

Information about the inputs of the calculation of the minimum capital requirement of UNIQA Biztosító Zrt. as at the end of 2021 is displayed in the table below.

Non-life linear formula inputs	Non-life activities		Life activities	
	Net best estimate and TP calculated as a whole	Net written premiums in the last 12 months	Net best estimate and TP calculated as a whole	Net written premiums in the last 12 months
Medical expense	-	-	-	-
Income protection	409,350	3,475,625	-	-
Workers' compensation	-	-	-	-
Motor vehicle liability	4,767,360	6,816,508	-	-
Other motor	2,441,909	6,860,669	-	-
Marine, aviation and transport	94,139	236,562	-	-
Fire and other damage to property	1,863,958	4,187,237	-	-
General liability	1,504,165	662,910	-	-
Credit and suretyship	-	-	-	-
Legal expenses	930	12,738	-	-
Assistance and proportional reinsurance	93,356	405,692	-	-
Miscellaneous financial loss	614,323	1,002,457	-	-
Non-proportional health reinsurance	-	-	-	-
Non-proportional casualty reinsurance	-	-	-	-
Non-proportional marine, aviation and transport reinsurance	-	-	-	-
Non-proportional property reinsurance	-	-	-	-

Table 67. Inputs of the calculation of the minimum capital requirement - Non-Life

Life linear formula inputs	Non-life activities		Life activities	
	Net best estimate and TP calculated as a whole	Net total capital at risk	Net best estimate and TP calculated as a whole	Net total capital at risk
Obligations with profit participation - guaranteed benefits	-		4,876,023	
Obligations with profit participation - future discretionary benefits	-		1,801,461	
Index-linked and unit-linked insurance obligations	-		119,348,407	
Other life (re)insurance and health (re)insurance obligations	953,570		131,454	
Total capital at risk for all life (re)insurance obligations		22,106,587		688,185,231

Table 68. Inputs of the calculation of the minimum capital requirement - Life

Overall MCR calculation	
Linear MCR	4,598,087
SCR	15,260,039
MCR cap	6,867,017
MCR floor	3,815,010
Combined MCR	4,598,087
Absolute floor of the MCR	2,588,000
Minimum Capital Requirement	4,598,087

Table 69. Calculation of the minimum capital requirement

E.3 Use of the Duration-based Equity Risk Sub-module in the Calculation of the Solvency Capital Requirement

UNIQA Biztosító Zrt. does not use the duration-based equity risk sub-module for calculating the SCR.

E.4 Differences Between the Standard Formula and Any Internal Model Used

The partial internal model (PIM) used by UNIQA Biztosító Zrt. has been developed by UNIQA Group. Having received supervisory approval in late 2017, the model is used for determining the solvency capital requirement (SCR) of UNIQA Group and a number of solo companies within the Group, including UNIQA Biztosító Zrt.

The aim of the partial internal model of UNIQA is to determine the risk-based capital (also called RBC) and in relation to that the amount of own funds that are to be used to absorb unforeseen losses over a specific time horizon. Currently, only the non-life underwriting risk and health underwriting risk similar to non-life (NSLT) are included in the scope of the partial internal model framework. The model covers the full non-life and health NSLT underwriting risk of UNIQA Biztosító Zrt. All other risk modules of the solvency capital requirement (e.g., market risk, credit risk, etc.) are measured and assessed according to the Solvency II standard formula.

The partial internal model is used for various purposes at UNIQA Biztosító Zrt. In addition to the regulatory SCR calculation, it also provides inputs on non-life and health NSLT risk to the following processes:

- Own Risk and Solvency Assessment (ORSA)
- Risk strategy and limit system
- Profit testing
- Solvency projection and capital planning
- Monitoring of the efficiency of reinsurance

The partial internal model aims to capture the uncertainties related to the underwriting of non-life and health NSLT direct and reinsurance contracts. The model generates a probability distribution forecast of the non-life and health NSLT economic underwriting result over a one-year time horizon via stochastic simulation. In particular, the following stochastic risk drivers are modelled:

- Premium Risk
    - Business risk: premium rates, risk years exposure and operating costs
    - Non-CAT claims: attritional losses and individual large losses
    - CAT claims: natural catastrophe losses and man-made catastrophe scenarios
- Reserve risk
    - Reserve run-off result

The following table shows the mapping between the risk categories used in the model and the risk modules of the standard formula:

Standard Formula sub-module		Partial Internal Model module	sub-module
Premium and Reserve Risk	=>	Premium Risk	Business Risk
	=>	Premium Risk	Non-CAT Risk
	=>	Reserve Risk	Reserve Risk
Catastrophe Risk	=>	Premium Risk	Natural Catastrophe Risk
	=>	Premium Risk	Man-Made Catastrophe Risk
Lapse Risk	=>	Premium Risk	Business Risk

Table 70. Mapping between the risk categories of the standard formula and the partial internal model

The following methods are used for determining the probability distributions of the modelled risk drivers:

Partial Internal Model Module	Sub-module	Methods used
Premium Risk	**Business Risk**	Stochastic model for premium rates, risk years exposure and operating costs Acquisition costs and insurance tax linked to modelled premiums
	Non-Catastrophe Risk	Total loss distribution for attritional losses Frequency-severity approach for individual large losses
	Natural Catastrophe Risk	External NatCat models for Earthquake, Flood, Winter storms and Hail Frequency-severity approach for Summer storms
	Man-Made Catastrophe Risk	Pre-defined scenarios at a fixed probability of occurrence
Reserve Risk	**Reserve Risk**	Models for claims reserve development

Table 71. Modelling of probability distributions

The aggregation of the stochastic variables in the partial internal model is done by the Gaussian copula approach, taking into account the dependencies between lines of business and between risk drivers. The assumptions on diversification and dependencies are key assumptions of the partial internal model methodology, and accordingly they are being validated on a regular basis. The dependency parameters of the Gaussian copula approach are usually derived from historical observations, and they are updated annually using the full history available. For losses, these parameters are merged with a set of predefined parameters for each source of risk through the use of a dependency ranking. This approach is called the shrinkage method. To take into account local peculiarities, expert assessments can be added later. In addition, the methodology does not allow negative dependency parameters between different claims (i.e. losses in a portfolio increasing the chance of gains in another portfolio). Negative dependencies on the other hand are allowed between business risk variables (most typically between the premium rate and the risk years exposure of a given line of business).

The confidence level for UNIQA's partial internal model RBC framework is set at 99.5% over a one-year time horizon, which corresponds to a return period of 1 in 200 years. For premium risk the ultimate view is used instead of the one-year view.

Since only one part of the business of the company is covered in the partial internal model, this part is combined with the rest of the business, which is treated according to the Solvency II standard approach. This is done using one of the integration techniques ("Technique 3") for partial internal models according to Solvency II Delegated Regulation 2015/35. The chosen integration technique also takes into account diversification effects between the part of the partial internal model and the non-internally modelled business.

The main differences between the partial internal model and the standard formula are the following:

- The standard formula uses a set of factor-based approaches and deterministic scenarios to derive a single output, i.e. the 99.5th percentile of the loss of own funds. The partial internal model on the other hand provides a probability distribution forecast of a number of key underwriting variables, including the economic underwriting result, generated from a large number of stochastic simulations.
- Instead of the standardized risk factors of the standard formula, the parameterization of the partial internal model is based on the company's own experience, therefore the results closely reflect the actual risk profile.
- The partial internal model allows a proper consideration of the risk mitigating impact of non-proportional reinsurance.
- Natural catastrophe risk in the partial internal model is measured in a more granular way than in the standard formula (postal code resolution rather than CRESTA level). The partial internal model also takes into account some natural perils (hail) that are currently not covered in the standard formula for Hungary.
- Business risk, i.e. the uncertainty of premium rates, risk years exposure and operating costs is explicitly modelled in the partial internal model.
- The partial internal model uses a more granular line-of-business structure than the standard formula, tailored to the company's portfolio.

The data used in the partial internal model is provided by different departments: Accounting, Controlling, Reinsurance, Actuarial, Risk Management, Claims and Underwriting. In addition, most of the natural catastrophe model results come from external service providers. Data quality is subject to a governance framework with a special focus on the validation of the appropriateness, accuracy, and completeness of the data used in the model.

Risk category	Input data
Business Risk	Forecast data (planned premiums, exposure and costs), both historical and for the modelled year Accounting data (actual premiums and costs) for historical years Historical exposure data by line of business
Premium Risk - non-CAT	Accounting (e.g. premiums and costs) Forecast data (e.g. planned premiums and costs) Historical claims data by each single claim Historical data of sums insured and risk years exposure Information on the reinsurance structure Information on payment patterns
Premium Risk - CAT	Natural catastrophes: Data on exposure and contractual limits at a granularity required by the external model Man-Made scenarios: Deatiled information on sums insured and PML in force
Reserve Risk	Historical claims run-off data by each single claim

Table 72. Input data by risk category

E.5 Non-compliance with the Minimum Capital Requirement and Non-compliance with the Solvency Capital Requirement

UNIQA Biztosító Zrt. complied with the minimum capital requirement and solvency capital requirement throughout the financial year 2021.

E.6 Any Other Information

Russia – Ukraine Conflict

At the end of February 2022, the conflict that has existed between Russia and Ukraine for several years, escalated. Unlike the Group, UNIQA Biztosító Zrt. does not hold any interests in any companies (e.g., insurance company, real estate company, etc…) neither in Ukraine nor in Russia.

As for the unit-linked investments, UNIQA Biztosító Zrt. exited from its direct Russian exposure and all trades were settled early before the crisis escalated to current global levels. For the unit-linked asset fund, we still have a few hundred thousand euros of indirect exposure in a few investment funds, but their liquidity is so marginal due to the low direct exposure that they are not exposed to any risk from either a loss of value or liquidity perspective. Our direct portfolio is fully liquid and in good shape, so we do not foresee any solvency issues at all.

However, as the consequence of this conflict has escalated at global levels, due to the many implemented sanctions, UNIQA Biztosító Zrt. might be impacted too, through increasing prices in all sectors of the economy, yield effects, macroeconomic growth. For Hungary, we foresee higher official interest rates to keep EURHUF below 380 and growth is expected to be lower than 5%.

Due to the currently inestimable and constantly changing situation, it is not possible to make a final assessment of the future effects on UNIQA Biztosító Zrt. at the time of preparing the annual financial statements. As this is an event that will occur in 2022, there will be no impact on these financial statements as of 31 December 2021.

The further development of the situation will be monitored and, if necessary, appropriate measures will be taken to keep the impact on UNIQA Biztosító Zrt. low. For this end UNIQA Biztosító Zrt. have set up a crisis team on a Board level with supporting streams focusing on the following topics:

- Financial Impact
- Economic Impact / Impact of sanctions
- IT-Security / Cyber Impacts
- BCM Impacts

The supporting teams hold weekly updated to the Board and have internal discussions on a frequency made necessary by the situation.

COVID-19 epidemic effects

The year 2020 was heavily impacted by the COVID19 epidemic, which also appeared in Hungary. Hungarian economic performance was seriously hit by the pandemic situation, which significantly offset the positive GDP trends of prior periods. UNIQA Biztosító Zrt. reacted confidently and flexibly to the changes due to its capital position and operational agility. The experience gained in recent years regarding successful business transformation offered a solid basis for proper treating of the crisis.

As for the year 2021 the epidemic was still present in our society and required monitoring of risks and actions from our crisis management team. Throughout the year 2021 additional/ad-hoc crisis management measures were introduced, to align the business to the actual pandemic situation, always in compliance with current government measures. The performance of the Hungarian economy in 2021 and the many lessons and insights gained over the past 2 years have contributed to our view that we are prepared for the current challenges posed by the epidemic. Our crisis team is still functioning on a frequency made necessary by the situation and reports to the Board regularly.

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Appendix I - Regulatory Requirements for the SFCR

The regulatory requirements for the SFCR with which the report is compliant are laid out in the following paragraphs. Besides these regulatory requirements, this document also complies with Article 51 and Article 56 of the Directive 2009/138/EG (Level 1).

Chapter A

This chapter contains information on the business of the company and its performance according to Article 293 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guidelines 1 and 2 EIOPA-BoS-15/109 (Level 3).

Chapter B

This chapter contains information on the governance system of the company according to Article 294 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guidelines 3 and 4 EIOPA-BoS-15/109 (Level 3).

Chapter C

This chapter contains information on the risk profile of the company according to Article 295 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guideline 5 EIOPA-BoS-15/109 (Level 3).

Chapter D

This chapter contains information on the evaluation requirements for Solvency II according to Article 296 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guidelines 6 to 10 EIOPA-BoS-15/109 (Level 3).

Chapter E

This chapter contains information on the capital management of the company according to Article 297 and Article 298 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guidelines 11 to 13 EIOPA-BoS-15/109 (Level 3).

Appendix II - Quantitative Reporting Templates

In this appendix the following Quantitative Reporting Templates (QRTs) are presented (thousand HUF):

- S.02.01.02 Balance sheet
- S.05.01.02 Premiums, claims and expenses by line of business
- S.05.02.01 Premiums, claims and expenses by country
- S.12.01.02 Life and Health SLT Technical Provisions
- S.17.01.02 Non-life Technical Provisions
- S.19.01.21 Non-life insurance claims, Total Non-Life Business
- S.22.01.21 Impact of long term guarantees and transitional measures
- S.23.01.01 Own funds
- S.25.02.01 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
- 28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity

S.02.01.02: Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	**2,136,165**
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**36,156,149**
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	**941,004**
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	**34,624,491**
Government Bonds	**R0140**	**31,630,249**
Corporate Bonds	**R0150**	**2,994,242**
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	**590,400**
Derivatives	**R0190**	**254**
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	**135,180,328**
Loans and mortgages	**R0230**	**8,805**
Loans on policies	**R0240**	**8,805**
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	**11,743,684**
Non-life and health similar to non-life	**R0280**	**9,662,916**
Non-life excluding health	**R0290**	**9,657,967**
Health similar to non-life	**R0300**	**4,949**
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	**2,080,768**
Health similar to life	**R0320**	**23,666**
Life excluding health and index-linked and unit-linked	**R0330**	**2,057,102**
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	**3,099,121**
Reinsurance receivables	**R0370**	**476,422**
Receivables (trade, not insurance)	**R0380**	**520,896**
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	**4,696,721**
Any other assets, not elsewhere shown	**R0420**	**2,129,442**
Total assets	**R0500**	**196,147,732**

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	**21,996,374**
Technical provisions – non-life (excluding health)	**R0520**	**21,505,113**
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	**21,038,107**
Risk margin	**R0550**	**467,006**
Technical provisions - health (similar to non-life)	**R0560**	**491,261**
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	**414,299**
Risk margin	**R0590**	**76,962**
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**10,254,579**
Technical provisions - health (similar to life)	**R0610**	**24,679**
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	**19,876**
Risk margin	**R0640**	**4,803**
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	**10,229,900**
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	**9,823,398**
Risk margin	**R0680**	**406,502**
Technical provisions – index-linked and unit-linked	**R0690**	**122,159,313**
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	**119,348,407**
Risk margin	**R0720**	**2,810,906**
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	**42,462**
Deferred tax liabilities	**R0780**	**1,380,942**
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	**1,153,830**
Insurance & intermediaries payables	**R0820**	**5,514,099**
Reinsurance payables	**R0830**	**999,994**
Payables (trade, not insurance)	**R0840**	**2,066,581**
Subordinated liabilities	**R0850**	**3,824,536**
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	**3,824,536**
Any other liabilities, not elsewhere shown	**R0880**	**1,523,461**
Total liabilities	**R0900**	**170,916,170**
Excess of assets over liabilities	**R1000**	**25,231,562**

S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**		3,778,248		14,331,391	14,793,557	660,160	10,175,143	2,087,796	
Gross - Proportional reinsurance accepted	**R0120**							260,504	26,641	
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**		302,623		7,514,883	7,932,888	423,598	6,248,410	1,451,527	
Net	**R0200**		3,475,625		6,816,508	6,860,669	236,562	4,187,237	662,910	
Premiums earned										
Gross - Direct Business	**R0210**		3,754,571		14,315,192	14,512,911	564,310	9,792,430	2,085,517	
Gross - Proportional reinsurance accepted	**R0220**							269,590	6,092	
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**		290,796		7,506,335	7,792,129	375,858	6,061,457	1,499,182	
Net	**R0300**		3,463,775		6,808,857	6,720,783	188,452	4,000,563	592,426	
Claims incurred										
Gross - Direct Business	**R0310**		806,699		7,750,671	8,595,290	-16,049	4,201,594	432,844	
Gross - Proportional reinsurance accepted	**R0320**		-22,040					-38,304	-3,891	
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**		20,508		4,569,786	4,356,097	-36,618	3,105,321	250,650	
Net	**R0400**		764,151		3,180,885	4,239,194	20,569	1,057,969	178,303	
Changes in other technical provisions										
Gross - Direct Business	**R0410**		43,385		162,606	69,959	12,779	-17,688	-52	
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers' share	**R0440**		-1,427		43,490	33,552	3,970	-34,645	-375	
Net	**R0500**		44,812		119,116	36,407	8,809	16,957	324	
Expenses incurred	**R0550**		1,880,160		1,325,578	884,634	100,070	1,584,754	461,594	
Other expenses	**R1200**									
Total expenses	**R1300**									

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	12,738	496,618	2,299,555					48,635,207
Gross - Proportional reinsurance accepted	**R0120**			333,270					620,415
Gross - Non-proportional reinsurance accepted	**R0130**								
Reinsurers' share	**R0140**		90,925	1,630,368					25,595,222
Net	**R0200**	12,738	405,692	1,002,457					23,660,399
Premiums earned									
Gross - Direct Business	**R0210**	13,018	492,813	2,089,986					47,620,748
Gross - Proportional reinsurance accepted	**R0220**			357,864					633,546
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**		92,436	1,512,491					25,130,683
Net	**R0300**	13,018	400,378	935,359					23,123,611
Claims incurred									
Gross - Direct Business	**R0310**	4,193	47,714	995,072					22,818,028
Gross - Proportional reinsurance accepted	**R0320**			11,734					-52,502
Gross - Non-proportional reinsurance accepted	**R0330**								
Reinsurers' share	**R0340**		12,307	420,541					12,698,591
Net	**R0400**	4,193	35,407	586,264					10,066,935
Changes in other technical provisions									
Gross - Direct Business	**R0410**		1,525	-6,581					265,933
Gross - Proportional reinsurance accepted	**R0420**								
Gross - Non- proportional reinsurance accepted	**R0430**								
Reinsurers' share	**R0440**		-877	-5,516					38,171
Net	**R0500**		2,402	-1,065					227,762
Expenses incurred	**R0550**	1,047	367,060	390,627					6,995,522
Other expenses	**R1200**								482,465
Total expenses	**R1300**								7,477,987

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	854,530	1,155,909	27,600,201	2,159,034					31,769,675
Reinsurers' share	**R1420**	110,414			276,389					386,803
Net	**R1500**	744,116	1,155,909	27,600,201	1,882,646					31,382,872
Premiums earned										
Gross	**R1510**	858,918	1,163,057	27,600,201	2,081,422					31,703,598
Reinsurers' share	**R1520**	116,036			270,901					386,937
Net	**R1600**	742,882	1,163,057	27,600,201	1,810,522					31,316,662
Claims incurred										
Gross	**R1610**	295,159	1,708,720	16,717,815	809,566					19,531,260
Reinsurers' share	**R1620**	9,215			110,562					119,776
Net	**R1700**	285,945	1,708,720	16,717,815	699,004					19,411,484
Changes in other technical provisions										
Gross	**R1710**	825	637,592	-17,092,618	97,730					-16,356,471
Reinsurers' share	**R1720**				-40					-40
Net	**R1800**	825	637,592	-17,092,618	97,770					-16,356,431
Expenses incurred	**R1900**	3,770	375,308	5,350,494	1,153,672					6,883,244
Other expenses	**R2500**									895
Total expenses	**R2600**									6,884,139

S.05.02.01 Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) — nonlife obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0110							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	48,614,671						48,634,200
Gross - Proportional reinsurance accepted	R0120	620,415						620,415
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	25,579,408						25,594,649
Net	R0200	23,655,678						23,659,966
Premiums earned								
Gross - Direct Business	R0210	47,600,213						47,619,741
Gross - Proportional reinsurance accepted	R0220	633,546						633,546
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	25,114,868						25,130,109
Net	R0300	23,118,890						23,123,178
Claims incurred								
Gross - Direct Business	R0310	22,775,384						22,813,830
Gross - Proportional reinsurance accepted	R0320	-52,502						-52,502
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	12,658,181						12,696,492
Net	R0400	10,064,701						10,064,836
Changes in other technical provisions								
Gross - Direct Business	R0410	265,933						265,933
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	38,171						38,171
Net	R0500	227,762						227,762
Expenses incurred	R0550	6,995,522						6,995,522
Other expenses	R1200							482,465
Total expenses	R1300							7,477,987

		Home Country	Top 5 countries (by amount of gross premiums written) — life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R0110							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	31,769,675						31,769,675
Reinsurers' share	R1420	386,803						386,803
Net	R1500	31,382,872						31,382,872
Premiums earned								
Gross	R1510	31,703,598						31,703,598
Reinsurers' share	R1520	386,937						386,937
Net	R1600	31,316,662						31,316,662
Claims incurred								
Gross	R1610	19,469,430						19,531,260
Reinsurers' share	R1620	119,133						119,776
Net	R1700	19,350,297						19,411,484
Changes in other technical provisions								
Gross	R1710	-16,356,471						-16,356,471
Reinsurers' share	R1720	-40						-40
Net	R1800	-16,356,431						-16,356,431
Expenses incurred	R1900	6,883,244						6,883,244
Other expenses	R2500							895
Total expenses	R2600							6,884,139

S.12.01.02 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**	6,677,483		119,348,407			565,119	-402,414	2,983,210		129,171,804
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**						31,252		2,025,851		2,057,102
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**	6,677,483		119,348,407			533,868	-402,414	957,359		127,114,702
Risk Margin	**R0100**	113,647	2,810,906			169,092			123,763		3,217,408
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**	6,791,130	122,159,313			331,798			3,106,972		132,389,212

		Health insurance (direct business)					
			Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		19,876				19,876
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		23,666				23,666
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**		-3,790				-3,790
Risk Margin	**R0100**						4,803
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best estimate	**R0120**						
Risk margin	**R0130**						
Technical provisions - total	**R0200**	24,679					24,679

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross - Total	R0060		206,564		2,101,527	2,233,322	-59,662	2,508,865	416,782	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140		-10,237		347,295	568,673	-142,750	1,343,527	-113,623	
Net Best Estimate of Premium Provisions	R0150		216,800		1,754,232	1,664,649	83,088	1,165,339	530,405	
Claims provisions										
Gross - Total	R0160		207,735		7,101,018	1,684,066	31,737	2,142,628	2,092,449	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		15,186		4,087,890	906,807	20,685	1,444,009	1,118,688	
Net Best Estimate of Claims Provisions	R0250		192,549		3,013,128	777,260	11,052	698,619	973,760	
Total Best estimate - gross	R0260		414,299		9,202,545	3,917,388	-27,925	4,651,494	2,509,230	
Total Best estimate - net	R0270		409,350		4,767,360	2,441,909	94,139	1,863,958	1,504,165	
Risk margin	R0280		76,962		136,294	74,456	2,107	196,402	40,076	
Amount of the transitional on Technical Provisions										
TP as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									
Technical provisions - total										
Technical provisions - total	R0320		491,261		9,338,838	3,991,844	-25,819	4,847,895	2,549,306	
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330		4,949		4,435,185	1,475,479	-122,065	2,787,536	1,005,065	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340		486,312		4,903,654	2,516,365	96,246	2,060,359	1,544,241	

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross - Total	R0060	930	62,569	418,929					7,889,826
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140			-47,882					1,945,003
Net Best Estimate of Premium Provisions	R0150	930	62,569	466,811					5,944,823
Claims provisions									
Gross - Total	R0160		30,787	272,160					13,562,580
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			124,648					7,717,913
Net Best Estimate of Claims Provisions	R0250		30,787	147,512					5,844,667
Total Best estimate - gross	R0260	930	93,356	691,089					21,452,406
Total Best estimate - net	R0270	930	93,356	614,323					11,789,490
Risk margin	R0280		203	17,469					543,968
Amount of the transitional on Technical Provisions									
TP as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								
Technical provisions - total									
Technical provisions - total	R0320	930	93,559	708,558					21,996,374
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330			76,766					9,662,916
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	930	93,559	631,792					12,333,458

S.19.01.21 Non-life insurance claims, Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

Year		0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											220,907	220,907	97,954,155
N-9	R0160	11,945,101	3,658,425	631,356	402,226	260,267	106,927	250,613	725,653	117,850	117,162		117,162	18,215,581
N-8	R0170	11,917,100	4,112,565	747,985	357,242	147,608	165,735	370,901	64,708	112,798			112,798	17,996,643
N-7	R0180	11,531,847	4,282,871	857,028	448,482	259,568	236,699	348,526	70,790				70,790	18,035,811
N-6	R0190	10,125,593	5,065,671	878,992	322,936	168,322	126,519	187,077					187,077	16,875,111
N-5	R0200	10,603,006	4,028,581	929,765	543,985	205,779	228,955						228,955	16,540,070
N-4	R0210	12,463,585	5,253,928	879,087	711,003	115,831							115,831	19,423,433
N-3	R0220	13,769,203	5,616,379	1,022,615	475,100								475,100	20,883,297
N-2	R0230	14,694,156	4,612,363	463,265									463,265	19,769,784
N-1	R0240	14,683,581	3,205,819										3,205,819	17,889,400
N	R0250	15,983,702											15,983,702	15,983,702
Total	R0260												21,181,406	279,566,988

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Year		0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											361,202	319,879
N-9	R0160										34,597		30,531
N-8	R0170									93,975			83,836
N-7	R0180								492,290				441,941
N-6	R0190							1,003,754					900,449
N-5	R0200						399,135						359,367
N-4	R0210					630,887							583,133
N-3	R0220				1,067,091								996,337
N-2	R0230			883,657									803,855
N-1	R0240		2,021,069										1,822,055
N	R0250	7,678,117											7,190,415
Total	R0260												13,531,799

S.22.01.21 Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	154,410,265			36,425	
Basic own funds	R0020	29,056,098			-19,279	
Eligible own funds to meet Solvency Capital Requirement	R0050	29,056,098			-19,279	
Solvency Capital Requirement	R0090	15,260,039			18,440	
Eligible own funds to meet Minimum Capital Requirement	R0100	26,151,179			-18,531	
Minimum Capital Requirement	R0110	4,598,087			3,744	

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	4,079,160	4,079,160			
Share premium account related to ordinary share capital	R0030	4,605,922	4,605,922			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	16,546,480	16,546,480			
Subordinated liabilities	R0140	3,824,536			3,824,536	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	29,056,098	25,231,562		3,824,536	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	29,056,098	25,231,562		3,824,536	
Total available own funds to meet the MCR	R0510	29,056,098	25,231,562		3,824,536	
Total eligible own funds to meet the SCR	R0540	29,056,098	25,231,562		3,824,536	
Total eligible own funds to meet the MCR	R0550	26,151,179	25,231,562		919,617	
SCR	R0580	15,260,039				
MCR	R0600	4,598,087				
Ratio of Eligible own funds to SCR	R0620	190.41%				
Ratio of Eligible own funds to MCR	R0640	568.74%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	25,231,562
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	8,685,082
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	16,546,480
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	18,255,285
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	865,122
Total Expected profits included in future premiums (EPIFP)	R0790	19,120,408

S.25.02.01 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component	Components Description	Calculation of the Solvency Capital Requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	Consideration of the future management actions regarding technical provisions and/or deferred taxes	Amount modelled
C0010	C0020	C0030	C0050	C0060	C0070
1	Market Risk	6,292,636		bsorbing capacity of techn	
2	Counterparty Default Risk	1,979,563		onsideration of future man	
3	Life Underwriting Risk	7,069,528		bsorbing capacity of techn	
4	Health Underwriting Risk	276,253		onsideration of future man	
5	Non-Life Underwriting Risk	6,193,842		onsideration of future man	6,193,842
6	Intangible asset risk	0		onsideration of future man	
7	Operational Risk	2,212,950		onsideration of future man	
8	LAC Technical Provisions	0		onsideration of future man	
9	LAC Deferred Taxes	-1,380,942		onsideration of future man	

		C0100
Total undiversified components	R0110	22,643,831
Diversification	R0060	-7,383,792
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	15,260,039
Capital add-ons already set	R0210	0
Solvency capital requirement	R0220	15,260,039
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-1,380,942
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	1,810,740

		Yes/No
		C0109
Approach based on average tax rate	R0590	Yes

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	-1,380,942
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	-1,380,942
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	
Amount/estimate of AC DT justified by carry back, current year	R0670	
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	-1,600,000

S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity

		MCR components	
		Non-life activities	Life activities
		MCR(NL, NL) Result	MCR(NL, L)Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	3,155,922	

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020				
Income protection insurance and proportional reinsurance	R0030	409,350	3,475,625		
Workers' compensation insurance and proportional reinsurance	R0040				
Motor vehicle liability insurance and proportional reinsurance	R0050	4,767,360	6,816,508		
Other motor insurance and proportional reinsurance	R0060	2,441,909	6,860,669		
Marine, aviation and transport insurance and proportional reinsurance	R0070	94,139	236,562		
Fire and other damage to property insurance and proportional reinsurance	R0080	1,863,958	4,187,237		
General liability insurance and proportional reinsurance	R0090	1,504,165	662,910		
Credit and suretyship insurance and proportional reinsurance	R0100				
Legal expenses insurance and proportional reinsurance	R0110	930	12,738		
Assistance and proportional reinsurance	R0120	93,356	405,692		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	614,323	1,002,457		
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

		Non-life activities	Life activities
		MCR(L, NL) Result	MCR(L, L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	35,500	1,406,666

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			4,876,023	
Obligations with profit participation - future discretionary benefits	R0220			1,801,461	
Index-linked and unit-linked insurance obligations	R0230			119,348,407	
Other life (re)insurance and health (re)insurance obligations	R0240	953,570		131,454	
Total capital at risk for all life (re)insurance obligations	R0250		22,106,587		688,185,231

Overall MCR calculation

		C0130
Linear MCR	R0300	4,598,087
SCR	R0310	15,260,039
MCR cap	R0320	6,867,017
MCR floor	R0330	3,815,010
Combined MCR	R0340	4,598,087
Absolute floor of the MCR	R0350	2,588,000
Minimum Capital Requirement	R0400	4,598,087

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	3,191,421	1,406,666
Notional SCR excluding add-on (annual or latest calculation)	R0510	10,591,624	4,668,415
Notional MCR cap	R0520	4,766,231	2,100,787
Notional MCR floor	R0530	2,647,906	1,167,104
Notional Combined MCR	R0540	3,191,421	1,406,666
Absolute floor of the notional MCR	R0550	1,294,000	1,294,000
Notional MCR	R0560	3,191,421	1,406,666