



**CIG PANNÓNIA**  
INSURANCE

# **CIG Pannonia Life Insurance Plc.**

Quarterly report

On the basis of the consolidated financial  
statements prepared according to the  
International Financial Reporting Standards  
adopted by the EU

Q4 2019

25 March 2020, Budapest

## I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the fourth quarter of 2019 on this day. The Issuer publishes in this quarterly report for the fourth quarter of 2019, as required by the legislation, its consolidated, unaudited data in accordance with the International Financial Reporting Standards adopted by the EU (hereinafter: EU IFRS). The quarterly report has been prepared in accordance with the provisions of IAS 34.

Main results and events of 2019:

- The profit after tax of the CIG Pannónia Group<sup>1</sup> (hereinafter: Group) is HUF 641 million loss in 2019, the total comprehensive income of the Group is HUF 326 million loss. The decrease in after-tax profit compared to 2018 (HUF 2 435 million) is due to two main reasons. On the one hand, significant claims and related misconduct of the Italian cross-border insurance product in non-life segment with a total impact of HUF 2,390 million loss. On the other hand, the conversion of Konzum / OPUS shares resulted in a HUF 1,056 million exchange loss. Without these effects, the Group's profit after tax for 2019 would be HUF 2,805 million, which is HUF 1,011 million higher than in the comparative period.
- Insurance premium revenue was HUF 18 041 million, 9% higher than premium income for the comparative period. In the life segment, the new acquisition is HUF 4 286 million which is increased by 33% compared to the previous year's amount. The Company's sales channels continued to expand, the product mix shifted significantly towards to risk and traditional products, including the rise of group insurance.
- Founded on 29 November 2018, CIG Pannónia Financial Intermediary cPlc. (PPK), in which the Group holds a 95% stake, started its insurance and financial intermediation activities at the beginning of 2019. On May 23, 2019, the MNB authorized it to engage in financial services brokerage activities. The authorization also covers the activity of mortgage brokerage. The Intermediary now have 119 registered insurance agents, it sold insurance of HUF 443 million in annualized premiums in 2019.
- The registration of the merger of KONZUM Nyrt. with 24.85 percent ownership in CIG Pannónia Life Insurance Plc. into OPUS Global Nyrt. was ordered by the Company Court Registry with effect from 30 June 2019. The Group acquired 13,688,510 KONZUM shares - purchased on 27 April 2018 at a price of HUF 300 per share - (prior to the split of KONZUM shares on 10 October 2018 at a price of HUF 3,000 per share). As a result of the merger, KONZUM shares must have been derecognized in accordance with IFRS and any exchange loss previously recognized in other comprehensive income must have been recognized in profit after tax. As a result of the transaction, the Company's after-tax profit decreased by HUF 1,056 million. Following the merger, OPUS shares were carried at cost to the balance sheet on share price as at 30 June 2019.

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<sup>1</sup> Group or CIG Pannónia Group is referred as the Issuer and its consolidated companies.

Equity and solvency adequacy of the Company remained unchanged, its technical result and cash flow generation ability were not affected by the merger.

- CIG Pannónia First Hungarian General Insurance Company Ltd. ("EMABIT") has provided suretyship insurance for registered companies and individuals in Italy since 2014 with BONDSOL Kft. as its sole agent. As of 31 December 2019, these commitments – when summing up the limits by contracts – resulted in an exposure slightly above EUR 383 million (HUF 127 billion), against 3,598 contractual customers and 494 beneficiaries. Most of the beneficiaries are certain entities of the Italian State (agencies, municipalities, etc.).
- In the case of the above-mentioned insurances, at the end of 2018 and in early 2019 the beneficiary Customs and Monopoly Agency (agency responsible for the supervision of gambling in Italy, ADM) has submitted a request for drawdown of insurance promissory notes (related to products Gaming and Public Concessions) issued to four large clients. The total value of the contractual obligations was approx. EUR 12 million. However, these drawbacks did not provide adequate justification and the primary opinion of Italian experts was that the claim lacks legal basis. During the conciliation negotiations in 2019, the beneficiary reduced its claim to almost one quarter of the original amount and provided adequate justification for this remaining amount. The EMABIT has settled the EUR 3,167 million claim at the end of November 2019.
- In parallel with the above claims settlement process it became evident, that, with regard to Italian suretyship insurance activities, EMABIT's reinsurance contract was a forgery and thus EMABIT's entire respective exposure lacked reinsurance. The reinsurance contract between EMABIT and Africa RE was brokered with the intermediation of a Lloyds broker through a broker licensed in Switzerland. The signed contract was received by the Company in 2015, with subsequent reinsurance financial settlements (reinsurance premium, reinsurance reimbursement, etc.) all settled through the intermediary. To clarify the existence of the collateral, EMABIT contacted Africa RE directly. In a letter dated 16 September 2019, Africa RE informed EMABIT that it had no contact with the intermediaries represented in the submitted documents, that the cover assurance documents were a forgery, and that they did not originate from Africa RE.
- As a result, EMABIT was left without reinsurance coverage with respect to the Italian business line, of which it had previously assumed an approx. 95-99% quota share coverage through the Africa RE contract. The exposure to this presumably non-reinsured portfolio decreased to EUR 256 million by the end of the year. EMABIT filed a demand for the prosecution of the reinsurance brokers involved in concluding the contract and reported the fraud to the respective courts.
- In addition to the ADM claims related to the gaming concessions, another significant claim has been received by EMABIT. In the fourth quarter of 2019, ADM claimed damage to bonds issued by EMABIT, related to the excise duty debt of a fuel trading company. The claims for the two EUR 5 million bonds in subject amount to EUR 10 million in total. After investigating the circumstances of the claim, EMABIT declined to launch

claim payments, filed a demand for prosecution on fraudulent contracts, and sought legal redress from the courts for ADM initiating the claim payment.

- Based on the events described above, the MNB, as part of another targeted investigation, applied temporary measures to EMABIT on 22 October 2019. For a maximum period of one year, MNB prohibited EMABIT in its Italian cross-border activity to enter into new insurance contracts in the guarantee sector and to extend its existing contracts there. Also, MNB obligated EMABIT to immediately launch prudent and reliable risk management and control measures regarding its insurance business, not endangering EMABIT's financial position.
- These events had a significant negative impact on the subsidiary's solvency capital in 2019. On 5 November 2019, EMABIT notified the Hungarian National Bank (MNB), pursuant to Section 267 (1) (c) of the Act on Insurance Activities, that the Company's solvency adequacy fell to 102% of the required rate, and that there was a risk that during the next three months it will fall below the statutory level. As a result of the events, MNB obliged EMABIT to submit a financial recovery plan ("Recovery Plan") to MNB for approval by 4 January 2020 at the latest. The primary objective of the Recovery Plan is for the Company to present specific measures which ensure that the Company's Solvency Capital Requirement (SCR) remains above 100%, with respect to the guidelines of Section 309 (2) of the Act on Insurance Activities.
- EMABIT prepared the Recovery Plan by the due date, detailing the events related to the Italian Business Line, and analyzing the company's historical activities. EMABIT then presented the various potential measures available to restore solvency adequacy, as well as their advantages and disadvantages. In addition to these possible alternatives, the Recovery Plan outlined the specific steps of the action plan adopted by the Board of Directors, which aim to address the legal situation in Italy and to repair the damages through a 12-point action plan, and also help to raise its capital adequacy to the expected level. To restore the solvency adequacy within half a year, EMABIT assessed the possibility of disposing individual portfolio items.
- The Company assessed the scenario, if the operation of the Hungarian portfolios continues while the Italian guarantee portfolio run-off. In this scenario the Company's capital adequacy is expected to be restored by the end of 2020, however, due to the significant uncertainty in the existing portfolio and the RBNS and IBNR claims, this level cannot be guaranteed until the Italian portfolio runs out.
- Therefore, EMABIT examined the possible effects of the scenario where the Italian portfolio is completed and the profitable Hungarian and Polish portfolio segments are sold in Q2 2020. The recovery comes from two part, the reduction of the capital requirements and the increase of the capital arise from the positive sale price.
- As part of the Recovery Plan, EMABIT commissioned an international consulting firm to prepare the sale of certain portfolio segments. The sale process is in progress by the time of authorization of this report. According to the pending claims and the still very high exposure the solvency ratio of EMABIT is 60% at the balance sheet date. Therefore

management is keen on reaching the desired solvency ratio in line with the recovery plan. Decreasing the Italian claims is set back by the situation in Italy caused by COVID-19 virus, the temporary blocked state entities and jurisdiction. As a result of above, according to the expectation of the management, the going concern is unsustainable in case of the EMABIT. The whole activity of the subsidiary defined as discontinued activity according to IFRS, shown in point 3.

- The Company held an Extraordinary General Meeting on 21 December 2019. The General Meeting authorised the Board of Directors to acquire 23,607,065 dematerialised "A" series ordinary shares in order to decrease the Company's equity. The acquisition of the own shares cannot hinder the compliance with the SII requirements. The duration of the authorisation is 18 months starting from the 2019 annual General Meeting's resolution.
- The General Meeting authorised the Board of Directors to revise the registered capital of the Company in order to ensure the necessary cover for the own share purchase. The authorisation extends to increasing and decreasing the registered capital under the condition that the final registered capital allows for the Company to pay the offset needed for the own share purchase from the property which can be paid as a dividend. The General Meeting at the same time authorised the Board of Directors to amend the affected provisions within the Articles of Association in accordance with the revision of the registered capital. Along their mutual business interests, the Company and OPUS wish to lay their strategic cooperation on new grounds. In this matter the parties entered discussions with each other.
- The CIG Pannónia First Hungarian General Insurer Ltd. – dr. Péter Bogdánffy and dr. István Fedák have resigned from the membership of the Board of Directors, while János Tima and Ákos Veisz have resigned from the membership of the Supervisory Board on 19 December 2019.
- The CIG Pannónia Life Insurer Plc, as founder, decided to reelect dr. József Bayer as chairman of the Supervisory Board and István Papp as member of the Supervisory Board in its subsidiary, the CIG Pannónia First Hungarian General Insurer Ltd. The mandate of the elected persons hold for 3 years, depending on the approval and the effect of the approval of the Hungarian National Bank.
- The mandate of dr. Gábor Móricz, the chairman of the Supervisory Board and Imréné Fekete, member of the Supervisory Board have been expired on 9 February 2020. There were no new members elected for the Supervisory Board, so the board works with 3 members from the date above.
- Equity of the Issuer decreased from HUF 16,772 million at the end of 2018 to HUF 13,599 million, down by 19 percent in 2019. The Shareholders' equity change was significantly influenced by the total comprehensive income (HUF -325 million), the capital differences arising from the employee stock options (HUF 149 million) and decapitalization (HUF -3,006 million).
- The decrease in the solvency margin of the subsidiary has no significant impact on the capital adequacy of the parent company, CIG Pannónia Life

Insurance Plc., which is 343%, while the consolidated capital adequacy is 268%.

Subsequent events:

- With closure of the comprehensive examination of the Hungarian National Bank, the Company has been fined with HUF 30 million supervisory penalty and HUF 40 million consumer protection penalty, while its subsidiary has been fined with HUF 10 million supervisory penalty and HUF 1 million consumer protection penalty. The authority set a deadline of 30 June 2020 for the elimination of deficiencies. The Company publishes the operative part of the decisions on its website, while is taking actions to eliminate the deficiencies within the deadline.
- The coronavirus (COVID-19) started to spread in Hungary in March 2020. The spread of the virus increase the operation and insurance risk of the Group. It is hard to quantify the financial effect of the spread of the virus based on information available to the Company at the time of preparation of the report. The effect will not be significant on the business of the non-life segment, however the legal issues and the regress issues in Italy might hold longer. If the curbing of the coronavirus hold longer, the claims related to death and healthinsurance might increase, while the acquisition which require personal presence and the written premium might drawback in case of the Group. The Group changed its operation in March 2020, to be able to maintain its services and the customer services in case of the crisis. The Company monitors the processes related to the spread of the coronavirus.

25 March 2020, Budapest

CIG Pannonia Life Insurance Plc.

## 2. Financial statements

**Consolidated Statement of Comprehensive Income – cumulated data** (data in HUF millions)

	2019 Q1-Q4 (A)	2018 Q1-Q4 (B) restated	Change (A)-(B)
Gross written premium	18 041	16 545	1 496
Changes in unearned premiums reserve	- 157	- 105	-52
Earned premiums, gross	17 884	16 440	1 444
Ceded reinsurance premiums	- 249	- 214	-35
<b>Earned premiums, net</b>	<b>17 635</b>	<b>16 226</b>	<b>1 409</b>
Premium and commission income from investment contracts	125	143	-18
Commission and profit sharing due from reinsurers	2	8	-6
Investment income	10 269	625	9 644
Yield on investment accounted for using equity method (profit)	442	367	75
Other operating income	875	828	47
<b>Other income</b>	<b>11 713</b>	<b>1 971</b>	<b>9 742</b>
<b>Total income</b>	<b>29 348</b>	<b>18 197</b>	<b>11 151</b>
Claim payments and benefits, claim settlement costs	-14 459	- 13 562	-897
Recoveries, reinsurer's share	28	47	-19
Net changes in value of the life technical reserves and unit-linked life insurance reserves	- 7 093	2 143	-9 236
Investment expenses	- 1 374	- 1 102	-272
Change in the fair value of liabilities relating to investment contracts	- 458	53	-511
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>- 23 356</b>	<b>- 12 421</b>	<b>-10 935</b>
Fees, commissions and other acquisition costs	- 3 586	- 2 711	-875
Other operating costs	- 1 393	- 1 466	73
Other expenses	- 235	-89	-146
<b>Other expenses</b>	<b>- 5 214</b>	<b>- 4 266</b>	<b>-948</b>
<b>Profit/Loss before taxation</b>	<b>778</b>	<b>1 510</b>	<b>- 732</b>
Tax income/expenses	- 172	- 162	-10
Deferred tax income/expenses	54	6	48
<b>Profit/Loss after taxation</b>	<b>660</b>	<b>1 354</b>	<b>- 694</b>
<b>Profit/Loss after taxation of discontinued operations</b>	<b>- 1 301</b>	<b>440</b>	<b>-1 741</b>
<b>Total Profit/Loss after taxation</b>	<b>641</b>	<b>1 794</b>	<b>-2 435</b>
Comprehensive income, wouldn't be reclassified to profit or loss in the future	-	-	-
Comprehensive income, would be reclassified to profit or loss in the future	273	- 912	1 185
<b>Other comprehensive income</b>	<b>273</b>	<b>- 912</b>	<b>1 185</b>
<b>Other comprehensive income of discontinued operations</b>	<b>42</b>	<b>- 133</b>	<b>175</b>
<b>Total other comprehensive income</b>	<b>315</b>	<b>- 1 045</b>	<b>1 360</b>
<b>Total comprehensive income</b>	<b>- 325</b>	<b>749</b>	<b>-1 075</b>



**Consolidated Statement of Comprehensive Income- cumulated data continuation**  
 (data in HUF millions)

	2019 Q1-Q4 (A)	2018 Q1-Q4 (B) restated	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders	- 637	1 794	-2 431
Profit/loss after taxation attributable to NCI	-4	-	-4
<b>Profit/Loss after taxation</b>	<b>- 641</b>	<b>1 794</b>	<b>- 2 435</b>
Total comprehensive income attributable to the Company's shareholders	- 322	749	-1 071
Total comprehensive income to NCI	- 4	-	-4
<b>Total comprehensive income</b>	<b>- 326</b>	<b>749</b>	<b>- 1 075</b>
<b>Earnings per share of the Company's shareholders – continuing operations</b>			
Basic earnings per share (HUF)	7,0	15,9	-9
Diluted earnings per share (HUF)	7,0	15,9	-9

<b>Earnings per share of NCI's</b>			
Basic earnings per share (HUF)	-	-	-
Diluted earnings per share (HUF)	-	-	-

**Number of average shares used to calculate earnings per share:**

Date	Issued ordinary shares (db)	Treasury shares (db)	Ordinary shares in volume (db)	Days	Weighted average number of shares
2018.12.31	94 428 260	-714 006	93 714 254	95	49 187 039
2019.04.05	94 28 260	-374 006	94 054 254	270	69 574 380
<b>2019.12.31</b>	<b>94 428 260</b>	<b>-374 006</b>	<b>94 054 254</b>	<b>365</b>	<b>93 965 761</b>



**Consolidated Statement of Comprehensive Income - quarterly data**  
 (data in HUF millions)

	Reclassifi- cation of discontinued operations	2019Q4 (A)	2019Q3 (B)	2019Q2 (C)	2019Q1 (D)
Gross written premium	-9 450	7 381	6 824	7 008	6 278
Changes in unearned premiums reserve	62	353	159	-210	-521
Earned premiums, gross	-9 388	7 734	6 983	6 798	5 757
Ceded reinsurance premiums	4 961	-907	-1 506	-1 451	-1 346
<b>Earned premiums, net</b>	<b>-4 427</b>	<b>6 827</b>	<b>5 477</b>	<b>5 347</b>	<b>4 411</b>
Premium and commission income from investment contracts	-	32	37	33	23
Commission and profit sharing due from reinsurers	-1 787	384	440	310	- 65 5
Investment income	-517	2 906	3 014	1 273	3 593
Yield on investment accounted for using equity method(profit)	-	199	84	86	73
Other operating income	-159	413	209	207	205
<b>Other income</b>	<b>-2 463</b>	<b>3 934</b>	<b>3 784</b>	<b>1 909</b>	<b>4 549</b>
<b>Total income</b>	<b>- 6 890</b>	<b>10 761</b>	<b>9 261</b>	<b>7 256</b>	<b>8 960</b>
Claim payments and benefits, claim settlement costs	4 847	-5 943	-4 829	-4 232	-4 302
Recoveries, reinsurer's share	-2 893	629	803	642	847
Net changes in value of the life technical reserves and unit-linked life insurance reserves	993	-2 579	-1 790	-1 371	-2 346
Investment expenses	210	-249	-75	-1 108	-152
Change in the fair value of liabilities relating to investment contracts	-	-107	-134	-61	-156
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>3 157</b>	<b>-8 249</b>	<b>-6 025</b>	<b>-6 130</b>	<b>-6 109</b>
Fees, commissions and other acquisition costs	3 487	-2 017	-1 843	-1 598	-1 615
Other operating costs	589	-528	-440	-486	-528
Other expenses	793	-92	-675	-130	-131
<b>Operating costs</b>	<b>4 869</b>	<b>-2 637</b>	<b>-2 958</b>	<b>-2 214</b>	<b>-2 274</b>
<b>Profit/Loss before taxation</b>	<b>1 136</b>	<b>- 125</b>	<b>278</b>	<b>- 1 088</b>	<b>577</b>
Tax income/expenses	31	-35	-69	-26	-73
Deferred tax income/expenses	135	-127	47	-4	4
<b>Profit/Loss after taxation</b>	<b>1 302</b>	<b>- 287</b>	<b>256</b>	<b>- 1 118</b>	<b>508</b>
<b>Profit/Loss after taxation of discontinued operations</b>	<b>- 1 302</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Profit/Loss after taxation</b>	<b>-</b>	<b>- 287</b>	<b>256</b>	<b>-1 118</b>	<b>508</b>
Comprehensive income, would be reclassified to profit or loss in the future	-42	-502	-209	1 175	-149
<b>Other comprehensive income</b>	<b>-42</b>	<b>-502</b>	<b>-209</b>	<b>1 175</b>	<b>-149</b>
Other comprehensive income of discontinued operations	42	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-502</b>	<b>-209</b>	<b>1 175</b>	<b>-149</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>- 789</b>	<b>47</b>	<b>57</b>	<b>359</b>

**Consolidated Statement of Comprehensive Income- quarterly data continuation**  
 (data in HUF millions)

	2019Q4 (A)	2019Q3 (B)	2019Q2 (C)	2019Q1 (D)
Profit/loss after taxation attributable to the Company's shareholders	-287	258	-1 117	509
Profit/loss after taxation attributable to NCI	-	-2	-1	-1
<b>Profit/Loss after taxation</b>	<b>- 287</b>	<b>256</b>	<b>- 1 118</b>	<b>508</b>
Total comprehensive income attributable to the Company's shareholders	-789	49	58	360
Total comprehensive income to NCI	-	-2	-1	-1
<b>Total comprehensive income</b>	<b>- 789</b>	<b>47</b>	<b>57</b>	<b>359</b>

**Consolidated Statement of Financial Position** (data in million HUF)

<b>Assets</b>	<b>31 December 2019(A)</b>	<b>31 December 2018(B) restated</b>	<b>Change (A)-(C)</b>
Intangible Assets	614	802	-188
Property, plant and equipment	97	81	16
Right-of use assets	119	-	119
Deferred tax asset	415	496	-81
Deferred acquisition costs	1 374	2 603	-1 229
Reinsurer's share of technical reserves	243	4 149	-3 906
Investments accounted for using the equity method	566	465	101
Available-for-sale financial assets	19 710	27 501	-7 791
Investments for policyholders of unit-linked life insurance policies	70 548	65 276	5 272
Financial assets – investment contracts	3 984	3 681	303
Receivables from insurance policy holders	1 953	2 520	-567
Receivables from insurance intermediaries	41	479	-438
Receivables from reinsurance	9	114	-105
Other assets and prepayments	13	268	-255
Other receivables	220	285	-65
Cash and cash equivalents	1 487	1 300	187
Assets of discontinued operations	13 149	-	13 149
<b>Total Assets</b>	<b>114 542</b>	<b>110 020</b>	<b>4 522</b>
<b>LIABILITIES</b>			
Technical reserves	13 233	18 149	-4 916
Technical reserves for policyholders of unit-linked life insurance policies	70 547	65 277	5 270
Investment contracts	3 984	3 681	303
Financial liabilities-derivatives	5	8	-3
Loans and financial reinsurance	436	968	-532
Liabilities from reinsurance	95	1 537	-1 442
Liabilities to insurance policy holders	438	673	-235
Liabilities to insurance intermediaries	268	656	-388
Lease liabilities	124	-	124
Other liabilities and provisions	732	2 291	-1 559
Liabilities to shareholders	25	8	17
Liabilities of discontinued operations	11 057	-	11 057
<b>Total Liabilities</b>	<b>100 943</b>	<b>93 248</b>	<b>7 695</b>
<b>Net Assets</b>	<b>13 599</b>	<b>16 772</b>	<b>- 3 173</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	3 116	3 777	-661
Capital reserve	7 480	9 599	-2 037
Share-based payment	16	-	16
Other reserves	- 395	-711	316
Retained earnings	3 381	4 102	- 721
<b>Equity attributable to the Company's Shareholders</b>	<b>13 598</b>	<b>16 767</b>	<b>- 3 169</b>
Non-controlling interest	1	5	4
<b>Total Shareholder's Equity</b>	<b>13 599</b>	<b>16 772</b>	<b>- 3 173</b>

**Consolidated Changes in Equity Q1-Q4 2019** (data in million HUF)

	Share capital	Capital reserve	Share-based payment	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
<b>Balance on 31 December 2018</b>	<b>3 777</b>	<b>9 599</b>	-	-	<b>711</b>	<b>4 102</b>	<b>5</b>	<b>16 772</b>
IFRS 16 transition	-	-	-	-	7	7	-	7
<b>Balance on 1 January 2019 restated</b>	<b>3 777</b>	<b>9 599</b>	-	-	<b>711</b>	<b>4 095</b>	<b>5</b>	<b>16 765</b>
<b>Total comprehensive income</b>								
Other comprehensive income	-	-	-	273	-	273	-	273
Profit in reporting year	-	-	-	-	665	665	-	661
Profit after tax of discontinued operations	-	-	-	-	1 302	1 302	-	1 302
Other comprehensive income of discontinued operations	-	-	-	43	-	43	-	43
<b>Transactions with equity holders recognized directly in Equity</b>								
Capital decrease	- 661	- 2 195	-	-	150	3 006	-	3 006
Equity difference realized on exercise of employee stock option	-	-	16	-	-	16	-	16
Share-based payment	-	76	-	-	73	149	-	149
<b>Balance on 31 December 2019</b>	<b>3 116</b>	<b>7 480</b>	<b>16</b>	<b>-</b>	<b>395</b>	<b>3 381</b>	<b>1</b>	<b>13 598</b>

**Consolidated Changes in Equity 2018 Q1-Q4** (data in million HUF)

	Share capital	Capital reserve	Treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity	
<b>Balance on 31 December 2017</b>	<b>2 852</b>	<b>2 479</b>	<b>-250</b>	<b>334</b>	<b>3 600</b>	<b>9 015</b>	<b>-</b>	<b>9 015</b>	
Restatement due to error	-	-	-	-	-359	-359	-	-359	
<b>Balance on 1 January 2018 restated</b>	<b>2 852</b>	<b>2 479</b>	<b>-250</b>	<b>334</b>	<b>3 241</b>	<b>8 656</b>	<b>-</b>	<b>8 656</b>	
<b>Total comprehensive income</b>									
Other comprehensive income	-	-	-	-1 045	-	-1 045	-	-1 045	
Profit in reporting year (restated)	-	-	-	-	1 794	1 794	-	1 794	
<b>Transactions with equity holders recognized directly in Equity</b>									
Withdrawal of treasury shares	-14	-236	250	-	-	-	-	-	
Capital increase	939	7 274	-	-	-	8 213	-	8 213	
Dividend payment	-	-	-	-	-933	-933	-	-933	
Repurchase of treasury shares in an employee share based payment program	-	82	-	-	-	82	-	82	
<b>Transactions with non-controlling interests</b>									
Equity quoted by non-controlling interests in a subsidiary	-	-	-	-	-	-	5	5	
<b>Balance on 31 December 2018.</b>	<b>3 777</b>	<b>9 599</b>	<b>-</b>	<b>-</b>	<b>711</b>	<b>4 102</b>	<b>16 767</b>	<b>5</b>	<b>16 772</b>

**Consolidated Statement of Cash Flows** (data in HUF millions)

	2019 Q1- Q4	2018 Q1-Q4 restated
<b>Profit/loss after taxation</b>	- 641	1 794
<b>Modifying items</b>		
Depreciation and amortization	403	329
Extraordinary depretiation	39	14
Booked impairment	393	0
Result of assets sales	871	136
Share based payments	2	-103
Exchange rate changes	-10	-3
Share of the profit or loss of associates accounted for using the equity method	-442	-366
Income taxes	202	267
Deferred tax	80	19
Income on interests	-893	-572
Result of derivatives	-3	4
Provisions	-36	66
Change in cash of discontinued operation	-1 596	3 230
Interest cost	25	45
<b>Change of active capital items:</b>		
Increase / decrease of deferred acquisition costs (-/+)	101	-307
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	-5 271	3 519
Increase / decrease of financial assets – investment contracts (-/+)	-304	245
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	130	82
Increase / decrease of reinsurer’s share from technical reserves (-/+)	239	97
Increase /decrease of other assets and active accrued and deferred items (-/+)	9	-44
Increase / decrease of technical reserves (+/-)	2 773	1 441
Increase / decrease of liabilities from insurance (-/+)	-295	-56
Increase / decrease of investment contracts (+/-)	304	-245
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	5 271	-3 518
Increase / decrease of other liabilities (+/-)	-337	-240
Paid income taxes	-257	-221
IFRS 2 capital difference	16	-
<b>Cash flows from operating activities</b>	<b>771</b>	<b>5 613</b>

**Consolidated Statement of Cash Flows continuation** (data in HUF millions)

<b>Cash flow from investing activities</b>	<b>2019 Q1-Q4</b>	<b>2018 Q1-Q4 restated</b>
Purchase of debt instruments (-)	-23 944	-16 306
Sales of debt instruments (+)	24 591	7 594
Purchase of capital instruments (-)	0	-4 107
Purchase of tangible and intangible assets (-)	-243	-264
Sales of tangible and intangible assets (-)	1	10
Result of derivatives	- 1	-
Cash flow from NCI owners	-	5
Interest received	846	759
Dividend received	342	253
Investment cash flows from discontinued operations	1 292	-3 625
<b>Cash flow from investing activities</b>	<b>2 884</b>	<b>- 15 681</b>
<b>Cash flow from financing activities</b>		
Securing loans	154	609
Lease instalments payment	-61	-
Lease interest payment	-4	-
Repayment of loans and their interests	-732	-918
Sale of treasury shares	-	82
Equity difference realized on sale of treasury shares in a employee share based option program	148	-
Capital increase	-	8 213
Dividend paid	-	-925
Capital decrease	-2 988	-
Financing cash flows from discontinued operations	18	-
<b>Cash flow from financing activities</b>	<b>- 3 464</b>	<b>7 061</b>
Impacts of exchange rate changes	-2	29
<b>Net increase / decrease of cash and cash equivalents (+/-)</b>	<b>188</b>	<b>- 2 978</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 300</b>	<b>3 883</b>
<b>Cash and cash equivalents of discontinued operations at the end of the period</b>	<b>-</b>	<b>395</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1 487</b>	<b>905</b>



### **3. Discontinued operations**

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

The criteria for held for sale were present, in accordance with IFRS 5, parallel to the Group's portfolio transfer decision and were therefore classified as held for sale in the total non-life insurance segment. In accordance with the accounting policy described above, the portfolio held for sale is valued at its book value, because its fair value less costs to sell is expected to be higher, than the book value. The fair value less costs to sell is equal to the estimated purchase price less the legal, consulting, and data room service expenses.

Therefore, the total non-life segment of the Group was reclassified in the consolidated statement of financial position to the discontinued operations' assets and liabilities. Likewise, in the Consolidated Statement of Comprehensive Income we separately disclosed the discontinued operations' after-tax income and other comprehensive income. Data for the comparative period were consequently restated to reflect reclassification. A detailed derivation of the comparative period is also presented, together with a correction for prior years.

**Consolidated Statement of Financial Position** (data in million HUF)

ASSETS	Consolidated data before reclassification	Reclassification of discontinued operations	31.12.2019
Intangible Assets	646	- 32	614
Property, plant and equipment	108	- 10	97
Right of use assets	145	- 26	119
Deferred tax asset	415	-	415
Deferred acquisition costs	2 502	-1 129	1 374
Reinsurer's share of technical reserves	3 910	-3 667	243
Investments accounted for using the equity method	566	-	566
Available-for-sale financial assets	26 729	-7 019	19 710
Investments for policyholders of unit-linked life insurance policies	70 548	-	70 548
Financial assets – investment contracts	3 984	-	3 984
Receivables from insurance policy holders	2 253	- 299	1 953
Receivables from insurance intermediaries	239	- 198	41
Receivables from reinsurance	154	- 146	9
Other assets and prepayments	258	- 245	13
Other receivables	312	- 92	220
Cash and cash equivalents	1 774	- 286	1 487
Assets of discontinued operations	-	13 149	13 149
<b>Total assets</b>	<b>114 542</b>	<b>-</b>	<b>114 542</b>
<b>LIABILITIES</b>			
Technical reserves	21 304	-8 070	13 233
Technical reserves for policyholders of unit-linked life insurance policies	70 548	-	70 548
Investment contracts	3 984	-	3 984
Financial liabilities-derivatives	5	-	5
Loans and financial reinsurance	436	-	436
Liabilities from reinsurance	1 354	-1 259	95
Liabilities to insurance policy holders	712	- 274	438
Liabilities to insurance intermediaries	506	- 237	268
Lease liabilities	152	- 28	124
Other liabilities and provisions	1 920	-1 188	732
Liabilities to shareholders	25	-	25
Liabilities of discontinued operations	-	11 057	11 057
<b>Total liabilities</b>	<b>100 943</b>	<b>-</b>	<b>100 943</b>
<b>NET ASSETS</b>	<b>13 599</b>	<b>-</b>	<b>13 599</b>

**Consolidated Statement of Comprehensive Income**

Data in million HUF

	Consolidated data before reclassification	Reclassification of discontinued operations	2019
Gross written premium	27 491	-9 450	18 041
Changes in unearned premiums reserve	- 219	62	-157
Earned premiums, gross	27 272	-9 388	17 884
Ceded reinsurance premiums	- 5 210	4 961	- 249
<b>Earned premiums, net</b>	<b>22 062</b>	<b>-4 427</b>	<b>17 635</b>
Premium and commission income from investment contracts	125	-	125
Commission and profit sharing due from reinsurers	1 788	-1 787	2
Investment income	10 786	- 517	10 269
Yield on investment accounted for using equity method(profit)	442	-	442
Other operating income	1 034	- 159	875
<b>Other income</b>	<b>14 176</b>	<b>- 2 463</b>	<b>11 713</b>
<b>Total income</b>	<b>36 238</b>	<b>- 6 890</b>	<b>29 348</b>
Claim payments and benefits, claim settlement costs	- 19 306	4 847	- 14 459
Recoveries, reinsurer's share	2 921	-2 893	28
Net changes in value of the life technical reserves and unit-linked life insurance reserves	- 8 086	993	- 7 093
Investment expenses	- 1 584	211	- 1 374
Change in the fair value of liabilities relating to investment contracts	- 458	-	- 458
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>- 26 514</b>	<b>3 158</b>	<b>- 23 356</b>
Fees, commissions and other acquisition costs	- 7 073	3 487	- 3 586
Other operating costs	- 1 982	589	- 1 393
Other expenses	- 1 028	793	- 235
<b>Operating costs</b>	<b>- 10 083</b>	<b>4 869</b>	<b>- 5 214</b>
<b>Profit/Loss before taxation</b>	<b>- 358</b>	<b>1 136</b>	<b>778</b>
Tax income/expenses	- 202	31	- 172
Deferred tax income/expenses	- 80	135	54
<b>Profit/Loss after taxation</b>	<b>- 641</b>	<b>1 301</b>	<b>660</b>
<b>Profit/Loss after taxation of discontinued operations</b>		<b>- 1 301</b>	<b>- 1 301</b>
<b>Total Profit/Loss after taxation</b>	<b>- 641</b>	<b>-</b>	<b>- 641</b>
Comprehensive income, would be reclassified to profit or loss in the future	315	- 42	273
<b>Other comprehensive income</b>	<b>315</b>	<b>- 42</b>	<b>273</b>
<b>Other comprehensive income of discontinued operations</b>	<b>-</b>	<b>42</b>	<b>42</b>
<b>Total other comprehensive income</b>	<b>315</b>	<b>-</b>	<b>315</b>
<b>Total comprehensive income</b>	<b>- 326</b>	<b>-</b>	<b>- 326</b>

**Consolidated Statement of Comprehensive Income**

Data in million HUF

	31.12.2018	Modification due to Error	Reclassification of discontinued operation	Modified
Gross written premium	25 832	-	- 9 287	16 545
Changes in unearned premiums reserve	114	-	- 219	106
Earned premiums, gross	25 945	-	- 9 506	16 439
Ceded reinsurance premiums	- 6 319	517	5 589	- 214
<b>Earned premiums, net</b>	<b>19 626</b>	<b>517</b>	<b>- 3 918</b>	<b>16 225</b>
Premium and commission income from investment contracts	143	-	-	143
Commission and profit sharing due from reinsurers	2 397	- 193	- 2 197	7
Investment income	774	-	- 149	625
Yield on investment accounted for using equity method(profit)	366	-	-	366
Other operating income	956	-	- 128	828
<b>Other income</b>	<b>4 637</b>	<b>- 193</b>	<b>- 2 474</b>	<b>1 971</b>
<b>Total income</b>	<b>24 263</b>	<b>324</b>	<b>- 6 392</b>	<b>18 196</b>
Claim payments and benefits, claim settlement costs	- 17 067	-	3 505	- 13 562
Recoveries, reinsurer's share	3 015	- 83	- 2 886	47
Net changes in value of the life technical reserves and unit-linked life insurance reserves	2 159	- 200	185	2 143
Investment expenses	- 1 155	-	53	- 1 102
Change in the fair value of liabilities relating to investment contracts	53	-	-	53
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>- 2 994</b>	<b>- 283</b>	<b>858</b>	<b>- 12 420</b>
Fees, commissions and other acquisition costs	- 6 114	-	3 403	- 2 711
Other operating costs	- 2 190	-	724	- 1 466
Other expenses	- 624	- 301	836	-89
<b>Operating costs</b>	<b>- 8 928</b>	<b>- 301</b>	<b>4 963</b>	<b>- 4 266</b>
<b>Profit/Loss before taxation</b>	<b>2 341</b>	<b>- 260</b>	<b>-571</b>	<b>1 510</b>
	0	0	0	0
Tax income/expenses	- 267	-	105	- 162
Deferred tax income/expenses	- 19	-	25	6
<b>Profit/Loss after taxation</b>	<b>2 055</b>	<b>- 260</b>	<b>-440</b>	<b>1 355</b>
<b>Profit/Loss after taxation of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>440</b>	<b>440</b>
Comprehensive income, would be reclassified to profit or loss in the future	- 1 045	-	133	- 912
<b>Other comprehensive income</b>	<b>- 1 045</b>	<b>-</b>	<b>133</b>	<b>- 912</b>
<b>Other comprehensive income of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>133</b>	<b>- 133</b>
<b>Total comprehensive income</b>	<b>1 010</b>	<b>- 260</b>	<b>-</b>	<b>750</b>

data in million HUF

**Consolidated Statement of Financial Position**

<b>ASSETS</b>	<b>31.12.2018</b>	<b>Modification due to Error</b>	<b>Modified</b>
Reinsurer's share of technical reserves	4 905	- 756	4 149
<b>Total assets</b>	<b>110 776</b>	<b>- 756</b>	<b>110 020</b>
Reinsurance liabilities	1 674	- 137	1 537
<b>Total liabilities</b>	<b>93 385</b>	<b>- 137</b>	<b>93 248</b>
<b>NET ASSETS</b>	<b>17 392</b>	<b>- 619</b>	<b>16 772</b>
Retained earnings	6 776	- 619	5 896
Total income	-	- 260 223	1 794 405
<b>Total shareholder's equity</b>	<b>17 387</b>	<b>- 619</b>	<b>16 767</b>

## 4. Changes of accounting policy

For financial year beginning on 1 January 2019, the following new, mandatory standards shall be applied, their influence on the Financial Statements – if it is significant - are described below:

- IFRS 16 Leases (effective January 1, 2019) - see IFRS. Point 4.1.

The following standard changes have no material impact on the financial statements of the Company:

- Amendments to the IFRS for the 2015-2017 cycle concern IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.
- IFRS 9 Amendment: Advance Payment with Negative Compensation
- Amendments to IFRS 10 and IAS 28: Exemption from the Equity Method
- Amendment to IAS 19: Modifying, Restricting or Accounting for a Plan
- Amendment to IAS 28: Long-Term Interests in Associates and Joint Ventures

### 4.1 IFRS 16 Leasing Standard impact on Financial statements

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

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

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

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

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

- software leasings
- server leasings
- office equipment leasing (eg. printers)
- office lease

In the case of software leasing, the lessee may choose, in accordance with IFRS 16.4, not to apply the requirements of the standards and continue to account for the cost of lease as an expense. The Company will use this exemption in the future and treat software leases according to this.

In connection with the servers, several points of the definition are fulfilled by the existing contract. However, since the server capacity is rented in a server park where not all capacity is occupied by the part used by the insurer or the servers are not specifically identifiable or detachable. According to IFRS 16:B20 the server rental does not fulfill the condition of the financial leasing.

In the case of printers and other office equipment, the Company has identified contracts for which the terms of the lease definition are met. For these contracts, the Company intends to make use of the simplification of low-value leases, as the value of the leased assets identified in these contracts is not significant.

In the case of office rent (based on IFRS 16: 13-15), components related to a lease agreement, such as operating fees or other service charges, must be separated, these components are eligible as expenses. Office rent expires on 31.01.2021.

After the separation of the other components, the lease contract meets the terms of the leasing definition, so the central office leased by the Company is classified as a finance lease in accordance with IFRS 16. The value of the leased asset will be the discounted present value of the lease payments, which the Company has depreciated linearly over the life of the contract. When discounting the leasing payments, the effective interest rate is defined as equal to the interest rate (4,42%) used in the 2017 financial reinsurance contract, which represents the market interest rate available to the Company.

When transitioning to the IFRS 16 standards, the Company decided to use the modified retrospective approach (IFRS 16. C8-C11): the occurring margins are accounted for in their entirety within the equity at the moment of the transition (01.01.2019), therefore the previous period does not need to be presented under the principle that the Company has used the same standard forever.



## **5. Presentation of the Issuer's financial position – consolidated and unaudited data for 2019, on the basis of the international financial reporting standards (IAS 34) adopted by the EU**

The Issuer and its consolidated companies, representing together the CIG Group, deal with the sale of unit-linked life insurance, term life insurance, endowment insurance, health insurance, pension insurance, rider accident insurance and general insurance, within that mainly casco, business property- and liability insurance, freight liability and suretyship insurance.

**In 2019, the Group's gross written premium was HUF 18 041 million, which is 109% of the gross written premium in 2018. Of this HUF 14 225 million are the gross written premium of unit-linked life insurance (of this HUF 5 229 million of pension insurance policies), HUF 3 384 million are traditional life products (of this HUF 1 118 million from pension insurance policies), HUF 432 million are health insurance policies.**

In the life segment the gross written premium from the first annual premiums of policies sold was HUF 2,895 million, which is a 28% increase compared to the same period of the previous year (HUF 2,257 million). The gross written premium income from renewals was HUF 11,412 million in 2019 in contrast to HUF 10,893 million in the same period of the previous year, so the renewal premiums increased by 5%. Top-up and single premiums (HUF 3,734 million) were 10% higher as the premiums in the same period of the previous year, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income- according to IFRS - of HUF 18,041 million, the rate of top-up and single premiums is 21 percent.

The change in unearned premium reserve in 2019 was HUF 157 million, while the amount of ceded reinsurance premiums was HUF 249 million

Unit-linked life insurance policies sold by the Group that do not qualify as insurance policies under IFRS are classified by the Group as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 125 million in total during the reporting period.

HUF 2 million was recognised as reinsurers' commissions and profit.

The other operating income (HUF 874 million) mainly includes the Issuer's income from fund management (HUF 691 million), which decreased slightly (13%) compared to 2018. Also recognized and accounted for as part of this item the reversal of the provisions (HUF 66 million).

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 14,459 million), this expenditure is decreased by the recoveries from reinsurers (HUF 28 million).

The amount of net change in reserves (HUF -7,093 million), which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount increased by HUF 5,274 million. The actuarial reserves increased by HUF 1,329 million, the technical reserves for the bonus payment of the life insurance clients increased by HUF 72 million, and the result-dependent premium refund reserves increased by HUF 198 million. The result-independent reserves also increased by HUF 11 million, the outstanding net claim reserves increased by HUF 434 million, while the cancellation reserves decreased by HUF 226 million concurrently with the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 5,214 million in 2019, of which HUF 3,586 million is related to the fees, commissions and other acquisition costs, and HUF 1,393 million is related to other operating costs and 235 other expenses. Acquisition costs show an increasing trend, higher than earned premiums, primarily due to a significant increase in new acquisitions. The other operating costs decreased by HUF 73 million compared to the previous year (HUF 1,466 million in 2018), primarily due to personnel expenses. The volume of other expenses (HUF 235 million) is 2,5 times higher compared to the previous period (HUF 89 million).

The investment result in 2019 is HUF 8,895 million loss, which is due to the aggregated effect of the following issues. The unit-linked yield in the four quarters is a profit of HUF 9,219 million. The fear of recession in the first months of 2019, originated in the manufacturing industry, had an effect on the service sector as well. The business indicators showed a worsening of expectations, to which central banks globally reacted with a further easing of their monetary policies. Bond yields globally reached never before seen lows due to fears regarding economic growth and the eased monetary policies: the American 10-year yield fell below 1.5%, whereas the German 10-year bond's yield hit one record low after another, falling down to -0.7%. Following these lows, there was a cautious increase of yields in October on the global markets. On the equity markets the rising trend starting at the beginning of 2019 was stopped in September, just to be soon followed by new heights after positive news in October. Commodities also significantly appreciated in value, due to the ever lower yields and the negative expectations of global economic growth. As an investor in the past year the best returns were achieved in the Russian and the developed equity markets. Our unit-linked portfolios performed accordingly. The forint depreciated both against the euro and the dollar in the last year, which positively affected the returns of our equity funds investing in foreign currencies.

The investment results were adversely affected by the HUF 1,056 million losses realized during the Konzum / Opus merger. The Issuer had HUF 753 million yield profit on its own investments in 2019.

Earnings from the MKB-Pannónia Fund Management Company to the Company appear on "investments accounted for using the equity method",

which is a profit of HUF 442 million in 2019, which is higher than 21% compared with 2018.

As a result of all of the above, the profit before tax amounted to HUF 778 million profit (in 2018 the profit before taxation was HUF 1,510 million), that was reduced by EMABIT's HUF 1,302 million result as a discontinued operation, the HUF 172 million tax liability and the HUF 54 million deferred tax income. The overall profit after tax is HUF -641 million, that is HUF 2,435 million lower than the profit after tax of 2018. The other comprehensive income contains the increase in the fair value of available-for-sale financial assets amounting to HUF 345 million and, thus, the total comprehensive income represents a loss of HUF 326 million in 2019.

The Issuer's balance sheet total was HUF 114,542 million; its financial position is stable; the company has met its liabilities in full. On 31 December 2019 the shareholders' equity was HUF 13,599 million.

## 5. Executive summary

In 2019, the annualized premium of the new sales of insurance policies in life segment sold by the Company is HUF 4 286 million that is 33 percent higher than in the previous year. Of this HUF 2 906 million is from unit-linked life insurance, HUF 1 380 million is from traditional and group life insurance policies. In the previous year the annualized premium of the new sales was HUF 3 212 million, of which HUF 2 517 million related to unit-linked life insurance, HUF 695 million was derived from traditional and group life insurance policies.

### New sales and portfolio development

Annualized premium of new sales - Life segment (million HUF)	2019.12.31 (A)	2018.12.31 (B)	Change (A - B)	Change % (A - B) / B
Unit-linked life insurances	2 906	2 517	389	15%
Traditional and group life insurances	1 380	695	685	99%
<b>Total annualized premium of new sales - Life</b>	<b>4 286</b>	<b>3 212</b>	<b>1 074</b>	<b>33%</b>

As for life insurance policies sold in 2019 the share of the tied agent network is 20 percent, the independent broker channel was 30 percent and the bank channel was 18 percent. The newly formed financial intermediary subsidiary accounted for 10 percent of sales, while other business development accounted for 21 percent of new sales. The result of other business development was significantly increased by the group life and accident insurance contract of Magyar Közút Nonprofit Zrt. In addition, the group life insurance contracts of several Savings Cooperatives and the group contracts with the National Utilities had a significant impact on the volume of new sales. In the life segment, the effects of diversifying sales channels are already having a tangible impact on new acquisitions.

MABISZ does not publish statistics on the insurance market, so market share data for Group companies is not available.

## 6. Operating Segments

### Segment informations Q1-Q4 2019 (data in HUF millions)

ASSETS	Life insurance segment	Non-life insurance segment	Other	Reclassification of discontinued operations	Adjusting entries for calculations in the financial statements (consolidation)	Total
Intangible assets	609	32	5	-32	-	614
Property, plant and equipment	65	9	32	-9	-	97
Right of use assets	42	26	77	-26	-	119
Deferred tax assets	415	-	-	-	-	415
Deferred acquisition costs	1 374	1 129	-	-1 129	-	1 374
Reinsurer's share of technical reserves	243	3 667	-	-3 667	-	243
Subsidiaries	1 979	-	-	-	-1 979	-
Investments by equity method	52	-	-	-	514	566
Available-for-sale financial assets	19 710	7 019	-	-7 019	-	19 710
Investments for policyholders of unit-linked life insurance policies	70 548	-	-	-	-	70 548
Financial assets - investment contracts	3 984	-	-	-	-	3 984
Receivables from insurance policyholders	1 953	299	-	-299	-	1 953
Receivables from intermediaries	32	198	9	-198	-	41
Receivables from reinsurances	9	146	-	-146	-	9
Treasury shares	-	-	69	-	-69	-
Other assets and prepayments	22	644	-	-644	-9	13
Other receivables	199	94	19	-94	2	220
Cash and cash equivalents	1 440	286	47	-286	-	1 487
Intercompany receivables	240	13	137	-	-390	-
Assets of discontinued operations	-	-	-	13 548	-399	13 149
<b>Total assets</b>	<b>102 916</b>	<b>13 562</b>	<b>395</b>	<b>-1</b>	<b>-2 330</b>	<b>114 542</b>

Liabilities	Life insurance segment	Non-life insurance segment	Other	Reclassification of discontinued operations	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	13 233	8 070	-	-8 070	-	13 233
Technical reserves for policyholders of unit-linked insurance	70 546	-	-	-	-	70 546
Investment contracts	3 984	-	-	-	-	3 984
Financial liabilities derivatives	5	-	-	-	-	5
Loans and financial reinsurance	436	-	-	-	-	436
Liabilities from reinsurance	95	1 259	-	-1 259	-	95
Liabilities from insurance policyholders	438	274	-	-274	-	438
Liabilities from intermediaries	233	237	35	-237	-	268
Intercompany liabilities	150	30	575	-	-755	-
Liabilities from lease	46	28	78	-28	-	124
Other liabilities and provisions	685	1 709	32	-1 709	15	732
Liabilities to shareholders	25	-	-	-	-	25
Liabilities from discontinued operations	-	-	-	11 576	-519	11 057
<b>Total liabilities</b>	<b>89 876</b>	<b>11 607</b>	<b>720</b>	<b>-1</b>	<b>-1 259</b>	<b>100 943</b>
<b>NET Assets</b>	<b>13 040</b>	<b>1 955</b>	<b>-325</b>	<b>-</b>	<b>-1 071</b>	<b>13 599</b>
<b>Shareholder's Equity</b>						
Registered capital	3 116	1 060	23	-	-1 083	3 116
Capital reserve	10 346	2 839	81	-	-5 786	7 480
Share-based payment	11	5	-	-	-	16
Other reserve	-448	53	-	-	-	-395
Profit reserve	15	-2 002	- 429	-	5 797	3 381
NCI	-	-	-	-	1	1
<b>Total shareholder's equity</b>	<b>13 040</b>	<b>1 955</b>	<b>-325</b>	<b>-</b>	<b>-1 071</b>	<b>13 599</b>

Statement of comprehensive income	Life insurance segment	Non-life insurance segment	Other	Reclassification of discontinued operations	Adjusting entries for calculations in the financial statements (consolidation)	Total
Gross written premium	18 041	9 451	-	-9 451	-	18 041
Changes in unearned premiums reserve	-157	-61	-	61	-	-157
Earned premium Gross	17 884	9 390	-	-9 390	-	17 884
Ceded reinsurance premium	-249	-4 961	-	4 961	-	-249
<b>Earned premiums net</b>	<b>17 635</b>	<b>4 429</b>	<b>-</b>	<b>-4 429</b>	<b>-</b>	<b>17 635</b>
Premium and commission income from investment contracts	125	-	-	-	-	125
Investment income	11 466	517	12	-517	-1 209	10 269
Share of the profit of associates and joint ventures accounted for using the equity method	342	-	-	-	100	442
Other operative income	953	558	478	-558	-556	875
Commission and profit sharing from reinsurance	2	1 787	-	-1 787	-	2
<b>Other income</b>	<b>12 888</b>	<b>2 862</b>	<b>490</b>	<b>-2 862</b>	<b>-1 665</b>	<b>11 713</b>
<b>Total income</b>	<b>30 523</b>	<b>7 291</b>	<b>490</b>	<b>-7 291</b>	<b>-1 665</b>	<b>29 348</b>
Claim payments and benefits, and claim settlement costs	-14 478	-4 847	-	4 847	19	-14 459
Recoveries from reinsurance	28	2 893	-	-2 893	-	28
Net change in the value of life technical reserves and unit-linked life insurance reserves	-7 093	-993	-	993	-	-7 093
Investment expenditure	-4 777	-211	-366	211	3 769	-1 374
Change in the fair value of liabilities relating to investment contracts	-458	-	-	-	-	-458
<b>Change in the fair value of assets and liabilities relating to embedded derivatives</b>	<b>-26 778</b>	<b>-3 158</b>	<b>-366</b>	<b>3 158</b>	<b>3 788</b>	<b>-23 356</b>
Fees, commissions and other acquisition costs	-3 466	-3 486	-506	3 486	386	-3 586
Other operating costs	-1 372	-1 109	-23	1 109	2	-1 393
Other expenses	-370	-793	-16	793	151	-235
<b>Operating costs</b>	<b>-5 208</b>	<b>-5 388</b>	<b>-545</b>	<b>5 388</b>	<b>539</b>	<b>-5 214</b>
<b>Profit/loss before taxation</b>	<b>-1 463</b>	<b>-1 255</b>	<b>-421</b>	<b>1 255</b>	<b>2 662</b>	<b>778</b>
Tax income / (expenses)	-162	-31	-10	31	-	-172
Deferred tax income / (expenses)	54	-135	-	135	-	54
<b>Profit/loss after taxation</b>	<b>-1 571</b>	<b>-1 421</b>	<b>-431</b>	<b>1 421</b>	<b>2 662</b>	<b>660</b>
<b>Profit/loss after taxation of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1 422</b>	<b>121</b>	<b>-1 301</b>
Other comprehensive income	273	42	-	-42	-	273
Other comprehensive income of discontinued operations	-	-	-	42	-	42
<b>Comprehensive income</b>	<b>-1 298</b>	<b>-1 379</b>	<b>-431</b>	<b>-1</b>	<b>2 783</b>	<b>-326</b>



**Segment information Q1-Q4 2018 (data in million HUF)**

ASSETS	CIG Life insurance segment	CIG Non-life insurance	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Intangible assets	707	95	-	-	802
Property, plant and equipment	66	14	2	-1	81
Deferred tax assets	361	135	-	-	-
Deferred acquisition costs	1 007	1 596	-	-	2 603
Reinsurer's share of technical reserves	120	4 029	-	-	4 149
Subsidiaries	5 384	-	-	-5 384	-
Investments in jointly controlled companies	52	-	-	413	465
Available-for-sale financial assets	19 485	8 016	-	-	27 501
Investments for policyholders of unit-linked life insurance policies	65 276	-	-	-	65 276
Financial assets - investment contracts	3 681	-	-	-	3 681
Receivables from insurance policyholders	2 232	288	-	-	2 520
Receivables from intermediaries	50	429	-	-	479
Reinsurance receivables	11	103	-	-	114
Other assets and prepayments	33	244	-	-9	268
Other receivables	155	126	1	3	285
cash and cash equivalents	800	395	105	-	1 300
Intercompany receivables	46	-	-	-46	-
<b>Total assets</b>	<b>99 466</b>	<b>15 470</b>	<b>108</b>	<b>-5 025</b>	<b>110 020</b>

LIABILITIES	CIG Life insurance segment	CIG Non-life insurance	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	10 754	7 395	-	-	18 149
Technical reserves for policyholders of unit-linked insurance	65 277	-	-	-	65 277
Investment contracts	3 681	-	-	-	3 681
Loans and financial reinsurance	8	-	-	-	8
Liabilities from reinsurance	968	-	-	-	968
Liabilities from insurance policyholders	95	1 442	-	-	1 537
Liabilities from intermediaries	393	280	-	-	673
Intercompany liabilities	254	402	-	-	656
Liabilities from leases	-	44	2	-46	-
Liabilities to shareholders	783	1 490	2	16	2 291
Technical reserves	8	-	-	-	8
<b>Total liabilities</b>	<b>82 221</b>	<b>11 053</b>	<b>4</b>	<b>-30</b>	<b>93 248</b>
<b>NET Assets</b>	<b>17 245</b>	<b>4 417</b>	<b>104</b>	<b>-4 994</b>	<b>16 772</b>
<b>Shareholder's Equity</b>					
Registered capital	3 777	1 060	23	-1 083	3 777
Capital reserve	12 465	2 839	81	-5 786	9 599
Other reserves	-722	11	-	-	-711
Profit reserve	1 725	507	-	1 870	4 102
NCI	-	-	-	5	5
<b>Total Shareholder's equity</b>	<b>17 245</b>	<b>4 417</b>	<b>104</b>	<b>-4 994</b>	<b>16 772</b>

STATEMENT OF COMPREHENSIVE INCOME	CIG Life insurance segment	CIG Non-life insurance	Other	Reclassification of discontinued operations	Adjusting entries for calculations in the financial statements (consolidation)	Total
Gross written premium	16 545	9 287	-	-9 287	-	16 545
Changes in unearned premiums reserve	-105	219	-	-219	-	-105
Earned premiums, gross	16 440	9 506	-	-9 506	-	16 440
Ceded reinsurance premiums	-214	-5 589	-	5 589	-	-214
<b>Earned premiums, net</b>	<b>16 226</b>	<b>3 917</b>	<b>-</b>	<b>-3 917</b>	<b>-</b>	<b>16 226</b>
Premium and commission income from investment contracts	143	-	-	-	-	143
Investment income	625	149	-	-149	-	625
Share of the profit of associates and joint ventures accounted for using the equity method	253	-	-	-	114	367
Other operating income	938	128	21	-128	-131	828
Commission and profit sharing from reinsurance	8	2 197	-	-2 197	-	8
<b>Other income</b>	<b>1 967</b>	<b>2 474</b>	<b>21</b>	<b>-2 474</b>	<b>-17</b>	<b>1 971</b>
<b>Total income</b>	<b>18 193</b>	<b>6 391</b>	<b>21</b>	<b>-6 391</b>	<b>-17</b>	<b>18 197</b>
Claim payments and benefits, and claim settlement costs	-13 573	-3 505	-	3 505	11	-13 562
Recoveries from reinsurance	40	2 885	-	-2 885	7	47
Net change in the value of life technical reserves and unit-linked life insurance reserves	2 143	-185	-	185	-	2 143
Investment expenditure	-1 102	-53	-	53	-	-1 102
Change in the fair value of liabilities relating to investment contracts	53	-	-	-	-	53
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>-12 439</b>	<b>-858</b>	<b>-</b>	<b>858</b>	<b>18</b>	<b>-12 421</b>
Fees, commissions and other acquisition costs	-2 711	-3 403	-	3 403	-	-2 711
Other operating costs	-1 446	-724	-22	724	2	-1 466
Other expenses	-198	-836	-	836	109	-89
<b>Operating costs</b>	<b>-4 355</b>	<b>-4 963</b>	<b>-22</b>	<b>4 963</b>	<b>111</b>	<b>-4 266</b>
<b>Profit/loss before taxation</b>	<b>1 399</b>	<b>570</b>	<b>-1</b>	<b>-570</b>	<b>112</b>	<b>1 510</b>
Tax income / (expenses)	<b>-162</b>	<b>-105</b>	<b>-</b>	<b>105</b>	<b>-</b>	<b>-162</b>
Deferred tax income / (expenses)	6	-25	-	25	-	6
<b>Profit/loss after taxation</b>	<b>1 242</b>	<b>440</b>	<b>-1</b>	<b>-440</b>	<b>112</b>	<b>1 354</b>
<b>Profit/loss after taxation of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440</b>	<b>-</b>	<b>440</b>
Other comprehensive income	-911	-133	-	133	-1	-912
<b>Other comprehensive income of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-133</b>	<b>-</b>	<b>-133</b>
<b>Comprehensive income</b>	<b>332</b>	<b>307</b>	<b>-1</b>	<b>-</b>	<b>111</b>	<b>749</b>

## 7. Number of employees, ownership structure

The number of employees at the members of the Group was 151 on 31 December of 2019.

### Composition of the Issuer's share capital (31 December 2019)

Series of shares	Nominal value (HUF/each)	Issued number of shares	Total nominal value (HUF)
Series „A”	33	94 428 260	3 116 132 580
<b>Amount of share capital</b>	-	-	<b>3 116 132 580</b>

### Number of voting rights connected to the shares (31 December 2019)

Series of shares	Number of shares issued	Number of voting shares	Voting rights per share	Total voting rights	Number of treasury shares
„A” series	94 428 260	94 428 260	1	94 428 260	-

### The Issuer's ownership structure (31 December 2019)

Owners	Number of shares	Ownership stake	Voting rights
Domestic private individual	41 487 525	43,95%	43,95%
Domestic institution	50 014 260	52,99%	52,99%
Foreign private individual	230 119	0,24%	0,24%
Foreign institution	872 600	0,92%	0,92%
Nominee, domestic private individual	1 158 518	1,23%	1,23%
Nominee, foreign private individual	365 768	0,39%	0,39%
Nominee, foreign institution	264 700	0,28%	0,28%
Unidentified item	34 770	0,04%	0,04%
<b>Total</b>	<b>94 428 260</b>	<b>100%</b>	<b>100%</b>

The Issuer engaged KELER Ltd. with keeping the shareholders' register. If, during the ownership verification, an account manager with clients holding CIGPANNONIA shares does not provide data regarding the shareholders, the owners of the unidentified shares are recorded as “unidentified item” in the shareholders' register.

### The Issuer's investments on 31 December 2019

Name	Registered seat	The Issuer's share
CIG Pannonia First Hungarian General Insurance Company cPlc.	1033 Budapest, Flórián tér 1.	100,0%
Pannonia PI-ETA Funeral Service Limited Liability Company	1033 Budapest, Flórián tér 1.	100,0%
MKB-Pannonia Fund Manager cPlc.	1072 Budapest, Nyár utca 12.	16,0%
CIG Pannonia Financial Intermediary cPlc.	1033 Budapest, Flórián tér 1.	95,0%
OPUS GLOBAL Plc.	1062 Budapest, Andrássy út 59.	1%

## 8. Information published in the period

Date	Subject, short summary
1 October 2019	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
24 October 2019	Extraordinary announcement of damages occurring within the framework of Italian cross-border activities
24 October 2019	Extraordinary announcement on the prohibition of the acceptance and extension of guarantees and surety bonds for Italian cross-border activities
4 November 2019	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
5 November 2019	Extraordinary announcement on the solvency situation of the Subsidiary of the Company
7 November 2019	Extraordinary announcement on the authorization of the Chief Executive Officer of the subsidiary of the Company
20 November 2019	Notice of invitation to the extraordinary general meeting
28 November 2019	The proposals relating to issues placed on the agenda items and the draft resolutions for the extraordinary GM
29 November 2019	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
19 December 2019	Extraordinary announcement on the changes of the body members of CIG Pannonia First Hungarian General Insurance cPlc.
20 December 2019	Announcement on the withdrawal of the proposal concerning item 3 of the Extraordinary General Meeting
20 December 2019	Event calendar regarding the business year 2020
21 December 2019	Resolutions of the extraordinary General Meeting of CIG Pannónia Life Insurance Plc. held on 21 December 2019
2 January 2020	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
30 January 2020	Extraordinary announcement on the election of the Chairman and Member of the Company's Supervisory Board
3 February 2020	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
7 February 2020	Extraordinary announcement on the changes in the Supervisory Board of the Company's subsidiary
17 February 2020	Extraordinary announcement on changes in the date of the Annual General Meeting and the quarterly report of the Company
2 March 2020	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
10 March 2020	Closing of the general investigation of HFSA

These announcements can be found on the websites of the Issuer ([www.cigpannonia.hu](http://www.cigpannonia.hu)) and the Budapest Stock Exchange Ltd. ([www.bet.hu](http://www.bet.hu)), as well as on the website of the Hungarian National Bank ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)).

## 9. Disclaimer

The Issuer declares that the report for the four quarters of 2019 was not reviewed by an auditor, the report for the four quarters of 2019 presents a true and fair view of the assets, liabilities and financial position, as well as the profit and loss of the Issuer and the enterprises consolidated in the financial statements. The consolidated management report provides a reliable presentation of the position, development and performance of the Issuer and the companies consolidated in its accounts.

25 March 2020 Budapest

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Dr. Kádár Gabriella  
Chief Executive Officer

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Barta Miklós  
Deputy CEO, Chief Financial Officer

### **Investor relations**

Dr. Al Saida Leila, Investor relations  
investor.relations@cig.eu; 06-1-5 100 200

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