



# **CIG Pannónia 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

Q1 2019

21 May 2019, Budapest

## I. Summary

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

Main results and events of 2019:

1. The profit after tax in the first quarter of 2019 of the CIG Pannónia Group<sup>1</sup> (hereinafter: Group) is HUF 508 million, and the total comprehensive income of the Group is HUF 359 million. The profit after tax was lower compared to Q1 2018. HUF 71 million out of the HUF 107 million difference due to the revaluation difference of the employee share based payment program due to price fluctuations of the CIGPANNONIA share, furthermore the first quarter loss after launching CIG Pannonia Financial Intermediary cPlc. was HUF 15 million. In the first quarter of 2019, profits from the MKB-Pannónia Fund Manager were decreased by HUF 17 million compared to the same period last year.
- The gross written premium is HUF 6,278 million that is 100% of the previous year's gross written premium. The gross written premium of the non-life segment is 110% of the gross written premium of the comparative period. The life segment's IFRS premium income is 94 percent of the income of the first quarter of 2018.
- In the life segment, the new acquisition is HUF 1,186 million which is 55% higher than in the same period of the previous year. The Company's sales channels continued to expand, the product mix shifted significantly towards to risk and traditional products, including an increase in group insurance.
- CIG Pannonia Financial Intermediary cPlc. a subsidiary established on 29 November 2018, in which the Group has a 95% stake started its insurance and financial intermediation business as a dependent agent at the beginning of the year. The intermediary company currently has 162 registered insurance advisors, and sold an insurance premium HUF 49 million in the first quarter and started its credit intermediary activity in April.
- The shareholders' equity of the Issuer increased from HUF 17,392 million to HUF 17,751 million, which is 2% growth in 2019. The change

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

in the shareholders' equity was due to the total comprehensive income of the current year.

- The Solvency II capital adequacy of the Company as at 31 March 2019 is 323%, while the capital adequacy of EMABIT is 181%, thus both companies fulfill the minimum capital adequacy ratio of 150% expected by the Hungarian National Bank.

#### Events after the balance sheet date

- At the beginning of April 2019 a member of the Board of Directors of the Company, and a member of the Board of Directors of CIG Pannonia First Hungarian General Plc. bought 100,000 pc and 50,000 pc ordinary shares on 210 HUF/pc price within the share based payment program. In addition, within the same program a total 190,000 CIGPANNONIA ordinary shares were purchased from CIG Pannonia Life Insurance Plc. by seven non-executive employees of the Group. The purchase had been executed as an OTC trading at the price of 230,52 HUF/pc. As a result of the purchase of a total 340,000 CIGPANNONIA shares, the number of treasury shares owned by the Company was reduced to 374,006.
- Based on the Board's decision of April 5, the Company transferred to its CIG Pannonia ESOP Organization a total of 374,006 CIGPANNONIA ordinary shares in order to cover their performance rewards through the ESOP Organization. The Company does not own any CIGPANNONIA shares after the transfer of the shares.
- At its 2019 Annual General Meeting, the Board of Directors suggested that the Company should not pay dividends on ordinary shares of CIGPANNONIA, but instead make a capital distribution to its shareholders at the same time as the reduction of the nominal value of the shares. The reduction of the share capital is realized by reducing the nominal value of the shares, as a result of which the Company's share capital will fall from HUF 3,777,133,400 to HUF 3.116,133,580, - the nominal value of the shares will decrease from HUF 40 to HUF 33. The capital decrease represents 17.5% of the Company's equity capital, based on which the total amount of expected payments is HUF 3 billion, HUF 31.96 per share. The purpose of the capital reduction suggested by the Board of Directors of the Company is to enable the Company's shareholders to benefit from the distributable profit of the Company in a more favorable manner than dividend payment. As long as the dividend payment is based only on the Company's profit and retained earnings under the relevant rules, in case of the capital reduction it is possible to make a payment for the Company's shareholders using both the Company's retained earnings and the capital reserve.
- On April 17, 2019, the Annual General Meeting approved the Company's individual and consolidated financial statements for the financial year 2018, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

- In the General Meeting of the Company dr. Péter Bogdánffy and dr. István Fedák had been elected as Board Members, furthermore István Papp and János Tima had been elected as members of the Supervisory Board. At the same time, the Board of Directors of the Life Insurance Committee elected dr. Mária Király, dr. Péter Bogdánffy, Dr. István Fedák and Domonkos Gergely Horváth as Board Members, and dr. József Bayer, István Boros, István Papp, János Tima and Ákos Veisz as members of the Supervisory Board of EMABIT. The mandate of the members of the Board - depending on the issue of the relevant permit of the National Bank of Hungary or its scope - is for a fixed term of 3 years.

Budapest, 21 May 2019.

CIG Pannónia Life Insurance Plc.

## 2. Financial statements

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

|   | 2019 Q1<br>(A) | 2018Q1-Q4<br>(B) | 2018<br>Q1 <sup>2</sup> (C) | Change<br>(A)-(C) |
|---|----------------|------------------|-----------------------------|-------------------|
| Gross written premium   | 6 278          | 25 832           | 6 259                       | 19                |
| Changes in unearned premiums reserve  | - 521          | 114              | -174                        | -347              |
| Earned premiums, gross  | 5 757          | 25 946           | 6 085                       | -328              |
| Ceded reinsurance premiums  | - 1 346        | - 6 319          | -1 604                      | 258               |
| <b>Earned premiums, net</b>   | <b>4 411</b>   | <b>19 627</b>    | <b>4 481</b>                | <b>-70</b>        |
| Premium and commission income from investment contracts                                     | 23             | 143              | 31                          | -8                |
| Commission and profit sharing due from reinsurers   | 655            | 2 397            | 624                         | 31                |
| Investment income   | 3 593          | 767              | 187                         | 3 406             |
| Yield on investment accounted for using equity method (profit)                              | 73             | 366              | 90                          | -17               |
| Other operating income  | 205            | 956              | 499                         | -294              |
| <b>Other income</b>   | <b>4 549</b>   | <b>4 629</b>     | <b>1 431</b>                | <b>3 118</b>      |
| <b>Total income</b>   | <b>8 960</b>   | <b>24 256</b>    | <b>5 912</b>                | <b>3 048</b>      |
| Claim payments and benefits, claim settlement costs   | - 4 302        | - 17 067         | -4 752                      | 450               |
| Recoveries, reinsurer's share   | 847            | 3 015            | 861                         | -14               |
| Net changes in value of the life technical reserves and unit-linked life insurance reserves | - 2 346        | 2 159            | 1 870                       | -4 216            |
| Investment expenses   | - 152          | - 1 160          | -1 138                      | 986               |
| Change in the fair value of liabilities relating to investment contracts                    | - 156          | 53               | 52                          | -208              |
| <b>Investment expenses, changes in reserves and benefits, net</b>                           | <b>- 6 109</b> | <b>- 13 000</b>  | <b>-3 107</b>               | <b>-3 002</b>     |
| Fees, commissions and other acquisition costs   | - 1 615        | - 6 114          | -1 494                      | -121              |
| Other operating costs   | - 528          | - 2 180          | -500                        | -28               |
| Other expenses  | - 131          | - 624            | -127                        | -4                |
| <b>Operating costs</b>  | <b>- 2 274</b> | <b>- 8 918</b>   | <b>-2 121</b>               | <b>-153</b>       |
| <b>Profit/Loss before taxation</b>  | <b>577</b>     | <b>2 338</b>     | <b>684</b>                  | <b>- 107</b>      |
| Tax income/expenses   | -73            | - 267            | -69                         | -4                |
| Deferred tax income/expenses  | 4              | - 19             | 0                           | 4                 |
| <b>Profit/Loss after taxation</b>   | <b>508</b>     | <b>2 052</b>     | <b>615</b>                  | <b>- 107</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                 | - 149          | - 1 045          | - 85                        | -64               |
| <b>Other comprehensive income</b>   | <b>- 149</b>   | <b>- 1 045</b>   | <b>-85</b>                  | <b>-64</b>        |
| <b>Total comprehensive income</b>   | <b>359</b>     | <b>1 007</b>     | <b>530</b>                  | <b>- 171</b>      |

<sup>2</sup> Restated data due to accounting policy change see point 3.3

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

|   | 2019Q1<br>(A) | 2018 Q1-<br>Q4 (B) | 2018Q1<br>(C) | Change<br>(A)-(c) |
|---|---------------|--------------------|---------------|-------------------|
| Profit/loss after taxation attributable to the Company's shareholders | 509           | 2 052              | 615           | -106              |
| Profit/loss after taxation attributable to NCI                        | -1            | 0                  | 0             | -1                |
| <b>Profit/Loss after taxation</b>                                     | <b>508</b>    | <b>2 052</b>       | <b>615</b>    | <b>- 107</b>      |

|   |            |              |            |              |
|---|------------|--------------|------------|--------------|
| Total comprehensive income attributable to the Company's shareholders | 360        | 1 007        | 530        | -170         |
| Total comprehensive income to NCI                                     | - 1        | -            | -          | -1           |
| <b>Total comprehensive income</b>                                     | <b>359</b> | <b>1 007</b> | <b>530</b> | <b>- 171</b> |

| <b>Earnings per share of the Company's shareholders</b> |     |      |     |    |
|---|-----|------|-----|----|
| Basic earnings per share (HUF)                          | 5,4 | 24,2 | 8,8 | -3 |
| Diluted earnings per share (HUF)                        | 5,4 | 24,2 | 6,6 | -1 |

| <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                     | 90   | 93 714 254                        |
| 2019.03.31 | 94 428 260                  | -714 006             | 93 714 254                     | 90   | 93 714 254                        |

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

| ASSETS   | 2019.<br>May 31<br>(A) | 2018.<br>December<br>31. (B) | 2018.<br>March 31.<br>(C) | Changes<br>(A)-(C) |
|--|------------------------|------------------------------|---------------------------|--------------------|
| Intangible Assets  | 770                    | 802                          | 881                       | -111               |
| Property, plant and equipment  | 97                     | 81                           | 98                        | -1                 |
| Lease asset  | 149                    | 128                          | 174                       | -25                |
| Deferred tax asset   | 489                    | 496                          | 514                       | -25                |
| Deferred acquisition costs   | 2 657                  | 2 603                        | 2 260                     | 397                |
| Reinsurer's share of technical reserves                              | 4 491                  | 4 905                        | 4 829                     | -338               |
| Investments accounted for using the equity method                    | 197                    | 465                          | 442                       | -245               |
| Available-for-sale financial assets                                  | 28 113                 | 27 501                       | 17 731                    | 10 382             |
| Investments for policyholders of unit-linked life insurance policies | 67 510                 | 65 277                       | 66 841                    | 669                |
| Financial assets – investment contracts                              | 3 662                  | 3 681                        | 3 798                     | -136               |
| Financial asset - forward  | 24                     | 0                            | 9                         | 15                 |
| Receivables from insurance policy holders                            | 1 980                  | 2 520                        | 2 260                     | -280               |
| Receivables from insurance intermediaries                            | 604                    | 479                          | 394                       | 210                |
| Receivables from reinsurance   | 486                    | 114                          | 625                       | -139               |
| Other assets and prepayments   | 621                    | 269                          | 254                       | 367                |
| Other receivables  | 431                    | 285                          | 795                       | -364               |
| Cash and cash equivalents  | 1 444                  | 1 300                        | 2 116                     | -672               |
| <b>Total Assets</b>  | <b>113 725</b>         | <b>110 906</b>               | <b>104 021</b>            | <b>9 704</b>       |

| LIABILITIES   |               |               |               |              |
|---|---------------|---------------|---------------|--------------|
| Technical reserves  | 18 287        | 18 148        | 17 281        | 1 006        |
| Technical reserves for policyholders of unit-linked life insurance policies | 67 510        | 65 277        | 66 841        | 669          |
| Investment contracts  | 3 662         | 3 681         | 3 798         | -136         |
| Financial liabilities-forwards  | 41            | 8             | 0             | 41           |
| Loans and financial reinsurance   | 837           | 968           | 1 224         | -387         |
| Liabilities from reinsurance  | 1 664         | 1 674         | 1 908         | -244         |
| Liabilities to insurance policy holders                                     | 741           | 673           | 929           | -188         |
| Liabilities to insurance intermediaries                                     | 538           | 656           | 432           | 106          |
| Lease liabilities   | 149           | 130           | 174           | -25          |
| Other liabilities and provisions  | 2 537         | 2 291         | 1 889         | 648          |
| Liabilities to shareholders   | 8             | 8             | 0             | 8            |
| <b>Total Liabilities</b>  | <b>95 974</b> | <b>93 514</b> | <b>94 476</b> | <b>1 498</b> |

|                   |               |               |              |              |
|-------------------|---------------|---------------|--------------|--------------|
| <b>Net Assets</b> | <b>17 751</b> | <b>17 392</b> | <b>9 545</b> | <b>8 206</b> |
|-------------------|---------------|---------------|--------------|--------------|

| SHAREHOLDERS' EQUITY                                     |               |               |              |              |
|--|---------------|---------------|--------------|--------------|
| Share capital  | 3 777         | 3 777         | 2 838        | 939          |
| Capital reserve  | 9 599         | 9 599         | 2 243        | 7 356        |
| Other reserves   | -859          | -710          | 249          | -1 108       |
| Retained earnings  | 5 230         | 4 721         | 4 215        | 1 015        |
| <b>Equity attributable to the Company's Shareholders</b> | <b>17 747</b> | <b>17 387</b> | <b>9 545</b> | <b>8 202</b> |
| Non-controlling interest                                 | 4             | 5             | 0            | 4            |
| <b>Total Shareholder's Equity</b>                        | <b>17 751</b> | <b>17 392</b> | <b>9 545</b> | <b>8 206</b> |

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

|   | Registered capital | Capital reserve | Treasury shares | Other reserves | Retained earnings | Equity of the shareholders of the Company | Non-controlling interests | Equity in total |
|---|--------------------|-----------------|-----------------|----------------|-------------------|---|---------------------------|-----------------|
| <b>Balance on 31 December 2018</b>      | <b>3 777</b>       | <b>9 599</b>    | <b>0</b>        | <b>-710</b>    | <b>4 721</b>      | <b>17 387</b>                             | <b>5</b>                  | <b>17 392</b>   |
| <b>Total comprehensive income</b>       |                    |                 |                 |                |                   |   |                           |                 |
| Other comprehensive income              | -                  | -               | -               | -149           | -                 | -149                                      | -                         | -149            |
| Profit in reporting year                | -                  | -               | -               | -              | 509               | 509                                       | -1                        | 508             |
| Capital gain of IFRS 16 standard change | -                  | -               | -               | -              | -                 | -   | -                         | -               |
| <b>Balance on 31 March 2019</b>         | <b>3 777</b>       | <b>9 599</b>    | <b>-</b>        | <b>- 859</b>   | <b>5 230</b>      | <b>17 747</b>                             | <b>4</b>                  | <b>17 751</b>   |

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

|   | Registered capital | Capital reserve | Treasury shares | Other reserves | Retained earnings | Equity of the shareholders of the Company | Non-controlling interests | Equity in total |
|---|--------------------|-----------------|-----------------|----------------|-------------------|---|---------------------------|-----------------|
| <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>    |
| <b>Total comprehensive income</b>                             |                    |                 |                 |                |                   |   |                           |                 |
| Other comprehensive income                                    | -                  | -               | -               | -85            | -                 | -85                                       | -                         | -85             |
| Profit in reporting year                                      | -                  | -               | -               | -              | 615               | 615                                       | -                         | 615             |
| <b>Transactions with equity holders, recognized in equity</b> |                    |                 |                 |                |                   |   |                           |                 |
| Treasury shares withdrawal                                    | -14                | -236            | 250             | -              | -                 | -   | -                         | -               |
| <b>Balance on 31 March 2018</b>                               | <b>2838</b>        | <b>2 243</b>    | <b>-</b>        | <b>249</b>     | <b>4 215</b>      | <b>9 545</b>                              | <b>-</b>                  | <b>9 545</b>    |



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

|  | 2019 Q1    | 2018 Q1-Q4   | 2018 Q1      |
|--|------------|--------------|--------------|
| <b>Profit/loss after taxation</b>  | <b>508</b> | <b>2 053</b> | <b>615</b>   |
| <b>Modifying items</b>   |            |              |              |
| Depreciation and amortization  | 103        | 385          | 91           |
| Extraordinary depreciation, derecognized assets  | 5          | 14           | 0            |
| Result of sale of assets   | -228       | 136          | 143          |
| Share-based payments   | -90        | -103         | 47           |
| Currency Changes   | -9         | -3           | 5            |
| The result of investments using equity method  | -73        | -366         | -90          |
| Deferred tax   | 6          | 19           | 0            |
| Income tax expense   | 73         | 267          | 69           |
| Interest received  | -186       | -572         | -23          |
| Result of derivatives  | 10         | 4            | -13          |
| Provisioning   | 0          | 66           | 0            |
| Result of minority interests   | 0          | 0            | 0            |
| interest expense   | 9          | 45           | 12           |
| <b>Change in working capital elements</b>  |            |              |              |
| Increase / Decrease in Deferred Acquisition Costs (- / +)                                    | -54        | -307         | 36           |
| Increase / decrease in investments made for unit-linked life insurance policyholders (- / +) | -2 234     | 3 518        | 1 919        |
| Financial Instruments - Increase / Decrease in Investment Contracts (- / +)                  | 19         | 245          | 163          |
| Increase / decrease in insurance receivables and other receivables (- / +)                   | -174       | 82           | -515         |
| Increase / decrease in reinsurance share of technical reserves (- / +)                       | 413        | -257         | -182         |
| Increase / decrease in other assets and accrued expenses (- / +)                             | -11        | -44          | -32          |
| Increase / decrease in technical reserves (+/-)  | 134        | 1 441        | 111          |
| Increase / decrease in liabilities from insurance transactions (+/-)                         | -61        | 39           | 305          |
| Increase / Decrease in Investment Contracts (+/-)  | -19        | -245         | -163         |
| Increase / decrease in technical reserves due to unit-linked life insurance (+/-)            | 2 234      | -3 518       | -1 919       |
| Increase / decrease in other liabilities (+/-)   | 336        | -240         | -727         |
| Paid Income Taxes  | -8         | -221         | -125         |
| <b>Cash flows from operating activities</b>  | <b>703</b> | <b>2 438</b> | <b>- 272</b> |

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

| Cash flow from investing activities            | 2019 Q1      | 2018 Q1-Q4      | 2018 Q1        |
|--|--------------|-----------------|----------------|
| Purchase of debt instruments (-)               | -5 826       | -16 307         | -2 082         |
| Sales of debt instruments (+)                  | 5 427        | 7 594           | 638            |
| Purchase of capital instruments (-)            | 0            | -4 107          | 0              |
| Purchase of tangible and intangible assets (-) | -75          | -264            | -88            |
| Sales of tangible and intangible assets (-)    | 0            | 11              | 0              |
| Cash flow from NCI owners                      | 0            | 5               | 0              |
| Interest received                              | 58           | 759             | 23             |
| Dividend received                              | 0            | 253             | 0              |
| <b>Cash flow from investing activities</b>     | <b>- 416</b> | <b>- 12 056</b> | <b>- 1 509</b> |

| Cash flow from financing activities         |              |              |          |
|---|--------------|--------------|----------|
| Securing loans                              | 154          | 609          | 273      |
| Lease repayment and interest                | -17          | -54          | -10      |
| Repayment of loans and their interests      | -290         | -918         | -257     |
| Interest payment on interest-bearing shares | 0            | 82           | 0        |
| Capital increase                            | 0            | 8 213        | 0        |
| Dividend paid                               | 0            | -925         | 0        |
| <b>Cash flow from financing activities</b>  | <b>- 153</b> | <b>7 007</b> | <b>6</b> |

|   |            |                |                |
|---|------------|----------------|----------------|
| Impacts of exchange rate changes                                  | 9          | 28             | 8              |
| <b>Net increase / decrease of cash and cash equivalents (+/-)</b> | <b>143</b> | <b>- 2 583</b> | <b>- 1 767</b> |

|   |              |              |              |
|---|--------------|--------------|--------------|
| <b>Cash and cash equivalents at the beginning of the period</b> | <b>1 300</b> | <b>3 883</b> | <b>3 883</b> |
|---|--------------|--------------|--------------|

|   |              |              |              |
|---|--------------|--------------|--------------|
| <b>Cash and cash equivalents at the end of the period</b> | <b>1 443</b> | <b>1 300</b> | <b>2 116</b> |
|---|--------------|--------------|--------------|

### **3. Changes in accounting policies**

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 Lease (application: 2019.01.01) – see 3.1.

The following standard changes have no significant impact on the Company's financial statements:

- A 2015-2017 cycle IFRS changes and the IFRS 3 Business combinations, IFRS 11 Common organizations, IAS 12 Deferred taxes and the IAS 23 Borrowing costs.
- IFRS 9 change: Advance payment with negative compensation
- IFRS 10 és IAS 28 changes: Exemption from the equity method
- IAS 19 change: Plan Amendment, Curtailment or Settlement
- IAS 28 change: Long-term interest in associates and joint companies

#### **3.1 IFRS 16 Leasing Standard Impact on Financial Statements**

The Insurer has examined the expected effects of the lease standard effective from 1 January 2019 on the financial statements.

Under IFRS 16, the definition of a lease should be examined in detail to determine what should be presented in the financial statements.

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

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

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

The lessee shall disclose 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 standard and continue to account for the cost of the lease as an expense. The Company will use this exposure in the future and treat software leases as operating leases.

In connection with the servers, several points of the definition are fulfilled by the existing contract. However, since the server capacity is rented in a server park where not all capacity is occupied by the part used by the insurer or the servers are not specifically identifiable or detachable, therefore, according to IFRS 16:B20 the Company treats it as an operating lease.

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

In the case of office rent (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.

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.

Retrospective application is required under the standard. The effect of the retrospective application of the standard on the opening equity of 2019 is HUF 170 thousand.

### **3.2 3.4 Policy classification – separation of insurance and investment contracts**

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

According to the accounting policies in force so far to establish the significance of an insurance risk the Company determines for each policy the extent to which the initial insurance risk (i.e. the difference between the amount payable upon the occurrence of a risk event after the policy is signed and the amount paid in at the time of the termination of the policy) exceeds the initial annual premium and the initial top-up payments. The Company considered risks that exceed 5 percent to be significant. Policies with significant insurance risks were accounted as insurance policies; for policies not meeting this condition, and if there was a top-up premium payment at the start, the components related to regular and top-up premium payments are initially separated; the latter are accounted as investment contracts. The Company carried out again the test outlined above for components related to regular premium payments. If the test revealed that the insurance risk is significant, the component was accounted as an insurance policy, otherwise as an investment contract.

In the case of a single unit-linked insurance product sold by the Group from 2017, the above insurance risk is exactly 5 percent of the single premium (up to HUF 1 million), ie according to the interpretation of the previous accounting policy most of the contracts of the given product would have been considered as investment contracts. In the consolidated financial statements for 2017, the Group did not interpret the rule properly because it considered contracts with a precise 5 percent risk for the product as an insurance contract. As a result, the consolidated financial statements for 2017 did not comply with the accounting policies in force, and the corresponding consolidated comprehensive income statement and consolidated financial statements are restated in the financial statements of 2018.

In order to make the Insurer's premium income more comparable with those of its competitors, which prepare their financial statements in accordance with the Hungarian Accounting Act, the Group decided at the end of 2018 to amend its accounting policies.

According to the decision of the Insurer, from the end of 2018 the term "exceeded the 5 percent" in the above accounting policy is amended to "reaches the 5 percent rate" because the exactly 5% risk may be

significant according to IFRS 4. Besides this the Group made the account policy more precise regarding single premium products, where the additional risk premium is used instead of sum at risk.

As a result of the change in accounting policy, the restated financial statement lines include the effects of the amendment, with the effect of the error described above. The accounting policy change has no effect on the equity and the profit.



#### **4. 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 the first quarter of 2019, the Group's gross written premium was HUF 6,278 million, which is almost the same as in the previous year. Of this HUF 2,741 million are the gross written premium of unit-linked life insurance (of this HUF 896 million of pension insurance policies), HUF 771 million are traditional life products (of this HUF 245 million from pension insurance policies), HUF 89 million are health insurance policies, and HUF 2,677 million are gross written premium of non-life insurances.**

The non-life insurance segment generated a gross written premium of HUF 2,677 million in 2019 according to IFRSs increased by 10% compared to the previous year (HUF 2,436 million). In the life segment the gross written premium from the first annual premiums of policies sold was HUF 550 million, which is a 3% increase compared to the previous year (HUF 533 million). The gross written premium income from renewals at the first quarter of 2019 was HUF 2,233 million, in contrast to HUF 2,299 million in the same period of the previous year, so the renewal premiums decreased by 3%. Top-up and single premiums (HUF 818 million) were 7% decrease as the premiums in the previous year, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income- according to IFRS - of HUF 3,601 million, the rate of top-up and single premiums is 23%.

The change in unearned premium reserve in 2019 was HUF 521 million (expenditure), while the amount of ceded reinsurance premiums was HUF 1,346 million. The ceded premium to reinsurer declined by 16% as compared to the same period of the previous year, mainly due to the nonlife segment.

Unit-linked life insurance policies sold by the Group that do not qualify as insurance policies under EU IFRSs are classified as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 23 million in total during the reporting period.

The reinsurance commissions and profit shares amounted to HUF 655 million in the first quarter of 2019, 5% higher than in the previous year, mainly due to the positive claim development of the non-life segment.



The other operating income (HUF 205 million) mainly includes the Issuer's income from fund management (HUF 176 million), which decreased by 14% compared to 2018. This fund management income is related to the products sold by the Insurer until 2016, in which asset management income decreases in parallel with the decline of the existing portfolio.

Among the expenditures, one of the most significant items is the claims and services, as well as the claims settlement expenses (altogether 4,302 million forints), which is decreased by the reinsurers' compensation of HUF 847 million. Net claim expense decreased by 11% compared to the first quarter of the previous year, mainly as a result of a decrease in unit-linked surrenders.

The change in net reserves is HUF 2,346 million, which is the result of the following changes in reserves. HUF 2,336 million is related to an increase in unit-linked life insurance reserves. The mathematical reserve increased by HUF +330 million, the technical reserves for bonus payments to life insurance clients by HUF +17 million, the profit-related premium refund reserve increased by HUF +233 million, and other technical reserves increased by HUF 3 million. The reserve on premium independent of profits reduced by HUF 13 million, net claim reserves increased by HUF 1 million, while cancellation reserves decreased by HUF 461 million in parallel with the decrease in outstanding receivables.

The total operating expenses of the Issuer amounted to HUF 2,274 million in 2019, of which HUF 1,615 million was paid fee, commission and other acquisition costs, HUF 528 million other operating expenses, and other expenses of HUF 131 million. Overall, acquisition costs are on an upward trend, primarily due to a 55% increase in new sales in the life segment compared to the same period last year, while premium income in the non-life segment is 10% higher than in the first quarter 2018. Other operating expenses increased by 6% (HUF 28 million) compared to the same period of previous year (HUF 500 million in 2018), mainly due to higher personell and IT expenses. Volume of other expenses (HUF 131 million) is 3% higher than in the comparative period (HUF 127 million).

Investment Profit for the first quarter of 2019 is HUF 3,441 million which is the result of the factors detailed below.

The unit-linked yield is a profit of HUF 3,097 million. This year's first quarter ended with an unprecedented positive market performance. The developed equity markets closed with a 12.7% rise, while their developing counterparts appreciated by 9.9%. Bond yields declined significantly as a result of growth fears and mild inflation expectations, while global commodity markets rose by 15% mainly due to rising oil prices. Global trade war fears have eased further, and the US central bank's monetary policy has eased, creating a very favorable environment for risky assets. As an investor, the best returns in this quarter could be achieved on the Chinese, North American and global equity markets. Our unit-linked portfolios also performed accordingly. After the initial strengthening, the exchange rate of the forint closed the period



unchanged against the euro, while it weakened by 2.3% against the dollar in the quarter.

The investment result was negatively impacted by the financial reinsurance interest expense (HUF -7 million). The Issuer's return on its own investments was a profit of HUF 351 million in the first quarter of 2019.

Earnings from the MKB-Pannónia Fund Management Company to the Group are reflected in the return on investments accounted for using the equity method, which in 2019 is a profit of HUF 73 million, HUF 17 million less than in the comparative period.

The pre-tax profit is HUF 577 million profit, HUF 107 million less than (HUF 684 million profit) the first quarter of 2018. The revaluation difference arising from the share option program due to exchange rate fluctuations in the CIGPANNONIA share explains HUF 71 million of the lower profit than the result of the comparative period. While the first quarter loss after the start of CIG Pannónia Financial Intermediary Ltd. is a HUF - 15 million and the profit from MKB-Pannónia Fund Management to the Group was HUF 17 million less than in the first quarter of 2018.

Profit after taxes is HUF 508 million, which is HUF 107 million less than the first quarter of 2018. Other comprehensive income includes available-for-sale financial assets of HUF -149 million, resulting from the unrealized exchange rate loss on the Konzum shares (HUF 342 million) and the unrealized exchange rate gain of HUF 193 million on Hungarian government bonds. Thus, in the first quarter of 2019, the total comprehensive income was HUF 359 million.

The balance sheet total of the Issuer is HUF 113,725 million, its financial position is stable and it has fully complied with its obligations. On 31 March 2019, equity amounted to HUF 17,751 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 1,186 million that is 55% higher than in the same period of the previous year. Of this HUF 602 million is from unit-linked life insurance, HUF 584 million is from traditional and group life insurance policies. In the same period of the previous year, the annualized premium of the new sales was HUF 765 million, of which HUF 606 million related to unit-linked life insurance, HUF 159 million was derived from traditional and group life insurance policies. In case of the non-life segment the portfolio cleaning and termination of the retail casco portfolio resulted a HUF 475 million decrease, while in 2018 the EMABIT reached a HUF 106 million increase.

### New sales and portfolio development

| Annualized premium of new sales - Life segment (million HUF) | 2019.03.31<br>(A) | 2018.03.31<br>(B) | Changes<br>(A - B) | Changes %<br>(A - B) / B |
|--|-------------------|-------------------|--------------------|--------------------------|
| Unit-linked life insurances                                  | 602               | 606               | - 4                | -1%                      |
| Traditional and group life insurances                        | 584               | 159               | 425                | 267%                     |
| <b>Total annualized premium of new sales - Life</b>          | <b>1 186</b>      | <b>765</b>        | <b>421</b>         | <b>55%</b>               |

| Net portfolio development Non-life segment (million HUF) | 2019.03.31<br>(A) | 2018.03.31<br>(B) | Change<br>(A - B) | Change %<br>(A - B) / B |
|--|-------------------|-------------------|-------------------|-------------------------|
| Net portfolio development of general insurances          | -475              | 106               | -581              | -548%                   |

As for life insurance policies sold in 2019 the share of the tied agent network is 14%, the independent broker channel was 25% and the bank channel was 18%, while the newly established financial intermediary subsidiary sold 4%, other business development's share was 39% from the new sales. The Magyar Közút Nonprofit Zrt. significantly increased the results of other business development. Nevertheless the group life and accident insurance of more Hungarian Mutual Savings Banks and the group insurances of National Utilities made a significant effect on the new sales. In the life segment, effects of the diversification of sales channels are clearly a tangible result for the new acquisition.

The broker channel makes the majority of general insurance sales. In the case of general insurance, only the regular premium contracts appear in the net portfolio development statistics.

MABISZ does not publish statistics on the insurance market, so the data on the market shares of the Group's member companies are not available.

## 6. Operating segments

### Segment information Q1 2019 (data in HUF million)

| ASSETS   | Life insurance segment | Non-life insurance segment | Other      | Adjusting entries for calculations in the financial statements (consolidation) | Total          |
|--|------------------------|----------------------------|------------|--|----------------|
| Intangible assets  | 680                    | 90                         | 0          | 0  | 770            |
| Property, plant and equipment  | 67                     | 12                         | 18         | 0  | 97             |
| Leasing assets   | 71                     | 42                         | 36         | 0  | 149            |
| Deferred tax assets  | 361                    | 128                        | 0          | 0  | 489            |
| Deferred acquisition costs   | 1 109                  | 1 548                      | 0          | 0  | 2 657          |
| Reinsurer's share of technical reserves                              | 138                    | 4 353                      | 0          | 0  | 4 491          |
| Subsidiaries   | 5 384                  | 0                          | 0          | -5 384   | 0              |
| Investments by equity method   | 52                     | 0                          | 0          | 145  | 197            |
| Available-for-sale financial assets                                  | 19 923                 | 8 190                      | 0          | 0  | 28 113         |
| Investments for policyholders of unit-linked life insurance policies | 67 510                 | 0                          | 0          | 0  | 67 510         |
| Financial assets - investment contracts                              | 3 662                  | 0                          | 0          | 0  | 3 662          |
| Financial assets - forwards  | 24                     | 0                          | 0          | 0  | 24             |
| Receivables from insurance policyholders                             | 1 687                  | 293                        | 0          | 0  | 1 980          |
| Receivables from intermediaries                                      | 51                     | 553                        | 0          | 0  | 604            |
| Reinsurance receivables  | 11                     | 475                        | 0          | 0  | 486            |
| Other assets and prepayments   | 385                    | 242                        | 3          | -9   | 621            |
| Other receivables  | 306                    | 115                        | 8          | 2  | 431            |
| Cash and cash equivalents  | 734                    | 628                        | 82         | 0  | 1 444          |
| Intercompany receivables   | 69                     | 0                          | 10         | -79  | 0              |
| <b>Total assets</b>  | <b>102 224</b>         | <b>16 669</b>              | <b>157</b> | <b>-5 325</b>  | <b>113 725</b> |

| LIABILITIES   | Life insurance segment | Non-life insurance segment | Other     | Adjusting entries for calculations in the financial statements (consolidation) | Total         |
|---|------------------------|----------------------------|-----------|--|---------------|
| Technical reserves  | 10 975                 | 7 312                      | 0         | 0  | 18 287        |
| Technical reserves for policyholders of unit-linked insurance | 67 510                 | 0                          | 0         | 0  | 67 510        |
| Investment contracts  | 3 662                  | 0                          | 0         | 0  | 3 662         |
| Liabilities from the issue of interest-bearing shares         | 41                     | 0                          | 0         | 0  | 41            |
| Loans and financial reinsurance                               | 837                    | 0                          | 0         | 0  | 837           |
| Liabilities from reinsurance                                  | 124                    | 1 540                      | 0         | 0  | 1 664         |
| Liabilities from insurance policyholders                      | 470                    | 271                        | 0         | 0  | 741           |
| Liabilities from intermediaries                               | 241                    | 290                        | 17        | -10  | 538           |
| Intercompany liabilities                                      | 1                      | 67                         | 1         | -69  | 0             |
| Liabilities from leases                                       | 70                     | 42                         | 37        | 0  | 149           |
| Other liabilities and provisions                              | 725                    | 1 784                      | 12        | 16   | 2 537         |
| Liabilities from equity owners                                | 8                      | 0                          | 0         | 0  | 8             |
| <b>Total liabilities</b>                                      | <b>84 664</b>          | <b>11 306</b>              | <b>67</b> | <b>-63</b>   | <b>95 974</b> |
| <b>NET ASSETS</b>   | <b>17 560</b>          | <b>5 363</b>               | <b>90</b> | <b>-5 262</b>  | <b>17 751</b> |
| <b>SHAREHOLDERS' 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  | -939                   | 80                         | 0         | 0  | -859          |
| Profit reserve  | 2 257                  | 1 384                      | -14       | 1 603  | 5 230         |
| Equity for minority interests                                 | 0                      | 0                          | 0         | 4  | 4             |
| <b>Total shareholders' equity</b>                             | <b>17 560</b>          | <b>5 363</b>               | <b>90</b> | <b>-5 262</b>  | <b>17 751</b> |

| Statement of comprehensive income  | Life insurance segment | Non-life insurance segment | Other      | Adjusting entries for calculations in the financial statements (consolidation) | Total         |
|--|------------------------|----------------------------|------------|--|---------------|
| Gross written premium  | 3 602                  | 2 676                      | 0          | 0  | 6 278         |
| Changes in unearned premiums reserve   | -50                    | -471                       | 0          | 0  | -521          |
| Earned premiums, gross   | 3 552                  | 2 205                      | 0          | 0  | 5 757         |
| Ceded reinsurance premiums   | -46                    | -1 300                     | 0          | 0  | -1 346        |
| <b>Earned premiums, net</b>  | <b>3 506</b>           | <b>905</b>                 | <b>0</b>   | <b>0</b>   | <b>4 411</b>  |
| Premium and commission income from investment contracts                      | 23                     | 0                          | 0          | 0  | 23            |
| Investment income  | 3 508                  | 85                         | 0          | 0  | 3 593         |
| Share of the profit of associates and joint ventures accounted for using the | 342                    | 0                          | 0          | -269   | 73            |
| Other operating income   | 216                    | 7                          | 61         | -79  | 205           |
| Commission and profit sharing from reinsurance                               | 0                      | 655                        | 0          | 0  | 655           |
| <b>Other income</b>  | <b>4 089</b>           | <b>747</b>                 | <b>61</b>  | <b>-348</b>  | <b>4 549</b>  |
| <b>Total income</b>  | <b>7 595</b>           | <b>1 652</b>               | <b>61</b>  | <b>-348</b>  | <b>8 960</b>  |
| Claim payments and benefits, and claim settlement costs                      | -3 248                 | -1 059                     | 0          | 5  | -4 302        |
| Recoveries from reinsurance  | 13                     | 834                        | 0          | 0  | 847           |
| Net change in the value of life technical reserves and unit-linked life      | -2 397                 | 51                         | 0          | 0  | -2 346        |
| Investment expenditure   | -72                    | -80                        | -1         | 1  | -152          |
| Change in the fair value of liabilities relating to investment contracts     | -156                   | 0                          | 0          | 0  | -156          |
| <b>Investment expenses, changes in reserves and benefits, net</b>            | <b>-5 860</b>          | <b>-254</b>                | <b>-1</b>  | <b>6</b>   | <b>-6 109</b> |
| Fees, commissions and other acquisition costs                                | -756                   | -842                       | -66        | 49   | -1 615        |
| Other operating costs  | -367                   | -158                       | -5         | 2  | -528          |
| Other expenses   | -37                    | -117                       | -2         | 25   | -131          |
| <b>Operating costs</b>   | <b>-1 160</b>          | <b>-1 117</b>              | <b>-73</b> | <b>76</b>  | <b>-2 274</b> |
| <b>Profit/loss before taxation</b>   | <b>575</b>             | <b>281</b>                 | <b>-13</b> | <b>-266</b>  | <b>577</b>    |
| Tax income / (expenses)  | -42                    | -30                        | -1         | 0  | -73           |
| Deferred tax income / (expenses)   | 0                      | 4                          | 0          | 0  | 4             |
| <b>Profit/loss after taxation</b>  | <b>533</b>             | <b>255</b>                 | <b>-14</b> | <b>-266</b>  | <b>508</b>    |
| Other comprehensive income   | -217                   | 69                         | 0          | -1   | -149          |
| <b>Comprehensive income</b>  | <b>316</b>             | <b>324</b>                 | <b>-14</b> | <b>-267</b>  | <b>359</b>    |

**Segment information Q1 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  | 777                        | 104                    | -        | -  | 881            |
| Property, plant and equipment  | 73                         | 25                     | -        | -  | 98             |
| Leasing asset  | 109                        | 65                     | 0        | 0  | 174            |
| Deferred tax assets  | 355                        | 159                    | 0        | 0  | 514            |
| Deferred acquisition costs   | 650                        | 1 610                  | 0        | 0  | 2 260          |
| Reinsurer's share of technical reserves                              | 125                        | 4 704                  | 0        | 0  | 4 829          |
| Subsidiaries   | 3 789                      | 0                      | 0        | -3 789   | 0              |
| Investments by equity method   | 52                         | 0                      | 0        | 390  | 442            |
| Available-for-sale financial assets                                  | 13 277                     | 4 454                  | 0        | 0  | 17 731         |
| Investments for policyholders of unit-linked life insurance policies | 66 841                     | 0                      | 0        | 0  | 66 841         |
| Financial assets - investment contracts                              | 3 458                      | -                      | -        | -  | 3 458          |
| Financial instruments - forwards                                     | 9                          | -                      | -        | -  | -              |
| Receivables from insurance policyholders                             | 1 841                      | 419                    | 0        | 0  | 2 260          |
| Receivables from intermeriary  | 47                         | 347                    | 0        | 0  | 394            |
| Reinsurance receivables  | 6                          | 619                    | 0        | 0  | 625            |
| Other assets and prepayments   | 35                         | 228                    | 0        | -9   | 254            |
| Other receivables  | 646                        | 146                    | 1        | 2  | 795            |
| Cash and cash equivalents  | 656                        | 1 454                  | 6        | 0  | 2 116          |
| Intercompany receivables   | 18                         | 1                      | 0        | -19  | 0              |
| <b>Total assets</b>  | <b>93 104</b>              | <b>14 335</b>          | <b>7</b> | <b>-3 425</b>  | <b>104 021</b> |

| LIABILITIES   | CIG Life insurance segment | CIG Non-life insurance segment | Other    | Adjusting entries for calculations in the financial statements (consolidation) | Total         |
|---|----------------------------|--------------------------------|----------|--|---------------|
| Technical reserves  | 9 790                      | 7 491                          | -        | -  | 17 281        |
| Technical reserves for policyholders of unit-linked insurance | 66 841                     | 0                              | 0        | 0  | 66 841        |
| Investment contracts  | 3 798                      | 0                              | 0        | 0  | 3 798         |
| Loans and financial reinsurance                               | 1 224                      | -                              | -        | -  | 1 224         |
| Liabilities from reinsurance                                  | 58                         | 1 850                          | -        | -  | 1 908         |
| Liabilities from insurance policyholders                      | 562                        | 367                            | -        | -  | 929           |
| Liabilities from intermediaries                               | 209                        | 223                            | -        | -  | 432           |
| Intercompany liabilities                                      | 1                          | 18                             | -        | - 19   | -             |
| Lease liabilities   | 109                        | 65                             | 0        | 0  | 174           |
| Other liabilities and provisions                              | 748                        | 1 126                          | 1        | 15   | 1 890         |
| <b>Total liabilities</b>                                      | <b>83 340</b>              | <b>11 140</b>                  | <b>0</b> | <b>-4</b>  | <b>94 476</b> |
| <b>NET ASSETS</b>   | <b>9 764</b>               | <b>3 195</b>                   | <b>7</b> | <b>-3 421</b>  | <b>9 545</b>  |
| <b>SHAREHOLDERS' EQUITY</b>                                   |                            |                                |          |  |               |
| Registered capital  | 2 838                      | 1 030                          | 3        | - 1 033  | 2 838         |
| Capital reserve   | 5 109                      | 1 369                          | -        | - 4 235  | 2 243         |
| Other reserves  | 160                        | 89                             | 0        | 0  | 249           |
| Profit reserve  | 1 657                      | 707                            | 3        | 1 848  | 4 215         |
| <b>Total shareholders' equity</b>                             | <b>9 764</b>               | <b>3 195</b>                   | <b>7</b> | <b>-3 421</b>  | <b>9 545</b>  |



| STATEMENT OF COMPREHENSIVE INCOME  | CIG Life insurance segment | CIG Non-life insurance segment | Other     | Adjusting entries for calculations in the financial statements (consolidation) | Total         |
|--|----------------------------|--------------------------------|-----------|--|---------------|
| Gross written premium  | 3 823                      | 2 436                          | 0         | 0  | 6 259         |
| Changes in unearned premiums reserve   | -62                        | -112                           | 0         | 0  | -174          |
| Earned premiums, gross   | 3 761                      | 2 324                          | 0         | 0  | 6 085         |
| Ceded reinsurance premiums   | -38                        | -1 566                         | 0         | 0  | -1 604        |
| <b>Earned premiums, net</b>  | <b>3 723</b>               | <b>758</b>                     | <b>0</b>  | <b>0</b>   | <b>4 481</b>  |
| Premium and commission income from investment contracts                      | 31                         | 0                              | 0         | 0  | 31            |
| Investment income  | 153                        | 34                             | 0         | 0  | 187           |
| Share of the profit of associates and joint ventures accounted for using the | 0                          | 0                              | 0         | 90   | 90            |
| Other operating income   | 492                        | 25                             | 7         | -25  | 499           |
| Commission and profit sharing from reinsurance                               | 2                          | 622                            | 0         | 0  | 624           |
| <b>Other income</b>  | <b>678</b>                 | <b>681</b>                     | <b>7</b>  | <b>65</b>  | <b>1 431</b>  |
| <b>Total income</b>  | <b>4 401</b>               | <b>1 439</b>                   | <b>7</b>  | <b>65</b>  | <b>5 912</b>  |
| Claim payments and benefits, and claim settlement costs                      | -3 796                     | -964                           | 0         | 8  | -4 752        |
| Recoveries from reinsurance  | 9                          | 855                            | 0         | -3   | 861           |
| Net change in the value of life technical reserves and unit-linked life      | 1 803                      | 67                             | 0         | 0  | 1 870         |
| Investment expenditure   | -1 133                     | -5                             | 0         | 0  | -1 138        |
| Change in the fair value of liabilities relating to investment contracts     | 52                         | 0                              | 0         | 0  | 52            |
| Change in the fair value of assets and liabilities relating to embedded      | 0                          | 0                              | 0         | 0  | 0             |
| <b>Investment expenses, changes in reserves and benefits, net</b>            | <b>-3 065</b>              | <b>-47</b>                     | <b>0</b>  | <b>5</b>   | <b>-3 107</b> |
| Fees, commissions and other acquisition costs                                | -646                       | -848                           | 0         | 0  | -1 494        |
| Other operating costs  | -334                       | -163                           | -5        | 2  | -500          |
| Other expenses   | -21                        | -124                           | 0         | 18   | -127          |
| <b>Operating costs</b>   | <b>-1 001</b>              | <b>-1 135</b>                  | <b>-5</b> | <b>20</b>  | <b>-2 121</b> |
| <b>Profit/loss before taxation</b>   | <b>335</b>                 | <b>257</b>                     | <b>2</b>  | <b>90</b>  | <b>684</b>    |
| Tax income / (expenses)  | - 46                       | - 23                           | -         | -  | - 69          |
| Deferred tax income / (expenses)   | -                          | -                              | -         | -  | -             |
| <b>Profit/loss after taxation</b>  | <b>289</b>                 | <b>234</b>                     | <b>2</b>  | <b>90</b>  | <b>615</b>    |
| Other comprehensive income   | -30                        | -54                            | 0         | -1   | -85           |
| <b>Comprehensive income</b>  | <b>259</b>                 | <b>180</b>                     | <b>2</b>  | <b>89</b>  | <b>530</b>    |

## 7. Number of employees, ownership structure

The number of employees at the members of the Group was 143 on 31 March 2019.

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

| Series of shares        | Nominal value (HUF/each) | Issued number of shares | Total nominal value (HUF) |
|-------------------------|--------------------------|-------------------------|---------------------------|
| Series „A”              | 40                       | 94 428 260              | 3 777 130 400             |
| of this treasury share  | 40                       | 714 006                 | 28 560 240                |
| Amount of share capital | -                        | -                       | 3 777 130 400             |

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

| Series of shares | Number of shares issued | Number of voting shares | Voting rights per share | Total voting rights | Number of treasury shares |
|------------------|-------------------------|-------------------------|-------------------------|---------------------|---------------------------|
| Series „A”       | 94 428 260              | 93 714 254              | 1                       | 93 714 254          | 714 006                   |

The number of own shares has been outstanding on March 31, 2019, as a result of the shares sold under the employee share based payment program and the shares transferred to the CIG Pannonia MRP Organization, decreased to zero.

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

| Owners                               | Number of shares  | Ownership stake | Voting rights |
|--------------------------------------|-------------------|-----------------|---------------|
| Domestic private individual          | 41 405 580        | 43,849%         | 43,849%       |
| Domestic institution                 | 49 974 155        | 52,923%         | 52,923%       |
| Foreign private individual           | 255 422           | 0,270%          | 0,270%        |
| Foreign institution                  | 945 068           | 1,001%          | 1,001%        |
| Nominee, domestic private individual | 1 158 838         | 1,227%          | 1,227%        |
| Nominee, foreign private individual  | 329 550           | 0,349%          | 0,349%        |
| Nominee, foreign institution         | 257 577           | 0,273%          | 0,273%        |
| Unidentified item                    | 102 070           | 0,108%          | 0,108%        |
| <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 March 2019:**

| Name  | Registered seat               | The Issuer's share |
|---|-------------------------------|--------------------|
| CIG Pannónia First Hungarian General Insurance Company Ltd. | 1033 Budapest, Flórián tér 1. | 100,0%             |
| Pannónia PI-ETA Funeral Service Limited Liability Company   | 1033 Budapest, Flórián tér 1. | 100,0%             |
| MKB-Pannónia Fund Manager Ltd.                              | 1072 Budapest, Nyár utca 12.  | 16,0%              |
| CIG Pannónia Financial Intermediary Ltd.                    | 1033 Budapest, Flórián tér 1. | 95,0%              |
| KONZUM Investment and Asset Management Plc.                 | 1062 Budapest, Andrásy út 59. | 4,1%               |

## 8. Information published in the period

| Date              | Subject, short summary  |
|-------------------|---|
| January 2, 2019   | CIG Pannonia Life Insurance Plc. publishes its corporate events calendar for business year 2019   |
| January 2, 2019   | Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.  |
| January 31, 2019  | Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.  |
| February 19, 2019 | Quarterly report Q4 2018  |
| February 28, 2019 | Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.  |
| March 11, 2019    | Proposal for the reduction of the share capital and for the use of the profit after tax   |
| March 14, 2019    | Notice of the invitation to the general meeting   |
| March 26, 2019    | Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc. at the date of convocation of the Annual General Meeting |
| March 26, 2019    | Information about the members of the Board of Directors and the Supervisory Board, and about the monetary and in-kind benefits they received              |
| March 26, 2019    | Summary of the proposals relating to issues placed on the agenda items and the draft resolutions for the AGM  |
| April 1, 2019     | Attachments to GM proposal  |
| April 1, 2019     | Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.  |
| April 2, 2019     | Extraordinary announcement on the purchase of shares concluded within the scope of an employee share option program                                       |
| April 5, 2019     | Extraordinary announcement on the use of treasury shares  |
| April 15, 2019    | Rectification of the attachment of the GM proposals   |
| April 17, 2019    | Annual report   |
| April 17, 2019    | Corporate governance report on business year 2018   |
| April 17, 2019    | Resolutions of the Annual General Meeting of CIG Pannónia Life Insurance Plc. held on 17 April 2019   |
| April 18, 2019    | Extraordinary announcement on the dividend payment by EMABIT  |
| April 18, 2019    | Extraordinary announcement on the election of the body members of EMABIT  |
| April 30, 2019    | Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.  |

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 first quarter of 2019 was not reviewed by an auditor, the report for the first quarter 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.

21 May 2019, Budapest

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Gabriella Kádár dr.  
Chief Executive Officer

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Miklós Barta  
Deputy CEO, Chief Financial Officer

### Investor relations

Dr. Rebeka Krisztina Dudás, investor relations

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