



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

Q2 2019

22 August 2019, Budapest

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the second quarter of 2019 on this day. The Issuer publishes in this quarterly report for the first two quarters 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:

- The profit after tax of the CIG Pannónia **Group**¹ (hereinafter: Group) is **HUF 610 million loss** in the first half year of 2019, the total comprehensive income of the Group is HUF 416 million. The decrease in after-tax profit compared to the first half of 2018 (HUF 1,765 million) is due to two main reasons. On one hand, those significant claims in the non-life segment related to Italian cross-border gaming surety insurance, which resulted in a net loss of HUF 692 million. On the other hand, the Issuer realized a HUF 1,057 million loss on the termination of Konzum shares, which was largely offset by the other comprehensive income, thus its capital impact is much lower (HUF -331 million).
- Insurance premium revenue was HUF 13,286 million, 5% higher than premium income for the comparative period. In the branch composition, the non-life insurance premium income according to IFRS is 111 percent of the comparison period figure. Premiums written in the life insurance segment in accordance with IFRS reached 102 percent of premium revenue for the first half of 2018.
- In the life segment, the new acquisition is HUF 2 276 million which is one and half times of the previous year's amount. The Company's sales channels continued to expand (through call center sales), the product mix shifted significantly towards to risk and traditional products, including the rise of group insurance.
- Founded on November 29, 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 the year. The Intermediary now have 188 registered insurance agents, it sold insurance of HUF 187 million in annualized premiums in in the first half of the year, and it also started its credit intermediation business. On May 23, 2019, the MNB authorized it to engage in financial services brokerage activities. The authorization also covers the activity of mortgage brokerage.

¹ Group or CIG Pannónia Group is referred as the Issuer and its consolidated companies.

- At the beginning of April 2019, a member of the Board of Directors of the Company purchased 100,000 CIGPANNONIA ordinary shares and a member of the Board of Directors of CIG Pannónia First Hungarian General Insurance cPlc. purchased 50,000 CIGPANNONIA ordinary shares as a participant of Executive Share Option Program at 210 HUF / pcs price. In addition, under the Employee Share Option Program, 190,000 CIGPANNONIA ordinary shares were purchased from CIG Pannónia Life Insurance Plc. by seven non-executive directors employee of the Company and EMABIT. Purchases of shares happened outside of stock exchange trading at a price of HUF 230.52 / piece. As a result of the purchase of a total of 340,000 CIGPANNONIA shares subscribed under the Employee Share Option Program, the number of treasury shares held by the Company decreased to 374,006.
- Based on the decision of the Board of Directors on April 5, the Company transferred to the CIG Pannonia ESOP a total of 374,006 CIGPANNONIA ordinary shares held by the Company as non-cash contributions to cover performance rewards through the ESOP. Following the transfer of shares, the Company does not hold CIGPANNONIA shares anymore.
- At the Annual General Meeting of 2019, the Board of Directors recommended that the Company not pay dividends on CIGPANNONIA ordinary shares to use its after-tax profits, but instead to distribute capital to its shareholders at the same time as the nominal value reduction of the shares. The reduction of the share capital is achieved through the reduction of the nominal value of the shares, as a result the share capital of the Company is reduced from HUF 3,777,130,400 to HUF 3,116,132,580, and the nominal value of the shares from HUF 40 to HUF 33. The reduction of the registered capital is achieved through the reduction of the nominal value of the shares, as a result of which the share capital of the Company is reduced from HUF 3,777,130,400 to HUF 3,116,132,580, and the nominal value of the shares from HUF 40 to HUF 33. The capital reduction represents 17.5 percent of the Company's equity as of December 31, 2018, based on which the expected payment amount is HUF 3 billion, HUF 31.96 per share. The purpose of the registered capital reduction proposed by the Company's Board of Directors is to enable the Company's shareholders to benefit from the Company's distributable profits in a more favorable manner than the payment of dividends. As long as dividends are paid only out of the Company's profits and retained earnings under applicable rules, in the event of a reduction in share capital, both out of the Company's retained earnings and capital reserves may be paid out to the Company's shareholders. The payment is expected to be made in early September, following the company's Court Registry processes.
- On April 17, 2019, the Annual General Meeting approved the Company's audited separate and consolidated financial statements for the 2018 financial year, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
- The General Meeting of the Company elected dr. Peter Bogdánffy and dr. István Fedák as Board members and István Papp and János Tima as members of the Supervisory Board. At the same time, the Life Insurance Board elected dr. Mária Király, dr. Péter Bogdánffy, dr. István Fedák and Gergely Horváth Domonkos as a member of the Boards of Directors in

EMABIT, and for the Supervisory Board dr. József Bayer, István Boros, István Papp, János Tima and Ákos Veisz. The term of office of members of the Boards shall be three years.

- In May 2019, EMABIT transferred HUF 1,127 million and MKB-Pannónia Fund Manager HUF 342 million to the Company as dividend payments for 2018.
- On 11 June 2019, the Board of Directors of EMABIT decided to suspend the insurance activity of the Italian cross-border gaming surety. The decision was motivated by the high risk exposure of the product, the primary objective being to keep the Company's risk exposure to rise further. The product affected by the suspension concerns up to 30% of the premium income from the Italian cross-border activity. The suspension shall last until the completion of the product distribution review.
- The Court Registry has ordered with its final and binding resolution, with the effect of 30 June 2019 the merger of KONZUM Plc. into Opus Global Plc.. KONZUM Plc. had 24,85% ownership in the Company. The Group owned 13,688,510 KONZUM shares purchased on April 27, 2018 at a rate of HUF 300 per share (prior to the share split of KONZUM as at 10/10/2018 it was HUF 3,000 per share). As a result of the merger, KONZUM shares shall be derecognised in accordance with IFRS and any exchange loss previously recognized in other comprehensive income shall be recognized in profit or loss. As a result of the transaction, the Company's after-tax profit decreased by HUF 1,057 million. Following the merger, OPUS shares were entered in the Company's books at cost as of June 30, 2019 price. Equity capital and solvency adequacy of the Company will remain unchanged, its technical result and cash flow generation ability will not be affected by the merger.
- The equity of the Issuer increased from HUF 17,392 million at the end of 2018 to HUF 17,956 million, ie. increased by 3 % in 2019. Equity changed in the first half of the year as a result of the recognition of total comprehensive income and the equity differences arising from the exercise of employee share options.
- As of June 30, 2019, the Company's Solvency II capital adequacy ratio was 321%, while that of EMABIT was 151%

22 August 2019, Budapest

CIG Pannonia Life Insurance Plc.

2. Financial statements

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

	2019 Q1- Q2(A)	2018 Q1-Q4 (B)	2018 Q1 ² -2(C)	Change (A)-(C)
Gross written premium	13 286	25 832	12 629	657
Changes in unearned premiums reserve	- 731	114	-83	-648
Earned premiums, gross	12 555	25 946	12 546	9
Ceded reinsurance premiums	- 2 797	- 6 319	-3 142	345
Earned premiums, net	9 758	19 627	9 404	354
Premium and commission income from investment contracts	56	143	68	-12
Commission and profit sharing due from reinsurers	965	2 397	1 349	-384
Investment income	4 866	767	1 347	3 519
Yield on investment accounted for using equity method (profit)	159	366	193	-34
Other operating income	412	956	495	-83
Other income	6 458	4 629	3 452	3 006
Total income	16 216	24 256	12 856	3 360
Claim payments and benefits, claim settlement costs	- 8 534	- 17 067	-9 095	561
Recoveries, reinsurer's share	1 489	3 015	1 502	-13
Net changes in value of the life technical reserves and unit-linked life insurance reserves	- 3 717	2 159	627	-4 344
Investment expenses	- 1 260	- 1 160	-77	-1 183
Change in the fair value of liabilities relating to investment contracts	- 217	53	5	-222
Investment expenses, changes in reserves and benefits, net	- 12 239	- 13 000	-7 038	-5 201
Fees, commissions and other acquisition costs	- 3 213	- 6 114	-3 037	-176
Other operating costs	- 1 014	- 2 180	-1 163	149
Other expenses	- 261	- 624	-316	55
Operating costs	- 4 488	- 8 918	-4 516	28
Profit/Loss before taxation	- 511	2 338	1 302	- 1 813
Tax income/expenses	-99	- 267	-147	48
Deferred tax income/expenses	-	- 19	-	-
Profit/Loss after taxation	- 610	2 052	1 155	- 1 765
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	1 026	- 1 045	- 513	1 539
Other comprehensive income	1 026	- 1 045	- 513	1 539
Total comprehensive income	416	1 007	642	- 226

² Restated data due to accounting policy change see point 3.2

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

	2019 Q1-Q2 (A)	2018 Q1-Q4 (B)	2018 Q1-Q2 (C)	Change (A)-(c)
Profit/loss after taxation attributable to the Company's shareholders	- 608	2 052	1 155	-1 763
Profit/loss after taxation attributable to NCI	- 2	-	-	-2
Profit/Loss after taxation	- 610	2 052	1 155	- 1 765

Total comprehensive income attributable to the Company's shareholders	418	1 007	642	-224
Total comprehensive income to NCI	- 2	-	-	-2
Total comprehensive income	416	1 007	642	- 226

Earnings per share of the Company's shareholders				
Basic earnings per share (HUF)	- 6,5	24,2	15,1	-22
Diluted earnings per share (HUF)	- 6,5	24,2	15,1	-22

Earnings per share of NCI's				
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	94 428 260	-	94 428 260	86	44 866 466
2019.06.30	94 428 260	-	94 428 260	181	94 053 505

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

	2019Q2 (A)	2019Q1 (C)	2018Q2 (B)	Change (A)-(B)
Gross written premium	7 008	6 278	6 370	638
Changes in unwritten premium reserve	-210	-521	91	-301
Earned premium gross	6 798	5 757	6 461	337
Ceded reinsurance premiums	-1 451	-1 346	-1 538	87
Earned premiums, net	5 347	4 411	4 923	424
Premium and commission income from investment contracts	33	23	37	-4
Commission and profit sharing due from reinsurers	310	655	725	-415
Investment income	1 273	3 593	1 160	113
Yield on investment accounted for using equity method(profit)	86	73	103	-17
Other operating income	207	205	-4	211
Other income	1 909	4 549	2 021	-112
Total income	7 256	8 960	6 944	312
Claim payments and benefits, claim settlement costs	-4 232	-4 302	-4 343	111
Recoveries, reinsurer's share	642	847	641	1
Net changes in value of the life technical reserves and unit-linked life insurance reserves	-1 371	-2 346	-1 243	-128
Investment expenses	-1 108	-152	1 061	-2 169
Change in the fair value of liabilities relating to investment contracts	-61	-156	-47	-14
Changes in fair value of assets and liabilities relating to embedded derivatives	-6 130	-6 109	-3 931	-2 199
Fees, commissions and other acquisition costs	-1 598	-1 615	-1 543	-55
Other operating costs	-486	-528	-663	177
Other expenses	-130	-131	-189	59
Operating costs	-2 214	-2 274	-2 395	181
Profit/Loss before taxation	- 1 088	577	618	- 1 706
Tax income/expenses	-26	-73	-78	52
Deferred tax income/expenses	-4	4	0	-4
Profit/Loss after taxation	- 1 118	508	540	- 1 658
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	1 175	-149	-428	1 603
Other comprehensive income	1 175	-149	-428	1 603
Total comprehensive income	57	359	112	- 55

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

	2019Q2 (A)	2019Q1 (C)	2018Q2 (B)	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders	-1 117	509	540	-1 657
Profit/loss after taxation attributable to NCI	-1	-1	0	-1
Profit/Loss after taxation	- 1 118	508	540	- 1 658
Total comprehensive income attributable to the Company's shareholders	58	360	112	-54
Total comprehensive income to NCI	-1	-1	0	-1
Total comprehensive income	57	359	112	- 55

Consolidated Statement of Financial Position (data in million HUF)

ASSETS	30 June 2019. (A)	31 December 2018. (B)	30 June 2018. (C)	Changes (A)-(C)
Intangible Assets	730	802	857	-127
Property, plant and equipment	106	81	83	23
Lease assets	132	128	158	-26
Deferred tax asset	484	496	515	-31
Deferred acquisition costs	2 805	2 603	2 245	560
Reinsurer's share of technical reserves	4 865	4 905	4 772	93
Investments accounted for using the equity method	282	465	291	-9
Available-for-sale financial assets	29 870	27 501	26 177	3 693
Investments for policyholders of unit-linked life insurance policies	68 054	65 277	68 013	41
Financial assets – investment contracts	3 675	3 681	3 766	-91
Financial asset - forwards	31	0	36	-5
Receivables from insurance policy holders	1 897	2 520	2 092	-195
Receivables from insurance intermediaries	519	479	371	148
Receivables from reinsurance	129	114	271	-142
Other assets and prepayments	349	269	263	86
Other receivables	352	285	460	-108
Cash and cash equivalents	1 907	1 300	2 108	-201
Total Assets	116 187	110 906	112 478	3 709
LIABILITIES				
Technical reserves	19 567	18 148	16 665	2 902
Technical reserves for policyholders of unit-linked life insurance policies	68 054	65 277	68 013	41
Investment contracts	3 675	3 681	3 766	-91
Financial liabilities-forwards	41	8	0	41
Loans and financial reinsurance	684	968	1 174	-490
Liabilities from reinsurance	1 913	1 674	1 926	-13
Liabilities to insurance policy holders	741	673	776	-35
Liabilities to insurance intermediaries	517	656	472	45
Lease liabilities	132	130	159	-27
Other liabilities and provisions	2 899	2 291	2 581	318
Liabilities to shareholders	8	8	10	-2
Total Liabilities	98 231	93 514	95 542	2 689
Net Assets	17 956	17 392	16 936	1 020
SHAREHOLDERS' EQUITY				
Share capital	3 777	3 777	3 777	0
Capital reserve	9 674	9 599	9 517	157
Other reserves	316	-710	-179	495
Retained earnings	4 186	4 721	3 821	365
Equity attributable to the Company's Shareholders	17 953	17 387	16 936	1 017
Non-controlling interest	3	5	0	3
Total Shareholder's Equity	17 956	17 392	16 936	1 020

Consolidated Changes in Equity Q1-Q2 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
Balance on 31 December 2018	3 777	9 599	0	-710	4 721	17 387	5	17 392
Total comprehensive income								
Other comprehensive income	-	-	-	1 026	-	1 026	-	1 026
Profit in reporting year	-	-	-	-	- 608	- 608	-2	-610
Capital gain of IFRS 16 standard change	-	-	-	-	-	-	-	-
Transactions with equity holders, recognized in equity								
Sales of treasury shares	-	75	-	-	73	148	-	148
Balance on 31 June 2019	3 777	9 674	-	316	4 186	17 953	3	17 956

Consolidated Changes in Equity 2018 Q1-Q2 (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
Balance on 31 December 2017	2 852	2 479	-250	334	3 600	9 015	-	9 015
Total comprehensive income								
Other comprehensive income	-	-	-	-513	-	-513	-	-503
Profit in reporting year	-	-	-	-	1 155	1 155	-	1 155
Transactions with equity holders, recognized in equity								
Treasury shares withdrawal	-14	-236	250	-	-	-	-	-
Capital increase	939	7 274				8 213		8 213
Dividend payment					-934	-934		-934
Balance on 31 June 2018	3 777	9 517	-	- 179	3 821	16 936	-	16 936

Consolidated Statement of Cash Flows (data in HUF millions)

	2019 Q1-Q2	2018 Q1-Q4	2018 Q1-Q2
Profit/loss after taxation	- 608	2 053	1 155
Modifying items			
Depreciation and amortization	210	385	91
Extraordinary depreciation, derecognized assets	1	14	0
Result of sale of assets	339	136	77
Share-based payments	9	-103	-44
Currency Changes	1 057	-3	10
The result of investments using equity method	-159	-366	-192
Deferred tax	12	19	0
Income tax expense	99	267	147
Interest received	-325	-572	-224
Result of derivatives	2	4	-40
Provisioning	0	66	0
Result of minority interests	-2	0	0
Interest expense	16	45	24
Change in working capital elements			
Increase / Decrease in Deferred Acquisition Costs (-/+)	-202	-307	51
Increase / decrease in investments made for unit-linked life insurance policyholders (-/+)	-2 778	3 518	746
Financial Instruments - Increase / Decrease in Investment Contracts (- / +)	6	245	195
Increase / decrease in insurance receivables and other receivables (- / +)	490	82	387
Increase / decrease in reinsurance share of technical reserves (-/+)	39	-257	-124
Increase / decrease in other assets and accrued expenses (- /+)	-82	-44	-39
Increase / decrease in technical reserves (+/-)	1 305	1 441	132
Increase / decrease in liabilities from insurance transactions (+/-)	168	39	210
Increase / Decrease in Investment Contracts (+/-)	-6	-245	-195
Increase / decrease in technical reserves due to unit-linked life insurance (+/-)	2 778	-3 518	-746
Increase / decrease in other liabilities (+/-)	672	-240	56
Paid Income Taxes	-95	-221	-203
Cash flows from operating activities	2 949	2 438	1 567

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

Cash flow from investing activities	2019 Q1-Q2	2018 Q1-Q4	2018 Q1-Q2
Purchase of debt instruments (-)	-10 023	-16 307	-9 467
Sales of debt instruments (+)	7 404	7 594	2 721
Purchase of capital instruments (-)	0	-4 107	-4 108
Purchase of tangible and intangible assets (-)	-130	-264	-134
Sales of tangible and intangible assets (-)	0	11	7
Cash flow from NCI owners	0	5	0
Interest received	318	759	190
Dividend received	342	253	253
Cash flow from investing activities	- 2 088	- 12 056	- 10 538

Cash flow from financing activities			
Securing loans	154	609	273
Lease repayment and interest	-34	-54	-10
Repayment of loans and their interests	-458	-918	-257
Interest payment on interest-bearing shares	0	82	0
Equity difference realised on sale of treasury shares in a employee share based option program	75	0	0
Capital increase	0	8 213	8 213
Dividend paid	0	-925	-924
Cash flow from financing activities	- 262	7 007	7 160

Impacts of exchange rate changes	9	28	36
Net increase / decrease of cash and cash equivalents (+/-)	607	- 2 583	- 1 775

Cash and cash equivalents at the beginning of the period	1 300	3 883	3 883
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Cash and cash equivalents at the end of the period	1 907	1 300	2 108
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3. 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 3.1.

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

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.

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 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 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 recognised 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 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 Classification of Insurance Contracts

At the end of 2018, the Group has decided to change the classification of accounting policy.

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

In the case of 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 these financial statements.

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" is high risk considering the IFRS 4.

The Group establishes a fixed rate contract for an accounting policy where it charges a one-time premium for an additional risk service when it is in place of an insurance location.

As a result of a change in accounting policy, the restated financial statement lines include the effects of the amendment, with the effect of the error described above. Changes in accounting policies do not affect the equity and profit or loss.

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 half year of 2019, the Group's gross written premium was HUF 13,286 million, while in the first half year of 2018 the gross written premium was HUF 12,629 million. Of this HUF 6,383 million are the gross written premium of unit-linked life insurance (of this HUF 2,423 million of pension insurance policies), HUF 1,599 million are traditional life products (of this HUF 547 million from pension insurance policies), HUF 188 million are health insurance policies, and HUF 5,116 million are gross written premium of non-life insurances.

The non-life insurance segment generated a gross written premium of HUF 5,116 million in 2019 according to IFRSs it increased by 11% compared to the comparative period (HUF 4,608 million). In the life segment the gross written premium from the first annual premiums of policies sold was HUF 1,330 million, which is a 24% increase compared to the previous year (HUF 1,077 million). The gross written premium income from renewals was HUF 4,776 million in the first half of 2019 in contrast to HUF 4,668 million in the same period of the previous year, so the renewal premiums increased by 2%. Top-up and single premiums (HUF 2,064 million) were 9% lower than 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 8,170 million, the rate of top-up and single premiums is 25 percent.

The change in unearned premium reserve in 2019 was HUF 731 million (expenditure), while the amount of ceded reinsurance premiums was HUF 2,797 million. The ceded premium to reinsurer decreased by 11% as compared to the same period of the previous year, mainly due to 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 56 million in total during the reporting period.

HUF 965 million was recognized as reinsurers' commissions in the first half of 2019 that is 28% less than in the previous year, mainly due to the

unfavorable changes in claims of the non-life segment in property and liability products.

The other operating income (HUF 412 million) mainly includes the Issuer's income from fund management (HUF 352 million), which decreased by 13% compared to previous period. A significant portion of these asset management revenues are related to products sold until 2016, which will reduce asset management revenues in parallel with the decline in existing portfolio.

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 8,534 million), this expenditure is decreased by the recoveries from reinsurers (HUF 1,490 million). The net claim expenditure decreased by 7% as compared to the first half of 2018, what is a result of contradictory effects. Unit-linked surrenders declined significantly compared to the comparative period, while non-life claims in the casco, freight and surety sectors were higher than in the first half of 2018.

In the case of the Group's cross-border surety insurances in Italy, the beneficiary Customs and Monopoly Agency (ADM), which is responsible for the supervision of gambling in Italy, has submitted a request for drawdown of insurance promissory notes for five clients. The total value of the contractual obligations is EUR 12.8 million. It might take several months, even years, to determine the exact amount of claims and settle them. Experts best estimates of expected value of claims (including expected claim payments, attorney and expert costs) is HUF 1,229 million, and the recoverable amount from regressions, reinsurance and commission reversals is HUF 537 million. These losses reduced the Group's Q2 result by HUF 692 million. For the high risk profile of the product, EMABIT has decided to suspend and review its cross-border gaming insurance business in Italy. The suspension will last until the product distribution review is completed.

The amount of net change in reserves is HUF 3,717 million, which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount increased by HUF 2,780 million. The actuarial reserves increased by HUF +660 million, the technical reserves for the bonus payment of the life insurance clients increased by HUF +23 million, the result depending premium refund reserves increased by HUF +209 million and the other technical reserve increased by HUF 5 million. There was HUF 45 million decrease in the result independent premium refund reserves, the cancellation reserves decreased by HUF 573 million in parallel with the decrease in premium receivables. Net RBNS and IBNR reserves increased by HUF 692 million, primarily due to the significant provisioning of large claims in the Italian surety product described above, which also resulted in the release of the surety reserves (HUF 29 million).

The total operating cost of the Issuer was HUF 4,488 million in 2019, of which HUF 3,213 million is related to the fees, commissions and other acquisition costs, and HUF 1,014 million is related to other operating costs and HUF 261 million to other expenses. Acquisition costs show increasing tendency, which is primarily due to the 49% increase in new sales in the life segment compared to the same period last year, while premium income in the non-life segment is 11% higher in the first half year than in the comparative period. The other operating costs decreased by HUF 149 million (13%) compared to the same period of the previous year (in 2018 HUF 1,163 million) mainly due to the decrease in personnel costs. Other expenses (HUF 261 million) were 17% lower than in the comparative period (HUF 316 million).

The investment results in the first half of 2019 is HUF 3,606 Million, which is due to the aggregated effect of the following issues.

The unit-linked yield was HUF 4,203 million profit. The first half of this year saw outstanding performance in asset classes, with all the major asset classes closing the period with positive performance. Developed equity markets closed 17.4% higher, while their developing counterparts were appreciated by 10.7%. Bond yields continued to decline in the second quarter due to fears of growth and easing inflation expectations. In the commodity markets, energy carriers led the rise, but precious metals were also appreciated more strongly. We have seen positive developments in the trade war following the G20 meeting in June as well as the loose monetary policy of FED, which has created a very favorable environment for risky assets. As an investor, the best returns in the last six months were achieved in the Russian, Chinese and North American equity markets. The unit-link portfolios also performed accordingly. The forint depreciated further in the second quarter, further increasing unit-linked portfolio yields.

Investment income was negatively impacted by interest expense on financial reinsurance (HUF -13 million). In the first half of 2019, the Issuer returned a profit of HUF 473 million on its own investments.

The profit attributable to MKB-Pannónia Fund Manager for the Group is shown in the Return on Investments accounted for by the Equity Method, which is a profit of HUF 159 million in 2019, which is HUF 34 million lower than in the comparative period.

As a result, the profit before tax is HUF 511 million, decrease of HUF 1,813 million compared to the profit before tax of the first half of 2018 (HUF 1,302 million). The downturn is due to two major reasons. On the one hand, significant claims in the non-life segment related to Italian cross-border gaming surety insurance policies resulted in a net loss of HUF 692 million. On the other hand, the Issuer realized a HUF 1,057 million loss on the termination of Konzum shares, which was largely offset by the other

comprehensive income, thus its capital impact is much lower (HUF -331 million).

Profit after tax - HUF 610 million, HUF 1,765 million less than the after-tax profit for the first half of 2018. Other comprehensive income includes an increase in the fair value of available-for-sale financial assets of HUF 1,026 million arising from unrealized exchange losses on Konzum shares (HUF -331 million), increase in other comprehensive income on termination of Konzum shares (HUF + 1,057 million) and the results from unrealized exchange rate gains of HUF 300 million on Hungarian government bonds. Therefore, the total comprehensive income in the first half of 2019 is a profit of HUF 416 million.

The Issuer's balance sheet total was HUF 116,187 million; its financial position is stable; the company has met its liabilities in full. On 31 June 2019, the shareholders' equity was HUF 17,956 million.

5. Executive summary

In the first half of 2019, the annualized premium of the new sales of insurance policies in life segment sold by the Company is HUF 2,276 million that is 49 percent higher than in the same period of the previous year. Of this HUF 1,430 million is from unit-linked life insurance, HUF 846 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 1,524 million, of which HUF 1,282 million related to unit-linked life insurance, HUF 242 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 313 million decrease, while in 2018 the decrease were HUF 86 million.

New sales and portfolio development

Annualized premium of new sales - Life segment (million HUF)	2019.06.30 (A)	2018.06.30 (B)	Change (A - B)	Change % (A - B) / B
Unit-linked life insurances	1 430	1 282	148	12%
Traditional and group life insurances	846	242	604	250%
Total annualized premium of new sales - Life	2 276	1 524	752	49%

Net portfolio development Non-life segment (million HUF)	2019.06.30 (A)	2018.06.30 (B)	Changes (A - B)	Changes % (A - B) / B
Net portfolio development of general insurances	-313	-86	-227	264%

As for life insurance policies sold in 2019 the share of the tied agent network is 19 percent, the independent broker channel was 28 percent and the bank channel was 18 percent. The newly formed financial intermediary subsidiary accounted for 8 percent of sales, while other business development accounted for 26 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.

The brokerage channel produces the majority of general insurance sales. In the case of general insurance, only regular premium contracts appear in the statement of net income.

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-Q2 2019 (data in HUF millions)

ASSETS	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Intangible assets	644	80	6	-	730
Property, plant and equipment	70	13	23	-	106
Lease assets	61	37	34	-	132
Deferred tax assets	361	123	-	-	484
Deferred acquisition costs	1 229	1 576	-	-	2 805
Reinsurer's share of technical reserves	116	4 749	-	-	4 865
Subsidiaries	5 384	-	-	-5 384	-
Investments by equity method	52	-	-	230	282
Available-for-sale financial assets	21 803	8 067	-	-	29 870
Investments for policyholders of unit-linked life insurance policies	68 054	-	-	-	68 054
Financial assets - investment contracts	3 675	-	-	-	3 675
Financial assets - forwards	31	-	-	-	31
Receivables from insurance policyholders	1 617	280	-	-	1 897
Receivables from intermediaries	45	474	-	-	519
Receivables from reinsurances	13	116	-	-	129
Treasury shares	-	-	141	-141	-
Other assets and prepayments	34	323	1	-9	349
Other receivables	224	114	12	2	352
Cash and cash equivalents	914	901	92	-	1 907
Intercompany receivables	544	-	307	-851	-
Total assets	104 871	16 853	616	-6 153	116 187

Liabilities	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	11 301	8 266	-	-	19 567
Technical reserves for policyholders of unit-linked insurance	68 054	-	-	-	68 054
Investment contracts	3 675	-	-	-	3 675
Financial liabilities forwards	41	-	-	-	41
Loans and financial reinsurance	684	-	-	-	684
Liabilities from reinsurance	70	1 843	-	-	1 913
Liabilities from insurance policyholders	459	282	-	-	741
Liabilities from intermediaries	206	271	50	-10	517
Intercompany liabilities	298	102	573	-973	-
Liabilities from lease	61	36	35	-	132
Other liabilities and provisions	584	2 276	23	16	2 899
Liabilities to shareholders	8	-	-	-	8
Total liabilities	85 441	13 076	681	-967	98 231
NET Assets	19 430	3 777	-65	-5 186	17 956
Shareholder's Equity					
Registered capital	3 777	1 060	23	-1 083	3 777
Capital reserve	12 540	2 839	81	-5 786	9 674
Other reserve	207	109	-	-	316
Profit reserve	2 906	-231	-169	1 680	4 186
Equity per minority interest	-	-	-	3	3
Total shareholder's equity	19 430	3 777	-65	-5 186	17 956

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	8 170	5 116	-	-	13 286
Changes in unearned premiums reserve	-26	-705	-	-	-731
Earned premium Gross	8 144	4 411	-	-	12 555
Ceded reinsurance premium	-119	-2 678	-	-	-2 797
Earned premiums net	8 025	1 733	-	-	9 758
Premium and commission income from investment contracts	56	-	-	-	56
Investment income	5 994	141	-	-1 269	4 866
Share of the profit of associates and joint ventures accounted for using the equity method	342	-	-	-183	159
Other operative income	436	13	213	-251	412
Commission and profit sharing from reinsurance	1	964	-	-	965
Other income	6 829	1 118	213	-1 703	6 458
Total income	14 854	2 851	213	-1 703	16 216
Claim payments and benefits, and claim settlement costs	-6 716	-1 818	-	-	-8 534
Recoveries from reinsurance	17	1 472	-	-	1 489
Net change in the value of life technical reserves and unit-linked life insurance reserves	-3 187	-530	-	-	-3 717
Investment expenditure	-1 156	-105	-133	134	-1 260
Change in the fair value of liabilities relating to investment contracts	-217	-	-	-	-217
Change in the fair value of assets and liabilities relating to embedded derivatives	-11 259	-981	-133	134	-12 239
Fees, commissions and other acquisition costs	-1 69	-1 560	-227	183	-3 213
Other operating costs	-665	-350	-11	12	-1 014
Other expenses	-100	-210	-8	57	-261
Operating costs	-2 374	-2 120	-246	252	-4 488
Profit/loss before taxation	1 221	-249	-166	-1 317	-511
Tax income / (expenses)	-69	-26	-4	0	-99
Deferred tax income / (expenses)	-	-	-	-	-
Profit/loss after taxation	1 152	-275	-170	-1 317	-610
Other comprehensive income	928	99	-	-1	1 026
Comprehensive income	2 080	-176	-170	-1 318	416

Segment information Q1-Q2 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	760	97	-	-	857
Property, plant and equipment	61	22	-	-	83
Lease asset	99	59	-	-	158
Deferred tax assets	355	160	-	-	515
Deferred acquisition costs	755	1 490	-	-	2 245
Reinsurer's share of technical reserves	110	4 662	-	-	4 772
Subsidiaries	3 789	-	-	-3 789	-
Investments in jointly controlled companies	52	-	-	239	291
Available-for-sale financial assets	20 347	5 83-	-	-	26 177
Investments for policyholders of unit-linked life insurance policies	68 013	-	-	-	68 013
Financial assets - investment contracts	3 766	-	-	-	3 766
Financial assets - forward	36	-	-	-	36
Receivables from insurance policyholders	1 789	303	-	-	2 092
Receivables from intermediaries	51	320	-	-	371
Reinsurance receivables	5	266	-	-	271
Other assets and prepayments	39	233	-	-9	263
Other receivables	324	133	1	2	460
Other receivables	1 128	975	5	-	2 108
Intercompany receivables	21	-	-	-21	-
Total assets	101 500	14 550	6	-3 578	112 478

LIABILITIES	CIG Life insurance segment	CIG Non-life insurance	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	9 443	7 222	-	-	16 665
Technical reserves for policyholders of unit-linked insurance	68 013	-	-	-	68 013
Investment contracts	3 766	-	-	-	3 766
Loans and financial reinsurance	1 174	-	-	-	1 174
Liabilities from reinsurance	48	1 878	-	-	1 926
Liabilities from insurance policyholders	396	380	-	-	776
Liabilities from intermediaries	261	211	-	-	472
Intercompany liabilities	0	21	-	-21	-
Liabilities from leases	100	59	-	-	159
Other liabilities and provisions	976	1 590	-	15	2 581
Liabilities to shareholders	10	-	-	-	10
Total liabilities	84 187	11 361	-	-6	95 542
NET Assets	17 313	3 189	6	-3 572	16 936
Shareholder's Equity					
Registered capital	3 777	1 030	3	-1 033	3 777
Capital reserve	12 383	1 369	1	-4 236	9 517
Other reserves	-84	-95	-	-	-179
Profit reserve	1 237	885	2	1 697	3 821
Total Shareholder's equity	17 313	3 189	6	-3 572	16 936

STATEMENT OF COMPREHENSIVE INCOME	CIG Life insurance segment	CIG Non-life insurance	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Gross written premium	8 021	4 608	-	-	12 629
Changes in unearned premiums reserve	-72	-11	-	-	-83
Earned premiums, gross	7 949	4 597	-	-	12 546
Ceded reinsurance premiums	-92	-3 050	-	-	-3 142
Earned premiums, net	7 857	1 547	-	-	9 404
Premium and commission income from investment contracts	68	-	-	-	68
Investment income	1 268	79	-	-	1 347
Share of the profit of associates and joint ventures accounted for using the equity method	254	-	-	-61	193
Other operating income	510	28	13	-56	495
Commission and profit sharing from reinsurance	2	1 347	-	-	1 349
Other income	2 102	1 454	13	-117	3 452
Total income	9 959	3 001	13	-117	12 856
Claim payments and benefits, and claim settlement costs	-7 431	-1 672	-	8	-9 095
Recoveries from reinsurance	22	1 477	-	3	1 502
Net change in the value of life technical reserves and unit-linked life insurance reserves	509	118	-	-	627
Investment expenditure	-54	-23	-	-	-77
Change in the fair value of liabilities relating to investment contracts	5	-	-	-	5
Investment expenses, changes in reserves and benefits, net	-6 949	-100	-	11	-7 038
Fees, commissions and other acquisition costs	-1 302	-1 735	-	-	-3 037
Other operating costs	-753	-400	-13	3	-1 163
Other expenses	-59	-300	-	43	-316
Operating costs	-2 114	-2 435	-13	46	-4 516
Profit/loss before taxation	896	466	-	-60	1 302
Tax income / (expenses)	-91	-56	-	-	-147
Deferred tax income / (expenses)	-	-	-	-	-
Profit/loss after taxation	805	410	-	-60	1 155
Other comprehensive income	-274	-239	-	-	-513
Comprehensive income	531	171	-	-60	642

7. Number of employees, ownership structure

The number of employees at the members of the Group was 145 on 30 June 2019.

Composition of the Issuer's share capital (30 June 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
Amount of share capital	-	-	3 777 130 400

Number of voting rights connected to the shares (30 June 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	94 428 260	1	94 428 260	-

The number of treasury shares outstanding as of March 31, 2019 decreased to zero in the second quarter due to the redemption of shares under the employee share based payment program and the transfer of shares to CIG Pannonia MRP Organization.

The Issuer's ownership structure (30 June 2019.)

Owners	Number of shares	Ownership stake	Voting rights
Domestic private individual	41 669 304	44,13%	44,13%
Domestic institution	49 840 947	52,78%	52,78%
Foreign private individual	217 379	0,23%	0,23%
Foreign institution	946 028	1,00%	1,00%
Nominee, domestic private individual	1 158 838	1,23%	1,23%
Nominee, foreign private individual	322 880	0,34%	0,34%
Nominee, foreign institution	255 577	0,27%	0,27%
Unidentified item	17 307	0,02%	0,02%
Total	94 428 260	100%	100%

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 30 June 2019

Name	Registered seat	The Issuer's share
CIG Pannónia First Hungarian General Insurance Company cPlc.	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 cPlc.	1072 Budapest, Nyár utca 12.	16,0%
CIG Pannónia 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
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	Recitification of the attachment of the GM proposal
April 17, 2019	Annual report
April 17, 2019	Corporate governance report on business year 2018
April 17, 2019	Resolution of the Annual General Meeting of CIG Pannonia Life Insurance Plc. held on 17 April 2019
April 18, 2019	Extraordinary announcement on the divided 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.
May 20, 2019	Extraordinary Announcement on the authorization of the body members of the Company and EMABIT
May 21, 2019	Quarterly report, Q1 2019
May 24, 2019	Extraordinary announcement on the authorization of CIG Pannonia Financial intermediary cPlc. to operate as multiple-financial agent
June 3, 2019	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
June 3, 2019	Extraordinary announcements on the transaction of shares concluded by person closely associated with person discharging managerial responsibilities
June 11, 2019	extraordinary announcement on the suspension within the scope of cross border activity
June 11, 2019	Announcement on the payment of the capital contribution decided by the annual general meeting of 2019
June 21, 2019	Extraordinary Announcement on the transformation of Konzum Plc. affecting the Company's result
June 24, 2019	Extraordinary Announcement on the authorization of the body member of the Company and EMABIT
July 1, 2019	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
July 1, 2019	Extraordinary Announcement on the acquisition of shares of OPUS Global Plc. in the Company
July 10, 2019	information related to the reduction of the share capital
July 16, 2019	Extraordinary announcement on the company court registry of the body members of the Company
July 19, 2019	The person in charge of Investor relations at CIG Pannonia Life Insurance Plc. has changed
July 31, 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) and the Budapest Stock Exchange Ltd. (www.bet.hu), as well as on the website of the Hungarian National Bank (www.kozzetetelek.hu).

9. Disclaimer

The Issuer declares that the report for the first half of 2019 was not reviewed by an auditor, the report for the first half 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.

22 August 2019. Budapest

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