



CIG PANNÓNIA

INSURANCE

CIG Pannonia Life Insurance Plc.

Quarterly report

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

Q4 2020

23 February 2021, Budapest

I. Summary

1.1. Economic summary

CIG Pannónia Life Insurance Public Limited Company (registered office: 1097 Budapest Könyves Kálmán krt. 11, building „B”¹; company registration number: 01 10 045857; court of registration: Registry Court of the Metropolitan Court (hereinafter: **Issuer** or **Company**) publishes - at the date specified in the Calendar of Corporate Events published on the website of the Budapest Stock Exchange on 31 December 2020 - its report (hereinafter: **Report**) for the fourth quarter of 2020 on this day. The Issuer publishes in this Report for the fourth quarter of 2020, as required by the legislation, its consolidated, unaudited data in accordance with the International Financial Reporting Standards adopted by the EU (hereinafter: **EU IFRS**). The Report has been prepared in accordance with the provisions of IAS 34.

Overall the **profit after tax** of the CIG Pannónia Group (hereinafter: **Group**) is **HUF 735 million gain** (in 2019 HUF 639 million loss), **the total comprehensive income** of the Group is **HUF 359 million gain**. The increase in after-tax profit (by HUF 1 374 million) compared to 2019 is due to two main reason. The profit after tax of the individual non-life segment, is HUF 786 million loss, compared to the HUF 1 299 million loss in previous year. At the same time, the life segment increased its profit after tax (without its subsidiaries) from 2019 HUF 737 million profit to HUF 1 675 million gain in 2020. The life segment's result for 2019 was affected by HUF - 1,057 million due to the exchange rate difference realized on the Konzum-Opus share transformation². Excluding this significant one-off item, the life segment achieved a profit after tax of HUF 118 million lower in 2020 than in the comparative period without its subsidiaries. The other comprehensive income is HUF 376 million loss, of which HUF 345 million is the unrealized loss on OPUS shares and HUF 31 million is the unrealized loss on government bonds owned by the Group.

Insurance premium revenue was HUF 19 319 million, 3% lower than premium income for the comparative period. In the life segment, the new acquisition is HUF 3 102 million which is 28% lower compared to the new acquisition of 2019. The decrease in sales is mainly explained by the effects of COVID-19.

However, it is important to note two directions here:

- i. One way, the Group has taken and implemented fast and effective measures already in the spring to compensate for the effects of the emergency situation caused by the COVID-19 epidemic. The “customization” of these measures is present as an ongoing task in the operation of the Company and the Group. The directions of measures: a) measures to protect the health of our customers and employees b) to maintain and support business continuity, especially sales, during epidemiological restrictions. It should be emphasized, that the Company's premium income has not been significantly affected by the epidemic so far. In response to any payment difficulties of our customers, we have an action plan that a long term crisis has the least negative impact on the development of our premiums, but at the same time it is an acceptable alternative for all our customers who have temporary payment difficulties due to the epidemic.

¹ during the Reporting period the registered office of the Company: 1033 Budapest, Flórián tér 1.

² KONZUM Investment and Asset Management Public Limited Company as a merging company into OPUS GLOBAL Plc. as successor company (date of the merger: 30.06.2019)

- ii. In the other hand, the Company intends to record that evidence-based strategic work has begun during the Reporting period to take the Group's operations into a new dimension and to exploit the growth potential of its operations as a national insurer in this new framework. Based on this, the strategy of the Group, which is planned to be published in concrete terms, aims to operate in a prudent manner in accordance with legislation, other official (supervisory) recommendations and other regulations, which aims to exploit the dynamic growth potential along a new image and operating model.

It is an important and forward-looking step that in the fourth quarter of 2020 the Group took steps at the operational level to restart **CIG Pannónia Első Magyar Általános Biztosító Zrt.** (hereinafter: **EMABIT**), with providing the required Group-level warranty elements. Followed by EMABIT to implement the steps, that was taken place in the recovery plan by the HFSA and to stabilize its own funds, it is also necessary to adopt EMABIT's strategy, which includes setting sales targets, setting up internal lines of defense and strengthening the capital position. In the non-life segment, the operational planning – together with the remaining portfolio - also plans to implement and sell new products from 2021.

1.2. Results of the main events of the reporting period (Q4) in the timeline of capital market disclosures and related history,

1.2.1. Company and group level events during the period covered by the Report

Although prior to the current reporting period, the Company notified the capital market participants on 30 June 2020 that the MKB Bank Public Limited Company (hereinafter: MKB Bank Plc.) had terminated its cooperation and insurance brokerage agreement with the Company and its subsidiary³ (with EMABIT) with 6 months' notice, however, as a result of negotiations with the MKB Bank Plc. to maintain the contractual relationship⁴, the legal continuity of the intermediary relationship was announced in Q4 – on 19. November 2020. - at the official publication locations. Thus, the Group continued and will continue - for an indefinite period - its intermediary cooperation with MKB Bank Plc. in the period covered by the Report and, of course, in 2021.

On November 24, 2020, the Company made a group life, accident and health insurance contract based on a public procurement tender, with the MVM Paks Nuclerplant Ltd. for 2452 capita and Paks II. Nuclerplant Ltd. for more than 400 capita. The contracts - as well as the long-standing legal relationship with MKB Bank Plc - and high-quality service will help strengthen the Company's position in the insurance market and the implementation of its future growth plans.⁵

An important antecedent - regarding strategic objectives set out in the Report and also partially affects the future strategic elements of the Group - for the period covered by the Report is that the Hungarian National Bank (hereinafter: HFSA) set a deadline of 30 June 2020 for the elimination of the identified deficiencies in its targeted inspection of the Company's subsidiary (EMABIT). At the same time, by resolution 15/2020, the HFSA rejected (on 30 March 2020) the Recovery Plan submitted by EMABIT on 6 January 2020 and supplemented on 28 February 2020, and, ordered the Subsidiary to submit a new Recovery Plan by – not

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[https://www.bet.hu/site/newkib/en/2020.06./Extraordinary announcement on termination of cooperation agreement between the Company and MKB plc 128431461](https://www.bet.hu/site/newkib/en/2020.06./Extraordinary%20announcement%20on%20termination%20of%20cooperation%20agreement%20between%20the%20Company%20and%20MKB%20plc%20128431461)

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[https://bet.hu/site/newkib/en/2020.11./Extraordinary announcement ont he renewal of a material contract 128489524](https://bet.hu/site/newkib/en/2020.11./Extraordinary%20announcement%20ont%20he%20renewal%20of%20a%20material%20contract%20128489524)

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[https://bet.hu/site/newkib/en/2020.11./Extraordinary announcement of the conclusion of a significant contract 128491145](https://bet.hu/site/newkib/en/2020.11./Extraordinary%20announcement%20of%20the%20conclusion%20of%20a%20significant%20contract%20128491145)

later than - 15 April 2020. The new Recovery Plan should be appropriate for the followings at 4 May 2020 at the latest. This deadline has been postponed to 4 August 2020: - restoring the margin of the solvency capital recovering the solvency capital requirement, - or to reduce the risk profile to meet the solvency capital requirement. In addition, the above mentioned resolution, until the ban is lifted, suspended the payment of dividends of EMABIT, and, until the restoration of the solvency capital, but no longer than one year, prohibits new insurance contracts to be entered into and existing insurance contracts to be extended.

On 22 June 2020 the Board of Directors of the Company decided⁶ that the parent company make a commitment to take over the operating costs of EMABIT from 1 Aug 2020 to ensure the solvency of its subsidiary. The maximum amount of the operating cost takeover is HUF 519 million, for a period of three years, as set out in the recovery plan in parallel with the run-off of the portfolio. In addition, the Company undertook an additional capital increase of HUF 500,000,000 in the event that EMABIT's solvency capital would fall below the capital adequacy of 120%. At the same time, the Company authorized the Board of Directors of EMABIT to increase the share capital in its own competence in the event of a call. The authorization to increase the share capital is for a period of 5 years.

The HFSA with its resolution No. H-JÉ-II-39/2020. approved CIG EMABIT recovery plan with the condition of an additional capital requirement for the subsidiary with an amount of HUF 500 million. The resolution does not require extra capital from the Company in addition to the above.⁷

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

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

The Company's Board of Directors asked Dr. István Fedák to handle the risks in EMABIT's Italian claims and to change the strategy for ongoing and related legal matters. The Solvency ratio of the EMABIT fell to 123% at the end of the fourth quarter, mainly due to an increase in claim reserves of the Italian cases. In connection with the change of strategy, the review of existing claim reserves and regression reserves have been finished, and the Insurer increased the outstanding claims reserve by HUF 566 million, compared to the end of 2019. In 2020, the total net claims expenditure on the Italian portfolio was HUF 1 281 million, the earned premium of previously concluded contracts in 2020 was HUF 339 million, and other technical results were HUF 18 million loss. The technical result of the Italian guarantee product in 2020 was a total loss of HUF 960 million.

With effect from 1 August 2020, the Board of Directors appointed dr. István Fedák to the position of Deputy Chief Executive Officer of the Company and its subsidiary and from 1

⁶ [Extraordinary announcement on the undertakings taken by Company towards its Subsidiary \(cigpannonia.hu\)](https://cigpannonia.hu)

⁷

[https://bet.hu/site/newkib/en/2020.07./Extraordinary announcement on the approval of the recovery plan of the Company s Subsidiary 128432304](https://bet.hu/site/newkib/en/2020.07./Extraordinary%20announcement%20on%20the%20approval%20of%20the%20recovery%20plan%20of%20the%20Company%20s%20Subsidiary%20128432304)

October 2020, dr. István Fedák is appointed to the position of Chief Executive Officer. With its resolutions No. H-EN-II-89 / 2020, the HFSA authorized dr. István János Fedák as CEO.⁸

The Company and its subsidiary has elected dr. Péter Bogdánffy and Zsuzsanna Ódorné Angyal as members and dr. István Fedák as chairman of the Board of the Directors, while János Tima, Ákos Veisz, Erika Vada and dr. Gábor Dakó as members of the Supervisory Board. The mandate of the elected persons is valid for a definite period of 3 years, with the effect of the authorization of the HFSA.

The Supervisory Board has elected János Tima as the Chairman of the Supervisory Board while the Audit Committee has elected Erika Vada as the Chairman of the Audit Committee with the effect of the authorization of the HFSA. dr. Gábor Dakó was the Chairman of the Supervisory Board of EMABIT until 31. December 2020.⁹

At the end of 2018, the Company established its subsidiary CIG Pannónia Pénzügyi Közvetítő Zrt. with the purpose of expanding the Insurer's distribution channels, thereby increasing the volume of new acquisitions. In 2019, CIG Pannónia Pénzügyi Közvetítő Zrt. sold insurances with a premium of HUF 443 million, in 2020 HUF 140 million. The Insurer closely monitored the activities of the intermediary and found several times that the insurance policies sold by the subsidiary have a significantly higher premium non-payment rate than the average market benchmark. The high non-payment rate caused a high commission write-off. The decreasing coverage did not meet with the operating expenses, so the pre-tax profit of CIG Pannónia Pénzügyi Közvetítő Zrt. became negative in the 2019 business year. The loss-making operation continued in 2020, causing the Group a loss of HUF 154 million. According to the Company's repeated analysis, it is not possible to make the operation of the subsidiary profitable in the long run. After reviewing the analysis, on 9 September 2020, the Board of Directors of the Company initiated the liquidation of its qualified majority-owned subsidiary. According to decision, at the General Meeting of CIG Pannónia Pénzügyi Közvetítő Zrt. held on 30 September 2020, it decided to initiate the liquidation. The commencement date of the liquidation was 1. January 2021. With the liquidation, the Group expects that a significant portion of the previously contracted life insurance policies by the subsidiary will be cancelled. At the end of the fourth quarter, the Group created a provision of HUF 94 million to cover losses from cancellations, which is however, significantly lower than previously expected, thanks to strict monitoring and increased customer contact.

Following the approval of the Board of Directors, the Company accelerated its preparation of compliance with IFRS 17 to be introduced by involving external experts, which will mean a material change - similar to the expectations of other actors in the sector - in the Company's accounting results and comparisons with companies engaged in similar activities.

Hungarikum Insurance Broker Ltd. (registered office: 8086 Felcsút, Fő utca 65 .; Company registration number 07-09-028910) announced that it had made a conditional (with the official authorization) agreement with OPUS GLOBAL Plc. (registered office: 1062 Budapest, Andrássy út 59 .; Company registration number: 01-10-042533) on 24 September 2020 on the acquisition of Company's 23,466,020 series "A" dematerialized ordinary shares with a nominal value of HUF 33, representing 24.85% of the Company's share capital. Subsequently

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[https://bet.hu/site/newkib/en/2020.10./Extraordinary announcement on the appointment of the new general manager of the Company 128470327](https://bet.hu/site/newkib/en/2020.10./Extraordinary%20announcement%20on%20the%20appointment%20of%20the%20new%20general%20manager%20of%20the%20Company%20128470327)

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[https://bet.hu/site/newkib/en/2020.12./Extraordinary announcement on the resignation of a senior executive 128498568](https://bet.hu/site/newkib/en/2020.12./Extraordinary%20announcement%20on%20the%20resignation%20of%20a%20senior%20executive%20128498568)

- but before the approval of the HFSA - on 20 October 2020, the Hungarikum Insurance Broker Ltd. purchased an additional 400,000 ordinary shares in a stock exchange transaction, for which reason its direct voting rights in the Company exceeded 5%.¹⁰.

The HFSA authorized Hungarikum Alkusz Ltd to acquire a qualified influence in the Company based on direct ownership exceeding the 20% threshold but not exceeding 33% with its resolutions No. H-EN-II-128/ 2020¹¹. The HFSA's decision also extended Hungarikum Alkusz Ltd. acquiring a qualifying influence in the Company's subsidiary, CIG Pannónia Első Magyar Általános Biztosító Ltd., based on indirect ownership exceeding the 20% threshold but not reaching 33%. The HFSA authorized Keszthelyi Holding Ltd. and Erik Keszthelyi to acquire a qualifying influence in the Company and in the Company's subsidiary CIG Pannónia Első Magyar Általános Biztosító Ltd. based on direct ownership exceeding the 10% threshold but not exceeding 20% with its resolutions No. H-EN-II-129/ 2020 and No. H-EN-II-130/ 2020. The rate of the Hungarikum Alkusz Ltd. direct share is 31.5%, the number of ordinary shares changed to a total of 29,746,921¹².

On 27 November 2020, the Board of Directors of the Company amended its dividend policy. According to the Company's new dividend policy, after realistic provisioning to take advantage of acquisition and non-organic growth opportunities is a primary goal. Dividends should be paid taken into account the Solvency Capital Requirement and the Company's liabilities, financial and management plans. The funds available above this, which can be paid as forms of dividends, may be paid as dividends to the stakeholders.

At the meeting held on June 29, 2020, the Board of Directors of the Company decided on the increase of the share capital of the Company (hereinafter: Share Capital Increase). The Share Capital Increase was carried out by the Company in such a way that it increased the nominal value of 94,428,260 dematerialized voting shares with a nominal value of HUF 33 each, issued by the Company, to HUF 100 per share. With its announcement on 4 August 2020, the Company postponed the share exchange required in connection with the Share Capital Increase. The share exchange was postponed in order (i) to comply fully with the regulation dated on 17 June 2017 (2017/1129) of the European Parliament and the Council and (ii) in view of the fact that the Extraordinary General Meeting of the Company convened on 14 August 2020 intended to decide on the reduction of the Company's share capital. Subsequently, the General Meeting of the Company decided on 14 August 2020 to reduce the share capital of the Company with its resolution No. 22/2020 (VIII.14) ("Share Capital Reduction"). As a result, the share capital of the Company decreased from HUF 9,442,826,000 to HUF 3,116,132,580. The share capital reduction was carried out by the Company in such a way as to reduce the nominal value of 94,428,260 dematerialized voting shares with a nominal value of HUF 100 each, issued by the Company, to HUF 33 per share. This change was entered in the register of companies by the number Cg.01-10-045857/439. order of the Registry Court of the Metropolitan Court. In view of the registration of the Share Capital Reduction in the meantime, the registration of the Share Capital Increase has become obsolete, so KELER Ltd. will not create registered shares of the "A" series with a nominal value of HUF 100 and issued on the regulated market. However, taking into account the fact that a new series of shares was issued as a result of the Share Capital Decrease, the ISIN identifier

¹⁰

[https://bet.hu/site/newkib/en/2020.10./Extraordinary announcement on the acquisition of voting rights above 5 128476588](https://bet.hu/site/newkib/en/2020.10./Extraordinary%20announcement%20on%20the%20acquisition%20of%20voting%20rights%20above%205%20128476588)

¹¹

[https://bet.hu/site/newkib/en/2020.11./Extraordinary announcement on the acquisition of shares of Hungarikum Alkusz Ltd.in the Company 128490571](https://bet.hu/site/newkib/en/2020.11./Extraordinary%20announcement%20on%20the%20acquisition%20of%20shares%20of%20Hungarikum%20Alkusz%20Ltd.in%20the%20Company%20128490571)

¹² Hungarikum Biztosítási Alkusz currently has 31,025,072 shares, so it owns 32.85% of the Company

of the newly issued series “A” ordinary shares with a nominal value of HUF 33 has changed, therefore the Company has carried out a technical share exchange. The first trading day of the new ordinary shares with a nominal value of HUF 33 (HU0000180112) on the Budapest Stock Exchange was on 9 December 2020¹³.

The Board of Directors of the Company has filed a claim for damages against certain former members of the Board of Directors of EMABIT. In the opinion of the Company, based on the information available so far, the activities of certain former members of the Board of Directors are related to (i) claims resulting from EMABIT's Italian cross-border activities and (ii) there is a causal link between the HFSA fine imposed in this connection, therefore the Board of Directors of the Company has initiated the prosecution of the persons concerned.

On 1 December 2020, the Board of Directors of the Company decided to hire new senior executives. In order to achieve dynamic growth and prudent sales targets, Zoltán Polányi will take up the new position of CEO - primarily responsible for the sales area - of the Company and its 100% subsidiary, CIG Pannónia Első Magyar Általános Biztosító Ltd., from 11 January 2021. Dr. Gábor Dakó joined the Company and its subsidiary on 1 January 2021 as Deputy CEO. His primary task is the areas covered by corporate governance. Primarily the classic corporate functions, the coordination of decision-making mechanisms, the strengthening of the compliance area. In addition, performing the tasks associated with a capital market (regulated market) presence and exploiting the opportunities inherent in a regulated market presence at the strategic level, as well as official relations. At the same time, Dr. Gábor Dakó resigned from his membership of the Supervisory Board of the Company and from his position as Chairman of the Supervisory Board of CIG Pannónia Első Magyar Általános Biztosító Ltd.

The Company, as the founder, decided to elect János Tima as the Chairman of the Supervisory Board of his subsidiary on 18 December 2020 for a fixed term of 3 years. The appointment was authorized by a decision of the HFSA on 27 January 2021 with its resolutions No. H-EN-II-1/ 2021

Equity of the Issuer increased from HUF 13,601 million (at the end of 2019) to HUF 13 969 million in 2020. The Shareholders' equity change was influenced by the total comprehensive income (HUF +359 million) and the capital differences arising from the employee stock options (HUF 7 million).

CIG Pannónia Life Insurer is financially stable, its fundamentals are certain, the Solvency II capital adequacy is outstandingly high 337%. The consolidated capital adequacy is 336%.

¹³ https://bet.hu/site/newkib/en/2020.12./Modification_of_CIG_Pannonia_shares_ISIN_code_128497431

1.2.2. Events after the balance sheet date

Pursuant to the authorization of the Articles of Association, the Board of Directors relocated the registered office of the Company with effect from 1 February 2021, the new registered office: 1097 Budapest, Könyves Kálmán krt. 11. B. The Company also relocated the registered office of its subsidiaries with the same effective day.

During the change of the registered office of the Company, the Company paid special attention to enforcing the system of requirements set out in the legislation and HFSA recommendations necessary for the performance of the supervised activity. Its registered office and the areas provided for customer traffic at its registered office were primarily justified by this system of requirements and the achievement of future strategic goals.

This strategic goal is also served by a review at the group level, initiated in accordance with the principles of regulation, process and responsible corporate governance, which affects the levels of the Group's management bodies and operations. This should enable the Group to maintain and continuously improve prudent operation at the organization level along its growth objectives.

The Company reported in extraordinary report that the National Office for Research, Development and Innovation has issued an eligible professional opinion, based on which the Company receives HUF 799,977,189 in support in the field of "Development of personalizable insurance products with the help of artificial intelligence".

23 February 2021, Budapest

CIG Pannonia Life Insurance Plc.

2. Financial statements

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

	2020 Q1-Q4 (A)	2019 Q1-Q4 (B) restated	Change (A)-(B)
Gross written premium	19 319	19 894	-575
Changes in unearned premiums reserve	611	38	573
Earned premiums, gross	19 930	19 932	- 2
Ceded reinsurance premiums	- 463	- 503	40
Earned premiums, net	19 467	19 429	38
			-
Premium and commission income from investment contracts	159	125	34
Commission and profit sharing due from reinsurers	73	104	- 31
Investment income	4 637	10 786	- 6 149
Yield on investment accounted for using equity method (profit)	436	443	- 7
Other operating income	874	1 034	-160
Other income	6 179	12 492	-6 313
Total income	25 646	31 921	- 6 275
Claim payments and benefits, claim settlement costs	- 13 350	- 15 788	2 438
Recoveries, reinsurer's share	49	31	18
Net changes in value of the life technical reserves and unit-linked life insurance reserves	- 4 962	-8 172	3 210
Investment expenses	- 350	-1 585	1 235
Change in the fair value of liabilities relating to investment contracts	- 274	- 458	184
Investment expenses, changes in reserves and benefits, net	- 18 887	-25 972	7 085
Fees, commissions and other acquisition costs	- 3 823	-4 749	926
Other operating costs	- 2 188	-1 983	-205
Other expenses	-536	-712	176
Other expenses	-6 547	-7 444	897
Result of assets held for sale	790	1 150	-360
Profit/Loss before taxation	1 002	- 345	1 347
Tax income/expenses	- 238	- 214	-24
Deferred tax income/expenses	-29	- 80	51
Profit/Loss after taxation	735	- 639	1 374
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	- 376	316	- 692
Other comprehensive income	- 376	316	- 692
Total comprehensive income	359	- 323	682

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

	2020 Q1-Q4 (A)	2019 Q1-Q4 (B) restated	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders	743	- 635	1 378
Profit/loss after taxation attributable to NCI	- 8	- 4	-4
Profit/Loss after taxation	735	- 639	1 374
Total comprehensive income attributable to the Company's shareholders	367	- 319	686
Total comprehensive income to NCI	- 8	- 4	-4
Total comprehensive income	359	- 323	682
Earnings per share of the Company's shareholders – continuing operations			
Basic earnings per share (HUF)	7,9	- 6,8	14,7
Diluted earnings per share (HUF)	7,9	- 6,8	14,7

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
2019.12.31	94 428 260	374 006	94 054 254	366	94 054 254
2020.12.31	94 428 260	374 006	94 054 254	366	94 054 254

The treasury shares transferred to the Company's Employee Shareholder Program (hereinafter: MRP) do not legally qualify as treasury shares, however, the MRP is included in the consolidation, therefore the transferred shares reduce the number of ordinary shares outstanding when calculating earnings per share.

Consolidated Statement of Comprehensive Income - quarterly data

(data in HUF millions)

	2020Q4 (A)	2020Q3 (B) restated	2020Q2 (C) restated	2020Q1 (D) restated
Gross written premium	5 714	4 305	5 129	4 171
Changes in unearned premiums reserve	-66	253	126	298
Earned premiums, gross	5 648	4 558	5 255	4 469
Ceded reinsurance premiums	-115	-117	-115	-116
Earned premiums, net	5 533	4 441	5 140	4 353
Premium and commission income from investment contracts	51	35	31	42
Commission and profit sharing due from reinsurers	12	17	21	23
Investment income	3 961	202	168	306
Yield on investment accounted for using equity method (profit)	196	80	86	74
Other operating income	300	-133	528	179
Other income	4 520	201	834	624
Total income	10 053	4 642	5 974	4 977
Claim payments and benefits, claim settlement costs	-3 677	-2 977	-2 558	-4 138
Recoveries, reinsurer's share	8	13	11	17
Net changes in value of the life technical reserves and unit-linked life insurance reserves	-6 278	-2 756	-4 184	8 256
Investment expenses	1 889	2 579	3 014	-7 832
Change in the fair value of liabilities relating to investment contracts	-321	-100	-155	302
Investment expenses, changes in reserves and benefits, net	-8 379	-3 241	-3 872	-3 395
Fees, commissions and other acquisition costs	-1 004	-926	-925	-968
Other operating costs	-504	-606	-562	-516
Other expenses	-90	-279	-132	-35
Other expenses	-1 598	-1 811	-1 619	-1 519
Result of assets held for sale	-20	38	531	241
Profit/Loss before taxation	56	- 372	1 014	304
Tax income/expenses	-37	-56	-84	-61
Deferred tax income/expenses	-29	-	-	-
Profit/Loss after taxation	-10	- 428	930	243
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	582	-276	749	-1 431
Other comprehensive income	582	-276	749	-1 431
Total comprehensive income	572	- 704	1 679	- 1 188

Consolidated Statement of Comprehensive Income- quarterly data continuation

(data in HUF millions)

	2020Q4 (A)	2020Q3 (B)	2020Q2 (C)	2020Q1 (D)
Profit/loss after taxation attributable to the Company's shareholders	-8	-426	931	246
Profit/loss after taxation attributable to NCI	-2	-2	-1	-3
Profit/Loss after taxation	-10	- 428	930	243
Total comprehensive income attributable to the Company's shareholders	574	-702	1 680	-1 185
Total comprehensive income to NCI	-2	-2	-1	-3
Total comprehensive income	572	- 704	1 679	-1 188

Consolidated Statement of Financial Position (data in million HUF)

Assets	31 December 2020 (A)	31 December 2019 (B) restated	Change (A)-(B)
Intangible Assets	570	646	-76
Property, plant and equipment	58	108	-50
Right-of use assets	58	145	-87
Deferred tax asset	386	415	-29
Deferred acquisition costs	1 225	1 533	-308
Reinsurer's share of technical reserves	622	463	159
Investments accounted for using the equity method	641	566	75
Available-for-sale financial assets	27 462	24 929	2 533
Investments for policyholders of unit-linked life insurance policies	74 122	70 548	3 574
Financial assets – investment contracts	4 230	3 984	246
Financial asset - forward	11	0	11
Receivables from insurance policy holders	1 765	1 960	-195
Receivables from insurance intermediaries	78	123	-45
Receivables from reinsurance	57	47	10
Other assets and prepayments	26	64	-38
Other receivables	224	300	-76
Cash and cash equivalents	862	1 774	-912
Assets held for sale	294	6 927	-6 633
Total Assets	112 691	114 532	- 1 841
LIABILITIES			
Technical reserves	16 980	15 798	1 182
Technical reserves for policyholders of unit-linked life insurance policies	74 122	70 548	3 574
Investment contracts	4 230	3 984	246
Financial liabilities-derivatives	0	5	-5
Loans and financial reinsurance	150	436	-286
Liabilities from reinsurance	162	215	-53
Liabilities to insurance policy holders	665	463	202
Liabilities to insurance intermediaries	245	506	-261
Lease liabilities	60	152	-92
Other liabilities and provisions	1 889	1 872	17
Liabilities to shareholders	20	25	-5
Liabilities held for sale	199	6 927	-6 728
Total Liabilities	98 722	100 931	-2 209
Net Assets	13 969	13 601	368
SHAREHOLDERS' EQUITY			
Share capital	3 116	3 116	-
Capital reserve	1 153	7 480	-6 327
Share-based payment	9	16	-7
Other reserves	-771	-395	-376
Retained earnings	10 469	3 383	7 086
Equity attributable to the Company's Shareholders	13 976	13 600	376
Non-controlling interest	-7	1	-8
Total Shareholder's Equity	13 969	13 601	368

Consolidated Changes in Equity Q1-Q4 2020 (data in million HUF)

	Share capital	Capital reserve	Share based payment	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2019	3 116	7 480	16	- 395	3 383	13 600	1	13 601
Total comprehensive income								
Other comprehensive income	-	-	-	-376	-	-376	-	-376
Profit in reporting year	-	-	-	-	743	743	- 8	735
Transactions with equity holders recognized directly in Equity								
Share based payments	-	-	9	-	-	9	-	9
Derecognition of share based payments	-	-	-16	-	16	-	-	-
Capital increase	6 327	- 6 327	-	-	-	-	-	-
Capital decrease	- 6 327	-	-	-	6 327	-	-	-
Balance on 31 December 2020	3 116	1 153	9	-771	10 469	13 976	- 7	13 969

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

	Share capital	Capital reserve	Share based payments	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2018 restated	3 777	9 599	-	- 711	4 102	16 767	5	16 772
IFRS 16 first application	-	-	-	-	-6	- 6	-	-6
Balance on 1 January 2019 restated	3 777	9 599	-	- 711	4 095	16 760	5	16 765
Total comprehensive income								
Other comprehensive income	-	-	-	316	-	316	-	316
Profit in reporting year	-	-	-	-	- 635	- 635	- 4	- 639
Transactions with equity holders recognized directly in Equity								
Capital decrease	-661	- 2 195	-	-	- 150	- 3 006	-	-3 006
Share based payments	-	-	16	-	-	16	-	16
Sales of treasury shares	-	76	-	-	73	149	-	149
Balance on 31 December 2019 restated	3 116	7 480	16	- 395	3 383	13 600	1	13 601

Consolidated Statement of Cash Flows (data in HUF millions)

	2020 Q1-Q4	2019 Q1- Q4 restated
Profit/loss after taxation	735	- 639
Modifying items		
Depreciation and amortization	371	403
Extraordinary depreciation	- 28	39
Booked impairment	- 73	393
Result of assets sales	194	871
Share based payments	4	2
Exchange rate changes	38	-10
Share of the profit or loss of associates accounted for using the equity method	- 436	-442
Deferred tax	29	80
Income taxes	238	214
Income on interests	- 608	-893
Result of derivatives	- 74	-3
Provisions (-/+)	293	-
Termination of leasing assets	- 8	-
Interest cost	9	25
Change of active capital items:		
Increase / decrease of deferred acquisition costs (-/+)	308	101
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	- 3 574	-5 271
Increase / decrease of financial assets – investment contracts (-/+)	- 246	-304
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	398	130
Increase / decrease of reinsurer's share from technical reserves (-/+)	-159	239
Increase /decrease of other assets and active accrued and deferred items (-/+)	38	9
Increase / decrease of technical reserves (+/-)	1 046	2 773
Increase / decrease of liabilities from insurance (-/+)	- 111	-345
Increase / decrease of investment contracts (+/-)	246	304
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	3 574	5 271
Increase / decrease of other liabilities (+/-)	- 285	-337
Paid income taxes	- 245	-257
Increase/ decrease in assets held for sale (-/+)	6 633	6 927
Increase/ decrease in liabilities held for sale (+/-)	- 6 729	6 927
Settlement of assets held for sale	- 1 800	-
IFRS 2 capital difference	9	16
Cash flows from operating activities	- 214	2 367

Cash flow from investing activities	2020 Q1- Q4	2019 Q1- Q4 restated
Purchase of debt instruments (-)	-19 824	-23 944
Sales of debt instruments (+)	18 740	24 591
Purchase of tangible and intangible assets (-)	- 178	-243
Sales of tangible and intangible assets (-)	42	1
Result of derivatives	58	-1
Interest received	527	846
Dividend received	361	342
Cash flow from investing activities	274	1 592

Cash flow from financing activities		
Securing loans	-	154
Lease instalments payment	- 40	-61
Lease interest payment	- 4	-4
Repayment of loans and their interests	- 320	-732
Equity difference realized on sale of treasury shares in a employee share based option program	-	148
Capital decrease	-	-2 988
Cash flow from financing activities	- 364	- 3 482
Impacts of exchange rate changes	- 59	-2
Net increase / decrease of cash and cash equivalents (+/-)	- 911	474

Cash and cash equivalents at the beginning of the period	1 774	1 300
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Cash and cash equivalents at the end of the period	862	1 774
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3. Result from assets held for sale

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

The criteria for held for sale were present, in accordance with IFRS 5, at 31 December 2019 to the Group's portfolio transfer decision and were therefore classified as held for sale in the total non-life insurance segment. In accordance with the accounting policy described above, the portfolio held for sale was valued at its book value, because its fair value less costs to sell was expected to be higher, than the book value. The fair value less costs to sell is equal to the estimated purchase price less the legal, consulting, and data room service expenses.

Therefore, the total non-life segment of the Group was reclassified in the consolidated statement of financial position for 2019 to the discontinued operations' assets and liabilities. Likewise, in the Consolidated Statement of Comprehensive Income we separately disclosed the discontinued operations' after-tax income and other comprehensive income.

In 2020, with the sale of part of the portfolio (Hungarian property, vehicles, transport and carriers and Polish carriers portfolio), the purchase price of the sold portfolios was recognized in the P&L report, while the related reserves and receivables and liabilities were removed from the consolidated statement of financial position. The Italian and Hungarian suretyship portfolios or group and loan insurance portfolios were not sold.

At the end of 2020 the Group took steps at the operational level to restart EMABIT, with providing the required Group-level warranty elements. Followed by EMABIT to implement the steps, that was taken place in the recovery plan by the HFSA and to stabilize its own funds, it is also necessary to adopt EMABIT's strategy, which includes setting sales targets, setting up internal lines of defense and strengthening the capital position. In the non-life segment, the operational planning – together with the remaining portfolio - also plans to implement and sell new products from 2021. As a result, the above definition of IFRS 5 held for sale is no longer appropriate for the entire non-life segment. It can only be interpreted for the smaller Hungarian and Polish extended warranty and gap casco portfolio that are still actually on sale. The currently active portfolios will appear as continuing operations in financial statements of fourth quarter 2020. According to this, the Group has also adjusted the data for the comparative period. The financial statements include data for the comparative period in such a way that only the portfolios that actually sold or those which currently held for sale are shown as assets held for sale and liabilities held for sale and the result of assets held for sale.

Consolidated Statement of Financial Position (data in million HUF)

ASSETS	Consolidated data before reclassification	Reclassification of assets held for sale	31.12.2020
Intangible Assets	570	-	570
Property, plant and equipment	58	-	58
Right of use assets	58	-	58
Deferred tax asset	386	-	386
Deferred acquisition costs	1 225	-	1 225
Reinsurer's share of technical reserves	681	-59	622
Investments accounted for using the equity method	641	-	641
Available-for-sale financial assets	27 485	-23	27 462
Investments for policyholders of unit-linked life insurance policies	74 122	-	74 122
Financial assets – investment contracts	4 230	-	4 230
Financial asset - forward	11	-	11
Receivables from insurance policy holders	1 765	-	1 765
Receivables from insurance intermediaries	89	-11	78
Receivables from reinsurance	59	-2	57
Other assets and prepayments	225	-199	26
Other receivables	224	-	224
Cash and cash equivalents	862	-	862
Assets held for sale	-	294	294
Total assets	112 691	-	112 691
LIABILITIES			
Technical reserves	17 174	-194	16 980
Technical reserves for policyholders of unit-linked life insurance policies	74 122	-	74 122
Investment contracts	4 230	-	4 230
Financial liabilities-derivatives	-	-	-
Loans and financial reinsurance	150	-	150
Liabilities from reinsurance	166	-4	162
Liabilities to insurance policy holders	665	-	665
Liabilities to insurance intermediaries	245	-	245
Lease liabilities	60	-	60
Other liabilities and provisions	1 890	-1	1 889
Liabilities to shareholders	20	-	20
Liabilities held for sale	-	199	199
Total liabilities	98 722	-	98 722
NET ASSETS	13 969	-	13 969

Consolidated Statement of Comprehensive Income

Data in million HUF

	Consolidated data before reclassification	Reclassification of assets held for sale	2020
Gross written premium	22 044	-2 725	19 319
Changes in unearned premiums reserve	1 077	-466	611
Earned premiums, gross	23 121	-3 191	19 930
Ceded reinsurance premiums	-2 509	2 046	-463
Earned premiums, net	20 612	-1 145	19 467
Premium and commission income from investment contracts	159	-	159
Commission and profit sharing due from reinsurers	619	-546	73
Investment income	4 637	-	4 637
Yield on investment accounted for using equity method(profit)	436	-	436
Other operating income	1 192	-318	874
Other income	7 043	- 864	6 179
Total income	27 655	-2 009	25 646
Claim payments and benefits, claim settlement costs	-14 597	1 247	-13 350
Recoveries, reinsurer's share	1 109	-1 060	49
Net changes in value of the life technical reserves and unit-linked life insurance reserves	-4 628	-334	-4 962
Investment expenses	-350	-	-350
Change in the fair value of liabilities relating to investment contracts	-274	-	-274
Investment expenses, changes in reserves and benefits, net	-18 740	- 147	-18 887
Fees, commissions and other acquisition costs	-4 893	1 070	-3 823
Other operating costs	-2 281	93	-2 188
Other expenses	-739	203	-536
Operating costs	-7 913	1 366	-6 547
Result of assets held for sale	-	790	790
Profit/Loss before taxation	1 002	-	1 002
Tax income/expenses	-238	-	-238
Deferred tax income/expenses	-29	-	-29
Profit/Loss after taxation	735	-	734
Comprehensive income, would be reclassified to profit or loss in the future	-376	-	-376
Other comprehensive income	- 376	-	- 376
Total comprehensive income	359	-	359

Data for the comparative period

(data in million HUF)

ASSETS	Consolidated data before reclassification	Reclassification of assets held for sale	31.12.2019
Intangible Assets	646	-	646
Property, plant and equipment	108	-	108
Right of use assets	145	-	145
Deferred tax asset	415	-	415
Deferred acquisition costs	2 502	-969	1 533
Reinsurer's share of technical reserves	3 910	-3 447	463
Investments accounted for using the equity method	566	-	566
Available-for-sale financial assets	26 729	-1 800	24 929
Investments for policyholders of unit-linked life insurance policies	70 548	-	70 548
Financial assets – investment contracts	3 984	-	3 984
Financial asset - forward	-	-	-
Receivables from insurance policy holders	2 253	-293	1 960
Receivables from insurance intermediaries	239	-116	123
Receivables from reinsurance	154	-107	47
Other assets and prepayments	259	-195	64
Other receivables	300	-	300
Cash and cash equivalents	1 774	-	1 774
Assets held for sale	-	6 927	6 927
Total assets	114 532	-	114 532
LIABILITIES			
Technical reserves	21 304	-5 506	15 798
Technical reserves for policyholders of unit-linked life insurance policies	70 548	-	70 548
Investment contracts	3 984	-	3 984
Financial liabilities-derivatives	5	-	5
Loans and financial reinsurance	436	-	436
Liabilities from reinsurance	1 304	-1 089	215
Liabilities to insurance policy holders	712	-249	463
Liabilities to insurance intermediaries	506	-	506
Lease liabilities	152	-	152
Other liabilities and provisions	1 955	- 83	1 872
Liabilities to shareholders	25	-	25
Liabilities held for sale	-	6 927	6 927
Total liabilities	100 931	-	100 931
NET ASSETS	13 601	-	13 601

Data in million HUF

Consolidated total comprehensive income	Consolidated data before reclassification	Reclassification of assets held for sale	2019
Gross written premium	27 491	-7 597	19 894
Changes in unearned premiums reserve	-219	257	38
Earned premiums, gross	27 272	-7 340	19 932
Ceded reinsurance premiums	-5 210	4 707	-503
Earned premiums, net	22 062	-2 633	19 429
Premium and commission income from investment contracts	125	-	125
Commission and profit sharing due from reinsurers	1 838	-1 734	104
Investment income	10 786	-	10 786
Yield on investment accounted for using equity method(profit)	443	-	443
Other operating income	1 034	-	1 034
Other income	14 226	-1 734	12 492
Total income	36 288	-4 367	31 921
Claim payments and benefits, claim settlement costs	-19 306	3 518	-15 788
Recoveries, reinsurer's share	2 921	-2 890	31
Net changes in value of the life technical reserves and unit-linked life insurance reserves	-8 086	-86	-8 172
Investment expenses	-1 585	-	-1 585
Change in the fair value of liabilities relating to investment contracts	-458	-	-458
Investment expenses, changes in reserves and benefits, net	-26 514	542	-25 972
Fees, commissions and other acquisition costs	-7 073	2 324	-4 749
Other operating costs	-1 983	-	-1 983
Other expenses	-1 063	351	-712
Operating costs	-10 119	2 675	-7 444
Result of assets held for sale	-	1 150	1 150
Profit/Loss before taxation	- 345	-	- 345
Tax income/expenses	-214	-	-214
Deferred tax income/expenses	-80	-	-80
Profit/Loss after taxation	- 639	-	- 639
Comprehensive income, would be reclassified to profit or loss in the future	316	-	316
Other comprehensive income	316	-	316
Total comprehensive income	- 323	-	- 323

4. Changes of accounting policy

For financial year beginning on 1 January 2020, the following new mandatory standards become effective, whose effect - except for IFRS 9 and IFRS 17 - are not expected to have a material impact on the financial statements:

- Amendments to IAS 1 and IAS 8: Revision of materiality's definition
- IFRS 3: amendments to the notes and amendments to the examples
- Changes in the Conceptual Framework: minor changes in the definitions of assets and liabilities
- Revisions to IFRS 9, IAS 39, IFRS 7: IBOR Reform

IFRS 17 Insurance Contract (expected application from 1 January 2023) – the Insurer made a gap analysis about the introduction of the IFRS 17 in 2018, then made a detailed IFRS 17 project plan in 2019 and the introduction project has started in 2020.

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

5. Presentation of the Issuer's financial position – consolidated and unaudited data for 2020, 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 unit-linked life insurance, term life insurance, endowment insurance, health insurance, pension insurance, rider accident insurance and general insurance, within that mainly suretyship insurance.

In 2020, the Group's gross written premium was HUF 19 319 million, which is 97% of the gross written premium in 2019. Of this HUF 14 698 million are the gross written premium of unit-linked life insurance (of this HUF 5 969 million of pension insurance policies), HUF 3 980 million are traditional life products (of this HUF 1 209 million from pension insurance policies), HUF 426 million are health insurance policies and HUF 215 million are the non-life products.

The non-life insurance generated premium income of HUF 215 million in 2020, which is an 88 percent decrease compared to the comparison period, as the Group sold a significant part of its portfolio in 2020 and the premiums for the portfolio held for sale no longer appeared in the line "gross written premium". In the life segment the gross written premium from the first annual premiums of policies sold was HUF 3 276 million, which is a 1% decrease compared to the same period of the previous year (HUF 3 321 million). The gross written premium income from renewals was HUF 12 756 million in 2020 in contrast to HUF 10 986 million in the same period of the previous year, so the renewal premiums increased by 16%. Top-up and single premiums (HUF 3 071 million) were 18% lower as the premiums in the same period of the previous year, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income- according to IFRS - of HUF 19 103 million, the rate of top-up and single premiums is 16 percent.

The change in unearned premium reserve in 2020 was HUF 611 million gain (compared to 2019 HUF 38 million), while the amount of ceded reinsurance premiums was HUF 463 million loss (compared to 2019 HUF 503 million loss). The change in the provision for unearned premiums increased mainly due to the non-life segment's suretyship portfolio, as the unearned premium reserve of the previous portfolio is continuously decreasing.

Unit-linked life insurance policies sold by the Group that do not qualify as insurance policies under IFRS are classified by the Group as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 159 million in total during the reporting period. The change in the fair value of liabilities relating to investment contracts was HUF 274 million loss in 2020, due to the unit-linked yield.

The other operating income (HUF 874 million) is mainly the Issuer's income from fund management (HUF 578 million), which decreased with HUF 112 million compared to 2019, as it is related to a previously sold, unit-linked product with a declining portfolio of the Group.

An important item among expenses are claim payments and benefits and claim settlement costs (together HUF 13 350 million), this expenditure is decreased by the recoveries from reinsurers (HUF 49 million). Claims expenditures decreased by HUF 2 438 million compared to 2019, of which HUF 577 million was due to a decrease in non-life segment expenses (mainly on Italian products) and HUF 1 861 million was due to life segment claims expenditures mainly due to the surrenders of unit-linked products.

The amount of net change in reserves is HUF 4 962 million loss, which is made up mainly the following changes in reserves. The unit-linked life insurance reserve amount increased by HUF 3 574 million, which is due to unfavourable unit-linked returns at the beginning of the year and then in the positive range by the end of the year. The actuarial reserves increased by HUF 1 144 million, the technical reserves for the bonus payment of the life insurance clients increased by HUF +119 million, the result-independent premium refund reserves increased by HUF 22 million while the result-depending premium refund reserves decreased by HUF 260 million. The outstanding net claim reserves increased by HUF 517 million, while the cancellation reserves decreased by HUF 164 million concurrently with the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 6 547 million in 2020, of which HUF 3 823 million is related to the fees, commissions and other acquisition costs, and HUF 2 188 million is related to other operating costs and HUF 536 million is other expenses. Acquisition costs show a declining trend overall, while gross earned premiums remained flat. This is primarily due to a decrease in new acquisitions in the life segment, with increasing renewal fees, while in the non-life segment it is caused by the cessation of most sales. The other operating costs increased by HUF 205 million compared to the previous year, same period (HUF 1 983 million in 2019), mainly due to the increase of personnel and IT costs. The volume of other expenses (HUF 536 million) is lower with HUF 176 million compared to the 2019 same period (HUF 712 million), the most significant part of the rise (HUF 174 million) is the expected loss on policies sold by CIG Pannónia Pénzügyi Közvetítő Zrt and other exited insurance intermediary, however impairment losses on the Italian portfolio were not booked in 2020 therefore the other expenses decreased by HUF 291 million.

The investment result in 2020 is HUF 4 287 million gain, which is due to the aggregated effect of the following issues. The unit-linked yield in 2020 is a gain of HUF 3 278 million.

As an investor, the best returns in 2020 were achieved in the Chinese stock market and the US stock market. This is also reflected in the performance of asset funds investing in the area. Among the unit-linked portfolios, the Global Convertible Bond and Metallicum Commodity Market asset funds also performed outstandingly.

Undoubtedly, the most significant market-driving event last year was the emergence and then global spread of the coronavirus. Stock markets have seen a collapse unprecedented since the 2008 crisis, hitting a 2020 bottom with the S&P500 index decrease of 35 percent. In addition to the extent of the fall, its dynamics were really surprising, as the index brought it together in just 23 trading days. The panic in March was over thanks to a coordinated monetary and fiscal response. By the end of the summer, stock markets had returned to their February levels, and the production of an effective vaccine had brought additional buyers to the markets from November. As a result, developed stock markets ended the year up 16.5 percent, while emerging stocks ended the year up 18.5 percent.

In 2020, the Eastern European regional equity market was underperforming global emerging equity markets in local currency terms. This was due to the fact that the stock index representing the regional stock markets consists of the financial and energy overweight sectors, which lost significant value during the period due to the coronavirus.

International bond indices also closed the period with a positive performance. Advanced bonds outperformed emerging market bonds, with an overall positive movement of around 5-8 percent.

In the domestic bond market, the performance of domestic government securities within one year from the beginning of the calendar year was 0.41% -0.44%, the MAX index, which represents securities longer than one year, achieved a performance of 1.41% per calendar year.

In 2020, of the regional currency pairs, the EUR / HUF reacted the most to the challenges caused by the corona virus, the forint depreciated by 10.5% against the euro. At the same time, the depreciation of the 0.89% against the US dollar is far from drastic, due to the weakening of the US dollar.

The Issuer had HUF 505 million yield profit on its own investments in 2020, compared to the HUF 732 million last year.

Earnings from the MKB-Pannónia Fund Management Company to the Company appear on "investments accounted for using the equity method", which is a profit of HUF 436 million in 2020, which is nearly the same compared to the same period last year.

The result of assets held for sale was HUF 790 million in 2020 and HUF 1,150 million in 2019.

As a result of all of the above, the profit before tax amounted to HUF 1 002 million profit (in 2019 the profit before taxation was HUF 345 million loss), that was reduced by HUF 238 million tax liability. The overall profit after tax is HUF 735 million, that is HUF 1 374 million higher than the profit after tax in 2019. The other comprehensive income contains the decrease in the fair value of available-for-sale financial assets amounting to HUF 376 million, of which HUF 345 million is the unrealized loss on OPUS shares owned by the Group, while the remaining loss (HUF 31 million) arose from the unrealized loss on government bonds. The total comprehensive income represents a gain of HUF 359 million in 2020.

The Issuer's balance sheet total was HUF 112,691 million; its financial position is stable; the company has met its liabilities in full. On 31 December 2020 the shareholders' equity was HUF 13,969 million.

6. Executive summary

In 2020, the annualized premium of the new sales of insurance policies in life segment sold by the Company is HUF 3 102 million that is 28 percent lower than in the previous year, same period. Of this HUF 1 834 million is from unit-linked life insurance, HUF 1 268 million is from traditional and group life insurance policies. In the previous year the annualized premium of the new sales was HUF 4 286 million, of which HUF 2 906 million related to unit-linked life insurance, HUF 1 380 million was derived from traditional and group life insurance policies.

New sales and portfolio development

Annualized premium of new sales - Life segment (million HUF)	2020.12.31 (A)	2019.12.31 (B)	Change (A - B)	Change % (A - B) / B
Unit-linked life insurances	1 834	2 906	-1 072	-37%
Traditional and group life insurances	1 268	1 380	-112	-8%
Total annualized premium of new sales - Life	3 102	4 286	-1 184	-28%

As for life insurance policies sold in 2020 the share of the tied agent network is 13 percent, the independent broker channel was 36 percent and the bank channel was 18 percent. The financial intermediary subsidiary accounted for 5 percent of sales, while other business development accounted for 29 percent of new sales.

In the first quarter of 2019, the result of other business development was significantly increased by group insurance contracts, which are not new acquisition in 2020, but still showed in volume of premium. In addition, the group life insurance contracts with the National Utilities still have a significant impact on the volume of new sales.

7. Operating Segments

Segment informations Q1-Q4 2020 (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	540	30	-	-	570
Property, plant and equipment	52	6	-	-	58
Right of use assets	53	5	-	-	58
Deferred tax assets	386	-	-	-	386
Deferred acquisition costs	1 136	89	-	-	1 225
Reinsurer's share of technical reserves	468	154	-	-	622
Subsidiaries	1 549	-	-	-1 549	-
Investments by equity method	52	-	-	589	641
Available-for-sale financial assets	22 992	4 470	-	-	27 462
Investments for policyholders of unit-linked life insurance policies	74 122	-	-	-	74 122
Financial assets - investment contracts	4 230	-	-	-	4 230
Financial asset - forward	11	-	-	-	11
Receivables from insurance policyholders	1 764	1	-	-	1 765
Receivables from intermediaries	40	36	2	-	78
Receivables from reinsurances	11	46	-	-	57
Treasury shares	-	-	127	-127	-
Other assets and prepayments	11	15	-	-	26
Other receivables	135	84	2	3	224
Cash and cash equivalents	449	384	29	-	862
Intercompany receivables	851	52	643	-1 546	-
Assets held for sale	-	294	-	-	294
Total assets	108 852	5 666	803	-2 630	112 691

Liabilities	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	14 394	2 586	-	-	16 980
Technical reserves for policyholders of unit-linked insurance	74 122	-	-	-	74 122
Financial liabilities – investment contracts	4 230	-	-	-	4 230
Liabilities from financial reinsurance	150	-	-	-	150
Liabilities from reinsurance	95	67	-	-	162
Liabilities from insurance policyholders	642	23	-	-	665
Liabilities from intermediaries	177	62	6	-	245
Intercompany liabilities	686	89	138	-913	-
Liabilities from lease	54	6	-	-	60
Other liabilities and provisions	772	1 087	7	23	1 889
Liabilities to shareholders	20	-	-	-	20
Liabilities held for sale	-	199	-	-	199
Total liabilities	95 342	4 119	151	-890	98 722
NET Assets	13 510	1 547	652	-1 740	13 969
Shareholder's Equity					
Registered capital	3 116	1 060	246	-1 306	3 116
Capital reserve	4 019	2 839	81	-5 786	1 153
Share-based payment	9	-	-	-	9
Other reserve	-781	10	-	-	-771
Retained earnings	7 147	-2 362	325	5 359	10 469
NCI	-	-	-	-7	-7
Total shareholder's equity	13 510	1 547	652	-1 740	13 969

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	19 104	215	0	0	19 319
Changes in unearned premiums reserve	-6	617	0	0	611
Earned premium Gross	19 098	832	0	0	19 930
Ceded reinsurance premium	-261	-202	0	0	-463
Earned premiums net	18 837	630	0	0	19 467
Premium and commission income from investment contracts	159	0	0	0	159
Investment income	4 358	335	533	-589	4 637
Share of the profit of associates and joint ventures accounted for using the equity method	361	0	0	75	436
Other operative income	818	827	139	-910	874
Commission and profit sharing from reinsurance	1	72	0	0	73
Other income	5 697	1 234	672	-1 424	6 179
Total income	24 534	1 864	672	-1 424	25 646
Claim payments and benefits, and claim settlement costs	-12 598	-752	0	0	-13 350
Recoveries from reinsurance	40	9	0	0	49
Net change in the value of life technical reserves and unit-linked life insurance reserves	-4 363	-599	0	0	-4 962
Investment expenditure	-533	-244	-3	430	-350
Change in the fair value of liabilities relating to investment contracts	-274	0	0	0	-274
Change in the fair value of assets and liabilities relating to embedded derivatives	-17 728	-1 586	-3	430	-18 887
Fees, commissions and other acquisition costs	-3 397	-239	-209	22	-3 823
Other operating costs	-1 453	-683	-28	-24	-2 188
Other expenses	-930	-85	-51	530	-536
Operating costs	-5 780	-1 007	-288	528	-6 547
Result of assets held for sale	0	391	0	399	790
Profit/loss before taxation	1 026	-338	381	-67	1 002
Tax income / (expenses)	-205	-32	-1	0	-238
Deferred tax income / (expenses)	-29	0	0	0	-29
Profit/loss after taxation	792	-370	380	-67	735
Other comprehensive income	-333	-43	0	0	-376
Comprehensive income	459	-413	380	-67	359

Segment information Q1-Q4 2019 restated (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	609	32	5	-	646
Property, plant and equipment	65	11	32	-	108
Right of use assets	42	26	77	-	145
Deferred tax assets	415	-	-	-	415
Deferred acquisition costs	1 374	159	-	-	1 533
Reinsurer's share of technical reserves	243	220	-	-	463
Subsidiaries	1 979	-	-	-1 979	-
Investments in jointly controlled companies	52	-	-	514	566
Available-for-sale financial assets	19 710	5 219	-	-	24 929
Investments for policyholders of unit-linked life insurance policies	70 548	-	-	-	70 548
Financial assets - investment contracts	3 984	-	-	-	3 984
Receivables from insurance policyholders	1 953	7	-	-	1 960
Receivables from intermediaries	32	82	9	-	123
Reinsurance receivables	9	38	-	-	47
Treasury shares	-	-	69	-69	-
Other assets and prepayments	22	51	-	-9	64
Other receivables	199	79	19	3	300
Cash and cash equivalents	1 440	287	47	-	1 774
Intercompany receivables	240	13	137	-390	-
Assets held for sale	-	7 326	-	-399	6 927
Total assets	102 916	13 550	395	-2 329	114 532

LIABILITIES	CIG Life insurance segment	CIG Non-life insurance	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	13 233	2 565	-	-	15 798
Technical reserves for policyholders of unit-linked insurance	70 548	-	-	-	70 548
Financial liabilities – investment contracts	3 984	-	-	-	3 984
Financial liabilities – derivatives	5	-	-	-	5
Liabilities from financial reinsurance	436	-	-	-	436
Liabilities from reinsurance	95	120	-	-	215
Liabilities from insurance policyholders	437	26	-	-	463
Liabilities from intermediaries	234	237	35	-	506
Intercompany liabilities	151	30	2	-183	-
Liabilities from lease	46	28	78	-	152
Other liabilities and provisions	682	1 659	36	-505	1 872
Liabilities to shareholders	25	-	-	-	25
Liabilities held for sale	-	6 927	-	-	6 927
Total liabilities	89 876	11 592	151	-688	100 931
NET Assets	13 040	1 958	244	-1 641	13 601
Shareholder's Equity					
Registered capital	3 116	1 060	216	-1 276	3 116
Capital reserve	10 346	2 839	81	-5 786	7 480
Share based payments	11	5	-	-	16
Other reserves	-448	53	-	-	-395
Retained earnings	15	-1 999	-53	5 420	3 383
NCI	-	-	-	1	1
Total Shareholder's equity	13 040	1 958	244	-1 641	13 601

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	18 041	1 853	0	0	19 894
Changes in unearned premiums reserve	-157	195	0	0	38
Earned premiums, gross	17 884	2 048	0	0	19 932
Ceded reinsurance premiums	-249	-254	0	0	-503
Earned premiums, net	17 635	1 794	0	0	19 429
Premium and commission income from investment contracts	125	0	0	0	125
Investment income	11 466	517	12	-1 209	10 786
Share of the profit of associates and joint ventures accounted for using the equity method	343	0	0	100	443
Other operating income	953	159	478	-556	1 034
Commission and profit sharing from reinsurance	2	102	0	0	104
Other income	12 889	778	490	-1 665	12 492
Total income	30 523	2 572	490	-1 665	31 921
Claim payments and benefits, and claim settlement costs	-14 478	-1 329	0	19	-15 788
Recoveries from reinsurance	28	3	0	0	31
Net change in the value of life technical reserves and unit-linked life insurance reserves	-7 093	-1 079	0	0	-8 172
Investment expenditure	-4 777	-211	-366	3 769	-1 585
Change in the fair value of liabilities relating to investment contracts	-458	0	0	0	-458
Investment expenses, changes in reserves and benefits, net	-26 778	-2 616	-366	3 788	-25 972
Fees, commissions and other acquisition costs	-3 466	-1 163	-506	386	-4 749
Other operating costs	-1 372	-1 110	-23	522	-1 983
Other expenses	-370	-477	-16	151	-712
Operating costs	-5 208	-2 750	-545	1 059	-7 444
Result of assets held for sale	0	1 549	0	-399	1 150
Profit/loss before taxation	-1 462	-1 245	-421	2 783	-345
Tax income / (expenses)	-162	-43	-9	0	-214
Deferred tax income / (expenses)	54	-134	0	0	-80
Profit/loss after taxation	-1 570	-1 422	-430	2 783	-639
Other comprehensive income	274	42	0	0	316
Comprehensive income	-1 296	-1 380	-430	2 783	-323

7. Number of employees, ownership structure

The number of employees at the members of the Group was 102 on 31 December of 2020.

Composition of the Issuer's share capital (31 December 2020)

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

Number of voting rights connected to the shares (31 December 2020)

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

The Issurer's ownership structure (31 December 2020)

Owners	Number of shares	Ownership stake	Voting rights
Domestic private individual	37 778 376	40,01%	40,01%
Domestic institution	54 478 869	57,69%	57,69%
Foreign private individual	203 415	0,22%	0,22%
Foreign institution	593 733	0,63%	0,63%
Nominee, domestic private individual	1 178 518	1,25%	1,25%
Nominee, foreign private individual	148 900	0,16%	0,16%
Nominee, foreign institution	32 512	0,03%	0,03%
Unidentified item	13 937	0,01%	0,01%
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 31 December 2020

Name	Registered seat	The Issuer's share
CIG Pannonia First Hungarian General Insurance Company cPlc.	1033 Budapest, Flórián tér 1.	100,0%
Pannonia PI-ETA Funeral Service Limited Liability Company	1033 Budapest, Flórián tér 1.	100,0%
MKB-Pannonia Fund Manager cPlc.	1068 Budapest, Benczúr utca 11.	16,0%
CIG Pannonia Financial Intermediary cPlc.	1033 Budapest, Flórián tér 1.	95,0%
OPUS GLOBAL Plc.	1062 Budapest, Andrássy út 59.	1%

8. Information published in the period

Date	Subject, short summary
1 October 2020	Extraordinary announcement on the MNB approval of the member of the Board of Directors of the Company's Subsidiary
1 October 2020	Extraordinary announcement on the appointment of the new general manager of the Company
1 October 2020	Extraordinary information on voluntary liquidation of the company intermediary subsidiary
1 October 2020	The person in charge of Investor Relations at CIG Pannónia Life Insurance Plc has changed
7 October 2020	Extraordinary announcement on the MNB approval of the members of the Supervisory Board of the Company's Subsidiary
13 October 2020	Extraordinary announcement on the authorization of Chairman of the Supervisory Board
21 October 2020	Extraordinary announcement on the acquisition of voting rights above 5%
31 October 2020	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
17 November 2020	Quarterly Report, Q3 2020
19 November 2020	Extraordinary announcement on the renewal of a material contract
20 November 2020	Extraordinary announcement on the capital decrease of CIG Pannónia Életbiztosító Nyrt.
23 November 2020	Extraordinary announcement on the acquisition of shares of Hungarikum Alkusz Ltd. in the Company
24 November 2020	Extraordinary announcement of the conclusion of a significant contract
25 November 2020	Extraordinary announcement on the Company Court registration of senior executive of the Company
27 November 2020	Extraordinary announcement on the acquisition of shares
27 November 2020	Extraordinary announcement on the decision regarding to the dividend policy of the Company
30 November 2020	Extraordinary announcement on the exchange of shares
30 November 2020	Extraordinary announcement of managerial responsibility
30 November 2020	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
1 December 2020	Extraordinary announcement on the acquisition of shares
8 December 2020	Extraordinary announcement on the election of the Chairman of the Company's Supervisory Board
9 December 2020	Extraordinary announcement on the resignation of a senior executive
31 December 2020	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
31 December 2020	Event calendar regarding the business year 2021
11 January 2021	Extraordinary announcement of the change of the registered seat of the Company and of its subsidiaries
27 January 2021	Extraordinary announcement on the authorization of Chairman of the Supervisory Board of the Company's subsidiary
29 January 2021	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
13 February 2021	Extraordinary announcement on government grant

These announcements can be found on the websites of the (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 2020 was not reviewed by an auditor, the report for the first half of 2020 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.

23 February 2021, Budapest

Dr. Fedák István
Chief Executive Officer

Tóth Alexandra
Chief Financial Officer

Investor relations

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