

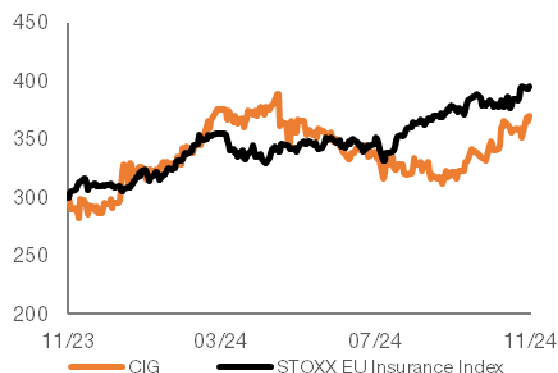
CIG Pannonia

Recommendation: Under revision

Target price (12m): Under revision

HUF mn	Q3 2023	Q3 2024	Change
Gross written premium	10,321	13,647	32.2%
Insurance revenue	6,094	7,370	20.9%
Insurance service result	1,343	596	-55.6%
Net profit	1,480	1,021	-31.0%
Net profit (w/o one time taxes)	980	1,201	22.6%
Return on equity	27.3%	17.1%	-37.5%
Capital Adequacy	215%	218%	1.4%
EPS	15.67	10.87	-30.7%
BVP	229.2	254.2	10.9%

Performance	12M	3M	1M	YTD
Absolute (%)	23.7%	11.1%	6.3%	25.9%
Relative (%)	-9.5%	3.8%	0.7%	-2.7%



Closing share price as of 11/28/2024	370	Bloomberg	Pannonia HB
Number of shares [mn]	94.0	Reuters	CIGP.BU
Market capitalization [HUF bn]	34.8	Free float	41%
Enterprise value [HUF bn]	32.6	52 week range [HUF]	282-389
Daily turnover 12M [HUF mn]	9.5		

CIG Pannonia achieved solid growth in 2024 Q1-Q3 period

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Key Message

- In 2024 Q2 gross written premium reached HUF 13,647 mn, representing a 5.9% QoQ decline and 32.2% YoY improvement. In 2024 Q1-Q3 gross written premium reached HUF 40,274 mn, representing a 27% increase YoY.
- Net profit, excluding extra taxes, was HUF 3,706 mn for 2024 Q1-Q3, an 27% YoY improvement, driven by substantial growth in premium income across multiple insurance segments due to effective sales strategies, portfolio expansion, and successful new product introductions.
- The company's EPS for the first three quarters of 2024 stands at 32.6 HUF. As a result, CIG may deliver a full-year EPS of 40 to 45 HUF. In 2022 and 2023, the company's dividend payout ratios stood at 110% and 108%, respectively. Based on this trend, a dividend of 40 HUF per share can be anticipated after 2024 results, representing a dividend yield of approximately 11%.
- The extremely strong results were primarily due to substantial growth in premium income across multiple insurance segments, driven by effective sales strategies, portfolio expansion, and the successful introduction of new products.

Major developments

- The report was prepared under the new IFRS 17 accounting standard, impacting revenue recognition and profit reporting, particularly for long-term contracts. The company has made adjustments to align its reporting with IFRS 17 requirements, which included restating some figures for the first half of 2023 for a more accurate comparison.
- The extra profit tax impact was HUF 637 mn in 2024 Q1-Q3, compared to HUF 502 mn in 2023 Q1-Q3, which also included a HUF 475 mn one-time corporate tax due to the capital increase from the transition to IFRS 17.

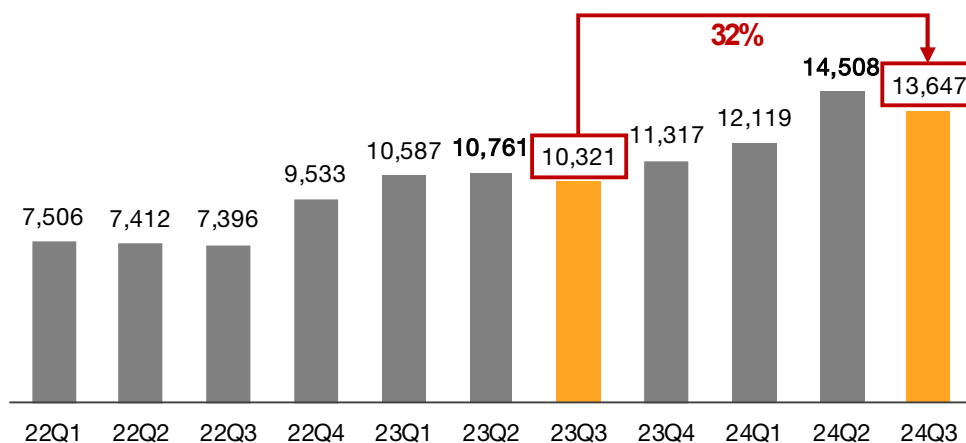
Notes to the financial performance

- In 2024 Q2 gross written premium reached HUF 13,647 mn, representing a 5.9% QoQ decline and 32.2% YoY improvement. In 2024 Q1-Q3 gross written premium reached HUF 40,274 mn, representing a 27% increase YoY. The main drivers of the growth in the first nine months of 2024 were:
 - Unit-linked life insurance contributed HUF 4,865 mn due to a stable yield environment and strong market demand.
 - Corporate property insurance also played a significant role, adding HUF 1,726 mn, fuelled by portfolio expansion and improved pricing strategies.
 - Group accident and health insurance saw a notable increase of HUF 1,195 mn, reflecting a rise in demand for comprehensive coverage plans.
- Net profit for Q3 2024 was HUF 1,021mn, reflecting a 35.2% QoQ and 31.0% YoY decline. For 2024 Q1-Q3, net profit reached HUF 3,069 mn, up 50.3% YoY, despite the significant impact of one-time and extra taxes in the base period.
- Net profit, excluding extra taxes, was HUF 3,706 mn for 2024 Q1-Q3, an 27% YoY improvement, driven by substantial growth in premium income across multiple insurance segments due to effective sales strategies, portfolio expansion, and successful new product introductions.
- The extra profit tax impact was HUF 637 mn in 2024 Q1-Q3, compared to HUF 502 mn in 2023 Q1-Q3, which also included a HUF 475 mn one-time corporate tax due to the capital increase from the transition to IFRS 17.
- Sales channel growth was robust in 2024 Q1-Q3, led by a 50% increase in premium income from the banking channel, while the independent broker and alternative channels grew by 13% and 26%, respectively, highlighting the success of the company's multi-channel distribution strategy.
- Insurance service results reached HUF 596 mn in 2024 Q3, a 44.5% decline QoQ. Meanwhile 2024 Q1-Q3 results were HUF 1,604 mn, up 4% YoY. Main contributors to the change were the following product groups:
 - **Group Life, Accident, and Health Products (profit decline: HUF 663 mn):** Higher claims ratios and recognition of a loss component this year significantly reduced profitability compared to the previous year. The insurer has initiated corrective actions to restore profitability for new policies starting in Q1.
 - **Regular Premium UL Products (profit improvement: HUF 529 mn):** Increased contract service margin (CSM) from new business and favorable changes in customer behavior assumptions enhanced profitability. The absence of last year's one-off losses and lower renewal commissions also contributed to the improvement.
 - **Risk Life Insurance Products (profit decline: HUF 134 mn):** Higher claims ratios for group policies reduced profits, though growth in the risk life insurance portfolio partially offset the decline.
 - **Credit Coverage Insurance and Account Protection Products (profit decline: HUF 419 mn):** While portfolio growth and loss provision

releases improved results, the absence of prior year's higher provision releases and reduced premium collections negatively impacted profitability.

- **Vehicle Insurance Products (profit improvement: HUF 835 mn):** Reduced claims costs, streamlined portfolio, and changes in insurance tax legislation significantly decreased the combined ratio, leading to profit improvement.
- **Suretyship Insurance Products (profit decline: HUF 193 mn):** Exchange rate losses on expiring Italian suretyship products and claims settlement costs reduced profitability, though these were partially offset by forward contracts and a growing Hungarian portfolio.

Gross written premium (HUF mn)



Source: CIG Pannonia, Concorde Research

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Rating	Trigger
Buy	Total return is expected to exceed 20% in the next 12 months
Accumulate	Total return is expected to be in the range of 10-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10%-(-20%)
Sell	Total return is expected to be lower than -20%
Under Revision	The stock is put Under Revision if covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

Securities prices:

Prices are taken as of the previous day's close on the home market unless otherwise stated.

Valuations and risks:

Analysis of specific risks to set stock target prices highlighted in our investment case(s) are outlined throughout the report. For details of methodologies used to determine our price targets and risks related to the achievement of the targets referred to in the main body of the report or at [Rating Methodology](https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038) on our website. (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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