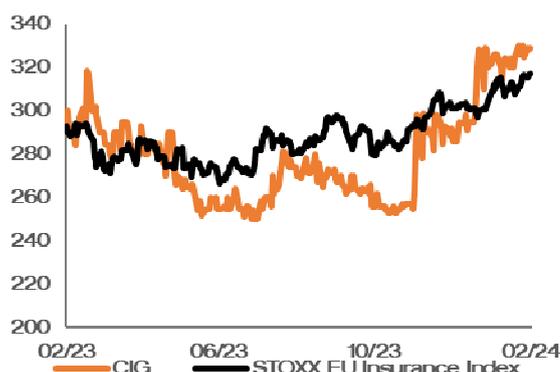


CIG Pannonia

Recommendation: Under revision

Target price (e-o-y): Under revision

Share price as of 27/02/2023	HUF 342
Number of diluted shares [million]	94.4
Market capitalization [HUF bn/EUR mn]	32.3 / 82.6
Daily turnover 12M [HUF million]	5.1
Bloomberg	PANNONIA HB
Reuters	CIGP.BU
Free float	41.3%
52-week range	HUF 250–342



CIG Pannonia reported solid results for '23

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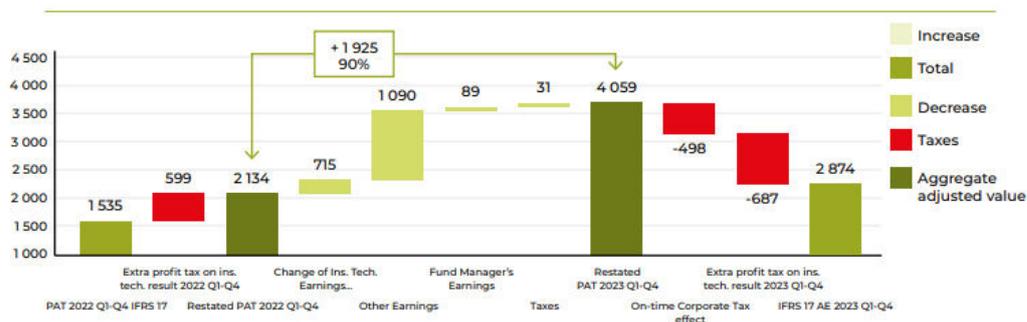
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- CIG Pannonia (Pannonia) reported a PAT of HUF 1.51bn for Q4/23 compared to HUF 0.95bn in Q4/22 (+59% YoY) and HUF 0.77bn in Q3/23 (+96% QoQ). Other comprehensive income including the changes in the fair value of other financial assets (OPUS shares and government securities) valued at fair value was HUF 1.77bn compared to HUF 1.17bn in Q4/22. Total comprehensive income came in at HUF 2.2bn in Q4/23, up from HUF 1.75bn in Q4/22.
- Pannonia's full-year after-tax profit came in at HUF 2.87bn in 2023 (EPS of HUF 30.6), up by 87% from HUF 1.54bn (EPS of HUF 16.3) in 2022. As a result of using IFRS 17 accounting transition methodology increased Pannonia's after-tax result for 2022 from HUF 1.41bn (as reported in the Q3/23 flash reports) to HUF 1.54bn, while its consolidated equity increased by HUF 7.3bn (+56%). However, due to the tax impact of this transition a non-recurring corporate tax liability incurred in an amount of HUF 0.5bn. Also importantly, according to Pannonia's best estimate, the extra profit tax of HUF 0.69bn was recorded in 2023 as against HUF 0.6bn in 2022. Adjusting for these tax charges of HUF 1.19bn in total for 2023 and HUF 0.6bn for 2022, consolidated after tax profit increased by 90% YoY from HUF 2.13bn to HUF 4.06bn in 2023, implying an adjusted EPS of HUF 43.2 compared to HUF 22.7 in 2022.
- Unconsolidated life insurance after tax profit was HUF 2.94bn (+38% YoY), while non-life unconsolidated after profit came in at HUF 0.78bn compared to a loss of HUF 0.44bn in 2022.
- Pannonia's technical result, including the impact of the surtax, also increased significantly by HUF 0.63bn or 66% YoY, with the non-life segment's technical results improving by HUF 0.47bn on an annual basis.
- The primary reasons for the outstanding earnings growth were (i) the growth of the insurance portfolio, (ii) a great improvement in profitability due to economies of scale and efficiency containment measures, and (iii) and a higher yield environment. The latter itself contributed by HUF 1.1bn or 38% to total after-tax profit in 2023. Premium

income surpassed HUF 10bn in every quarter of 2023, reaching HUF 43bn compared to HUF 31.85bn (+35% YoY), mainly driven by credit coverage insurances, corporate property insurances and single premium unit-linked life insurances. As for the segment breakdown, life Insurance premiums rose by 16% YoY, while non-life premiums grew by 142%.

- Pannonia’s capital position has constantly been stable, with total shareholder's equity of HUF 23.26bn (up by 14% YoY) at the end of 2023. The capital adequacy ratio stood at 240% at the end of December 2023 compared to 215% at the end of September, 2023, significantly above the required rate by the supervisors of 150%.

Breakdown of the YoY increase of the IFRS 17 consolidated after tax result (HUF mn)



Source: Pannonia

Outlook

- Based on the strong increase in premium income achieved in 2023, we need to revisit our net income forecasts for the next years. Despite the unfavorable regulatory and economic environment, Pannonia has a solid growth potential and stable capital situation. **Due to the transfer of coverage, we withdrew our earnings forecasts in November and we put our e-o-y TP under revision until further earnings revision.**
- Our previous TP was set at HUF 410 a share and the recommendation was BUY on CIG Pannonia. We remain confident that Pannonia's resilient and flexible organization can weather the impending economic uncertainties, rather than being overwhelmed by it, while remaining committed to market expansion in both organic and inorganic ways and to product innovation.

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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 the 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.

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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](#) on our website, visit (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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