

CIG Közép-európai Biztosító Zrt.
2008 Business Report

The market presence and annual performance of the Insurer exceeded expectations and plans. With premium income being surpassed almost five-fold, it is clear that both the products and sales partners are performing excellently together, and will remain significant for the Insurer going forward.

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Description	2008 actual	2008 plan	Performance %
	1	2	1:2
1. Gross written premiums	3,875,485	817,151	474.3
2. Gross commissions (-)	2,529,665	926,755	273.0
3. Deferred acquisition costs	787,980	0	n.a.
4. Change in reserves (-)	1,976,537	134,640	1,468.0
5. Claims, services (-)	25,317	17,021	148.7
6. Operating costs (-)	1,141,464	943,798	120.9
7. Other income	43,737	50,000	87.5
8. Other expenses (-)	148,856	10,000	1,488.6
10. Result	-1,114,637	-1,165,063	95.7

The Insurer achieved the significant sales result only by selling unit-linked life insurance products. Sales were made in the Insurer's own network and through alternative sales channels, particularly via the Brokernet Holding Zrt. network.

The annual loss of the Insurer was in line with the budgeted loss. The loss totalled HUF 1,115 million, which is HUF 50 million less than planned.

The main reason for the loss is that as a start-up insurance company the firm does not yet have an insurance portfolio which in addition to acquisition costs provides cover for operating and administration costs too, and this will take years to achieve. Furthermore, starting up incurs one-off costs which are linked to launching business operations and developing the organisational structure of the Insurer.

In 2008 the Insurer's operations were stable and balanced. Its investments – held for trading with due consideration of risk and liquidity factors – were primarily placed in bank deposits, thus mitigating the effects of the financial crisis and ensuring the liquid assets for the substantial market penetration targets.

Managing the heightened risks caused by the financial crisis requires continuous valuations and if necessary, even intervention from the management and managing bodies at the Insurer. Price, loan and interest risks were not significant in the course of 2008. There was a considerable cash-flow risk during the year, but the Insurer handled this with the second, planned capital contribution from the owners totalling HUF 1,292 million. With a view to mitigating risks and underlying the conditions required to achieve the objectives, the management has negotiated and continues to negotiate on securing capital for growth (bringing in new capital) and on maintaining liquidity (financial reinsurance).

The 2009 plan was drawn up based on the success of the Insurer's first, shortened fiscal year, which includes introducing new products, developing its own sales network and an expansion in the number of alternative sales partners. The successful cooperation between the Insurer and Brokernet Holding Zrt. remains very important, and will be developed further by both partners with a view to achieving joint success.

To ensure continued dynamic growth the Insurer has begun laying the foundations for cross-border activities in Romania too. The Romanian supervisory authority gave its approval to set up a branch. Sales activities begin on 26 May 2009 and the Insurer is banking on similar growth to that observed in Hungary.

In light of external circumstances and management assessments the Insurer delayed the launch of its non-life insurance activity, and is focusing resources on the development and success of its life insurance services in Hungary and Romania.

There were no material events following the reporting date at the Insurer.

Aside from its registered office the Insurer has no other business premises.

Based on the employment policy only sole entrepreneurs and partnerships may participate in sales operations, with the Insurer paying commissions depending on actual sales performance. The number of specialists in the headquarters is rising steadily in line with the growing business needs. The initial headcount of 17 rose to 45 by the end of the year. The employees include staff with wide-ranging experience in insurance and setting up insurance companies, middle-aged professionals and managers as well as young talented employees at the start of their career. The management at the Insurer offers appropriate career opportunities and competitive benefits to staff.

Environmental protection is not one of the Insurer's core activities, but when setting out working conditions it makes a contribution to energy conservation and providing a healthy and environmentally-friendly workplace by applying paper-free procedures and through outsourcing.

The figures and valuations in the balance sheet, the income statement and the supplementary notes along with the additional information in the business report ensure that a true and fair view is presented of the financial situation of CIG Közép-európai Biztosító Zrt. and the results of its operations.

Budapest, 24 April 2009

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Béla Horváth
Chief Executive Officer

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Dr. Gyula Mikó
Chief Actuary

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Zsolt Kelemen
Accounting Manager