



PANNÓNIA
ÉLETBIZTOSÍTÓ

CIG PANNÓNIA LIFE INSURANCE PLC.

QUARTERLY INFORMATION

Q1 2016

24 May 2016

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Insurer) publishes its quarterly information on this day. The purpose of this information is to publish the data compiled in accordance with the Hungarian Accounting Act, unaudited and unconsolidated, as well as data disclosed on a voluntary basis to the Association of Hungarian Insurance Companies (MABISZ) by the Insurer, simultaneously with the quarterly report, in a quarterly information paper. Data provided to MABISZ are included in Annex I to the present information.

The Insurer publishes its report on the first quarter of 2016 separately from the present information. In the report it publishes its consolidated, unaudited data for the first quarter of 2016 in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU as required by the law.

Main results and events of 2016:

million HUF

| Description | 31.03.2016 (A) | 31.03.2015 (B) | 31.12.2015 (C) | Change (A - B) |
|--|-------------------|-------------------|-------------------|-------------------|
| Gross written premium | 2 755 | 3 381 | 14 643 | - 626 |
| Technical result (without administration costs) | 420 | 427 | 1 984 | - 7 |
| Administration costs | -244 | -264 | -1 085 | 20 |
| Technical result | 176 | 163 | 899 | 13 |
| Non technical result | -16 | 19 | -176 | - 35 |
| Dividends received from jointly controlled company | 250 | 0 | 0 | 250 |
| Profit before tax | 410 | 182 | 723 | 228 |
| Tax liability | -5 | -8 | -35 | 3 |
| Retained profit for the year | 405 | 174 | 688 | 231 |

- Due to the stable technical result and the dividend received from Pannónia CIG Alapkezelő Ltd. CIG Pannónia has a significantly increasing profit. The gross written premium fall with 19% compared to previous year, same period, but it is majorly caused by the decrease of the top-up/ single premium policies. The gross written premium was HUF 2,755 million in 2016 Q1, which consist of mostly regular premium (HUF 2,587 million) and a smaller part is single premium (HUF 168 million). The coverage of the insurance portfolio is stable, the technical result of the Insurer in 2016 Q1 was HUF 176 million, which is 8 percent higher compared to the previous year, same period. In 2016 Q1 the Insurer's profit before tax is HUF 410 million, which is 225% percentage of the previous year, same period. The retained profit is HUF 405 million.
- The sales activity of the tied agent network has increased 47% compared to 2015 Q1. The other brokerage network is behind the performance of 2015 Q1. In the first quarter of 2015 the new sales was also increased by a unique group policy. The sales activity of 2016 Q1 was 90% compared to previous year, same period, without this one-off item. This means, that the outstanding sales activity of the tied agent network is offsetting the decreasing performance of the other brokerage network.
- On 16.03.2016 the board of the Insurer decided to restructure the capital structure. The Insurer decreased the capital reserve to offset the negative retained earnings at the end of 2015 amounted to HUF 14,793,245,506. Due to the changes of the Act C of 2000 on Accounting effective since 1st January 2016 the Issuer considers it justified to transfer a part of the amount of the capital reserve – the assets provided by the Shareholders above the subscribed capital and used for the aims of the Company – used to offset the retained losses, in order to ensure the prior conditions of the future dividend payment to be fulfilled. The internal restructuring of the capital structure has no effect on the equity.
- The Group fulfilled the measures and paid the supervisory fine and the consumer protection penalty on time according to the resolution H-JÉ-II-B-3/2016 of the Hungarian National Bank (MNB).

- The Company calculated the available solvency capital and the Solvency Capital Requirement according to the Solvency 2, at 01.01.2016. According to the calculation, the capital adequacy is 233%.

Events after the balance sheet date:

- On 29 April 2016 the Insurer held its annual general meeting, where they accepted the audited separate financial statements in accordance with the Hungarian Accounting Act and the audited and consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the EU. The general meeting decided, that the profit of the Company will be transferred to the retained earnings and no dividends will be paid.
- The general meeting decided the Ernst & Young Könyvvizsgáló Kft. as the auditor of the Insurer from 1 May 2016, the person in charge of the audit is Gabriella Virágh (chamber registration number: 004245).
- The Insurer launched a new product according to the conception of the “ethical life insurance” on 1 April 2016. The “Pannónia Esszencia Befektetési Életbiztosítás” is a unit-linked life insurance product - developed foremost by the Insurer – which has low cost as pension insurances and expected to meet with the planned TKM (total cost indicator) limits of the Hungarian National Bank (MNB).

Budapest, 24 May 2016

CIG Pannónia Life Insurance Plc.

2. Financial Statements

Headlines in the Insurer's Income Statement

million HUF

| Description | 31.03.2016 (A) | 31.03.2015 (B) | 31.12.2015 (C) | Change (A - B) |
|--|-------------------|-------------------|-------------------|-------------------|
| Gross written premium | 2 755 | 3 381 | 14 643 | -626 |
| Gross acquisition costs | -448 | -497 | -2 163 | 49 |
| Changes in deferred acquisition costs | -66 | -74 | -296 | 8 |
| Claims and benefits | -1 955 | -2 172 | -7 876 | 217 |
| Gross changes in reserves | 258 | -3 557 | -3 098 | 3 815 |
| Technical investment result | -257 | 3 135 | 86 | -3 392 |
| Administration costs | -244 | -264 | -1 085 | 20 |
| Reinsurance and other technical result | 133 | 211 | 688 | -78 |
| Technical result | 176 | 163 | 899 | 13 |
| Non-technical and investment result | -16 | 19 | -176 | -35 |
| Dividends received | 250 | 0 | 0 | 250 |
| Profit before tax | 410 | 182 | 723 | 228 |
| Tax liability | -5 | -8 | -35 | 3 |
| Profit after tax | 405 | 174 | 688 | 231 |

Headlines in the Insurer's Balance Sheet

million HUF

| Description | 31.03.2016 (A) | 31.03.2015 (B) | 31.12.2015 (C) | Change (A - B) |
|---|-------------------|-------------------|-------------------|-------------------|
| Intangible assets | 677 | 677 | 696 | 0 |
| Investments | 6 902 | 5 961 | 6 774 | 941 |
| Investments performed for policyholders of unit-linked life insurance | 54 749 | 55 648 | 54 894 | - 899 |
| Receivables | 1 462 | 1 843 | 1 945 | - 381 |
| Other assets | 1 149 | 1 137 | 1 152 | 12 |
| Prepaid expenses and accrued income | 1 233 | 1 413 | 969 | - 180 |
| Total assets | 66 172 | 66 679 | 66 430 | - 507 |
| Shareholders' equity | 5 765 | 4 939 | 5 360 | 826 |
| Technical reserves | 2 547 | 2 356 | 2 738 | 191 |
| Technical reserves for policy holders of unit-linked life insurance | 54 749 | 55 648 | 54 894 | - 899 |
| Provisions | 49 | 0 | 64 | 49 |
| Liabilities | 1 118 | 1 216 | 1 274 | - 98 |
| Accrued expenses and deferred income | 1 944 | 2 520 | 2 100 | - 576 |
| Total liabilities | 66 172 | 66 679 | 66 430 | - 507 |

3. Presentation of the Insurer's financial position – the Insurer's unaudited and unconsolidated data for 2016 Q1, according to the Hungarian Accounting Act

In the reporting period, the Insurer's gross written premium was HUF 2,755 million, which is 81 percent of the performance achieved in the previous year, same period. Within this, the gross written premium from unit-linked life insurance amounted to HUF 2,503 million (including HUF 535 million gross written premium from pension insurance), the gross written premium from traditional life products amounted to HUF 202 million and the gross written premium from health insurance policies amounted to HUF 50 million.

The gross written premium from the first annual premiums of policies sold was 351 million, which is a 26 percent decrease compared to the previous year, same period (473 million). In 2015 Q1 there was a unique group policy, which increased the new portfolio and now caused a significant decrease in the first annual premiums, however in 2016 its premium is increasing the renewal premium. The renewal premiums of policies concluded in the previous years have decreased by 3 percent, which is an improvement compared to the previous year, same period's 9 percent decrease. The gross written premium income from renewals was 2,236 million in 2016 Q1, in contrast to HUF 2,301 million in previous year, same period. Top-up and single premiums (HUF 168 million) were 28% of the previous year's top-up/single premium revenue. Within the total premium income, the rate of top-up/single premiums fall to 6 percent from 14 percent compared to the previous year, same period. Although the profit of the single premium policies is much lesser than the regular premium policies' coverage, so the decrease of these premiums have a less significant effect on the profitability of the Insurer.

Among expenses, one of the most important item is the expenditure on claims and benefits (HUF 1,955 million) of which HUF 1,857 million is related to the partial or total surrender of unit-linked life insurance policies. Another significant item is the change in gross technical reserves (HUF 258 million), including HUF 53 million reserves for premium refunds independent on profit, HUF 27 million mathematical reserves, HUF 91 million unearned premium reserve and HUF 31 million outstanding claim reserves. Thus the cancellation reserves (HUF 315 million) and unit-linked life insurance reserves (145 million) decreased.

The Insurer had an acquisition costs (with the deferred acquisition costs) of HUF 514 million, 10% less than in 2015 Q1. The administration costs show an 8% decrease, compared to previous year, same period.

The investment result returns a loss, amounted to HUF 257 million loss in 2016 Q1 which is due to the aggregated effect of the following issues. After the yield decline in the first two months of 2016, the unit-linked results fall back, but that was somewhat compensated by the growth in the third month. In total, the unit-linked yield in the first quarter of 2016 was a HUF 248 million loss. The first quarter's performance was about the underachievement of the European stock markets and the overperformance of the stock markets of the emerging regions caused by the significantly increasing oil price. The BUX index has continued to rise and closed this quarter with a plus 13% yield. According to this, the Russian, Latin American and the domestic unit-linked funds had the highest yield in our funds. The most capital was also invested to the Russian, Latin American and domestic markets funds, while the capital was subtracted from the funds in China, India and liquidity funds. The absolute yield and actively managed funds' popularity increased, which caused a significant capital investment in these funds too during the quarter. The investment result of (traditional) technical reserves amounted to HUF 14 million in 2016 Q1. The financial reinsurance interest expenditure had a significant effect on the investment result with a HUF 23 million.

In the "Reinsurance and other technical result" line, the Insurer shows the revenue from fund management fees (HUF 159 million), the pending charges (HUF 11 million) and the results of reinsurance activities (HUF -40 million). The decrease compared to 2015 Q1 is caused by the decrease of the revenue from fund management fees.

The non-technical result (HUF +234 million) is the received dividend (HUF 250 million) and the other result (HUF -16 million) which consists of mostly local tax expenses and the innovation contributions.

The profit before tax is HUF 410 million which is HUF 228 million higher than in 2015, same period. It is reduced by calculated tax expenditure (HUF 5 million). Thus the retained profit is HUF 405 million as at 31 March 2016.

The Insurer's balance sheet total was HUF 66,172 million; its financial position is stable; the company has met its liabilities in full. The shareholders' equity was HUF 5,765 million on 31 March 2016.

4. Executive summary

In 2016 Q1 the Insurer sold regular premium life insurance policies representing an annualized premium of HUF 349 million, which is 30 percent lower than in the previous year, same period. Of this, unit-linked life insurances amount to HUF 320 million, and HUF 29 million are traditional and group life insurances. In the previous year, the annualized premium of new sales was HUF 501 million, of which HUF 136 million was related to traditional and group products and HUF 365 million to unit-linked life insurance policies.

The decrease of the unit-linked life insurance was due to the decrease of the other brokerage network, meanwhile the tied agent network outstanding performance was able to offset the loss of performance. The increase of the new sales of traditional and group product sales is due to the group life and accident insurance of Ministry of Interior, which increased the new sales in 2015 Q1.

New sales¹

| Annualized premium of new sales (HUF millions) | 31.03.2016 (A) | 31.03.2015 (B) | 31.12.2015 (C) | Change (A - B) | Change % (A - B) / B |
|--|-------------------|-------------------|-------------------|-------------------|-------------------------|
| Unit-linked life insurance | 320 | 365 | 1 956 | -45 | -12% |
| Traditional and group life insurance | 29 | 136 | 208 | - 108 | -79% |
| Annualized premium | 349 | 501 | 2 164 | -152 | -30% |

As for life insurance policies sold in the first quarter of 2016, the share of the tied agent network is 62 percent, while the performance of other – constituted by independent brokers - sales channels was 35 percent in Hungary and the bank channel was 3 percent.

Market share indicators²

| | 2015 | | 2014 | | 2013 | |
|---|-------------|--------------|-------------|--------------|-------------|--------------|
| | million HUF | Market share | million HUF | Market share | million HUF | Market share |
| On the basis of the gross written premium of life insurance policies | 14 643 | 3,32% | 14 420 | 3,19% | 16 715 | 5,90% |
| On the basis of the adjusted gross written premium of life insurance policies | 12 812 | 4,35% | 12 860 | 4,52% | 15 328 | 5,60% |

After examining the adjusted gross written premium, the Insurer, with a market share of 4.35 percent, it is the company with the 8. largest adjusted gross written premium on the basis of the 2015' data.

The major goal of 2016 is to build a good quality, stable growing, long-term paid contract portfolio. The Insurer plan to achieve this by improving the tied agent network and by the fast response to the legal and market changes. In accordance with this strategy, the Insurer launched a new product name "Pannónia Esszencia Befektetési Életbiztosítás" on 1 April 2016, which is a unit-linked life insurance product - developed foremost by the Insurer – which has a low cost as pension insurances and expected to meet with the planned TKM (total cost indicator) limits of the Hungarian National Bank (MNB) and fit to the conception of "ethical life insurance.

The data of the new acquisitions (Annex I) reported on a voluntary basis to MABISZ by the Insurer, contain the reactivation of previously cancelled portfolio. The new acquisition of policies denominated in foreign currency has to be reported in the exchange rate at the end of term, which may distort the comparability of the data. The management of the Insurer examine the new acquisitions, adjusted by the reactivation and exchange rate changes.

¹ Management information data – The data in accordance with the earlier reports can be found in the Annex I.

² At the time of preparing this quarterly report, the MABISZ market data on 2016 Q1 were not yet available, thus the table shows the data of 2015.

Annex I

The presentation of the insurance policies (number) in the Insurer's life business line at the end of the period in question

| Description | Opening stock on 01.01.2016 | New business | Closing stock on 31.03.2016 |
|---|-----------------------------|--------------|-----------------------------|
| Death insurance | 3 235 | 61 | 3 199 |
| Endowment insurance | 553 | 15 | 556 |
| Indexed or unit-linked life insurance | 32 057 | 406 | 31 404 |
| Health Insurance | 476 | 100 | 546 |
| Pension Insurance according to the Personal Income Tax Act. | 5 283 | 444 | 5 648 |
| Group loan collateral life insurance | 1 | 0 | 1 |
| Group life insurance | 16 | 3 | 19 |
| Total regular-premium policies | 41 621 | 1 029 | 41 373 |
| Indexed or unit-linked life insurance | 111 | 22 | 129 |
| Pension Insurance according to the Personal Income Tax Act. | 13 | 2 | 15 |
| Total single premium policies | 124 | 24 | 144 |
| | | | |
| Total life business line | 41 745 | 1 053 | 41 517 |
| Accident and sickness riders linked to life insurance | 8 811 | 646 | 9 154 |

The Insurer's gross written premium at the end of the period in question, broken down by insurance sectors

thousand HUF

| Description | Opening stock on 01.01.2016 | New business | Closing stock on 31.03.2016 |
|---|-----------------------------|----------------|-----------------------------|
| Death insurance | 184 178 | 4 720 | 183 452 |
| Endowment insurance | 74 593 | 2 855 | 76 177 |
| Indexed or unit-linked life insurance | 16 469 674 | 220 657 | 16 011 302 |
| Health Insurance | 119 966 | 11 440 | 119 625 |
| Pension Insurance according to the Personal Income Tax Act. | 1 623 961 | 122 912 | 1 735 775 |
| Group loan collateral life insurance | 112 | 0 | 565 |
| Group life insurance | 123 343 | 2 635 | 125 882 |
| Accident and sickness riders linked to life insurance | 163 242 | 8 708 | 166 468 |
| Total life business line | 18 759 068 | 373 927 | 18 419 246 |

The Insurer's gross written premium at the end of the period in question, broken down by insurance sectors

thousand HUF

| Description | Total gross written premium | Gross written premium | |
|---|-----------------------------|------------------------------|------------------------------|
| | | from single premium products | Top-up gross written premium |
| Death insurance | 47 012 | 0 | 2 915 |
| Endowment insurance | 20 722 | 0 | 2 254 |
| Indexed or unit-linked life insurance | 1 969 588 | 54 086 | 17 669 |
| Health Insurance | 27 295 | 0 | 0 |
| Pension Insurance according to the Personal Income Tax Act. | 532 724 | 2 650 | 88 146 |
| Group loan collateral life insurance | 1 706 | 0 | 0 |
| Group life insurance | 118 309 | 0 | 0 |
| Accident and sickness riders linked to life insurance | 37 347 | 0 | 0 |
| Élet üzletág részösszesen: | 2 754 703 | 56 736 | 110 983 |

The actuarial reserves of life insurance policies with single/top-up premiums at the end of the period

thousand HUF

| Description | Amount of actuarial reserve | |
|------------------------------------|-----------------------------|----------------|
| | Single premium | Top-up premium |
| Unit-linked life insurance reserve | 0 | 0 |
| Total traditional reserves | 0 | 17 712 |