



**PANNÓNIA**  
ÉLETBIZTOSÍTÓ

**CIG PANNÓNIA LIFE INSURANCE PLC.**

QUARTERLY INFORMATION

Q4 2015

23 February 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 fourth quarter of 2015 separately from the present information. In the report it publishes its consolidated, unaudited data for the fourth quarter of 2015 in accordance with the International Financial Reporting Standards (IFRS) as required by the law.

### Main results and events of 2015:

million HUF

Description	31.12.2015	31.12.2014	Change	Change %
	(A)	(B)	(A-B)	(A/C)
Gross written premium	14 643	14 420	223	102%
Technical result (without other operating costs)	1 984	1 967	17	101%
Other operating costs	-1 085	-1 165	80	93%
Technical result	899	802	97	112%
Non-technical result	-176	-598	422	29%
<b>Profit/loss before tax</b>	<b>723</b>	<b>204</b>	<b>519</b>	<b>354%</b>
Tax	-35	0	-35	n/a
Divident (Interest on interest-bearing shares)	-119	-122	3	98%
<b>Retained profit/loss for the year</b>	<b>569</b>	<b>82</b>	<b>487</b>	<b>694%</b>

- **The new strategy is successful.** 2015 was the first year, when the Insurer accomplished the new, accepted strategy, therefore the results show the efficiency of it. The new strategy means three major goals: profitable operation, restructuring in sales and the determining presence in the niche markets. According to the published results it is declared: the change in strategy has fulfilled the expectations.
- **Record profit and increasing gross written premium.** Beside the solid gross written premium and technical result, the profit of the Insurer was significantly increasing in 2015. The Insurer was able to increase its gross written premium with 2% compared to the previous year. In 2015 the Insurer achieved a gross written premium of HUF 14,643 million, of which significant part is regular premiums amount to: HUF 12,608 million; and the top-up/single premium's amount is HUF 2,035 million. The coverage of the insurance portfolio is stable, the technical result of the Insurer in 2015 was HUF 899 million, which is 12 percent higher compared to the previous year. In 2015 the Insurer's profit before tax is HUF 723 million, which is 3.5 times higher than in 2014.
- **Outstanding performance of the tied agent network.** The increased sales activity of the tied agent network (85% increase compared to the previous year) and the acquired new business through public procurement compensated the sales loss caused by the termination of the agreement with Quantis, so the annualized premium of new sales is 102% of the acquired portfolio compared to 2014.
- **Professional prize for the Fund Manager.** Pannónia CIG Fund Manager Ltd. won again the „Fund Manager of the Year” prize according to MoneyMoon Awards. Beside this two of our unit-linked funds won a prize emphasising our innovative products being among the best products in the market.

- **Record profit at the Fund Manager.** At the end of 2015 the Pannónia CIG Fund Manager Ltd. managed more than HUF 163 billion, thereof more than HUF 100 billion pension- and health fund assets and nearly HUF 55 billion unit-linked insurance assets, which is the 7,9% of the managed pension fund market share and 12,3% of managed unit-linked insurance market share. The Fund Manager managed five private equity funds, which is 15% of the domestic private equity fund market share, that is twice as much as in previous year. The revenue of the Pannónia CIG Fund Manager Ltd. is HUF 1,119 million, the profit after tax is HUF 580 million.
- The chief actuary position is filled by Balázs Hámori – with the approval of the MNB as 18.12.2015 – instead of Nobert Németh.
- From 25 November 2015 by the declaration of VINTON Ltd. and its owners –Dr. József Bayer, Iván Bayer and Zsuzsanna Csilla Bayer – they have to be considered as “persons acting in concert” pursuant to Paragraph 100 of Subsection 1 of Section 5 of the Act CXX of 2001 on the Capital Market, so after purchasing shares issued by the Company their total number of voting rights crossed the 15% threshold

Events after the balance sheet date:

- The Hungarian National Bank (MNB) made a comprehensive examination between 27 April 2015 and 19 June 2015. The examination was closed with the resolution H-JÉ-II-B-3/2016, which fined the Insurer HUF 6 million supervisory fine and HUF 3 million consumer protection penalty. The Insurer started to perform the ordered measures and will accomplish them on time.

Budapest, 23 February 2016

CIG Pannónia Life Insurance Plc.

## 2. Financial Statements

### Headlines in the Insurer's Income Statement

million HUF

Description	31.12.2015 (A)	31.12.2014 (B)	Change (A-B)
Gross written premium	14 643	14 420	223
Gross acquisition costs	-2 163	-3 252	1 089
Changes in deferred acquisition costs	-296	243	- 539
Claims and benefits	-7 876	-6 901	- 975
Gross changes in reserves	-3 098	-11 615	8 517
Technical investment result	86	8 035	- 7 949
Other operating costs	-1 085	-1 165	80
Reinsurance and other technical result	688	1 037	- 349
<b>Technical result</b>	<b>899</b>	<b>802</b>	<b>97</b>
Non-technical and investment result	-176	-123	- 53
Dividends received	0	275	- 275
Impairment of subsidiaries and shares	0	-750	750
<b>Profit before tax</b>	<b>723</b>	<b>204</b>	<b>519</b>
Tax liability	-35	0	- 35
<b>Profit after tax</b>	<b>688</b>	<b>204</b>	<b>484</b>
Dividends and interest – interest on interest-bearing shares	-119	-122	3
<b>Retained profit for the year</b>	<b>569</b>	<b>82</b>	<b>487</b>

### Headlines in the Insurer's Balance Sheet

million HUF

Description	31.12.2015 (A)	31.12.2014 (B)	Change (A-B)
Intangible assets	696	710	- 14
Investments	6 774	6 049	725
Investments performed for policyholders of unit-linked life insurance	54 894	51 896	2 998
Receivables	1 945	2 212	- 267
Other assets	1 152	1 552	- 400
Prepaid expenses and accrued income	969	1 442	- 473
<b>Total assets</b>	<b>66 430</b>	<b>63 861</b>	<b>2 569</b>
Shareholders' equity	5 360	4 791	569
Technical reserves	2 738	2 661	77
Technical reserves for policy holders of unit-linked life insurance	54 894	51 896	2 998
Provisions	64	-	64
Liabilities	1 274	1 700	- 426
Accrued expenses and deferred income	2 100	2 813	- 713
<b>Total liabilities</b>	<b>66 430</b>	<b>63 861</b>	<b>2 569</b>

### **3. Presentation of the Insurer's financial position – the Insurer's unaudited and unconsolidated data for 2015, according to the Hungarian Accounting Act**

---

In the reporting period, the Insurer's gross written premium was HUF 14,643 million, which is 102 percent of the performance achieved in the previous year. Within this, the gross written premium from unit-linked life insurance amounted to HUF 13,986 million (including HUF 2 138 million gross written premium from pension insurance), the gross written premium from traditional life products amounted to HUF 440 million and the gross written premium from health insurance policies amounted to HUF 217 million.

The gross written premium from the first annual premiums of policies sold was 1,921 million, which is a 3 percent decrease compared to the previous year (1,975 million). The renewal premiums of policies concluded in the previous years have decreased by 1 percent, which is an improvement compared to the previous year's 19 percent decrease. The gross written premium income from renewals was 10,687 million in 2015, in contrast to HUF 10,786 million in previous year. A significant number of clients (30 percent) are using their premium holiday option granted by the Insurer, from the third year of the policies, this is the main reason for the fall in renewals. The using of premium holiday option decreases the gross written premium, but its effect on the Insurer's profit is less significant because the premium holiday option can only be used at a later, less profitable phase of the term of the contract. Top-up and single premiums (HUF 2,035 million) were 23% higher than the previous year's top-up/single premium revenue, mainly relating to unit-linked life insurance policies. Within the total premium income, the rate of top-up/single premiums grew to 14 percent from 9 percent compared to the previous year. It's because of Gravis, the new single premium product of the Insurer implemented at the end of the previous year.

Among expenses, one of the most important item is the expenditure on claims and benefits (HUF 7,876 million) of which HUF 7,416 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 3,098 million), including HUF 2,998 million relating to the increase in life insurance reserves for unit-linked life insurance policies, HUF 110 million reserves for premium refunds independent on profit, HUF 20 million mathematical reserves, HUF 15 million unearned premium reserve and HUF 11 million outstanding claim reserves. Thus the cancellation reserves (HUF 55 million) and reserves for premium refunds dependent on profit (1 million) decreased.

The gross operating costs of the Insurer in 2015 totalled to HUF 3,563 million, of which HUF 2,458 million were acquisition costs, HUF 1,085 million were other operating costs, HUF 14 million was claim settlement costs and HUF 6 million were investment costs. The other operating costs show a further decrease, it's 7 percent lesser compared to same period of previous year.

The investment result returns a profit, amounted to HUF 86 million in 2015. After the significant yield growth in the first half of 2015, the unit-linked results fall back in the third quarter, which was partly compensated in the fourth quarter. It total, the unit-linked yield of 2015 was HUF 166 million. In the fourth quarter the slowing growth of China through the commodity market, and the growth of the interest rate in the US determined the trend of the equity market. After the third quarter significant losses, in the fourth quarter the main MSCI global stock market indices (USA, EU, Emerging Markets) closed positively. The BUX index continues to rise and closed this quarter with 14% yield. According to this, the domestic unit-linked funds had the highest yield in our funds. In the movement of capital, the most capital was invested to the funds which invest into domestic and developed markets, while the capital was subtracted from the funds, which invest in Russia. The absolute yield and actively managed funds' popularity increased, which caused a significant capital investment in these funds. The (traditional) investment result is HUF 47 million in 2015. The interest expense of financial reinsurance has a significant effect on the investment resulted by HUF 126 million loss.

In the "Reinsurance and other technical result" line, the Insurer shows the revenue from fund management fees (HUF 764 million), the pending charges (HUF 60 million) and the results of reinsurance activities (HUF -136 million).

The most significant item of the non-technical result (HUF -176 million) is the yield of the Insurer's own investments (HUF +37 million), which is decreased by the other and extraordinary result (HUF -213 million). The irrecoverable commission receivables (HUF 126 million forint) and the provision for contingent liabilities (HUF 64 million) determines the most the other and extraordinary result.

The profit before tax is HUF 723 million which is HUF 519 million higher than in 2014. It is reduced by calculated tax expenditure (HUF 35 million) and the dividends and the interest for interest-bearing shares (119 million HUF). Thus the retained profit is HUF 569 million as at 31 December 2015.

The Insurer's balance sheet total was HUF 66,430 million; its financial position is stable; the company has met its liabilities in full. The shareholders' equity was HUF 5,360 million on 31 December 2015, which ensures the solvency and operability required by law. The available solvency capital of the Insurer is HUF 4,664 million, which covers 244 percent of the minimum solvency capital.

## 4. Executive summary

In 2015 the Insurer sold regular premium life insurance policies representing an annualized premium of HUF 2,164 million, which is 2 percent higher than in the previous year. Of this, unit-linked life insurances amount to HUF 1,956 million, and HUF 208 million are traditional and group life insurances. In the previous year, the annualized premium of new sales was HUF 2,128 million, of which HUF 115 million was related to traditional and group products and HUF 2,013 million to unit-linked life insurance policies.

The Insurer terminated the cooperation agreement with its largest partner, Quantis at the end of 2014, which caused the decrease of the sales volume of unit-linked life insurances. Meanwhile the performance of the tied agent network nearly offset this loss of sales. The increase of the new sales of traditional product sales is due to the group life and accident insurance of Ministry of Interior.

### New sales<sup>1</sup>

Annualized premium of new sales (million HUF)	31.12.2015 (A)	31.12.2014 (B)	Change (A - B)
Unit-linked life insurance	1 956	2 013	- 57
Traditional and group life insurance	208	115	93
<b>Annualized premium</b>	<b>2 164</b>	<b>2 128</b>	<b>36</b>

As for life insurance policies sold in 2015, the share of the tied agent network is 54 percent, while the performance of other – constituted by independent brokers - sales channels was 45 percent in Hungary and 1 percent in Slovakia. Nearly the whole amount of the general insurances are related to independent brokers.

### Market share indicators<sup>2</sup>

	Q3 2015		Q3 2014		Q3 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	10 264	3,12%	9 675	2,89%	12 431	3,83%
On the basis of the adjusted gross written premium of life insurance policies	8 698	4,02%	8 847	4,23%	11 214	5,51%

After examining the adjusted gross written premium, with a market share of 4.02 percent, the company is with the 9. largest adjusted gross written premium on the basis of the first three quarter of 2015' data.

The Insurer made a strategic repositioning in 2014, which determined the result of 2015. On the product side the pension insurances play an important role in sales even further. One of the most important mission of the next year is to build a good quality, stable, long-term portfolio, which may be achieved by the further expansion of the tied agent network and the quick reaction to legal and market changes.

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.

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

<sup>2</sup> At the time of preparing this quarterly report, the MABISZ market data on 2015 were not yet available, thus the table shows the data for the third quarter 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 01.01.2015	New business	Closing stock on 31.12.2015
<b>Traditional life products</b>	<b>4 412</b>	<b>467</b>	<b>4 281</b>
Term life insurance	3 454	224	3 252
Endowment insurance	522	86	553
Accident and health riders <sup>3</sup>	6 429	3 486	8 811
Other life insurance	436	157	476
<b>Unit-linked life insurance</b>	<b>36 521</b>	<b>5 012</b>	<b>37 340</b>
Including: Pension insurance according to Personal Income Tax Act.	3 021	2 577	5 276
<b>Total regular-premium policies</b>	<b>40 933</b>	<b>5 479</b>	<b>41 621</b>
Unit-linked life insurance	14	111	124
Including: Pension insurance according to Personal Income Tax Act.	5	8	13
<b>Total single premium policies</b>	<b>14</b>	<b>111</b>	<b>124</b>
<b>Total life business line</b>	<b>40 947</b>	<b>5 590</b>	<b>41 745</b>

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 01.01.2015	New business	Closing stock on 31.12.2015
<b>Traditional life products</b>	<b>673 796</b>	<b>215 665</b>	<b>665 433</b>
Term life insurance	330 612	131 316	307 632
Endowment insurance	68 960	10 603	74 593
Accident and health riders	133 864	46 096	163 242
Other life insurance	140 360	27 650	119 966
<b>Unit-linked life insurance</b>	<b>18 410 569</b>	<b>2 023 489</b>	<b>18 093 635</b>
Including: Pension insurance according to Personal Income Tax Act.	960 123	730 888	1 621 306
<b>Total life business line</b>	<b>19 084 365</b>	<b>2 239 154</b>	<b>18 759 068</b>

<sup>3</sup> According to the 48/2015. (XII. 8.) MNB decree, which says the accident and health riders stock numbers are only detailed information. These numbers do not count in the total.



**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	Premiums earned
<b>Traditional life products</b>	<b>657 160</b>	<b>0</b>	<b>1 156</b>	<b>458 707</b>
Term life insurance	311 550	0	0	197 541
Endowment insurance	72 798	0	0	65 509
Accident and health riders	160 370	0	0	156 408
Other life insurance	112 442	0	0	39 249
<b>Unit-linked life insurance</b>	<b>13 985 462</b>	<b>582 173</b>	<b>1 451 484</b>	<b>11 327 288</b>
Including: Pension insurance according to Personal Income Tax Act.	2 137 753	9 008	638 530	1 153 387
<b>Total life business line</b>	<b>14 642 622</b>	<b>582 173</b>	<b>1 452 640</b>	<b>11 785 995</b>

**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	12 844

**The Insurer's costs at the end of the period in question**

thousand HUF

Description	Acquisition costs	Other operating costs	Claim settlement costs	Investment costs	Total
<b>Total life business line</b>	<b>2 458 303</b>	<b>1 084 852</b>	<b>13 614</b>	<b>5 730</b>	<b>3 562 499</b>
Of this: unit-linked life insurance	2 399 990	1 056 340	8 520	5 579	3 470 429

**The Insurer's claims paid at the end of the period in question**

thousand HUF

Description	Claims paid in current period	Expected amount of claims to be paid after the current period		
		Opening	Closing	Change
<b>Traditional life products</b>	<b>164 126</b>	<b>87 464</b>	<b>94 884</b>	<b>7 420</b>
Term life insurance	131 427	40 807	47 177	6 370
Endowment insurance	8 607	4 657	0	-4 657
Accident and health riders	23 857	42 000	47 707	5 707
Other life insurance	235	0	0	0
<b>Unit-linked life insurance</b>	<b>7 698 564</b>	<b>18 593</b>	<b>15 272</b>	<b>-3 321</b>
<b>Individual and group pension insurance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total life business line</b>	<b>7 862 690</b>	<b>106 057</b>	<b>110 156</b>	<b>4 099</b>

Description	Expected amount of claims to be paid after the current period for events that have already occurred but have not yet been reported			Claims in current year		
	Opening	Closing	Change	Payments	Claim reserve	IBNR
<b>Traditional life products</b>	<b>68 186</b>	<b>77 687</b>	<b>9 501</b>	<b>82 179</b>	<b>23 351</b>	<b>77 687</b>
Term life insurance	29 888	39 460	9 572	77 916	23 351	39 460
Endowment insurance	6	0	-6	3 949	0	0
Accident and health riders	20 977	20 668	-309	79	0	20 668
Other life insurance	17 315	17 559	244	235	0	17 559
<b>Unit-linked life insurance</b>	<b>7 061</b>	<b>4 880</b>	<b>-2 181</b>	<b>7 636 534</b>	<b>9 194</b>	<b>4 880</b>
<b>Individual and group pension insurance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total life business line</b>	<b>75 247</b>	<b>82 567</b>	<b>7 320</b>	<b>7 718 713</b>	<b>32 545</b>	<b>82 567</b>

**The average number of insurer's staff of the period**

Description	Centre (no. of staff)	Network (no. of staff)
Senior management	4	0
Administrators	53	0
Risk assessors, damage experts and loss administrators	2	0
Business employees	10	0
Insurance agent of traditional channels	0	206
<b>Total life business line</b>	<b>70</b>	<b>206</b>