



PANNÓNIA
ÁLTALÁNOS BIZTOSÍTÓ

**CIG PANNÓNIA FIRST HUNGARIAN
GENERAL INSURANCE COMPANY LTD.**

QUARTERLY INFORMATION

Q2 2016

23 Aug 2016

I. Summary

CIG Pannónia First Hungarian General Insurance Company Ltd. (hereinafter: EMABIT, Company or Insurer) publishes this report, simultaneously with the 2016 Q2 report to the stock exchange of its parent company, CIG Pannónia Life Insurance Plc. with the data disclosed, on a voluntary basis, to the Association of Hungarian Insurance Companies (MABISZ). Data provided to MABISZ are included in Annex I to the present information.

Main results and events 2016:

Description	million HUF			
	30.06.2016 (A)	30.06.2015 (B)	31.12.2015 (C)	Change (A)-(B)
Gross written premium	2 842	1 745	3 661	1 097
Technical result (without operating costs)	302	264	500	38
Operating costs	-174	-167	-370	-7
Technical result	128	97	130	31
Retained profit/loss for the year	129	86	87	43

- After the first profitable year, EMABIT continued the successful operation in 2016. As a result of this, the Company generated a HUF 302 million income as technical result in the first half of 2016. Subtracting the administration cost the technical result is HUF 128 million.
- The retained profit is HUF 129 million in the first half of 2016, which is half times higher compared to the retained profit in 2015 same period. The shareholder's equity is HUF 1,602 million as at 30 June 2016. The solvency capital adequacy of the Company is 121 percentage according to the Solvency II.
- In the first half of 2016 EMABIT generated a gross written premium of HUF 2,842 million, which is 63 percent higher than in the first half of 2015. The dynamically growing gross written premium is mainly due to casco, Italian guarantee products. The amount of new acquisitions was HUF 866 million in the first half of 2016, which came to a portfolio of HUF 2,458 million at end of the period.
- On 2 May 2016 the board of CIG Pannónia Life Insurance Plc – the owner of EMABIT – elected Ernst & Young Könyvvizsgáló Kft. as the auditor of the Insurer. The person in charge of the audit personally is Gabriella Virágh (chamber registration number: 004245)
- On the same day the board of CIG Pannónia Life Insurance Plc accepted the audited financial statements of the Company for business year 2015.

Budapest, 23 August 2016

CIG Pannónia First Hungarian General Insurance Company Ltd.

2. Financial Statements

Headlines in the Insurer's Income Statement

million HUF

Changes in profit/loss	30.06.2016 (A)	30.06.2015 (B)	31.12.2015 (C)	Change (A)-(B)
Gross written premium	2 842	1 745	3 661	1 097
Change in the unearned premium reserve (gross) (-/+)	- 819	- 328	- 532	- 491
Gross earned premium	2 023	1 417	3 129	606
Reinsurance premiums (-)	- 1 608	- 938	- 1 902	- 670
Reinsurer's share in unearned premium reserve	545	147	215	398
Net earned premium	960	626	1 442	334
Gross claim settlement expenditure	- 713	- 510	- 1 121	- 203
Gross claims paid	- 680	- 507	- 1 009	- 173
Gross changes in claim reserve	- 33	- 3	- 112	- 30
Claim settlement costs	- 42	- 42	- 86	0
Reinsurer's share of claim settlement expenditure	581	486	1 016	95
Reinsurer's share of claim payments	616	315	736	301
Reinsurers' share of reserve changes	- 35	171	280	- 206
Net claim settlement expenditure	- 174	- 66	- 191	- 108
Other changes in reserves	42	5	3	37
Acquisition costs	- 1 039	- 559	- 1 465	- 480
Changes in deferred acquisition cost	216	84	322	132
Commissions and profit shares from reinsurers	371	240	537	131
Other technical result	- 74	- 66	- 142	- 8
Technical result (without operating costs)	302	264	500	38
Operating costs	- 174	- 167	- 370	- 7
Technical result	128	97	130	31
Investment result	28	56	88	- 28
Other result	- 17	- 62	- 124	45
Profit for the period before taxes	139	91	94	48
Tax liability	- 10	- 5	- 7	- 5
Retained profit for the period	129	86	87	43

Headlines in the Insurer's Balance Sheet

million HUF

Description	30.06.2016 (A)	30.06.2015 (B)	31.12.2015 (C)	Change (A)-(B)
Intangible assets	92	77	102	15
Investments	2 264	1 970	2 209	294
Receivables	749	729	568	20
Other assets	509	435	190	74
Prepaid expenses and accrued income	984	457	751	527
Total assets:	4 598	3 668	3 820	930
Shareholders' equity	1 602	1 472	1 473	130
Technical reserves	1 613	1 159	1 313	454
Unearned premium reserve	1 162	750	889	412
a) gross amount	2 244	1 219	1 426	1 025
b) reinsurers' share of the reserve (-)	- 1 082	- 469	- 537	- 613
Outstanding claim reserves	419	344	350	75
a) gross amount	945	797	912	148
b) reinsurers' share of the reserve (-)	- 526	- 453	- 562	- 73
Premium refund reserves	3	8	18	- 5
a) gross amount	3	8	18	- 5
Other reserves	29	57	56	- 28
a) gross amount	74	97	99	- 23
b) reinsurers' share of the reserve (-)	- 45	- 40	- 43	- 5
Liabilities	1 154	760	835	394
Accrued expenses and deferred income	229	277	199	- 48
Total liabilities:	4 598	3 668	3 820	930

3. Presentation of the Insurer's financial position – the Insurer's non-audited data for 2016Q2, according to the Hungarian Accounting Act

In the first half of 2016 the Insurer realized a gross written premium of HUF 2,842 million, of which the amount of premiums transferred to the reinsurer was HUF 1,608 million, the change of the unearned premium reserve was HUF 819 million, and the reinsurer's share of the latter was HUF 545 million. The total amount of the net earned premiums was HUF 960 million. The total amount of the gross earned premium has increased by 43% (with HUF 606 million), while the total amount of the net earned premium increased by 53% (with HUF 334 million) compared to previous year, same period. This is mainly due to the uprise of the new products, launched in previous year (Italian guarantee, Polish extended warranty) and a smaller part is due to the increase of the current portfolio (casco, Polish carrier liability, property insurance products).

Within the gross written premium the composition of the portfolio was the following in the first half of 2016. The suretyship and guaranty insurances is the leading product (28%), the land vehicles comprehensive coverage (casco) the second (27%), while shipment and insurance carriers is the third largest product type (20%).

The most important item among expenses is the amount of claim settlement expenditure (HUF 174 million), which is made up of claim payments (HUF 64 million), the change of the outstanding claim reserve (HUF +68 million) and the costs of claim settlement (HUF 42 million).

The gross claim ratio decreased from 39% to 37% and the net claim ratio rose from 11% to 18% as compared to the previous year, same period. The Other reserves changed by HUF +42 million, which is mainly the release of the cancellation reserve and the decrease of reserve for premium refunds independent of profit.

The Insurer maintains relationships with several reinsurance partners. The Insurer covers its risks by reinsurance in the field of property insurance, liability insurance, carrier and transporter liability insurance, suretyship-related insurance and motor insurance. In connection with this, HUF 371 million were recognized as reinsurers' commissions and profit shares, which is HUF 131 million higher compared to the first half of 2015, due to the increased reinsurance ratio.

In the first half of 2016 the most important costs of the Insurer are the earned acquisition cost (HUF 823 million) and the operating cost (HUF 174 million). Level of acquisition costs (including deferred acquisition costs) increased by HUF 348 million (73 percentage), which is caused by the growth of the the gross written premium by HUF 606 million (43 percentage) compared to 2015 same period and the productmix shifted to the products with higher acquisition ratio. Operating costs increased by HUF 7 million (4 percentage) compared to 2015 same period, which growth is negligible compared to the growth of the gross written premium.

The "Other technical result" line (HUF 74 million loss) includes the insurance tax, the supervisory fee and the indemnification fund.

The investment result is a profit of HUF 28 million, consist of mostly interests. The Insurer can receive much lower investment result on its reserves in the current interest rate environment, compared to the previous years.

The other result line shows mainly the local tax expenses and the innovation contributions. In 2015 the Insurer recorded a significant extraordinary depreciation, which cause the remarkable difference in other result line between 2015 and 2016.

As a result of the written above, the retained profit is HUF 129 million, significantly higher (HUF 43 million) than in 2015, same period, which is caused mainly by the higher technical result.

The Insurer's balance sheet total was HUF 4,598 million at the end of June 2016; the Company has met its liabilities in full. On 30 June 2016, the shareholders' equity was HUF 1,602 million. The solvency capital adequacy of the Company is 121 percentage according to the Solvency II.

Annex I

Presentation of the portfolio of the non-life business line of the Insurer at the end of the period (number)

Description	Opening stock on 01.01.2016	New business	Closing stock on 30.06.2015
Total regular-premium policies	28 079	16 035	27 332
Institutional property insurance	75	6	75
Business Insurance (other than SMEs)	196	30	177
SMEs property insurance	393	66	420
General liability insurance	279	66	294
Professional liability insurance	914	293	698
Shipment and insurance carriers	12 041	10 092	10 710
Accident insurance	71	8	57
Sickness insurance	8	2	9
Vehicle insurance	2 141	148	2 082
Casco	11 932	5 314	12 772
Suretyship and guaranty insurance	29	10	38
Total single premium policies	11 868	17 826	23 830
Institutional property insurance	0	0	0
Business Insurance (other than SMEs)	0	33	24
SMEs property insurance	0	96	44
Other property insurance	779	150	832
General liability insurance	0	76	20
Professional liability insurance	0	3	2
Shipment and insurance carriers	6 590	13 293	16 266
Accident insurance	1	0	1
Casco	2 707	419	2 067
Suretyship and guaranty insurance	1 516	1 489	2 491
Extended warranty	275	2 267	2 083
Total	39 947	33 861	51 162

Presentation of the stock of the non-life business line of the Insurer at the end of the period

thousand HUF

Description	Opening stock on 01.01.2016	New business	Closing stock on 30.06.2016
Institutional property insurance	90 135	2 623	85 375
Business Insurance (other than SMEs)	181 464	23 874	143 863
SMEs property insurance	41 201	7 160	43 620
General liability insurance	57 559	9 214	47 895
Professional liability insurance	98 144	10 911	93 347
Shipment and insurance carriers	863 862	84 312	314 485
Accident insurance	24 637	4 053	30 792
Sickness insurance	1 291	5 362	6 437
Vehicle insurance	40 521	2 556	37 494
Casco	1 256 354	654 504	1 496 998
Suretyship and guaranty insurance	122 310	61 140	157 701
Total	2 777 478	865 709	2 458 007

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

thousand HUF

Description	Total gross written premium	Gross written premium from single premium products
Institutional property insurance	51 812	818
Business Insurance (other than SMEs)	79 652	9 833
SMEs property insurance	22 709	2 420
Other property insurance	161 029	161 029
General liability insurance	41 973	17 474
Professional liability insurance	60 586	2 180
Shipment and insurance carriers	646 800	468 228
Accident insurance	102 879	87 005
Sickness insurance	2 523	0
Vehicle insurance	18 166	0
Casco	925 184	155 890
Suretyship and guaranty insurance	599 650	516 192
Extended warranty	128 862	128 861
Total	2 841 825	1 549 930