



PANNÓNIA
ÉLETBIZTOSÍTÓ

CIG PANNÓNIA LIFE INSURANCE PLC.

QUARTERLY REPORT

ON THE BASIS OF THE
CONSOLIDATED FINANCIAL
STATEMENTS PREPARED
ACCORDING TO THE
INTERNATIONAL FINANCIAL
REPORTING STANDARDS
ADOPTED BY THE EU

Q2 2016

23 August 2016

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the first half of 2016 on this day. The Issuer publishes in this quarterly report for the first half of 2016, as required by the legislation, its consolidated, unaudited data in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The quarterly report has been prepared in accordance with the provisions of IAS 34. 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), are published by the Issuer simultaneously with the present quarterly report, in a quarterly information paper concerning the Issuer and its subsidiary, CIG Pannónia First Hungarian General Insurance Company Ltd. (hereinafter referred to as EMABIT).

Main results and events of 2016:

- The after-tax result of the Group¹ is a HUF 316 million profit in the first half of 2016, the total comprehensive income of the Group is a HUF 367 million profit. The earnings per share is HUF 5,1.

In accordance with the IFRS, the interest-bearing shares account for the lower profit compared to the previous year. Namely, the interest-bearing shares generated HUF 267 million loss in the first half of 2016 according to IFRS, of which HUF 149 million related to the effective interest expenditure which is shown in investment expenditures and there was HUF 118 million loss in change in fair value of assets and liabilities related to embedded derivatives. In the comparative period, the interest-bearing shares according to IFRS were HUF 86 million loss, thus this item is meaning HUF 353 million of the declining profit. The elimination of this effect would have grown the after-tax result with HUF 80 million compared to the same period of 2015.

- The Group's gross written premium was HUF 8,417 million in the first half of 2016 which means increase of 6% compared to the same period of previous year. There is a change though in the composition of sectors: in accordance with the IFRS, the gross written premium of the non-life segment increased by 67% compared to same period of 2015, while the decrease of the life segment was 10%.
- In the life-segment the sales activity of the tied agent network has increased by 37% compared to 2015 Q2. The performance of the other brokerage network is behind its performance of 2015 Q2. Furthermore in the first half of 2015 the new sales was also increased by a unique group policy. The sales activity of the reporting period would be 98% compared to previous year, same period, without this one-off item. This means, that the outstanding sales activity of the tied agent network is almost offsetting the decreasing performance of the other brokerage network.
- EMABIT– the non-life segment of the Group – continues to performance well, generated an IFRS gross written premium of HUF 2,755 million in the first half in 2016, the majority thereof relating to the casco, Italian guarantee and Polish freight insurance. The amount of new acquisitions was HUF 866 million in the first half of 2016, thus the Group has a non-life portfolio of HUF 2,458 million on 30 June 2016.
- In the previous quarter the Issuer developed a new product according to the “ethical life insurance” conception of the National Bank of Hungary. The “Pannónia Esszencia Befektetési Életbiztosítás” is a unit-linked life insurance product which has low cost as pension insurances. “Pannónia Primus Életbiztosítás” is belong to the new generation of traditional products and the Best Doctors health insurance product is under continuous improvement.
- On 29 April 2016 the Issuer held its annual general meeting, where they accepted the audited separate

¹ Group” or “CIG Group” covers the Issuer and its consolidated companies.

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 Issuer will be transferred to the retained earnings and no dividends will be paid.

- The general meeting decided to assign Ernst & Young Könyvvizsgáló Kft. as the auditor of the Issuer from 1 May 2016, the person in charge of the audit is Gabriella Virágh (chamber registration number: 004245).
- The available solvency capital of the Issuer is 205 percent at the end of the first quarter of 2016², which significantly exceeds the 150 percent Solvency Capital Requirement of the Supervisor Authority (which contains a 50 percentage volatility puffer). This also means, that the Solvency Capital Ratio is above the average available solvency capital level of insurance sector (209 percentage).

Events after the balance sheet date:

- The Chief Actuary of the Insurer is Tibor Edvi from 07.01.2016 – with the approval of the Supervisor Authority.

Budapest, 23 August 2016

CIG Pannónia Life Insurance Plc.

² At the time of preparing this quarterly report, the consolidated solvency capital calculations as at 30.06.2016 are in progress; the deadline for the completion of this calculation is the end of the third quarter.

2. Financial Statements

Consolidated Statement of Comprehensive Income- cumulated					data in million HUF
	2016Q1-Q2 (A)	2015Q1-Q4 (B)	2015Q1-Q2 (C)	Change (A)-(C)	
Gross written premium	8,417	17,445	7,974	443	
Changes in unearned premiums reserve	-878	-547	-382	-496	
Earned premiums, gross	7,539	16,898	7,592	-53	
Ceded reinsurance premiums	-725	-1,311	-579	-146	
Earned premiums, net	6,814	15,587	7,013	-199	
Premium and commission income from investment contracts	67	147	83	-16	
Investment income	1,126	656	3,438	-2,312	
Share of the profit of associates and joint ventures accounted for using the equity method	104	250	112	-8	
Other operating income	392	878	480	-88	
Other income	1,689	1,931	4,113	-2,424	
Total income	8,503	17,518	11,126	-2,623	
Claim payments and benefits, and claim settlement costs	-3,834	-8,070	-4,367	533	
Net change in the value of life technical reserves and unit-linked life insurance reserves	-1,090	-2,363	-3,362	2,272	
Investment expenditure	-340	-689	-246	-94	
Change in the fair value of liabilities relating to investment contracts	-30	20	-38	8	
Change in the fair value of assets and liabilities relating to embedded derivatives	-118	139	86	-204	
Investment expenses, changes in reserves and benefits, net	-5,412	-10,963	-7,927	2,515	
Fees, commissions and other acquisition costs	-1,880	-3,775	-1,668	-212	
Other operating costs	-870	-1,913	-926	56	
Operating costs	-2,750	-5,688	-2,594	-156	
Profit/loss before taxation	341	867	605	-264	
Tax income / (expenses)	-25	-43	-16	-9	
Deferred tax income / (expenses)	0	104	0	0	
Profit/loss after taxation	316	928	589	-273	
Comprehensive income, wouldn't be reclassified to profit or loss in the future	0	0	0	0	
Comprehensive income, would be reclassified to profit or loss in the future	51	-13	9	42	
Other comprehensive income	51	-13	9	42	
Total comprehensive income	367	915	598	-231	

Consolidated Statement of Comprehensive Income –cumulated data

data in million HUF

	2016Q1-Q2 (A)	2015Q1-Q4 (B)	2015Q1-Q2 (C)	Change (A)-(C)
Profit/loss after taxation attributable to the Company's shareholders	316	928	589	-273
Profit/loss after taxation attributable to NCI	0	0	0	0
Profit/loss after taxation	316	928	589	-273
Total comprehensive income attributable to the Company's shareholders	367	915	598	-231
Total comprehensive income attributable to NCI	0	0	0	0
Total comprehensive income	367	915	598	-231
Earnings per share				
Basic earnings per share (HUF)	5,1	14,9	9,5	-4,4
Diluted earnings per share (HUF)	5,1	14,9	7,6	-2,5

Consolidated Statement of Comprehensive Income- quarterly data

data in million HUF

	2016Q2 (A)	2016Q1 (B)	2015Q2 (C)	Change (A)-(C)
Gross written premium	4,358	4,059	3,838	520
Changes in unearned premiums reserve	-323	-555	15	-338
Earned premiums, gross	4,035	3,504	3,853	182
Ceded reinsurance premiums	-444	-281	-350	-94
Earned premiums, net	3,591	3,223	3,503	88
Premium and commission income from investment contracts	22	45	54	-32
Investment income	1,036	90	18	1,018
Share of the profit of associates and joint ventures accounted for using the equity method	49	55	63	-14
Other operating income	196	196	240	-44
Other income	1,303	386	375	928
Total income	4,894	3,609	3,878	1,016
Claim payments and benefits, and claim settlement costs	-1,876	-1,958	-2,087	211
Net change in the value of life technical reserves and unit-linked life insurance reserves	-1,386	296	-180	-1,206
Investment expenditure	68	-408	-13	81
Change in the fair value of liabilities relating to investment contracts	-15	-15	-3	-12
Change in the fair value of assets and liabilities relating to embedded derivatives	19	-137	89	-70
Investment expenses, changes in reserves and benefits, net	-3,190	-2,222	-2,194	-996
Fees, commissions and other acquisition costs	-933	-947	-857	-76
Other operating costs	-479	-391	-449	-30
Operating costs	-1,412	-1,338	-1,306	-106
Profit/loss before taxation	292	49	378	-86
Tax income / (expenses)	-17	-8	-8	-9
Deferred tax income / (expenses)	0	0	0	0
Profit/loss after taxation	275	41	370	-95
Comprehensive income, wouldn't be reclassified to profit or loss in the future	0	0	0	0
Comprehensive income, would be reclassified to profit or loss in the future	-37	88	-13	-24
Other comprehensive income	-37	88	-13	-24
Total comprehensive income	238	129	357	-119

Consolidated Statement of Comprehensive Income- quarterly data (continuation)				data in million HUF
	2016Q2 (A)	2016Q1 (B)	2015Q2 (C)	Change (A)- (C)
Profit/loss after taxation attributable to the Company's shareholders	275	41	370	-95
Profit/loss after taxation attributable to NCI	0	0	0	0
Profit/loss after taxation	275	41	370	-95
Total comprehensive income attributable to the Company's shareholders	238	129	357	-119
Total comprehensive income attributable to NCI	0	0	0	0
Total comprehensive income	238	129	357	-119

Consolidated Statement of Financial Position

data in million HUF

ASSETS	30.06.2016.	31.12.2015.	30.06.2015.	Change
	(A)	(B)	(C)	(A)-(C)
Intangible assets	783	852	828	-45
Property, plant and equipment	45	50	49	-4
Deferred tax assets	346	346	242	104
Deferred acquisition costs	1,128	995	916	212
Reinsurer's share of technical reserves	1,868	1,292	1,176	692
Investments in jointly controlled companies	180	326	189	-9
Available-for-sale financial assets	6,557	6,115	5,476	1,081
Investments for policyholders of unit-linked life insurance policies	54,812	53,582	54,955	-143
Financial assets - investment contracts	1,202	1,312	1,107	95
Financial assets - embedded derivatives	558	676	624	-66
Receivables from insurance policies and other receivables	2,506	2,616	2,616	-110
Other assets and prepayments	145	109	125	20
Cash and cash equivalents	1,221	1,088	1,052	169
Total assets	71,351	69,359	69,355	1,996
LIABILITIES				
Technical reserves	5,983	5,260	4,627	1,356
Technical reserves for policyholders of unit-linked insurance	54,812	53,582	54,955	-143
Investment contracts	1,202	1,312	1,107	95
Liabilities from the issue of interest-bearing shares	2,351	2,312	2,175	176
Loans and financial reinsurance	1,455	1,863	2,112	-657
Liabilities from insurance	1,338	1,039	975	363
Other liabilities and provisions	660	808	538	122
Total liabilities	67,801	66,176	66,489	1,312
NET ASSETS	3,550	3,183	2,866	684
SHAREHOLDERS' EQUITY				
Registered capital	2,531	2,531	2,531	0
Capital reserve	1,144	15,937	15,937	-14,793
Other reserves	60	9	31	29
Profit reserve	-185	-15,294	-15,633	15,448
Equity attributable to the Company's shareholders	3,550	3,183	2,866	684
Non-controlling interests	0	0	0	0
Total shareholders' equity	3,550	3,183	2,866	684

Consolidated Changes in Equity Q1-Q2 2016

data in million HUF

	Share capital	Capital reserve	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2015	2,531	15,937	9	-15,294	3,183	0	3,183
Total comprehensive income							
Other comprehensive income	0	0	51	0	51	0	51
Profit in reporting year	0	0	0	316	316	0	316
Restructuring in the Shareholders' equity	0	-14,793	0	14,793	0	0	0
Balance on 30 June 2016	2,531	1,144	60	-185	3,550	0	3,550

Consolidated Changes in Equity Q1-Q2 2015

data in million HUF

	Share capital	Capital reserve	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2014	2,531	15,937	22	-16,222	2,268	0	2,268
Total comprehensive income							
Other comprehensive income	0	0	9	0	9	0	9
Profit in reporting year	0	0	0	589	589	0	589
Balance on 30 June 2015	2,531	15,937	31	-15,633	2,866	0	2,866

Consolidated Statement of Cash Flows

data in million HUF

	2016 Q1 - Q2	2015 Q1 - Q2
Profit/loss after taxation	316	589
Modifying items		
Depreciation and amortization	141	148
Extraordinary depreciation	9	33
Booked impairment	13	41
Result of investment sales	-1	-40
Exchange rate changes	14	-30
Share of the profit or loss of associates and joint ventures	-104	-112
Changes of assets and liabilities relating to embedded derivatives, net	118	-86
Deferred tax	0	0
Interest cost	192	174
Change of active capital items:		
Increase / decrease of deferred acquisition costs (-/+)	-133	42
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	-1,229	-3,898
Increase / decrease of financial assets – investment contracts (-/+)	109	-267
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	98	320
Increase / decrease of reinsurer's share from technical reserves (-/+)	-576	-439
Increase / decrease of other assets and active accrued and deferred items (-/+)	-36	-11
Increase / decrease of technical reserves (+/-)	723	82
Increase / decrease of liabilities from insurance (-/+)	299	94
Increase / decrease of investment contracts (+/-)	-109	267
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	1,229	3,898
Increase / decrease of other liabilities (+/-)	-147	-697
Net cash flow from operating activities	926	108

Consolidated Statement of Cash Flows

data in million HUF

Cash flow from investing activities	2016 Q1 - Q2	2015 Q1 - Q2
Purchase of debt instruments(-)	-1,796	-2,585
Sales of debt instruments(+)	1,407	2,322
Purchase of tangible and intangible assets (-)	-77	-75
Sales of tangible and intangible asset (+)	0	10
Purchase of shares (-)	0	-11
Obtained dividend	250	233
Cash flow from investing activities	-216	-106
Cash flow from financing activities		
Securing loans	304	440
Repayment of loans	-765	-777
Interest payed on interest bearing shares	-111	-106
Cash flow from financing activities	-572	-443
Impacts of exchange rate changes	-5	-4
Net increase / decrease of cash and cash equivalents (+/-)	133	-445
Cash and cash equivalents at the beginning of the period	1,088	1,497
Cash and cash equivalents at the end of the period	1,221	1,052

3. Changes in accounting policies

For financial year beginning on 1 January 2016, the Group does not have new mandatory used standard which has significant influence on the structure of the Group's Financial Statements.

4. Presentation of the Issuer's financial position – consolidated and unaudited data for the first half year of 2016, on the basis of the financial reporting standards (IAS 34) adopted by the EU

The Issuer and its consolidated companies, representing together the CIG Group, deal with the sale of unit-linked life insurance, term life insurance, endowment insurance, health insurance, pension insurance, rider and general insurance, within that mainly casco freight liability and suretyship insurance and also deal with portfolio management and fund management.

The company with a decisive impact on the Group's operations remains CIG Pannónia Life Insurance Plc., as a parent company; however, the performance of EMABIT and Pannónia CIG Fund Manager Ltd. is becoming more substantial in the results of the Group.

In the first half year of 2016, the Group's gross written premium was HUF 8,417 million, which is 106 percent of the revenues generated in the same period of the previous year. Of this HUF 5,258 million are the gross written premium of unit-linked life insurance (of this HUF 1,231 million of pension insurance policies), HUF 292 million are traditional life products, HUF 112 million are health insurance policies, and HUF 2,755 million are non-life insurance.

The non-life insurance segment generated a gross written premium of HUF 2,755 million in the first half year of 2016 according to IFRS, increased by 67% compared to the previous year (HUF 1,647 million), which is mainly due to the increased sales of Italian suretyship and secondly due to the increased sales of casco portfolio. In the life segment the gross written premium from the first annual premiums of policies sold was HUF 749 million, which is a HUF 63 million decrease compared to the same period of the previous year (HUF 812 million). In the first half year of 2015 a significant unique group insurance policy also increased the new sales, this is the main reason of the fall in the first year premiums. However the premium of this contract is shown in the gross written premium of renewals in 2016. The gross written premium income from renewals was HUF 4,384 million in the first half year of 2016 in contrast to HUF 4,310 million in the same period of the previous year. The decrease of renewal premiums of policies in the previous years turned into an increase, so in the first half year it was 2% higher than in the same period of the previous year. Top-up and single premiums (HUF 529 million) were 44% of the previous year's top-up and single premiums revenue, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income- according to IFRS - of HUF 5,662 million, the rate of top-up and single premiums is 9 percent, however the profit margin of the top-up and single premiums 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 Group.

The change in unearned premium reserve in the first half year of 2016 was HUF 878 million, while the amount of ceded reinsurance premiums was HUF 725 million. The significant increase of these items is mainly due to the growth of the non-life portfolio and the higher reinsurance's proportion in non-life segment.

Unit-linked life insurance policies sold by the Issuer that do not qualify as insurance policies under IFRS are classified by the Issuer as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 67 million in total during the reporting period.

The other operating income (HUF 392 million) mainly includes the Issuer's income from fund management (HUF 328 million). Also recognized and accounted for as part of this item the income from pending charges (HUF 22 million) and income from reactivated policies (HUF 14 million), the utilization of provisions (HUF 15 million). The decrease in the other operating income is mainly caused by the decrease in the income from fund management.

Also an important item among expenses is the amount of net change in reserves (HUF -1,090 million), which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount decreased by HUF 1,228 million. Mainly due to the operation in the non-life branch, the outstanding claim reserves increased by HUF 55 million, while the cancellation reserves decreased by HUF 342 million concurrently with the decrease of the premium receivables. The reserves for premium refunds independent on profit increased by HUF 103 million, while the actuarial reserves increased by HUF 50 million.

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 3,834 million), including HUF 3,621 million related to partial or full surrender of unit-linked life insurance policies, and HUF 105 million claim settlement expenditure paid on general insurances.

The total operating cost of the Issuer was HUF 2,750 million during the first half year of 2016, of which HUF 1,880 million is related to the fees, commissions and other acquisition costs, and HUF 870 million is related to other operating costs. First year commissions show increasing tendency which is a result of opposite factors. The acquisition costs of the life segment decreased mainly due to the change in the product mix, while the non-life portfolio increased significantly, the sales was shifted toward products with higher expense ratio . The other operating costs decreased by HUF 56 million (6%) compared to the same period of the previous year (HUF 926 million).

The investment result is HUF 786 million profit, which is due to the aggregated effect of the following issues. The unit-linked yield in the first half year of 2016 was a HUF 925 million profit. During the second quarter of 2016 the outstanding achievements of the commodity markets and the almost stagnating stock markets had influence on the portfolios. In this period the raise in the American interest rate and the Brexit were constant risk factors on the market, causing uncertainty on the developed stock markets. Besides the domestic stock market stagnated in this period. Our commodity market funds and emerging market stock funds had outstanding performance, while funds investing in the eastern-european stock market performed the worst. Accordingly the most popular investments

among our clients were the commodity funds, emerging market funds and the capital-protected funds.

The investment results were negatively influenced by the interest costs of financial reinsurance, which amounted to HUF 42 million. The Issuer had HUF 52 million yield profit on its own investments in the first half year of 2016.

The interest expenditure for interest-bearing shares were HUF 149 million in the first half year of 2016 which is shown in investment expenditure, and there was HUF 118 million loss in change in fair value of assets and liabilities related to embedded derivatives, which is totally HUF 267 million loss. Changes in the Liabilities from the issue of interest bearing shares under the duration of the shares has a significant negative effect on the Issuer's results and on the capital according to IFRS, but this negative effect – except from the nominal interest payable – does not mean real expenditure for the Issuer, it represents incremental value for the owners of the interest bearing shares. At the end of the duration, when the interest bearing shares will be converted into ordinary shares, the amount of the liability (the Liabilities from the issue of interest bearing shares and the Financial assets – embedded derivatives from interest bearing shares) will be shown as capital increase, that compensates the capital decrease effect of the expenditure of interest bearing shares recognized previously.

The Issuer realized HUF 104 million profits from the result of the Pannónia CIG Fund Manager Ltd. in the first half year of 2016. This is shown in the Share of the profit of associates and joint ventures accounted for using the equity method.

As a result of all of the above, the profit before tax amounted to HUF 341 million profit (in the same period of 2015 the profit before taxation was HUF 605 million), that was reduced by the HUF 25 million tax liability. The profit after tax is HUF 316 million, that is HUF 273 million less than the profit after tax of the same period of 2015. The other comprehensive income contains the increase in the fair value of available-for-sale financial assets amounting to HUF 51 million and, thus, the total comprehensive income represents a profit of HUF 367 million in the first half year of 2016.

The Issuer's balance sheet total was HUF 71,351 million; its financial position is stable; the company has met its liabilities in full. On 30 June 2016 the shareholders' equity was HUF 3,550 million.

5. Executive summary

In the first half year of 2016 the annualized premium of the new sales of regular premium insurance policies sold by the Group is HUF 1,689 million that is 19 percent less than in the previous year. Of this HUF 750 million is from unit-linked life insurance, HUF 73 million is from traditional and group life insurance policies and HUF 866 million is from general insurance. In the previous year the annualized premium of the new sales was HUF 2,082 million, of which HUF 793 million related to unit-linked life insurance, HUF 164 million was derived from traditional and group life insurance policies and HUF 1,125 million related to general insurance.

The decrease of the unit-linked life insurance was due to the decrease of the performance of the other brokerage network, meanwhile the tied agent network outstanding performance was able to offset the loss of performance. The decrease of the new sales of traditional and group product sales is due to a significant and unique group life insurance, which increased the new sales in the first half year of 2015.

New sales³

Annualized premium of new sales (million HUF)	30.06.2016. (A)	31.12.2015. (B)	30.06.2015. (C)	Change (A - C)	Change % (A - C) / C
Unit-linked life insurances	750	1 956	793	-43	-5%
Traditional and group life insurances	73	208	164	-91	-55%
General insurances	866	1 889	1,125	-259	-23%
Total annualized premium of new sales	1,689	4 053	2,082	-393	-19%

As for life insurance policies sold in the first half year of 2016, the share of the tied agent network is 59 percent, while the performance of other – constituted by independent brokers - sales channels was 39 percent and the bank channel was 2 percent. Nearly the whole amount of the general insurances are related to independent brokers.

New sales data disclosed on a voluntary basis to the Association of Hungarian Insurance Companies (MABISZ) by the Issuer (see Annex I of Quarterly information papers) contains in life segment the increase from the reactivation of earlier cancelled policies. Contracts denominated not in Hungarian forint in the reporting of the new sales is calculated on the currency rate at the end of the period, therefore the fluctuation of euro rate can distort the comparability of the data. The management of the Issuer analyses the new sales without the effects of reactivations and exchange rate fluctuations.

³ Management information data, data in accordance with the earlier reports can be found in the annexes I of quarterly information papers which is according to Hungarian Accounting Law.

Market share indicators⁴

	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	14,642	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%
On the basis of the gross written premium of non-life insurance policies	3,661	0,85%	2,496	0,63%	5,075	1,34%

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 EMABIT gained a 0,85 percent share in non-life market in 2015.

In the first half year of 2016 the non-life segment achieved a gross written premium of HUF 2,842 million. In 2016 the share of the products in the gross written premium was somewhat changed. In the gross written premium the suretyship and guaranty insurances are the leading products (28%), the land vehicles comprehensive coverage (casco) is the second most important (27%), while the shipment and insurances carriers are the third largest product type (20%). The most important item among expenses is the amount of net 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. 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.

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. The other operating costs increased by HUF 7 million (4%) compared to the same period of 2015.

The profit after tax of the non-life segment is HUF 129 million that is significantly higher (HUF 43 million) than the result of the first half year of 2015.

⁴ At the time of preparing this quarterly report, the MABISZ market data on the first half year of 2016 were not yet available, thus the table shows the data for the fourth quarter of 2015.

6. Operating segments

The life insurance segment is represented by CIG Pannónia Life Insurance Plc., the non-life insurance segment is represented by CIG Pannónia First Hungarian General Insurance Company Ltd., and the other segments are represented by the rest of the subsidiaries of the Group.

Segment Information Q1-Q2 2016

(data in million HUF)						
ASSETS	Life insurance segment	Non-life insurance segment	Other	Q2 2016		Total
				Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	
Intangible assets	660	92	0	31	0	783
Property, plant and equipment	42	3	0	0	0	45
Deferred tax assets	0	0	0	346	0	346
Deferred acquisition costs	287	843	0	-2	0	1,128
Reinsurer's share of technical reserves	215	1,653	0	0	0	1,868
Subsidiaries	2,806	0	0	0	-2,806	0
Investments in jointly controlled companies	78	0	0	102	0	180
Available-for-sale financial assets	4,252	2,263	0	42	0	6,557
Investments for policyholders of unit-linked life insurance policies	56,014	0	0	-1,202	0	54,812
Financial assets - investment contracts	0	0	0	1,202	0	1,202
Financial assets - embedded derivatives	0	0	0	558	0	558
Receivables from insurance policies and other receivables	1,786	750	0	-30	0	2,506
Other assets and prepayments	141	141	0	-101	-36	145
Cash and cash equivalents	713	506	2	0	0	1,221
Intercompany receivables	75	0	0	0	-75	0
Total assets	67,069	6,251	2	946	-2,917	71,351

*HAL – Hungarian Accounting Law

Segment Information Q1-Q2 2016 (continuation)

(data in million HUF)						
LIABILITIES	Life insurance segment	Non-life insurance segment	Other	Q2 2016		Total
				Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	
Technical reserves	2,734	3,266	0	-17	0	5,983
Technical reserves for policyholders of unit-linked insurance	56,014	0	0	-1,202	0	54,812
Investment contracts	0	0	0	1,202	0	1,202
Liabilities from the issue of interest-bearing shares	0	0	0	2,351	0	2,351
Loans and financial reinsurance	1,455	0	0	0	0	1,455
Liabilities from insurance	357	981	0	0	0	1,338
Intercompany liabilities	0	75	1	0	-76	0
Other liabilities and provisions	702	326	2	-360	-10	660
Total liabilities	61,262	4,648	3	1,974	-86	67,801
NET ASSETS	5,807	1,603	-1	-1,028	-2,831	3,550
SHAREHOLDERS' EQUITY						
Registered capital	2,607	1,030	3	-76	-1,033	2,531
Capital reserve	2,011	2,755	0	-867	-2,755	1,144
Other reserves	0	0	0	60	0	60
Profit reserve	1,189	-2,182	-4	-145	957	-185
Total shareholders' equity	5,807	1,603	-1	-1,028	-2,831	3,550

Segment Information Q1-Q2 2016 (continuation)

COMPREHENSIVE INCOME STATEMENT	Q2 2016					
	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
(data in million HUF)						
Gross written premium	5,739	2,842	0	-77	-87	8,417
Changes in unearned premiums reserve	-59	-819	0	0	0	-878
Earned premiums, gross	5,680	2,023	0	-77	-87	7,539
Ceded reinsurance premiums	-109	-693	0	0	77	-725
Earned premiums, net	5,571	1,330	0	-77	-10	6,814
Premium and commission income from investment contracts	0	0	0	67	0	67
Investment income	1,324	54	0	-252	0	1,126
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	104	0	104
Other operating income	407	10	11	0	-36	392
Other income	1,731	64	11	-81	-36	1,689
Total income	7,302	1,394	11	-158	-46	8,503
Claim payments and benefits, and claim settlement costs	-3,963	-105	0	223	11	-3,834
Net change in the value of life technical reserves and unit-linked life insurance reserves	-892	-27	0	-171	0	-1,090
Investment expenditure	-164	-27	0	-149	0	-340
Change in the fair value of liabilities relating to investment contracts	0	0	0	-30	0	-30
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	-118	0	-118
Investment expenses, changes in reserves and benefits, net	-5,019	-159	0	-245	11	-5,412
Fees, commissions and other acquisition costs	-1,068	-822	0	0	10	-1,880
Other operating costs	-577	-275	-17	-26	25	-870
Operating costs	-1,645	-1,097	-17	-26	35	-2,750
Profit/loss before taxation	638	138	-6	-429	0	341
Tax income / (expenses)	-15	-10	0	0	0	-25
Deferred tax income / (expenses)	0	0	0	0	0	0
Profit/loss after taxation	623	128	-6	-429	0	316
Other comprehensive income	0	0	0	51	0	51
Comprehensive income	623	128	-6	-378	0	367

Comparative data to the segment information of Q1-Q2 2016 (Q1-Q2 2015)

(data in million HUF)						
ASSETS	Life insurance segment	Non-life insurance segment	Other	Q2 2015		Total
				Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	
Intangible assets	663	77	0	88	0	828
Property, plant and equipment	45	4	0	0	0	49
Deferred tax assets	0	0	0	242	0	242
Deferred acquisition costs	540	389	0	-13	0	916
Reinsurer's share of technical reserves	214	962	0	0	0	1,176
Subsidiaries	2,829	0	0	0	-2,829	0
Investments in jointly controlled companies	78	0	0	111	0	189
Available-for-sale financial assets	3,414	1,970	0	92	0	5,476
Investments for policyholders of unit-linked life insurance policies	56,061	0	0	-1,106	0	54,955
Financial assets - investment contracts	0	0	0	1,107	0	1,107
Financial assets - embedded derivatives	0	0	0	624	0	624
Receivables from insurance policies and other receivables	1,932	705	6	-27	0	2,616
Other assets and prepayments	411	70	0	-356	0	125
Cash and cash equivalents	598	430	24	0	0	1,052
Intercompany receivables	145	24	2	0	-171	0
Total assets	66,930	4,631	32	762	-3,000	69,355

*HAL – Hungarian Accounting Law

Comparative data to the segment information of Q1-Q2 2016 (Q1-Q2 2015) (continuation)

(data in million HUF)						
LIABILITIES	Life insurance segment	Non-life insurance segment	Other	Q2 2015		Total
				Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	
Technical reserves	2,518	2,122	0	-13	0	4,627
Technical reserves for policyholders of unit-linked insurance	56,061	0	0	-1,106	0	54,955
Investment contracts	0	0	0	1,107	0	1,107
Liabilities from the issue of interest-bearing shares	0	0	0	2,175	0	2,175
Loans and financial reinsurance	2,112	0	0	0	0	2,112
Liabilities from insurance	392	582	0	0	1	975
Intercompany liabilities	26	142	3	0	-171	0
Other liabilities and provisions	734	311	2	-532	23	538
Total liabilities	61,843	3,157	5	1,631	-147	66,489
NET ASSETS	5,087	1,474	27	-869	-2,853	2,866
SHAREHOLDERS' EQUITY						
Registered capital	2,607	1,030	11	-76	-1,041	2,531
Capital reserve	16,804	2,755	60	-867	-2,815	15,937
Other reserves	257	0	0	-226	0	31
Profit reserve	-14,581	-2,311	-44	300	1,003	-15,633
Total shareholders' equity	5,087	1,474	27	-869	-2,853	2,866

Comparative data to the segment information of Q1-Q2 2016 (Q1-Q2 2015) (continuation)

COMPREHENSIVE INCOME STATEMENT	Q2 2015					
	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
(data in million HUF)						
Gross written premium	6,668	1,745	0	-341	-98	7,974
Changes in unearned premiums reserve	-55	-327	0	0	0	-382
Earned premiums, gross	6,613	1,418	0	-341	-98	7,592
Ceded reinsurance premiums	-116	-551	0	0	88	-579
Earned premiums, net	6,497	867	0	-341	-10	7,013
Premium and commission income from investment contracts	0	0	0	83	0	83
Investment income	3,381	60	0	-3	0	3,438
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	112	0	112
Other operating income	509	3	10	-18	-24	480
Other income	3,890	63	10	174	-24	4,113
Total income	10,387	930	10	-167	-34	11,126
Claim payments and benefits, and claim settlement costs	-4,170	-234	0	27	10	-4,367
Net change in the value of life technical reserves and unit-linked life insurance reserves	-3,807	172	0	273	0	-3,362
Investment expenditure	-301	-5	0	60	0	-246
Change in the fair value of liabilities relating to investment contracts	0	0	0	-38	0	-38
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	86	0	86
Investment expenses, changes in reserves and benefits, net	-8,278	-67	0	408	10	-7,927
Fees, commissions and other acquisition costs	-1,180	-498	0	0	10	-1,668
Other operating costs	-616	-279	-12	-33	14	-926
Operating costs	-1,796	-777	-12	-33	24	-2,594
Profit/loss before taxation	313	86	-2	208	0	605
Tax income / (expenses)	-16	0	0	0	0	-16
Deferred tax income / (expenses)	0	0	0	0	0	0
Profit/loss after taxation	297	86	-2	208	0	589
Other comprehensive income	0	0	0	9	0	9
Comprehensive income	297	86	-2	217	0	598

7. Detailed explanation of IFRS – HAL adjustment items

A) Re-establishment of the foundation costs and useful life

On the basis of the Hungarian Accounting Act, the Group capitalized its general, non-life insurance subsidiary foundation costs. The foundation costs do not meet the criteria of the recognition of intangible assets according to the IFRS's, therefore, they were recognized as costs as incurred in the IFRS. Previously, in the case of intangible assets, the Group used valuation rates which were different from those used in Hungarian accounting, the effect of which appears as a difference.

B) Reclassification of investment contracts

On the basis of the IFRS accounting policies, the Group classifies its unit-linked policies which do not include significant insurance risk as investment contracts. It evaluates the receivables and liabilities related to investment contracts at fair value through profit or loss. In the case of investment contracts, the items of related premium, damage and commission items are recognized on the basis of IAS 39.

C) The recognition of the profit or loss of jointly controlled companies attributable to the Group

According to the Hungarian Accounting Act, it is an adjustment item calculated as the difference between the book values and market values of investments in jointly controlled companies.

D) The recognition of available-for-sale financial assets

In accordance with the IFRS accounting policy, the Group recognized the available-for-sale financial assets at fair value in other comprehensive income. The items of related exchange gain/exchange loss and prepayments are recognized on the basis of IAS 39.

E) Issue of interest-bearing shares

According to the EU IFRS's, the issued interest-bearing shares are shown as a liability until they are converted into ordinary shares on the basis of the conditions. As a result of all this, the registered capital and the capital reserve shown by the Group differ from the registered capital and the capital reserve shown according to the Hungarian Accounting Act. Until the conversion, the value recognized among liabilities is divided into a basic instrument recorded at amortized cost and into interest. Any changes in the liability are accounted for on the Investment expenses line. Two related derivative elements are separated from the basic instrument and they are recognized at fair value through profit or loss.

F) Treasury shares

According to IAS 32, point 33 and 34, the Company's treasury shares must be recognised as equity decreasing item. No profit or loss relating to purchase, sale, issue or termination of treasury shares is allowed to recognise in the consolidated statement of comprehensive income. Due to the fact that IFRS standards do not determine special disclosure criteria relating to treasury shares, the nominal value of treasury shares are recognised under separate equity line. In case of sale or reissuing of treasury shares, the equity line is decreased by the nominal value of these shares. Difference between the nominal value and countervalue modifies the capital reserve.

Differences of adjustment items of previous periods which resulted in a rearrangement within the capital

G) Recognition of the costs of capital increase

H) Share option program

I) Cost of employee share issue

Explanation of consolidation adjustment items

Shares, receivables and liabilities and income and expenses between the segments, as well as the interim profit or loss from a transaction between the segments have been eliminated during consolidation.

8. Number of employees, ownership structure

The number of employees at the Issuer was 90 on 30 June 2016.

Composition of the Issuer's share capital (30 June 2016)*

Share series	Nominal value (HUF/each)	Issued number of shares	Total nominal value (HUF)
Series „A”	40	63 283 203	2 531 328 120
of this treasury shares:	40	1 196 750	47 870 000
Series „B”	40	1 150 367	46 014 680
Series „C”	40	730 772	29 230 880
Amount of share capital	-	-	2 606 573 680

* Data according to the Hungarian Accounting Law.

Number of voting rights connected to the shares (30 June 2016)

Series of shares	Issued number of shares	Number of voting shares	Voting rights per share	Total voting rights	Number of treasury shares
Series „A”	63 283 203	62 086 453	1	62 086 453	1 196 750
Series „B”	1 150 367	1 150 367	1	1 150 367	-
Series „C”	730 772	730 772	1	730 772	-
Total	65 164 342	63 967 592		63 967 592	1 196 750

The Issuer's ownership structure (30 June 2016)

	Number of shares	Ownership stake	Voting rights
Domestic private individual	1,392,022	53.40%	53.40%
Domestic institution	1,062,845	40.78%	40.78%
Foreign private individual	12,870	0.49%	0.49%
Foreign institution	101,172	3.88%	3.88%
Nominee, foreign individual	2,320	0.09%	0.09%
Nominee, foreign institution	4,695	0.18%	0.18%
Unidentified item	30,649	1.18%	1.18%
Total	2,606,574	100.00%	100.00%

The Issuer engaged KELER Ltd. with keeping the shareholders' register. If, during the ownership verification, an account manager with clients holding CIGPANNONIA shares does not provide data regarding the shareholders, the owners of the unidentified shares are recorded as “unidentified item” in the shareholders' register.

The Issuer's investments on 30 June 2016

Name	Registered seat	The Issuer's share
CIG Pannónia First Hungarian General Insurance Company Ltd.	1033 Budapest, Flórián tér 1.	100%
Pannónia PI-ETA Funeral Service Limited Liability Company	1033 Budapest, Flórián tér 1.	100%
Pannónia CIG Fund Manager Ltd.	1072 Budapest, Nyár utca 12.	50%

9. Information published in the period

Date	Subject, short summary
06.05.2016	Summary Report
23.05.2016	The amendment to the Articles of Association of CIG Pannónia Life Insurance Plc. was registered by the Court of Registration
24.05.2016	Quarterly report, Q1 2016
31.05.2016.	Number of voting rights and the amount of registered capital at CIG Pannónia Life Insurance Plc.
30.06.2016.	Number of voting rights and the amount of registered capital at CIG Pannónia Life Insurance Plc.
06.07.2016	New chief actuary at CIG Pannónia Life Insurance Plc.
01.08.2016	The Board of Directors decided on the amendment of the Articles of Association
01.08.2016	Number of voting rights and the amount of registered capital at CIG Pannónia Life Insurance Plc.

These announcements can be found on the websites of the Issuer (www.cigpannonia.hu) and the Budapest Stock Exchange Ltd. (www.bet.hu), as well as on the website of the Hungarian National Bank (www.kozzetetelek.hu).

10. Disclaimer

The Issuer declares that the report for the Q2 2016 was not reviewed by an auditor, the report for the Q2 2016 presents a true and fair view of the assets, liabilities and financial position, as well as the profit and loss of the Issuer and the enterprises consolidated in the financial statements. The consolidated management report provides a reliable presentation of the position, development and performance of the Issuer and the companies consolidated in its accounts.

23 August 2016, Budapest

Gabriella Kádár dr.
Chief Executive Officer

Miklós Barta
Chief Financial Officer

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