



PANNÓNIA
ÉLETBIZTOSÍTÓ

CIG PANNÓNIA LIFE INSURANCE PLC.

QUARTERLY INFORMATION

Q2 2016

23 Aug 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 second quarter of 2016 separately from the present information. In the report it publishes its consolidated, unaudited data for the second 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	30.06.2016 (A)	30.06.2015 (B)	31.12.2015 (C)	Change (A - B)
Gross written premium	5 739	6 668	14 643	- 929
Technical result (without administration costs)	910	938	1 984	- 28
Administration costs	- 490	- 532	- 1 085	42
Technical result	420	406	899	14
Non-technical result	- 33	- 34	- 176	1
Dividends received from jointly controlled company	251	0	0	251
Profit before tax	638	372	723	266
Tax liability	- 15	- 16	- 35	1
Retained profit for the year	623	356	688	267

- Due to the stable technical result and the dividend received from Pannónia CIG Fund Manager Ltd. (HUF 251 million) CIG Pannónia has a significantly increasing profit in the first half of 2016. The gross written premium fell with 14% 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 5,739 million in the first half of 2016, which consist of mostly regular premium (HUF 5,232 million) and a smaller part is top-up/single premium (HUF 507 million). The coverage of the insurance portfolio is stable, the technical result of the Insurer in the first half of 2016 was HUF 420 million, which is 3 percent higher compared to the previous year, same period. In the first half of 2016 the Insurer's profit before tax is HUF 638 million, which is 172% percent of the previous year, same period. The retained profit is HUF 623 million.
- The sales activity of the tied agent network has increased 37% compared to the first half of 2015. The other brokerage network is behind the performance in the first half of 2015. In the first half of 2015 the new sales was also increased by a unique group policy. The sales activity of the first half of 2016 was 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 offsetting the decreasing performance of the other brokerage network.
- 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 to assign 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).

- In the previous quarter the Insurer developed a new product according to the “ethical life insurance” conception of the National Bank of Hungary. “Pannónia Esszencia Befektetési Életbiztosítás” is a unit-linked life insurance product which has low cost as pension insurances. “Pannónia Primus Életbiztosítás” belongs to the new generation of traditional products and the Best Doctors health insurance product is under continuous improvement.
- The available solvency capital of the Company is 233 percent at 30 June 2016, 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 the 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. Financial Statements

Headlines in the Insurer's Income Statement

Description	<i>million HUF</i>			
	30.06.2016 (A)	30.06.2015 (B)	31.12.2015 (C)	Change (A - B)
Gross written premium	5 739	6 668	14 643	- 929
Gross acquisition costs	- 958	- 994	- 2 163	36
Changes in deferred acquisition costs	- 93	- 136	- 296	43
Claims and benefits	- 3 993	- 4 212	- 7 876	219
Gross changes in reserves	- 964	- 3 895	- 3 098	2 931
Technical investment result	907	3 118	86	- 2 211
Administration costs	- 490	- 532	- 1 085	42
Reinsurance and other technical result	272	389	688	- 117
Technical result	420	406	899	14
Non-technical and investment result	- 33	- 34	- 176	1
Dividends received	251	0	0	251
Profit before tax	638	372	723	266
Tax liability	- 15	- 16	- 35	1
Profit after tax	623	356	688	267

Headlines in the Insurer's Balance Sheet

Description	<i>million HUF</i>			
	30.06.2016 (A)	30.06.2015 (B)	31.12.2015 (C)	Change (A - B)
Intangible assets	660	663	696	- 3
Investments	7 141	6 345	6 774	796
Investments performed for policyholders of unit-linked life insurance	56 014	56 061	54 894	- 47
Receivables	1 421	1 749	1 945	- 328
Other assets	964	937	1 152	27
Prepaid expenses and accrued income	931	1 128	969	- 197
Total assets	67 131	66 883	66 430	248
Shareholders' equity	5 983	5 087	5 360	896
Technical reserves	2 518	2 304	2 738	214
Technical reserves for policy holders of unit-linked life insurance	56 014	56 061	54 894	- 47
Provisions	49	0	64	49
Liabilities	701	877	1 274	- 176
Accrued expenses and deferred income	1 866	2 554	2 100	- 688
Total liabilities	67 131	66 883	66 430	248

3. Presentation of the Insurer's financial position – the Insurer's unaudited and unconsolidated data for 2016 Q2, according to the Hungarian Accounting Act

In the reporting period, the Insurer's gross written premium was HUF 5,739 million, which is 86 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 5,335 million (including HUF 1,236 million gross written premium from pension insurance), the gross written premium from traditional life products amounted to HUF 292 million and the gross written premium from health insurance policies amounted to HUF 112 million.

The gross written premium from the first annual premiums of policies sold was 802 million, which is a 6 percent decrease compared to the previous year, same period (858 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 1 percent, which is an improvement compared to the previous year, same period's 10 percent decrease. The gross written premium income from renewals was 4,430 million in the first half of 2016, in contrast to HUF 4,456 million in previous year, same period. Top-up and single premiums (HUF 506 million) were 37% of the previous year's top-up/single premium revenue. Within the total premium income, the rate of top-up/single premiums fall to 9 percent from 21 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 3,993 million) of which HUF 3,844 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 964 million), including HUF 1,120 million unit-linked life insurance reserves, HUF 111 million reserves for premium refunds independent on profit, HUF 50 million mathematical reserves, HUF 59 million unearned premium reserve and HUF 6 million outstanding claim reserves. Thus the cancellation reserves (HUF -376 million) and the reserves for premium refunds depending on profit (HUF -6 million) decreased.

The Insurer had an acquisition costs (with the deferred acquisition costs) of HUF 1,051 million, 7% less than in the first half of 2015. The administration costs show an 8% decrease, compared to previous year, same period.

The investment result amounted to HUF 907 million profit in the first half of 2016 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 investment among our clients were the commodity funds, emerging market funds and the capital-protected funds.

The investment result of (traditional) technical reserves amounted to HUF 24 million in the first half of 2016. The financial reinsurance interest expenditure had a significant effect on the investment result with a HUF 42 million.

In the "Reinsurance and other technical result" line, the Insurer shows the revenue from fund management fees (HUF 328 million), the pending charges (HUF 22 million) and the results of reinsurance activities (HUF -67 million). The decrease compared to the first half of 2015 is caused by the decrease of the revenue from fund management fees.

The non-technical result (HUF +218 million) is the received dividend (HUF 251 million) and the other result (HUF -33 million) which consists of mostly local tax expenses and the innovation contributions.

The profit before tax is HUF 638 million which is HUF 267 million higher than in 2015, same period. It is reduced by the calculated tax expenditure (HUF 15 million). Thus the retained profit is HUF 623 million as at 30 June 2016.

The Insurer's balance sheet total was HUF 67,131 million; its financial position is stable; the company has met its liabilities in full. The shareholders' equity was HUF 5,983 million on 30 June 2016.

4. Executive summary

In the first half of 2016 the Insurer sold regular premium life insurance policies representing an annualized premium of HUF 823 million, which is 14 percent lower than in the previous year, same period. Of this, unit-linked life insurances amount to HUF 750 million, and HUF 73 million are traditional and group life insurances. In the previous year, the annualized premium of new sales was HUF 957 million, of which HUF 164 million was related to traditional and group products and HUF 793 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 decrease of the new sales of traditional and group product sales is due to a unique group life and accident insurance, which increased the new sales in 2015 Q1.

New sales¹

Annualized premium of new sales (HUF millions)	30.06.2016 (A)	30.06.2015 (B)	31.12.2015 (C)	Change (A - B)	Change % (A - B) / B
Unit-linked life insurance	750	793	1 956	- 43	- 5%
Traditional and group life insurance	73	164	208	- 91	- 55%
Annualized premium	823	957	2 164	- 134	- 14%

As for life insurance policies sold in the first half 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.

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 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 which has a low cost as pension insurances. "Pannónia Primus Életbiztosítás" belongs to the a new generation of traditional products and Best Doctors health insurance product is under continuous improvement. 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 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 30.06.2016
Death insurance	3 151	111	3 078
Endowment insurance	550	86	598
Indexed or unit-linked life insurance	31 911	991	30 869
Health Insurance	476	224	656
Pension Insurance according to the Personal Income Tax Act.	5 283	959	6 047
Credit protection insurance	233	1	233
Group loan collateral life insurance	1	0	1
Group life insurance	16	4	20
Total regular-premium policies	41 621	2 376	41 502
Indexed or unit-linked life insurance	111	40	140
Pension Insurance according to the Personal Income Tax Act.	13	4	17
Total single premium policies	124	44	157
Total life business line	41 745	2 420	41 659
Accident and sickness riders linked to life insurance	8 811	1 391	9 549

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

Description	thousand HUF		
	Opening stock on 01.01.2016	New business	Closing stock on 30.06.2016
Death insurance	189 297	8 176	186 282
Endowment insurance	89 056	14 591	98 771
Indexed or unit-linked life insurance	16 508 008	515 082	15 811 607
Health Insurance	119 966	28 632	134 851
Pension Insurance according to the Personal Income Tax Act.	1 657 086	274 621	1 893 502
Credit protection insurance	72 201	62	72 417
Group loan collateral life insurance	112	0	565
Group life insurance	123 343	3 358	126 605
Total life business line	18 759 068	844 522	18 324 600
Accident and sickness riders linked to life insurance	163 242	24 397	177 077

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	
		Gross written premium from single premium products	Top-up gross written premium
Death insurance	91 061	0	2 004
Endowment insurance	54 929	0	7 801
Indexed or unit-linked life insurance	4 128 867	123 222	9 016
Health Insurance	58 217	0	0
Pension Insurance according to the Personal Income Tax Act.	1 251 950	4 470	361 896
Credit protection insurance	27 496	0	-2 168
Group loan collateral life insurance	3 372	0	0
Group life insurance	122 834	0	0
Total life business line	5 738 727	127 692	378 548
Accident and sickness riders linked to life insurance	82 455	0	0

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	21 111