



PANNÓNIA
ÉLETBIZTOSÍTÓ
PANNÓNIA INSURERS

QUARTERLY INFORMATION

Q1 2017

23 May 2017

I. Summary

The purpose of this information is to publish the data of CIG Pannónia Life Insurance Plc., CIG Pannónia First Hungarian General Insurance Company Ltd., Pannónia Life Insurance cPlc., Pannónia General Insurance cPlc. 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), simultaneously with the quarterly report, in a quarterly information paper. Data provided to MABISZ are included in Annex I-IV to the present information.

The CIG Pannónia Life Insurance Plc. publishes its report on the first quarter of 2017 separately from the present information. In the report it publishes its consolidated, unaudited data for the first quarter of 2017 in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU as required by the law.

Main results and events of Q1 2017:

- According to the contract between CIG Pannónia Life Insurance Plc, CIG Pannónia First Hungarian General Insurance Company Ltd and VKB, the closing conditions of the contract of purchasing MKB General Insurance cPlc and MKB Life Insurance cPlc were fulfilled on 1 January 2017. The acquisition was registered by the Registry Court in case of the Issuer on 18 January 2017 and in case of the Issuer's subsidiary on 25 January 2017 and thus the CIG Group acquired 98.98% of MKB General Insurance cPlc and 98.97% of MKB Life Insurance cPlc as at 1 January 2017.
- On 9th March 2017 the Board of Directors of the Company decided on submitting a resolution proposal to the General Meeting on transformation in the form of merger by acquisition. According to the proposal MKB Life Insurance cPlc. will be merged by acquisition into the Company. At the same time the Board of the Directors of CIG Pannónia First Hungarian General Insurance Ltd. (hereinafter: „EMABIT”)- the subsidiary of the Company – also submits a proposal to its founder on the merger by acquisition of MKB General Insurance cPlc. into EMABIT. The Company and the EMABIT prepared the documents that are deemed necessary to the transformation – specifically the draft term of transformation, the merger agreement, the draft statements of assets and liabilities and draft inventory of holdings – and have carried out the audit of this documents. The Board of Directors proposes that the form of the transformation shall be simplified according to the section 29 of the Act CLXXVI of 2013 on the Transformation, Merger and Division of Legal Entities. The Board of Directors proposed 31 December 2016 as the balance sheet date of the draft statements of assets and liabilities and draft inventory of holdings, and proposes 30 June 2017 as the planned date of transformation.
- The General Meetings of MKB Insurance Companies decided on 24th March 2017 to change the name of the companies. The name of MKB Life Insurance cPlc. was changed to Pannónia Life Insurance cPlc. and the name of MKB General Insurance cPlc. to Pannónia General Insurance cPlc.
- The general meeting of Pannónia General Insurance cPlc. that is owned through majority ownership by EMABIT decided on 31 March 2017 to transfer the home insurance, condominium insurance and compulsory vehicle liability insurance portfolio to Aegon Hungary General Insurance cPlc. with the effect from the date of the supervisory authorization. One step of the integration process of Pannónia Insurance Companies is the portfolio adjustment and the withdraw from compulsory vehicle liability insurance segment. According to its business strategy EMABIT focuses on those niche markets where it can provide competitive products and services to its clients. Considering this, the general meeting of Pannónia General Insurance cPlc. decided to sell the above mentioned portfolio. The authorisation is in progress.
- Pannónia General Insurance cPlc restructured significantly its reinsurance structure in order to moderate the risks arising from the existing portfolio and decrease the expected losses. The Insurer concluded so called adverse development cover contracts on the portfolio obtained in the previous years.

- The review of the product structure is in progress in case of Pannónia Life Insurance, too. The products that generate profit and fall within the target market segment of Pannónia Group¹ (hereinafter: Group) will be sold in the future, too. In case of other products the goal is to maintain and serve the existing portfolio.
- The Consortium of the CIG Pannónia Life Insurance Plc and Pannónia Pension Fund has made the winning bid of the tender on the transfer of the insurance portfolio of DIMENZIÓ Kölcsönös Biztosító és Öngéylező Egyesület in February 2017. The contract needed to finalise the transfer was concluded the transfer of the insurance portfolio will be conducted after obtaining the necessary official authorizations. The transfer is planned to be carried out in the second quarter of this year. The Insurer will take over the portfolio of life insurance products with more than HUF 2 billion technical reserves and the portfolio of ongoing life annuities from supplementary pension products with additional HUF 0.4 billion technical reserves.

Events after the balance sheet date:

- CIG Pannónia Life Insurance Plc. concluded a strategic cooperation agreement with MKB Bank cPlc. on 11 April 2017. According to the agreement, the two companies conclude a long-term cooperation, the pension and life insurance products of CIG Pannónia will be sold in the branches of MKB Bank, while the agents of CIG Pannónia will also sell the products of MKB Bank to the clients. With the strategic cooperation of CIG Pannónia and MKB Bank the mutually beneficial cooperation between the companies will continue to strengthen.
- On 13 April 2017 the general meetings of CIG Pannónia First Hungarian General Insurance Ltd and Pannónia General Insurance cPlc. decided on the merger by acquisition of Pannónia General Insurance cPlc. into CIG Pannónia First Hungarian General Insurance cPlc. with the effect from the date of the supervisory authorization. After the merger by acquisition Pannónia General Insurance cPlc. will be terminated and all its assets and liabilities shall be transferred to CIG Pannónia First Hungarian General Insurance cPlc. by way of universal succession. After the transformation the form of CIG Pannónia First Hungarian General Insurance cPlc. remains unchanged, it will continue its operation as a private limited company. MKB Bank cPlc as the minority shareholder of Pannónia General Insurance cPlc. submitted a statement to the Board of Directors of CIG Pannónia First Hungarian General Insurance cPlc. on the decision that it wishes not to be a shareholder of the successor (merged) company and it requests the payment for its share according to the draft terms of transformation.
- On 24 April 2017 the General Meeting of the Company approved the transformation plan of the Company, the draft terms of the merger by acquisition with its annexes, in particular the draft statements of assets and liabilities and the draft inventory of assets, the report of the auditor and the merger agreement. The General Meeting determined 30 June 2017 as the date of the transformation. The type of the transformation is merger by acquisition, which means that MKB Life Insurance cPlc. merges into CIG Pannónia Life Insurance Plc. by acquisition.
- Parallel with the legal merger, the change of IT systems and the migration of policies in the insurance registration systems of CIG Pannónia has been started. The first step is that the claim settlement of non-life insurances have been done in the systems of CIG Pannónia since 1st May 2017. In line with the IT migration the harmonisation of the operation and the merger of the operating areas are also in progress.
- The owners of Pannónia Insurance Companies approved the companies' audited annual report and business report for the financial year 2016, prepared according to the Hungarian Accounting Act, and the General Meeting of CIG Pannónia held on 24 April 2017 approved the Company's audited, consolidated financial statements and consolidated business report for the financial year 2016,

¹ Group, or CIG Group is referred as the Insurer and its consolidated companies.

prepared according to the international financial reporting and accounting standards accepted by the European Union

- The General Meeting appointed Ernst & Young Audit LLC (chamber registration number: 001165) until the closure of the financial year 2017 and personally responsible auditor Gabriella Virágh (chamber registration number: 004245) as the statutory auditor of the Company.
- The General Meeting appointed Mrs Imre Fekete as a member of the Supervisory Board and Audit Committee of the Company for a three years period and Mr Benedek Sándor as a member of the Supervisory Board for a five years period with the effect from the date of the authorization of the National Bank of Hungary.

Budapest, 23 May 2017

2. Financial statements of CIG Pannónia Life Insurance Plc.

Headlines in the Insurer's Income Statement

million HUF

Description	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A - B)
Gross written premium	2 765	2 755	13 535	10
Gross acquisition costs	-481	-448	- 2 176	-33
Changes in deferred acquisition costs	36	-66	68	102
Claims and benefits	-2 109	-1 955	8 000	-154
Gross changes in reserves	-1 961	258	5 734	-2 219
Technical investment result	2 029	-257	3 738	2 286
Administration costs	-259	-244	1 020	-15
Reinsurance and other technical result	220	133	674	87
Technical result	240	176	949	64
Non-technical and investment result	-22	-16	105	-6
Dividends received	0	250	251	-250
Profit before Tax	218	410	1 095	-192
Tax liability	-8	-5	30	-3
Profit after Tax	210	405	1 065	-195

Headlines in the Insurer's Balance Sheet

million HUF

Description	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A - B)
Intangible assets	754	677	746	77
Investments	7 109	6 902	6 446	207
Investments performed for policyholders of unit-linked life insurance	62 537	54 749	60 317	7 788
Receivables	1 497	1 462	2 484	35
Other assets	1 423	1 149	1 532	274
Prepaid expenses and accrued income	1 051	1 233	991	- 182
Total assets	74 371	66 172	72 516	8 199
Shareholders' equity	6 635	5 765	6 426	870
Technical reserves	2 746	2 547	3 033	199
Unearned premium reserve	104	128	119	- 24
a) gross amount	137	248	171	- 111
b) reinsurers' share of the reserve (-)	- 33	- 120	- 52	87
Actuarial reserves	450	357	442	93
a) gross amount	451	357	442	94
b) reinsurers' share of the reserve (-)	- 1	-	-	1
Outstanding claim reserves	79	117	73	- 38
a) gross amount	241	223	188	18
b) reinsurers' share of the reserve (-)	- 162	- 106	- 115	- 56
Premium refund reserves	8	884	5	- 876
a) gross amount	8	884	5	- 876
b) reinsurers' share of the reserve (-)	-	-	-	-
Other reserves	2 105	1 061	2 394	1 044
a) gross amount	2 105	1 061	2 394	1 044
b) reinsurers' share of the reserve (-)	-	-	-	-
Technical reserves for policyholders of unit-linked life insurance policies	62 537	54 749	60 316	7 788
Provisions	43	49	43	- 6
Liabilities	776	1 118	1 033	- 342
Accrued expenses and deferred income	1 634	1 944	1 665	- 310
Total liabilities	74 371	66 172	72 516	8 199

In the reporting period, the Insurer's gross written premium was HUF 2,765 million, which is the same performance achieved in the previous year, same period. Within this, the gross written premium from unit-linked life insurance amounted to HUF 2,621 million (including HUF 678 million gross written premium from pension insurance), the gross written premium from traditional life products amounted to HUF 88 million and the gross written premium from health insurance policies amounted to HUF 56 million.

New sales

Annualized premium of new sales (million HUF)	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A - B)	Change % (A - B) / B
Unit-linked life insurance	406	321	1 799	85	26%
Traditional and group life insurance	42	29	182	12	43%
Annualized premium	448	351	1 981	97	28%

As for life insurance policies sold in 2017 first quarter, the share of the tied agent network is 55 percent, while the performance of broker channel was 44 percent and the bank channel was 1 percent.

The gross written premium from the first annual premiums of policies sold was HUF 393 million, which is a 21 percent increase compared to the previous year, same period (351 million).

The renewal premiums of policies concluded in the previous years have decreased by 6 percent, which is slightly worse compared to the previous year's 3 percent decrease. The gross written premium income from renewals was 2,104 million in 2017 first quarter, in contrast to HUF 2,236 million in previous year, same period. Top-up and single premiums (HUF 267 million) were 160% of the previous year's top-up/single premium revenue, totalled to HUF 267 million. Within the total premium income, the rate of top-up/single premiums increased to 10 percent from 6 percent compared to the previous year, same period.

Among expenses, one of the most important item is the expenditure on claims and benefits (HUF 2,109 million) of which HUF 1,930 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 1,961 million). The HUF 2,220 million unit-linked life insurance reserves, the other technical reserves (HUF 37 million), the outstanding claim reserves (HUF 53 million), mathematical reserves (HUF 8 million) and reserves for premium refunds depending on profit (HUF 3 million) increased. Thus the cancellation reserves (HUF -326 million), and the unearned premium reserves (HUF -34 million) were decreased. The expected payment of customer loyalty bonuses, which was accounted as reserves for premium refunds independent on profit earlier, is showed from the end of 2016 in the other technical provision line.

The Insurer had an acquisition cost (with the deferred acquisition costs) of HUF 445 million, 13% less than in 2016, same period, resulted mainly from the lower acquisition cost ratio of ethical products. The other administration costs show a minor increase (HUF 15 million), compared to previous year, same period.

The investment result amounted to HUF 2,029 million profit in 2017 which is due to the aggregated effect of the following issues. The unit-linked yield in 2017 was a HUF 2,023 million profit. During the first quarter of 2017 stock markets overperformed the bond market instruments, while the raw material market investments had registered negative yield. On the developed stock markets Europe and the USA could rise in a tie, while Japanese stocks suffered a minimal decrease. There was a significant dissention on the developing markets: Indian, Latin-American and Eastern-European shares showed around 10% increase, while the Russian market suffered a 10% devaluation in the period. So the fund investment in Indian-, Latin-American- and developing markets reached the highest yields, and this products were the favourite items of the clients.

The investment result of (traditional) technical reserves amounted to HUF 20 million in 2017, first quarter. The financial reinsurance interest expenditure had a significant effect on the investment result with a HUF 14 million.

In the "Reinsurance and other technical result" line, the Insurer shows the revenue from fund management fees (HUF 217 million), the pending charges (HUF 15 million), the results of reinsurance activities (HUF -2 million) and the other technical result (HUF -10 million). The change compared to 2016, first quarter is caused by the higher fund management fees.

The non-technical result is the other result (HUF -15 million) which consists of mostly local tax expenses and the innovation contributions.

The profit before tax is HUF 218 million which is HUF 192 million lower than in 2016 same period. It is caused by dividend received, which was paid in 2016 first quarter by the Pannónia CIG Fund Manager cPlc., but in 2017, the general meeting of Pannónia CIG Fund Manager Ltd. decided to pay dividend in second quarter. The tax expenditure is HUF 8 million in the first quarter. Thus the retained profit is HUF 210 million as at 31 March 2017, which is significantly, 35 percentage higher (HUF 155 million) compared to 2016 same period result without dividend.

The Insurer's balance sheet total was HUF 74,371 million; its financial position is stable; the company has met its liabilities in full. The shareholders' equity was HUF 6,635 million on 31 March 2017.

The available solvency capital of the Company is 289 percent at 31 March 2017, which significantly exceeds the 150 percent Solvency Capital Requirement of the Supervisor Authority (which contains a 50 percentage volatility puffer).

3. Financial statements of CIG Pannónia First Hungarian General Insurance Ltd.

Headlines in the Insurer's Income Statement

million HUF

Changes in profit/loss	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A)-(B)
Gross written premium	1 571	1 426	5 934	145
Change in the unearned premium reserve (gross) (-/+)	- 128	- 464	- 1 375	336
Gross earned premium	1 443	962	4 559	481
Reinsurance premiums (-)	- 924	- 745	- 3 213	- 179
Reinsurer's share in unearned premium reserve	141	255	789	- 114
Net earned premium	660	472	2 135	188
Gross claim settlement expenditure	- 663	- 334	- 1 792	- 329
Gross claims paid	- 438	- 309	- 1 379	- 129
Gross changes in claim reserve	- 225	- 25	- 413	- 200
Claim settlement costs	- 24	- 22	- 94	- 2
Reinsurer's share of claim settlement expenditure	572	271	1 423	301
Reinsurer's share of claim payments	363	277	1 215	86
Reinsurers' share of reserve changes	209	- 6	208	215
Net claim settlement expenditure	- 115	- 85	- 463	- 30
Other changes in reserves	10	8	12	2
Acquisition costs	- 574	- 476	- 2 353	- 98
Changes in deferred acquisition cost	- 8	94	566	- 102
Commissions and profit shares from reinsurers	241	174	802	67
Other technical expenses	- 54	- 43	- 157	- 11
Technical result (without operating costs)	160	144	542	16
Operating costs	- 87	- 87	- 349	-
Technical result	73	57	193	16
Investment result	18	12	97	6
Other result	- 6	- 12	- 78	6
Profit/loss for the year before taxes	85	57	212	28
Tax	- 5	- 3	- 9	- 2
Profit after tax	80	54	203	26

Headlines in the Insurer's Balance Sheet

million HUF

Description	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A)-(B)
Intangible assets	74	88	80	- 14
Investments	2 569	2 239	2 280	330
Receivables	575	702	943	- 127
Other assets	744	368	376	376
Prepaid expenses and accrued income	1 365	882	1 340	483
Total assets:	5 327	4 279	5 019	1 048
Shareholders' equity	1 756	1 527	1 676	229
Technical reserves	2 087	1 546	2 092	541
Unearned premium reserve	1 463	1 098	1 475	365
a) gross amount	2 929	1 890	2 801	1 039
b) reinsurers' share of the reserve (-)	- 1 466	- 792	- 1 326	- 674
Outstanding claim reserves	572	382	556	190
a) gross amount	1 550	937	1 326	613
b) reinsurers' share of the reserve (-)	- 978	- 555	- 770	- 423
Premium refund reserves	-	4	-	- 4
a) gross amount	-	4	-	- 4
b) reinsurers' share of the reserve (-)	-	-	-	-
Other reserves	52	62	61	- 10
a) gross amount	104	109	111	- 5
b) reinsurers' share of the reserve (-)	- 52	- 47	- 50	- 5
Liabilities	1 239	989	1 005	250
Accrued expenses and deferred income	245	217	246	28
Total liabilities:	5 327	4 279	5 019	1 048

In 2017 first quarter the Insurer realized a gross written premium of HUF 1,571 million, of which the amount of premiums transferred to the reinsurer was HUF 924 million, the change of the unearned premium reserve was HUF 128 million, and the reinsurer's share of the latter was HUF 141 million. The total amount of the net earned premiums was HUF 660 million. The total amount of the gross earned premium has increased by 50% (with HUF 481 million), while the total amount of the net earned premium increased by 40% (with HUF 188 million) compared to previous year, same period. This is mainly due to the further development of products (Italian guarantee, Polish extended warranty, carrier liability, property insurance products).

Within the gross written premium the composition of the portfolio was the following in 2017. The land vehicles comprehensive coverage (casco) is the leading products (35%), the shipment and insurance carriers are the second (24%), while the suretyship and guaranty insurances are the third largest product type (17%).

The most important item among expenses is the amount of claim settlement expenditure (HUF 115 million), which is made up of claim payments (HUF 75 million), the change of the outstanding claim reserve (HUF 16 million) and the costs of claim settlement (HUF 24 million). The gross claim ratio changed from 39% to 48% and the net claim ratio changed from 18% to 17% as compared to the previous year. The increasing gross claim ratio is caused by a reserve change because of an Italian suretyship claim, which is almost 100% reinsured. The Other reserves changed by HUF +10 million, which is mainly due to the release of the probable future losses reserve.

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 241 million were recognized as reinsurers' commissions and profit shares, which is HUF 67 million higher compared to 2016, same period, due to the increasing portfolio and the better claim ratio of the products.

In 2017 the most important costs of the Insurer are the earned acquisition cost (HUF 582 million) and the operating cost (HUF 87 million). Level of acquisition costs (including deferred acquisition costs) increased by HUF 200 million (52 percentage), which is caused by the growth of the the gross earned premium by HUF 481 million (50 percentage) compared to 2016, same period. Operating costs did not changed compared to 2016 same period.

The "Other technical result" line (HUF 54 million loss) includes the insurance tax, the supervisory fee and settlements of the indemnification fund. The investment result is a profit of HUF 18 million, consist of mostly interests and similar income.

The other result line shows mainly the local tax expenses (HUF 12 million), innovation contributions (HUF 2 million) and the supervisory penalty (HUF 20 million) as expenditures and the release of the impairment of previous year (HUF 28 million) as income.

As a result of the written above, the retained profit is HUF 80 million, which is HUF 26 million (54%) better, compared to 2016, same period.

The Insurer's balance sheet total was HUF 5,327 million at the end of March 2017; the Company has met its liabilities in full. On 31 March 2017, the shareholders' equity was HUF 1,756 million. The solvency capital adequacy of the Company as at 31 March 2017 is 180 percentage according to the Solvency II.

4. Financial statements of Pannónia Life Insurance cPlc.

Headlines in the Insurer's Income Statement

million HUF

Description	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A - B)
Gross written premium	1 265	1 623	4 045	-358
Gross acquisition costs	-73	-85	-426	12
Changes in deferred acquisition costs	-11	5	0	-16
Claims and benefits	-900	-799	-2 576	-101
Gross changes in reserves	-323	-821	-1 442	498
Technical investment result	141	155	605	-14
Administration costs	-125	-150	-716	25
Reinsurance and other technical result	-1	-3	-5	2
Technical result	-27	-75	-515	48
Non-technical and investment result	9	19	-18	-10
Profit before tax	-18	-56	-533	38
Tax liability	0	0	0	0
Profit after tax	-18	-56	-533	38

Headlines in the Insurer's Balance Sheet

million HUF

Description	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A - B)
Intangible assets	24	79	30	-55
Investments	5 548	5 177	5 386	371
Investments performed for policyholders of unit-linked life insurance	8 201	8 219	8 230	-18
Receivables	92	48	80	44
Other assets	471	308	163	163
Prepaid expenses and accrued income	251	274	200	-23
Total assets	14 587	14 105	14 089	482
Shareholders' equity	1 003	1 498	1 021	-495
Technical reserves	4 832	3 867	4 481	965
Unearned premium reserve	269	208	258	61
a) gross amount	269	208	258	61
b) reinsurers' share of the reserve (-)	0	0	0	0
Actuarial reserves	4075	3188	3814	887
a) gross amount	4075	3188	3814	887
b) reinsurers' share of the reserve (-)	0	0	0	0
Outstanding claim reserves	368	353	304	15
a) gross amount	368	356	304	12
b) reinsurers' share of the reserve (-)	0	-3	0	3
Premium refund reserves	69	85	90	-16
a) gross amount	69	85	90	-16
b) reinsurers' share of the reserve (-)	0	0	0	0
Other reserves	51	33	15	18
a) gross amount	51	33	15	18
b) reinsurers' share of the reserve (-)	0	0	0	0
Technical reserves for policyholders of unit-linked life insurance policies	8 201	8 219	8 230	-18
Provisions	7	0	12	7
Liabilities	435	408	261	27
Accrued expenses and deferred income	109	113	84	-4
Total liabilities	14 587	14 105	14 089	482

In the reporting period, the Insurer's gross written premium was HUF 1,265 million, which is HUF 358 million lower compared to the previous year, same period. This is caused by the single unit-linked premiums decrease, which is HUF 456 million lower compared to 2016, first quarter (from HUF 1,208 million to HUF 752 million). It is partly offsetted by increase in the regular-premium, which increased from HUF 415 million to HUF 513 million.

New sales

Annualized premium of new sales	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A - B)	Change % (A - B) / B
Unit-linked life insurance	109	145	2 034	-36	-25%
Traditional and group life insurance	125	115	569	10	9%
Annualized premium	234	260	2 603	-26	-10%

The gross written premium from unit-linked life insurance amounted to HUF 752 million (including HUF 178 million gross written premium from pension insurance), the gross written premium from traditional life products amounted to HUF 513 million.

Among expenses, one of the most important item is the expenditure on claims and benefits (HUF 900 million) of which HUF 673 million is related to the maturity of the unit-linked life insurance, HUF 58 million is related to the death claims of the unit-linked life insurance, HUF 35 million is related to the partial or total surrender of the unit-linked life insurance, HUF 134 million related to claim of traditional insurance policies. The low level of the partial or total surrender of unit-linked life insurance is caused by the high maturity because of the portfolio consist of mainly short time (even 1 year) single unit-linked policies.

Another significant item is the change in gross technical reserves (HUF 323 million), which is HUF 498 million higher compared to previous year, same period. The mathematical reserves (HUF 262 million), the outstanding claim reserves (HUF 65 million), other technical reserves (HUF 36 million) and the unearned premium reserves (HUF 11 million) increased, while the unit-linked life insurance reserves (HUF -30 million) and the reserves for premium refunds depending on profit (HUF -21 million) decreased.

The higher new acquisition of previous year caused the increased mathematical reserves in the current year, because the mathematical reserves of new policies is zero, and become positive in 1-2 years. The decrease of the unit-linked life insurance reserves is caused by the lower level of new acquisition than the maturity in current year.

The Insurer had an acquisition cost (with the deferred acquisition costs) of HUF 84 million, 5% more than in 2016, same period. The gross acquisition cost decreased along with the new acquisition (from HUF 85 million to HUF 73 million), despite the change of the deferred acquisition costs increased the acquisition cost of 2017. It is caused by the higher deferred acquisition costs of the new acquisition, than the amortization of the old portfolio.

The administration costs (HUF 125 million) decreased by 17 percentage, compared to previous year, same period, which is partly already the result of the integration process.

The investment result amounted to HUF 141 million profit in 2017 which is due to the aggregated effect of the following issues. The unit-linked yield in 2017 was a HUF 92 million profit.

The investment result of the traditional technical reserves is HUF 49 million profit in the first quarter of 2017. The decrease in the investment result is due to the decrease of the unrealized gain. In the first quarter of 2017, the share of the American shares decreased, due to the expectations of the new American government could cause relapse in the market. The Insurer decreased the exposure in the bondmarket in the beginning of first quarter, mainly through the decrease of the Hungarian government bond issued in USD. At the end of the first quarter, after a significant yield increase, the Insurer started to buy the long-term (10 years or more) Hungarian government bonds.

The non-technical result is mainly the investment result (HUF 11 million) and the other result (HUF -2 million) which consists of mostly local tax expenses and the innovation contributions and the release of the last year's provision.

The profit before tax is HUF 18 million loss which is HUF 38 million higher than in 2016 same period.

Thus the retained loss is HUF 18 million as at 31 March 2017.

The Insurer's balance sheet total was HUF 14,587 million; its financial position is stable; the company has met its liabilities in full. The shareholders' equity was HUF 1,003 million on 31 March 2017.

The available solvency capital of the Company is 207 percent at 31 March 2017, which significantly exceeds the 150 percent Solvency Capital Requirement of the Supervisor Authority (which contains a 50 percentage volatility puffer).

5. Financial statements of Pannónia General Insurance cPlc.

Headlines in the Insurer's Income Statement

million HUF

Changes in profit/loss	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A)-(B)
Gross written premium	1 567	1 890	6 711	-323
Change in the unearned premium reserve (gross) (-/+)	-43	-372	-307	329
Gross earned premium	1 524	1 518	6 404	6
Reinsurance premiums (-)	-3938	-953	-2 742	-2985
Reinsurer's share in unearned premium reserve	1346	151	-425	1195
Net earned premium	-1068	716	3 237	-1784
Gross claim settlement expenditure	-690	-877	-3 585	187
Gross claims paid	-764	-1153	-3 741	389
Gross changes in claim reserve	74	276	156	-202
Claim settlement costs	-105	-88	-504	-17
Reinsurer's share of claim settlement expenditure	1737	612	2 671	1125
Reinsurer's share of claim payments	692	722	3 087	-30
Reinsurers' share of reserve changes	1045	-110	-416	1155
Net claim settlement expenditure	942	-353	-1418	1295
Actuarial changes in reserves	1	0	9	1
Other changes in reserves	-122	-12	-57	-110
Acquisition costs	-305	-354	-1 360	49
Changes in deferred acquisition cost	-16	45	-37	-61
Commissions and profit shares from reinsurers	509	166	754	343
Other technical expenses	-49	-54	-210	5
Technical result (without operating costs)	-108	154	918	-262
Operating costs	-182	-184	-1060	2
Technical result	-290	-30	-142	-260
Investment result	24	18	114	6
Other result	-3	-2	-85	-1
Profit/loss for the year before taxes	-269	-14	-113	-255
Tax	0	0	0	0
Profit /loss after tax	-269	-14	-113	-255

Headlines in the Insurer's Balance Sheet

million HUF

Description	31.03.2017 (A)	31.03.2016 (B)	31.12.2016 (C)	Change (A)-(B)
Intangible assets	27	61	33	- 34
Investments	2 953	3 419	3 196	- 466
Receivables	975	570	1 844	405
Other assets	1 555	269	275	1 286
Prepaid expenses and accrued income	200	338	202	- 138
Total assets:	5 710	4 657	5 550	1 053
Shareholders' equity	1 319	1 688	1 589	- 369
Technical reserves	870	2 197	3 170	- 1 327
Unearned premium reserve	48	841	1 352	- 793
a) gross amount	1 395	1 418	1 353	- 23
b) reinsurers' share of the reserve (-)	- 1 347	- 577	- 1	- 770
Actuarial reserves	1	9	-	- 8
a) gross amount	4	15	-	- 11
b) reinsurers' share of the reserve (-)	- 3	- 6	-	3
Outstanding claim reserves	591	1 283	1 709	- 692
a) gross amount	3 052	3 006	3 126	46
b) reinsurers' share of the reserve (-)	- 2 461	- 1 723	- 1 417	- 738
Premium refund reserves	17	7	4	10
a) gross amount	17	11	7	6
b) reinsurers' share of the reserve (-)	-	- 4	- 3	4
Other reserves	213	57	105	156
a) gross amount	213	95	175	118
b) reinsurers' share of the reserve (-)	-	- 38	- 70	38
Provisions	6	-	8	-
Liabilities	1 994	450	634	1 544
Accrued expenses and deferred income	1 521	322	149	1 199
Total liabilities:	5 710	4 657	5 550	1 053

In 2017 first quarter the Insurer realized a gross written premium of HUF 1,567 million, of which the amount of premiums transferred to the reinsurer was HUF 3,938 million, the change of the unearned premium reserve was HUF 43 million, and the reinsurer's share of the latter was HUF 1,346 million. The total amount of the net earned premiums was HUF – 1,068 million. The total amount of the gross earned premium (HUF 1,524 million) is nearly equal compared to the previous year, same period (HUF 1,518 million), while the total amount of the net earned premium decreased with HUF 1,784 million compared to previous year, same period. This is mainly due to the new reinsurance structure. According to this, the reinsurance share of outstanding claim reserves as at 31.12.2016 have been transferred as reinsurance premiums in the first quarter of 2017.

The XL reinsurance and the Quota Share reinsurance remained existing covers for previous years' portfolio, which is further covered with a new reinsurance. The own retention of claims before 2017 – which are not covered with XL reinsurance – have been changed to 20% compared to the previous 60% (the previous 50% in case of general liability insurance). Since 2017, the claims are covered with a 100% Quota Share reinsurance contract. The Stop Loss reinsurance contract of previous years – related to the previous parent company, Versicherungskammer Bayern (VKB) Konzern-Rückversicherung AG – have been terminated by them.

Within the gross written premium the composition of the portfolio was the following in 2017. The gross written premium of the home insurance (28%) and the MTPL (24%) portfolio be transferred to Aegon is HUF 813 million, while the other property insurance (26%) and other motor insurance (22%) portfolio to be held is HUF 754 million).

The most important item among expenses is the amount of claim settlement expenditure (HUF - 943 million), which is made up of claim payments (HUF 98 million), claim compensation (HUF 26 million), the change of the outstanding claim reserve (HUF 1,119 million) and the costs of claim settlement (HUF 105 million). The gross claim ratio changed from 64% to 52% and the net claim ratio changed from 49% to -88% as compared to the previous year, same period. The change of the gross claim ratio is due to the run-off result of the claims before current year, the disengagement of the MTPL branch and the decreased portfolio of MTPL. The change of the net claim ratio is due to partly the change of the gross claim ratio, and the change of the reinsurance structure detailed above. The Other reserves changed by HUF +122 million, which is mainly due to the net increase of the cancellation reserve.

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 and motor insurance. In connection with this, HUF 509 million were recognized as reinsurers' commissions and profit shares, which is HUF 343 million higher compared to 2016, same period, due to the change of the reinsurance structure. While before 2017 there was a sliding-scale commission, since 2017 there is a fix commission and a profit share depending on profit.

In 2017 the most important costs of the Insurer are the earned acquisition cost (HUF 321 million) and the operating cost (HUF 182 million). Level of acquisition costs (including deferred acquisition costs) increased by HUF 12 million (4 percentage). Operating costs decreased with HUF 2 million compared to 2016, same period.

The "Other technical result" line (HUF 49 million loss) includes the insurance tax, the supervisory fee and the settlements with the indemnification fund.

The technical result is HUF 290 million loss, which is HUF 259 million lower, compared to 2016, same period. It is because of the change of the reinsurance structure. The result of the previous year is increased with HUF 159 million by the Stop loss reinsurance contract with the VKB. The Insurer signed a adverse development cover (ADC) reinsurance contract for the portfolio before 2017. The fee of the contract is HUF 140 million, which caused a single cost in 2017, first quarter, while the contract covers the probable bad claim ratio for the portfolio of previous years in the future. This will cover the Insurer against the long-term loss of the previous portolfio.

The investment result is a profit of HUF 24 million, consist of mostly interests and similar income.

The other result line shows no significant items.

As a result of the written above, the retained loss is HUF 269 million, which is HUF 254 million lower, compared to 2016, same period.

The Insurer's balance sheet total was HUF 5,710 million at the end of March 2017; the Company has met its liabilities in full. On 31 March 2017, the shareholders' equity was HUF 1,319 million. The solvency capital adequacy of the Company after restructuring the operation and reinsurance structure increased significantly, at 31 March 2017 is 139 percentage according to the Solvency II.

Annex I (CIG Pannónia Life Insurance Plc.)

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 01.01.2017	New business	Closing stock on 31.03.2017
Death insurance	2 969	35	2 902
Endowment insurance	773	113	871
Indexed or unit-linked life insurance	30 349	459	29 875
Health Insurance	885	122	955
Pension Insurance according to the Personal Income Tax Act.	7 172	539	7 593
Credit protection insurance	220	0	210
Group loan collateral life insurance	1	0	1
Group life insurance	18	1	19
Total regular-premium policies	42 387	1 269	42 426
Indexed or unit-linked life insurance	242	23	261
Pension Insurance according to the Personal Income Tax Act.	23	0	23
Total single premium policies	265	23	284
Total life business line	42 652	1 292	42 710
Accident and sickness riders linked to life insurance	10 371	575	10 548

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 01.01.2017	New business	Closing stock on 31.03.2017
Death insurance	180 508	2 643	176 099
Endowment insurance	120 151	14 672	129 066
Indexed or unit-linked life insurance	15 527 969	274 026	9 594 684
Health Insurance	161 734	17 302	171 477
Pension Insurance according to the Personal Income Tax Act.	2 266 882	148 570	2 373 518
Credit protection insurance	66 245	0	61 584
Group loan collateral life insurance	565	0	565
Group life insurance	149 768	41	149 809
Total life business line	18 473 822	457 254	12 656 802
Accident and sickness riders linked to life insurance	195 269	12 254	199 282

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	40 921	0	189
Endowment insurance	33 582	0	153
Indexed or unit-linked life insurance	1 951 099	81 894	63 259
Health Insurance	38 473	0	0
Pension Insurance according to the Personal Income Tax Act.	682 780	130	123 831
Credit protection insurance	9 865	0	-1 810
Group loan collateral life insurance	1 508	0	0
Group life insurance	6 525	0	0
Élet üzletág részösszesen:	2 764 753	82 024	185 622
Accident and sickness riders linked to life insurance	43 451	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	31 175

Annex II (CIG Pannónia First Hungarian General Insurance Ltd.)

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

Description	Opening stock on 01.01.2017	New business	Closing stock on 31.03.2017
Total regular-premium policies	30 657	6 780	30 050
Institutional property insurance	70	3	66
Business Insurance (other than SMEs)	185	40	216
SMEs property insurance	464	34	476
General liability insurance	333	48	368
Professional liability insurance	1 025	193	1 184
Shipment and insurance carriers	11 302	1 443	11 595
Accident insurance	66	4	65
Sickness insurance	16	-	14
Vehicle insurance	2 112	-	-
Casco	15 040	5 003	16 016
Suretyship and guaranty insurance	44	12	50
Total single premium policies	33 202	8 202	36 488
Institutional property insurance	-	-	-
Business Insurance (other than SMEs)	28	4	22
SMEs property insurance	69	17	26
Other property insurance	948	99	1 013
General liability insurance	58	43	25
Professional liability insurance	2	10	12
Shipment and insurance carriers	16 838	3 916	16 991
Accident insurance	1	-	1
Casco	2 195	342	2 249
Suretyship and guaranty insurance	5 286	870	5 609
Extended warranty	7 777	2 901	10 540
Total	63 859	14 982	66 538

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 01.01.2017	New business	Closing stock on 31.03.2017
Institutional property insurance	84 282	2 294	80 890
Business Insurance (other than SMEs)	147 293	28 533	166 252
SMEs property insurance	48 945	2 981	49 879
General liability insurance	53 646	13 037	62 527
Professional liability insurance	107 450	7 580	103 759
Shipment and insurance carriers	345 051	41 130	357 453
Accident insurance	31 828	324	28 618
Sickness insurance	4 824	-	2 170
Vehicle insurance	38 088	-	-
Casco	1 763 678	651 721	1 997 514
Suretyship and guaranty insurance	408 444	101 778	509 621
Total	3 033 529	849 378	3 358 683

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
Institutional property insurance	17 511	-
Business Insurance (other than SMEs)	83 148	30 956
SMEs property insurance	14 179	868
Other property insurance	52 931	52 931
General liability insurance	27 337	7 155
Professional liability insurance	32 114	739
Shipment and insurance carriers	397 786	254 053
Accident insurance	14 337	6 648
Sickness insurance	550	-
Vehicle insurance	-	7
Casco	628 711	74 648
Suretyship and guaranty insurance	240 725	177 812
Extended warranty	61 464	61 464
Total	1 570 786	667 274

Annex III (Pannónia Life Insurance cPlc.)

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 01.01.2017	New business	Closing stock on 31.03.2017
Death insurance	4 440	56	4 354
Endowment insurance	3 344	72	3 307
Pension Insurance according to the Personal Income Tax Act.	2 342	331	2 622
Credit protection insurance	1 824	0	1 785
Group loan collateral life insurance	145	0	155
Group life insurance	115	3	120
Total regular-premium policies	12 210	462	12 343
Indexed or unit-linked life insurance	1 248	122	1 231
Pension Insurance according to the Personal Income Tax Act.	842	30	827
Total single premium policies	2 090	152	2 058
Total life business line	14 300	614	14 401
Accident and sickness riders linked to life insurance	2 184	27	1 753

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

thousand HUF

Description	Opening stock on 01.01.2017	New business	Closing stock on 31.03.2017
Death insurance	167 989	3 373	164 706
Endowment insurance	662 124	21 770	665 077
Pension Insurance according to the Personal Income Tax Act.	610 218	88 218	686 437
Credit protection insurance	331 507	0	325 174
Group loan collateral life insurance	44 535	0	42 707
Group life insurance	82 261	12 406	93 711
Total life business line	1 898 634	125 767	1 977 813
Accident and sickness riders linked to life insurance	126 512	12 406	135 962

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

thousand HUF

Description	Total gross written premium	Gross written premium from single premium products	Top-up gross written premium
Death insurance	39 750	0	0
Endowment insurance	162 298	0	0
Indexed or unit-linked life insurance	751 831	701 931	49 899
Pension Insurance according to the Personal Income Tax Act.	184 593	0	17 703
Credit protection insurance	80 940	0	0
Group loan collateral life insurance	10 793	0	0
Group life insurance	34 743	0	0
Élet üzletág részösszesen:	1 264 947	701 931	67 602
Accident and sickness riders linked to life insurance	33 410	0	0

Annex IV (Pannónia General Insurance cPlc.)

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

Description	Opening stock on 01.01.2017	New business	Closing stock on 31.03.2017
Total regular-premium policies	122 847	3 261	78 023
Business Insurance (other than SMEs)	50	11	56
SMEs property insurance	5 679	406	5 780
General liability insurance	2 821	221	2 935
Professional liability insurance	138	7	135
Vehicle insurance	93 339	1 373	49 627
Casco	20 820	1 243	19 490
Total	122 847	3 261	78 023

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 01.01.2017	New business	Closing stock on 31.03.2017
Business Insurance (other than SMEs)	17 318	12 755	27 956
SMEs property insurance	951 486	60 317	1 017 347
General liability insurance	368 649	20 223	363 501
Professional liability insurance	16 843	607	16 389
Vehicle insurance	2 219 571	456 031	1 656 220
Casco	1 436 993	100 861	1 363 793
Total	5 010 860	650 794	4 445 206

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
Business Insurance (other than SMEs)	5 670	-
SMEs property insurance	267 593	-
General liability insurance	99 101	-
Professional liability insurance	4 316	-
Vehicle insurance	375 873	-
Casco	340 159	-
Total	1 092 712	-

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