



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**

Q4 2017

20 February 2018

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the four quarters of 2017 on this day. The Issuer publishes in this quarterly report for the fourth quarters of 2017, 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 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 Q4 2017:

- Considering all main indicators, CIG Pannónia Group¹ (hereinafter: Group) has moved forward dynamically: the profit after tax increased to HUF 2,598 million, the gross written premium was HUF 26,933 million in 2017 which means a 42% increase compared to the previous year, the total sales increased by 82%, the earnings per share is HUF 40.8, that is nearly four times the previous years amount. Data contained within this report already reflecting the changes of the previous two years that put the Group on a dynamic growth path: the restructuring of the sales, the new sales channels, the acquisition of the two insurance companies and the positive effects of the new strategic cooperation agreements on the sales activity.
- The non-life segment shows a 74% growth in gross written premium according to IFRS, while the gross written premium according to IFRS of the life segment increased by 28% compared to 2016. The Issuer's shareholders' equity was HUF 3,971 million at the end of 2016 which increased to HUF 9,015 million, that is 127% growth in 2017. The shareholders' equity increased significantly due to the conversion of the interest bearing shares and the realted capital increase.(HUF 2,436 million)

¹ Group or CIG Pannónia Group is referred as the Issuer and its consolidated companies. According to the contract concluded by CIG Pannónia Life Insurance Plc., CIG Pannónia First Hungarian General Insurance Company Ltd. and VKB, the conditions of acquiring the MKB General Insurance cPlc. and MKB Life Insurance cPlc. were fulfilled on 1st January 2017. The Company Registry Court registered the acquisition of ownership interest on 18 January 2017 and 25 January 2017, so with 1st January 2017 the Company acquired 98.97% ownership interest in MKB Life Insurance cPlc. while its subsidiary, CIG Pannónia First Hungarian General Insurance Company Ltd. acquired 98.98% ownership interest in MKB General Insurance cPlc. The Company Registry Court of Budapest – Capital Regional Court registered the merger by acquisition of Pannónia Life Insurance cPlc. into the Company and the merger by acquisition of Pannónia General Insurance cPlc. into CIG Pannónia First Hungarian General Insurance Company Ltd on 30 June 2017. The date of the transformation was 30 June 2017. With the merger by acquisition Pannónia Life Insurance cPlc. ceased to exist and all of its assets and liabilities were transferred to CIG Pannónia Life Insurance Plc. by way of universal succession. The business form of CIG Pannónia Life Insurance Plc. remained unchanged, it continues its operation as a public limited company, the executive officers and the registered capital of the company remained unchanged. Pannónia General Insurance cPlc. also ceased to exist and all of its assets and liabilities were transferred to CIG Pannónia First Hungarian General Insurance Company Ltd. by way of universal succession. The business form of CIG Pannónia First Hungarian General Insurance Company Ltd. remained unchanged, it continues its operation as a public limited company, the executive officers and the registered capital of the company remain unchanged. The results of the Group published within this report contains the 1-12.month results of the acquirer companies and the companies that were acquired.

- The after-tax result of the Group is a HUF 2,598 million profit in the four quarters of 2017, the total comprehensive income of the Group is a HUF 2,859 million profit. The growth in the volume due to the acquisition of Pannónia Insurance Companies and the additional costs of the migration had a significant effect on the result. The merger of the operating areas was finished by the end of the year. The earnings per share of the owners' is HUF 40.8, that was HUF 11.6 /share in the same period of the previous year. The acquisitions' badwill and the revaluation of the contingent consideration had a HUF 3,197 million one-off revenue, though the assets held for sale resulted a HUF 475 million loss in the period. The loss of the acquired companies' portfolio decreased the results of CIG Pannónia Group in 2017.
- In the life-segment the sales activity of the tied agent network was 43% better 2017 than in 2016. The performance of the independent broker network was 32% higher than in the same period of the previous year, while the bank channel performed ten times better thanks to the acquisition. So the total amount of new acquisitions was HUF 3,347 million in 2017 in the life segment, that is 69% higher than in the previous year. The new acquisition in the non-life segment increased by 98% compared to 2016. The total growth of the new acquisition of the Group was 82% compared to the previous year.
- However in the non-life segment there was also a decline in the portfolio, as EMABIT transferred the portfolio of compulsory motor vehicle liability insurance and condominium and home insurance to Aegon Hungary General Insurance cPlc as at 1 July 2017. Besides EMABIT made a strategic decision on expanding it's activity in retail casco. The decision is justified by the fact that after the merger by acquisition EMABIT retained the retail casco portfolio of Pannónia General Insurance cPlc. This strategic decision shall be revised by the Board of Directors at the end of 2018.
- The B and C types of interest bearing shares issued by CIG Pannónia Life Insurance Plc. were converted into ordinary shares by KELER on 26 October 2017, and the related newly issued shares were also created by KELER on this date. Budapest Stock Exchange Ltd. introduced into exchange trading the dematerialised, registered ordinary shares of the Issuer in an amount of 8,012,370 securities with a face value of HUF 40 giving a total face value of HUF 320,494,800 as of October 27, 2017.
- CIG Pannónia First Hungarian General Insurance Ltd. signed a Memorandum of Understanding for Business Cooperation with China Reinsurance (Group) Corporation. In the framework of the cooperation the parties jointly work together on the development of serving the insurance and reinsurance needs of companies and investments of Chinese interest in Hungary.

Events after the balance sheet date:

- The the Company Registry Court of Budapest registered with 11 January 2018 the decrease of the Company's capital by HUF 13,333,320. The Company reduced the share capital by withdrawing 333,333 pieces of registered voting series "A" ordinary treasury shares of HUF 40 of nominal value each (the way of reduction of the share capital was the reduction of the number of the shares). With the withdrawal of the 333.333 pieces of shares the Company aims to decrease the number of outstanding ordinary shares after the conversion of interest bearing shares into ordinary shares. The owners of "A" ordinary shares gave their consent to the decrease of the capital on the repeated General Meeting of the Company held on 26 September 2017. The share capital reduction does not affect the shareholders shareholdings. The share capital of the Company after the capital reduction is HUF 2,838,489,600.
- The Board of Directors of CIG Pannónia Life Insurance Plc. – after the General Meeting decision – decided on 30 January 2018 on concluding a strategic cooperation agreement with KONZUM Plc. According to the decision of the General Meeting of the Company held on 30 January 2018, the Company increases its share capital in-private. The Company aims to strengthen its capital position and to reach new sales channels in order to increase its business acquiring capacity through developing a strategic partnership with KONZUM Plc. This could be a significant new source of finance and guarantee for the stability of the Company and for the possible acquisition plans and or the long-term development.

The cross-shareholding is a substantial condition for the partnership. The Company issues a total number of 23,466,020 pieces of registered dematerialized series "A" ordinary shares representing voting rights of nominal value of HUF 40 per share and HUF 350 issue price per share. Only KONZUM Plc. is entitled to subscribe the newly issued shares, so it acquires a 24.85 percent ownership in CIG Pannónia Life Insurance Plc. In order to establish the strategic cooperation, CIG Pannónia – with the authorisation of the General Meeting will purchase 1,368,851 pieces of shares from KONZUM PE Private Equity Fund, that means a 6.16 percent shareholding in KONZUM Plc.

According to the strategic agreement the parties, as members of the domestic stockmarket, mutually facilitate the economic activity and the successful and profitable operation of each other and the improvement of their market position. Their primary objective is to maximise the shareholders interest. They mutually approve as fundamental principles the transparent operation through high level corporate governance, the maintenance of stock exchange presence with proper liquidity and high level of free float, and the ensurance of sustainable growth.

Budapest, 20 February 2018.

CIG Pannónia Life Insurance Plc.

2. Financial Statements

Consolidated Statement of Comprehensive Income- cumulated data		Data in million HUF		
	2017Q1-Q4 (A)	2016Q1-Q4 (B)	Change (A)-(B)	
Gross written premium	26 933	18 941	7 992	
Changes in unearned premiums reserve	-960	-1 388	428	
Earned premiums, gross	25 973	17 553	8 420	
Ceded reinsurance premiums	-6 752	-2 602	-4 150	
Earned premiums, net	19 221	14 951	4 270	
Premium and commission income from investment contracts	208	105	103	
Commission and profit sharing due from reinsurers	2 278	802	1 476	
Investment income	8 647	4 142	4 505	
Yield on investments accounted for using the equity method (profit)	303	222	81	
Other operating income	1 159	942	217	
Other income	12 595	6 213	6 382	
Total income	31 816	21 164	10 652	
Claim payments and benefits, and claim settlement costs	-17 224	-9 150	-8 074	
Recoveries, reinsurer's share	4 433	1 252	3 181	
Net change in the value of life technical reserves and unit-linked life insurance reserves	-4 491	-5 734	1 243	
Investment expenditure	-1 066	-613	-453	
Change in the fair value of liabilities relating to investment contracts	-217	-90	-127	
Change in the fair value of assets and liabilities relating to embedded derivative	-269	-162	-107	
Investment expenses, changes in reserves and benefits, net	-18 834	-14 497	-4 337	
Fees, commissions and other acquisition costs	-5 824	-4 039	-1 785	
Other operating costs	-2 965	-1 462	-1 503	
Other expenses	-1 036	-293	-743	
Operating costs	-9 825	-5 794	-4 031	
Results from the available for sale assets	-475	0	-475	
Profit/loss before taxation	2 682	873	1 809	
Tax income / (expenses)	-258	-142	-116	
Deferred tax income / (expenses)	174	-6	180	
Profit/loss after taxation	2 598	725	1 873	
Comprehensive income, wouldn't be reclassified to profit or loss in the future	0	0	0	
Comprehensive income, would be reclassified to profit or loss in the future	261	64	197	
Other comprehensive income	261	64	197	
Total comprehensive income	2 859	789	2 070	

Consolidated Statement of Comprehensive Income –cumulated data data in million HUF

	2017Q1-Q4 (A)	2016Q1-Q4 (B)	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders	2 610	725	1 885
Profit/loss after taxation attributable to NCI	-12	0	-12
Profit/loss after taxation	2 598	725	1 873
Total comprehensive income			
Total comprehensive income attributable to the Company's shareholders	2 871	789	2 082
Total comprehensive income attributable to NCI	-12	0	-12
Total comprehensive income	2 859	789	2 070
Earnings per share			
Basic earnings per share (HUF)	40,8	11,6	29,2
Diluted earnings per share (HUF)	40,8	11,6	29,2
Earnings per share of NCI's			
Basic earnings per share (HUF)	-1,9	0,0	-1,9
Diluted earnings per share (HUF)	-1,9	0,0	-1,9

Consolidated Statement of Comprehensive Income -quarterly data

data in million HUF

	2017Q4 (A)	2017Q3 (B)	2017Q2 (C)	2017Q1 (D)	2016Q4 (E)	Change (A)-(E)
Gross written premium	8 343	5 988	6 577	6 025	5 765	2 578
Changes in unearned premiums reserve	-480	-44	-291	-145	-310	-170
Earned premiums, gross	7 863	5 944	6 286	5 880	5 455	2 408
Ceded reinsurance premiums	-1 645	-1 574	-1 586	-1 947	-786	-859
Earned premiums, net	4 642	4 966	5 209	4 404	4 969	-327
						0
Premium and commission income from investment contracts	96	38	41	33	24	72
Commission and profit sharing due from reinsurers	702	596	509	471	300	402
Investment income	1 879	2 226	-1 139	5 681	2 231	-352
Yield on investments accounted for using the equity method (profit)	146	50	53	54	67	79
Other operating income	341	270	267	281	303	38
Other income	4 740	2 584	-778	6 049	2 625	2 115
Total income	9 382	7 550	4 431	10 453	7 594	1 788
Claim payments and benefits, and claim settlement costs	-7 045	-3 548	-3 059	-3 572	-2 495	-4 550
Recoveries, reinsurer's share	908	756	2 064	705	361	547
Net change in the value of life technical reserves and unit-linked life insurance reserves	-1 958	-2 052	1 315	-1 796	-3 170	1 212
Investment expenditure	-242	-170	-312	-342	-168	-74
Change in the fair value of liabilities relating to investment contracts	-71	-88	-4	-54	-56	-15
Change in the fair value of assets and liabilities relating to embedded derivatives	0	-127	7	-149	-10	10
Investment expenses, changes in reserves and benefits, net	-6 344	-5 229	-2 053	-5 208	-5 538	-806
Fees, commissions and other acquisition costs	-1 675	-1 388	-1 465	-1 296	-1 238	-437
Other operating costs	-593	-839	-734	-799	-383	-210
Other expenses	-530	-152	-225	-129	-163	-367
Operating costs	-2 798	-2 379	-2 424	-2 224	-1 784	-1 014
Results from the available for sale assets	24	-100	64	-463	0	24
Profit/loss before taxation	264	-158	18	2 558	272	-8
Tax income / (expenses)	-108	-58	-49	-43	-6	-102
Deferred tax income / (expenses)	174	0	0	0	-6	180
Profit/loss after taxation	330	-216	-31	2 515	260	70
Comprehensive income, wouldn't be reclassified to profit or loss in the future	0	0	0	0	0	0
Comprehensive income, would be reclassified to profit or loss in the future	192	128	69	-128	-4	196
Other comprehensive income	192	128	69	-128	-4	196
Total comprehensive income	522	-88	38	2 387	256	266

Consolidated Statement of Comprehensive Income -quarterly data (continuation)

data in million HUF

	2017Q4 (A)	2017Q3 (B)	2017Q2 (C)	2017Q1 (D)	2016Q4 (E)	Change (A)-(E)
Profit/loss after taxation attributable to the Company's shareholders	330	-216	-27	2 523	260	70
Profit/loss after taxation attributable to NCI	0	0	-4	-8	0	0
Profit/loss after taxation	330	-216	-31	2 515	260	70
Total comprehensive income attributable to the Company's shareholders	522	-88	41	2 396	256	266
Total comprehensive income attributable to NCI	0	0	-3	-9	0	0
Total comprehensive income	522	-88	38	2 387	256	266

Consolidated Statement of Financial Position

data in million HUF

ASSETS	31 December 2017. (A)	31 December 2016. (B)	Change (A)-(B)	Change % (A-B)/(B)
Intangible assets	896	840	56	7%
Property, plant and equipment	76	39	37	95%
Deferred tax assets	514	340	174	51%
Deferred acquisition costs	2 296	1 503	793	53%
Reinsurer's share of technical reserves	4 647	2 313	2 334	101%
Investments in jointly controlled companies	0	298	-298	-100%
Investments accounted for using the equity method	352	0	352	100%
Available-for-sale financial assets	16 518	5 952	10 566	178%
Investments for policyholders of unit-linked life insurance policies	68 759	58 918	9 841	17%
Financial assets - investment contracts	3 961	1 399	2 562	183%
Financial assets - embedded derivatives	0	515	-515	-100%
Receivables from insurance policy holders	2 388	2 004	384	19%
Receivables from insurance brokerage	598	361	237	66%
Receivables from reinsurance	191	69	122	177%
Other assets and prepayments	224	137	87	64%
Other receivables	326	1 100	-774	-70%
Cash and cash equivalents	3 883	1 606	2 277	142%
Total assets	105 629	77 394	28 235	36%
LIABILITIES				
Technical reserves	17 170	7 281	9 889	136%
Technical reserves for policyholders of unit-linked insurance	68 759	58 918	9 841	17%
Investment contracts	3 961	1 399	2 562	183%
Financial liabilities - forward	4	0	4	100%
Liabilities from the issue of interest-bearing shares	0	2 460	-2 460	-100%
Loans and financial reinsurance	1 186	1 270	-84	-7%
Liabilities from reinsurance	1 601	711	890	125%
Liabilities to insurance policy holders	785	279	506	181%
Liabilities to insurance brokerage	579	322	257	80%
Other liabilities and provisions	2 569	783	1 786	228%
Total liabilities	96 614	73 423	23 191	32%
NET ASSETS	9 015	3 971	5 044	127%
SHAREHOLDERS' EQUITY				
Registered capital	2 852	2 531	321	13%
Capital reserve	2 479	1 144	1 335	117%
Nominal value of treasury shares	-250	0	-250	100%
Other reserve	334	73	261	358%
Profit reserve	3 600	223	3 377	1514%
Equity attributable to the Company's shareholders	9 015	3 971	5 044	127%
Non-controlling interests	0	0	0	-
Total shareholders' equity	9 015	3 971	5 044	127%

Consolidated Changes in Equity Q1-Q4 2017

data in million HUF

	Share capital	Capital reserve	Treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2016	2 531	1 144	0	73	223	3 971	0	3 971
Total comprehensive income								
Other comprehensive income	0	0	0	261	0	261	0	261
Profit in reporting year	0	0	0	0	2 598	2 598	12	2 610
Transactions with equity holders, recognised directly in equity								
NClS (aquisition)	0	0	0	0	0	0	-41	-41
Derecognition of NClS	0	0	0	0	0	0	29	29
Treasury share repurchase	0	0	-250	0	0	-250	0	-250
Conversion of interest bearing shares	75	1 335	0	0	779	2 189	0	2 189
Capital increase due to conversion of interest bearing shares	246	0	0	0	0	246	0	246
Balance on 31 December 2017	2 852	2 479	-250	334	3 600	9 015	0	9 015

Consolidated Changes in Equity Q1-Q4 2016

data in million HUF

	Share capital	Capital reserve	Nominal value of treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2015	2 531	15 937	0	9	-15 294	3 183	0	3 183
Total comprehensive income								
Other comprehensive income	0	0	0	64	0	64	0	64
Profit in reporting year	0	0	0	0	724	724	0	724
Restructuring in the Shareholders' equity	0	-14 793	0	0	14 793	0	0	0
Balance on 31 December 2016	2 531	1 144	0	73	223	3 971	0	3 971

Consolidated Statement of Cash Flows

data in million HUF

	2017 Q1 - Q4	2016 Q1 - Q4
Profit/loss after taxation	2 598	723
Modifying items		
Depreciation and amortization	930	280
Extraordinary depreciation	47	45
Booked impairment, reversal of impairment and released claim	20	81
Result of asset sales	-73	190
Share based service	149	38
Exchange rate changes	5	-11
Profit or loss of joint ventures	-303	-222
Changes of assets and liabilities relating to embedded derivatives, net	269	162
Deferred tax	-174	6
Tax expenses	258	142
Interest received	-291	-262
Result of derivatives	4	0
Provisions	346	21
Badwill on acquisition	-3 197	0
Results of minority interests	-12	0
Results of available for sale assets	660	0
Interest cost	254	358
Change of active capital items:		
Increase / decrease of deferred acquisition costs (-/+)	-535	-508
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	-3 457	-5 335
Increase / decrease of financial assets – investment contracts (-/+)	-717	-88
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	2 491	-1 013
Increase / decrease of reinsurer's share from technical reserves (-/+)	-914	-1 021
Increase / decrease of other assets and active accrued and deferred items (-/+)	-63	-29
Increase / decrease of technical reserves (+/-)	361	2 021
Increase / decrease of liabilities from insurance (-/+)	1 271	273
Increase / decrease of investment contracts (+/-)	717	88
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	3 457	5 335
Increase / decrease of other liabilities (+/-)	-170	-76
Tax payed	-327	-127
Net cash flow from operating activities	3 604	1 071

Consolidated Statement of Cash Flows-continuation

data in million HUF

Cash flow from investing activities	2017 Q1 - Q4	2016 Q1 - Q4
Purchase of debt instruments(-)	-10 632	-5 272
Sales of debt instruments(+)	9 715	5 308
Purchase of tangible and intangible assets (-)	-352	-313
Sales of tangible and intangible asset (+)	11	3
MKB acquisition(net of cash)	-541	0
Cash flow from ceased activity	300	0
Decrease of share	27	0
Interest received	290	262
Dividend received	222	251
Cash flow from investing activities	-959	239
Cash flow from financing activities		
Securing loans	735	543
Income from the capital increase related to interest bearing shares	245	0
Treasury share purchase	-250	0
Repayment of loans	-865	-1 205
Interest payed on interest bearing shares	-229	-128
Cash flow from financing activities	-364	-790
Impacts of exchange rate changes	-4	-2
Net increase / decrease of cash and cash equivalents (+/-)	2 277	518
Cash and cash equivalents at the beginning of the period	1 606	1 088
Cash and cash equivalents at the end of the period	3 883	1 606

3. Changes in accounting policies

For financial year beginning on 1 January 2017, 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 Q4 2017, 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 accident insurance and general insurance, within that mainly casco, business property- and liability insurance, freight liability and suretyship insurance.

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 MKB-Pannónia Fund Manager Ltd. (former Pannónia CIG Fund Manager Ltd.) is becoming more substantial. On 31 July 2017, the general meeting of Pannónia CIG Fund Manager Ltd. (which is founded by the CIG Pannónia Life Insurance Plc. and its strategic partner, the Pannónia Pension Fund) decided to decrease the share of CIG Pannónia Life Insurance Plc. in the Fund Manager from 50% to 16%. The reason of the change (with the intention of the economies of scale and efficiency) is to increase its owner scale with MKB Bank cPlc., MKB Pension Fund, MKB-Pannónia Health and Mutual Fund and the Gránit Bank Ltd. With the increase of the ownerscale, the name of the Fund Manager changed to MKB-Pannónia Fund Manager Ltd, the registered capital of Fund Manager increased significantly from the previous HUF 150 million to HUF 306 million. The profit of the MKB-Pannónia Fund Manager Ltd. will be subdivided between the owners by the profitability of the owners portfolio and not by the share in the MKB- Pannónia Fund Manager Ltd. As a result of the expected growth in the efficiency, CIG Pannónia Life Insurance Plc. expects the growth of its share of the profit of the Fund Manager. Pannónia Insurance Companies as the new members of the Group (from 1st January 2017) had a significant influence on the results of the Group.

In 2017, the Group's gross written premium was HUF 26,933 million, which is 142 percent of the revenues generated in the same period of the previous year. The increase is mainly due to the premiums of Pannónia Insurance Companies' portfolios. Of this HUF 14,102 million are the gross written premium of unit-linked life insurance (of this HUF 3,570 million of pension insurance policies), HUF 2,418 million are traditional life products (of this HUF 845 million from pension insurance policies), HUF 259 million are health insurance policies, and HUF 10,154 million are non-life insurance.

The non-life insurance segment generated a gross written premium of HUF 10,154 million in 2017 according to IFRS increased by 74% compared to the previous year (HUF 5,847 million). In the life segment the gross written premium from the first annual premiums of policies sold was HUF 2,222 million, which is a 41% increase compared to the same period of the previous year (HUF 1,578 million). The gross written premium income from renewals was HUF 11,474 million in 2017 in contrast to HUF 10,181 million in the same period of the previous year, so the renewal premiums increased by 13%. Top-up and single premiums (HUF 3,083 million) were 131% higher as the premiums in the same period of the previous year, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income- according to IFRS - of HUF 16,779 million, the rate of top-up and single premiums is

18 percent. The increase in the insurance premiums is significantly due to the acquisition.

The change in unearned premium reserve in 2017 was HUF 960 million, while the amount of ceded reinsurance premiums was HUF 6,752 million. The significant increase of these items is mainly due to the continuous growth of the non-life portfolio and the higher reinsurance's proportion in non-life segment. In order to decrease the uncertainties in the portfolio of the Pannónia General Insurance Company, the Company increased the reinsurer's share in the outstanding claim reserves of 31 December 2016 from 40% to 80% and transferred the surplus as reinsurance premium to its reinsurer partner in 2017.

Unit-linked life insurance policies sold by the Group that do not qualify as insurance policies under IFRS are classified by the Group as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 208 million in total during the reporting period.

HUF 2,278 million was recognised as reinsurers' commissions and profit shares that decreased the amount of premiums transferred to the reinsurer in the previous reports and increased parallel with the reinsured premium volume during the year.

The other operating income (HUF 1,159 million) mainly includes the Issuer's income from fund management (HUF 861 million), which increased significantly (16%) compared to 2016. Also recognized and accounted for as part of this item the income from reactivated life insurance policies (HUF 67 million) and the reversal of the provisions (HUF 116 million).

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 17,224 million), this expenditure is decreased by the recoveries from reinsurers (HUF 4,433 million).

The amount of net change in reserves (HUF 4,491 million), which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount increased by HUF 3,455 million. The actuarial reserves increased by HUF 987 million, while the result-independent reserves by HUF 105 million and the result-depending premium refund reserves increased by HUF 5 million. The technical reserves for the bonus payment of the life insurance clients increased by HUF 205 million and there was HUF 96 million increase in the other technical reserves. Mainly due to the operation in the non-life branch and the change in the reinsurance structure, the outstanding net claim reserves decreased by HUF 286 million, while the cancellation reserves decreased by HUF 76 million concurrently with the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 9,825 million in 2017, of which HUF 5,824 million is related to the fees, commissions and other acquisition costs, and HUF 2,965 million is related to other operating costs and 1,036 other expenses. Acquisition costs show increasing tendency, although at a slightly lower rate than the increase in the gross premiums earned. The primary reason for this is that non-life insurances represent a higher proportion in the in the amount of new sales of the acquired portfolio. The other operating costs increased by HUF 1,503 million compared to the same period of the previous year (HUF 1,462 million in 2016). This increase is partly related to the other operating costs incurred at the former Pannónia Insurance Companies. On evaluating the net asset value of the acquired

insurance companies, the difference between the fair value and the value according to IFRS4 of the technical reserves is HUF 265 million in case of the life insurance company, and HUF 937 million in case of the non-life insurance company, This difference is recognised among immaterial assets and has been amortised parallel with the on later evaluations. The amount of the amortisation in the four quarters explains HUF 619 million from the increase of the other operating costs. The Group expects a significant decrease in the operating costs for next year after finishing the merger by acquisition, and the operational and IT migration.

The investment result is HUF 7,581 million profit, which is due to the aggregated effect of the following issues. The one-off item on the acquisition of Pannónia Insurance Companies was HUF 3,003 million on 1st January 2017, of which is described in paragraph 5th of the Executive Summary. The amount of the contingent consideration was revalued through profit or loss at the end of the half year (HUF 194 million profit) so the total result of the acquisition on the profit/loss is HUF 3,197 million in 2017.

The unit-linked yield was HUF 4,119 million in the four quarters of 2017. During the fourth quarter of 2017 the main asset classes raised further while the dollar started to weaken that had a negative influence on the achievement of our funds. Investors could reach the best return on the global raw material markets in this quarter, this was followed by the global stock markets and bonds also produced slight plus. According to this the most popular funds were the Warren Buffet Fund and the funds investing in domestic and emerging markets, while a significant divestiture from liquidity funds.

The investment results were negatively influenced by the interest costs of financial reinsurance, which amounted to HUF -50 million. The Issuer had HUF 518 million yield profit on its own investments in 2017.

The interest expenditure for interest-bearing shares were HUF 203 million in 2017 which is shown in investment expenditure, and there was HUF 269 million loss in change in fair value of assets and liabilities related to embedded derivatives, which is totally HUF 472 million loss. Changes in the Liabilities from the issue of interest bearing shares under the duration of the shares had 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 – did not mean real expenditure for the Issuer, it represented incremental value for the owners of the interest bearing shares. At the end of the duration (on 11 September 2017), after the interest bearing shares was 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) is shown as capital increase, that compensates the capital decrease effect of the expenditure of interest bearing shares recognized previously. The conversion of the shares resulted in a HUF 75 million increase in the share capital, a HUF 1,336 million increase in the capital reserve and a HUF 779 million increase in the profit reserve. The amount of the surplus issue is HUF 245 million, that was registered on 4th October, so it is shown in the current financial statements as registered capital.

The Issuer realized HUF 303 million profits from the result of the MKB-Pannónia Fund Manager Ltd. in the four quarters of 2017. Considering that the share of the CIG Group in MKB-Pannónia Fund Manager decreased to 16% from 50% this profit is shown instead of the “share of the profit of associates and joint ventures” on the “investments accounted for using the equity method” in the consolidated financial

statement. There was no change in the method of valuation of the shareholding.

According to EU IFRS the non-life insurance portfolio sold to Aegon Hungary General Insurance cPlc. had to be considered as assets held for sale till the portfolio transfer as they met the criteria determined by the IFRS 5. The realised loss on this group of assets was HUF 475 million in the four quarters, which consists of the loss of the assets held for sale (HUF -115 million) recognized until the sale, the expected result of the sale (HUF 223 million) and the impairment loss of the intangible asset (HUF -583 million) derived from the technical reserves revaluation on the held for sale portfolio. The asset group that produced losses in the first half year, will represent no further loss in the future.

As a result of all of the above, the profit before tax amounted to HUF 2,682 million profit (in 2016 the profit before taxation was HUF 873 million), that was reduced by the HUF 258 million tax liability and increased by the HUF 174 million deferred tax income. The profit after tax is HUF 2,598 million, that is HUF 1,873 million higher than the profit after tax of 2016. The other comprehensive income contains the decrease in the fair value of available-for-sale financial assets amounting to HUF 261 million and, thus, the total comprehensive income represents a profit of HUF 2,859 million in 2017.

The Issuer's balance sheet total was HUF 105,629 million; its financial position is stable; the company has met its liabilities in full. On 31 December 2017 the shareholders' equity was HUF 9,015 million.

5. Executive summary

In 2017 the annualized premium of the new sales of insurance policies sold by the Group is HUF 6,360 million that is 82 percent higher than in the same period of the previous year. Of this HUF 2,892 million is from unit-linked life insurance, HUF 455 million is from traditional and group life insurance policies and HUF 3,013 million is from general insurance. In the previous year the annualized premium of the new sales was HUF 3,503 million, of which HUF 1,799 million related to unit-linked life insurance, HUF 182 million was derived from traditional and group life insurance policies and HUF 1,522 million related to general insurance. The main reason of the increase in the amount of the annualized premium of new sales is the acquisition and the bank channel.

New sales

Annualized premium of new sales (million HUF)	31.12.2017. (A)	31.12.2016. (B)	Change (A - B)	Change % (A - B) / B
Unit-linked life insurances	2 892	1 799	1 093	61%
Traditional and group life insurances	455	182	273	150%
General insurances	3 013	1 522	1 491	98%
Total annualized premium of new sales	6 360	3 503	2 857	82%

As for life insurance policies sold in the four quarters of 2017 the share of the tied agent network is 42 percent, while the brokerage network was 37 percent and the bank channel was 21 percent. The whole amount of the general insurances are related to independent broker and bank channels. The new sales statements of general insurances contains only the regular premium insurance policies.

The quarterly data publication by MABISZ ceased, data on market share of the Group for 2017 were not available.

Pannónia Insurance Companies were involved into the consolidation with the date of the acquisition (1st January 2017). The following tables contain the consolidated financial statements of Pannónia Insurance Companies, including the effects of the acquisition prepared on the basis of the EU IFRS accounting policy, adopted by the Group.

Pannónia General Insurance cPlc. separate financial statement (data in million HUF)		2017.01.01
Intangible assets		970
Reinsurer's share of technical reserves		1 420
Property, plant and equipment		77
Deferred acquisition costs		148
Available-for-sale financial assets		3 281
Receivables from associated companies		26
Receivables from insurance policies and other receivables		1 808
Other assets and prepayments		18
Cash and cash equivalents		199
Total assets		7 947
Technical reserves	-	4 590
Liabilities from insurance	-	287
Other liabilities and provisions	-	469
Total liabilities	-	5 346
Total fair value of net assets (Shareholder's equity)		2 601

Pannónia Life Insurance cPlc. separate financial statement (data in million HUF)		2017.01.01
Intangible assets		265
Deferred acquisition costs		109
Available-for-sale financial assets		6 034
Investments for policyholders of unit-linked life insurance policies		6 385
Financial assets - investment contracts		1 845
Receivables from insurance policies and other receivables		75
Other assets and prepayments		5
Cash and cash equivalents		163
Total assets		14 881
Technical reserves	-	4 938
Technical reserves for policyholders of unit-linked insurance	-	6 385
Investment contracts	-	1 845
Liabilities from insurance	-	95
Other liabilities and provisions	-	176
Liabilities to associated companies	-	26
Total liabilities	-	13 465
Total fair value of net assets (Shareholder's equity)		1 416

The Group evaluated the acquired insurance companies according to IFRS 3 standard at the date of the acquisition. It assessed the fair value of assets, liabilities and contingent liabilities and the cost of the acquisition (the estimated value of the acquisition) as at 1st January 2017.

The negative difference between the contingent consideration and cost of the acquisition and the share of the acquirer in the fair value of assets, liabilities and contingent liabilities is the badwill (negative goodwill), which was realised as profit as at the date of the acquisition.

The following table contains the settlement of the acquisition cost and badwill:

Calculation of negative goodwill at the date of acquisition (data in million HUF)	Pannónia General Insurance cPlc.	Pannónia Life Insurance cPlc.	Total
Consideration transferred	280	622	902
Expected value of the adjustment according to the contract	- 113	- 533	- 646
Contingent consideration	716	-	716
Total consideration transferred	883	89	972
NCI (proportional part of the fair value of net assets)	27	15	42
Total fair value of net assets	- 2 601	- 1 416	- 4 017
Badwill	- 1 691	- 1 312	- 3 003

The acquisition results in a badwill of HUF 1,691 million in case of Pannónia General Insurance cPlc. and HUF 1,312 million in case of Pannónia Life Insurance cPlc. The cumulative one-off effect on the results of the Group in 2017 business year is a HUF 3,003 million profit. Moreover in case of Pannónia General Insurance cPlc. the share purchase agreement contains a contingent consideration depending on the 2017 profit/loss of the insurance company, The Group has prepared an estimation in accordance with EU IFRSs to determine the expected value of the adjustment of the consideration transferred and the expected value of the contingent consideration as at the acquisition date. According to the agreements between the parties, the initial consideration transferred has been modified in the third quarter by a correction mechanism.

The amount of the contingent consideration is recognised as a liability in the financial statements and it was revalued through profit or loss at every reporting date. The amount of the revaluation of the contingent consideration was HUF 194 million profit as at 30 June 2017. It was determined by the final settlement between the parties, so its value will not change in the future.

6. Operating segments

The life insurance segment is represented by CIG Pannónia Life Insurance Plc. and Pannónia Life Insurance cPlc. until the merger by acquisition at 30.06.2017, the non-life insurance segment is represented by CIG Pannónia First Hungarian General Insurance Company Ltd. and Pannónia General Insurance cPlc. until the merger by acquisition at 30.06.2017, and the other segments are represented by the rest of the subsidiaries of the Group.

Segment Information Q1-Q4 2017

ASSETS	Q1-Q4 2017					
	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
Intangible assets	792	104	0	0	0	896
Property, plant and equipment	47	29	0	0	0	76
Deferred tax assets	0	0	0	514	0	514
Deferred acquisition costs	611	1 685	0	0	0	2 296
Reinsurer's share of technical reserves	186	4 461	0	0	0	4 647
Subsidiaries	3 841	0	0	300	-4 141	0
Investments in jointly controlled companies	0	0	0	352	0	352
Available-for-sale financial assets	10 809	4 289	0	1 420	0	16 518
Investments for policyholders of unit-linked life insurance policies	72 721	0	0	-5 807	1 845	68 759
Financial assets - investment contracts	0	0	0	5 806	-1 845	3 961
Financial assets - embedded derivatives	0	0	0	0	0	0
Financial assets - futures	0	0	0	0	0	0
Receivables from insurance policies and other receivables	0	0	0	0	0	0
Own shares	487	0	0	-487	0	0
Receivables from insurance policyholders	2 127	401	0	-140	0	2 388
Receivables from intermediaries	48	550	0	0	0	598
Reinsurance receivables	4	187	0	0	0	191
Other assets and prepayments	175	286	1	-229	-9	224
Other receivables	198	128	0	0	0	326
Receivables from shareholders	109	0	0	-109	0	0
Cash and cash equivalents	2 634	1 244	5	0	0	3 883
Intercompany receivables	115	24	0	0	-139	0
Total assets	94 904	13 388	6	1 620	-4 289	105 629

*HAL – Hungarian Accounting Law

Segment Information Q1-Q4 2017 (continuation)

(data in million HUF)						
LIABILITIES	Life insurance segment	Non-life insurance segment	Other	Q1-Q4 2017		Total
				Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	
Technical reserves	9 042	7 349	0	779	0	17 170
Technical reserves for policyholders of unit-linked insurance	72 721	0	0	-5 807	1 845	68 759
Investment contracts	0	0	0	5 806	-1 845	3 961
Financial liabilities - futures	0	0	0	4	0	4
Liabilities from the issue of interest-bearing shares	0	0	0	0	0	0
Loans and financial reinsurance	1 186	0	0	0	0	1 186
Liabilities from insurance	78	1 523	0	0	0	1 601
Liabilities from insurance policyholders	454	331	0	0	0	785
Liabilities from intermediaries	321	258	0	0	0	579
Intercompany liabilities	31	108	0	0	-139	0
Other liabilities and provisions	1 685	1 148	1	-281	16	2 569
Total liabilities	85 518	10 717	1	501	-123	96 614
NET ASSETS	9 386	2 671	5	1 119	-4 166	9 015
SHAREHOLDERS' EQUITY						
Registered capital	2 852	1 030	3	0	-1 033	2 852
Capital reserve	4 877	1 369	0	468	-4 235	2 479
Share-based services	0	0	0	0	0	0
Treasury shares	0	0	0	-250	0	-250
Other reserves	486	0	1	-153	0	334
Profit reserve	1 171	272	1	1 054	1 102	3 600
Total shareholders' equity	9 386	2 671	5	1 119	-4 166	9 015

Segment Information Q1-Q4 2017 (continuation)

COMPREHENSIVE INCOME STATEMENT	Q1-Q4 2017					
	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	18 553	11 347	0	-2 939	-28	26 933
Changes in unearned premiums reserve	27	-767	0	-220	0	-960
Earned premiums, gross	18 580	10 580	0	-3 159	-28	25 973
Ceded reinsurance premiums	-212	-8 742	0	2 174	28	-6 752
Earned premiums, net	18 368	1 838	0	-985	0	19 221
Premium and commission income from investment contracts	0	0	0	208	0	208
Investment income	6 403	307	0	-298	2 235	8 647
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	303	0	303
Other operating income	1 297	419	15	-311	-261	1 159
Commission and profit sharing from reinsurance	1	2 799	0	-521	-1	2 278
Other income	7 701	3 525	15	-619	1 973	12 595
Total income	26 069	5 363	15	-1 604	1 973	31 816
Claim payments and benefits, and claim settlement costs	-13 455	-4 366	0	576	21	-17 224
Net change in the value of life technical reserves and unit-linked life insurance reserves	-5 531	1 182	0	-142	0	-4 491
Investment expenditure	-601	-133	0	-337	5	-1 066
Share of the loss of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0
Change in the fair value of liabilities relating to investment contracts	0	0	0	-217	0	-217
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	-269	0	-269
Damage refunds from reinsurance	52	3 684	0	704	-7	4 433
Investment expenses, changes in reserves and benefits, net	-19 535	367	0	315	19	-18 834
Fees, commissions and other acquisition costs	-2 612	-3 452	0	239	1	-5 824
Other operating costs	-1 562	-970	-15	-421	3	-2 965
Other expenses	-338	-1 090	0	149	243	-1 036
Operating costs	-4 512	-5 512	-15	-33	247	-9 825
Result of assets held for sale	0	0	0	-475	0	-475
Profit/loss before taxation	2 022	218	0	-1 797	2 239	2 682
Tax income / (expenses)	-153	-105	0	0	0	-258
Deferred tax income / (expenses)	0	0	0	174	0	174
Profit/loss after taxation	1 869	113	0	-1 623	2 239	2 598
Other comprehensive income	0	0	0	261	0	261
Comprehensive income	1 869	113	0	-1 362	2 239	2 859

Comparative data to the segment information of Q1-Q4 2017 (Q1-Q4 2016)

ASSETS	(data in million HUF)					
	Life insurance segment	Non-life insurance segment	Other	Q1-Q4 2016		Total
				Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	
Intangible assets	746	80	0	14	0	840
Property, plant and equipment	36	3	0	0	0	39
Deferred tax assets	0	0	0	340	0	340
Deferred acquisition costs	312	1 193	0	-2	0	1 503
Reinsurer's share of technical reserves	167	2 146	0	0	0	2 313
Subsidiaries	2 884	0	0	-78	-2 806	0
Investments in jointly controlled companies	0	0	0	298	0	298
Available-for-sale financial assets	3 557	2 279	0	116	0	5 952
Investments for policyholders of unit-linked life insurance policies	60 317	0	0	-1 399	0	58 918
Financial assets - investment contracts	0	0	0	1 399	0	1 399
Financial assets - embedded derivatives	0	0	0	515	0	515
Financial assets - futures	0	0	0	0	0	0
Receivables from insurance policies and other receivables	0	0	0	0	0	0
Own shares	0	0	0	0	0	0
Receivables from insurance policyholders	2 018	165	0	-179	0	2 004
Receivables from intermediaries	45	316	0	0	0	361
Reinsurance receivables	10	59	0	0	0	69
Other assets and prepayments	111	147	1	-104	-18	137
Other receivables	731	368	1	0	0	1 100
Receivables from shareholders	0	0	0	0	0	0
Cash and cash equivalents	1 229	373	4	0	0	1 606
Intercompany receivables	53	0	0	0	-53	0
Total assets	72 216	7 129	6	920	-2 877	77 394

*HAL – Hungarian Accounting Law

Comparative data to the segment information of Q1-Q4 2017 (Q1-Q4 2016) (continuation)

(data in million HUF)						
LIABILITIES	Life insurance segment	Non-life insurance segment	Other	Q1-Q4 2016		Total
				Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	
Technical reserves	3 200	4 238	0	-157	0	7 281
Technical reserves for policyholders of unit-linked insurance	60 317	0	0	-1 399	0	58 918
Investment contracts	0	0	0	1 399	0	1 399
Financial liabilities - futures	0	0	0	0	0	0
Liabilities from the issue of interest-bearing shares	0	0	0	2 460	0	2 460
Loans and financial reinsurance	1 270	0	0	0	0	1 270
Liabilities from insurance	70	641	0	0	0	711
Liabilities from insurance policyholders	103	176	0	0	0	279
Liabilities from intermediaries	252	70	0	0	0	322
Intercompany liabilities	0	53	0	0	-53	0
Other liabilities and provisions	834	273	2	-333	7	783
Total liabilities	66 046	5 451	2	1 970	-46	73 423
NET ASSETS	6 170	1 678	4	-1 050	-2 831	3 971
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
Share-based services						
Treasury shares	-250	0	0	250	0	0
Other reserves	250	0	0	-177	0	73
Profit reserve						
Total shareholders' equity	6 170	1 678	4	-1 050	-2 831	3 971

Comparative data to the segment information of Q1-Q4 2017 (Q1-Q4 2016) (continuation)

COMPREHENSIVE INCOME STATEMENT	Q1-Q4 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
Gross written premium	13 535	5 934	0	-441	-87	18 941
Changes in unearned premiums reserve	-14	-1 374	0	0	0	-1 388
Earned premiums, gross	13 521	4 560	0	-441	-87	17 553
Ceded reinsurance premiums	-265	-2 424	0	0	87	-2 602
Earned premiums, net	13 256	2 136	0	-441	0	14 951
Premium and commission income from investment contracts	0	0	0	105	0	105
Investment income	4 274	118	0	-250	0	4 142
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	222	0	222
Other operating income	956	31	26	0	-71	942
Commission and profit sharing from reinsurance	12	802	0	0	-12	802
Other income	5 242	951	26	77	-83	6 213
Total income	18 498	3 087	26	-364	-83	21 164
Claim payments and benefits, and claim settlement costs	-8 000	-1 473	0	264	59	-9 150
Net change in the value of life technical reserves and unit-linked life insurance reserves	-5 712	-193	0	171	0	-5 734
Investment expenditure	-272	-22	0	-319	0	-613
Share of the loss of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0
Change in the fair value of liabilities relating to investment contracts	0	0	0	-90	0	-90
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	-162	0	-162
Damage refunds from reinsurance	73	1 215	0	0	-36	1 252
Investment expenses, changes in reserves and benefits, net	-13 911	-473	0	-136	23	-14 497
Fees, commissions and other acquisition costs	-2 262	-1 789	0	0	12	-4 039
Other operating costs	-1 048	-357	-26	-36	5	-1 462
Other expenses	-121	-214	-1	0	43	-293
Operating costs	-3 431	-2 360	-27	-36	60	-5 794
Result of assets held for sale	0	0	0	0	0	0
Profit/loss before taxation	1 156	254	-1	-536	0	873
Tax income / (expenses)	-91	-51	0	0	0	-142
Deferred tax income / (expenses)	0	0	0	-6	0	-6
Profit/loss after taxation	1 065	203	-1	-542	0	725
Other comprehensive income	0	0	0	64	0	64
Comprehensive income	1 065	203	-1	-478	0	789

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 profit or loss attributable to the Group of investments which are accounted for under the equity method

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 investments which are accounted for under the equity method.

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 were 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 differed from the registered capital and the capital reserve shown according to the Hungarian Accounting Act. Until the conversion, the value recognized among liabilities was divided into a basic instrument recorded at amortized cost and into interest. Any changes in the liability were accounted for on the Investment expenses line. Two related derivative elements were separated from the basic instrument and they were 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 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.

G) Assets held for sale

The Insurer classifies a fixed asset (or disposal group) as held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The Insurer shall evaluate the fixed asset (or disposal group) classified held for sale at the lower of an asset's fair value less costs to sell and its book value. The book value shall be decreased (increased) with the value of loss due to the impairment calculated on the disposal group (or any other further profit).

H) Settlement of the acquisition

The detailed description of the settlement of the acquisition is in the Executive summary (5th paragraph)

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

I) Recognition of the costs of capital increase

J) Share option program

K) 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 members of the Group was 129 on 31 December 2017.

Composition of the Issuer's share capital (31 December 2017)

Share series	Nominal value (HUF/each)	Issued number of shares	Total nominal value (HUF)
Series „A”	40	71 295 573	2 851 822 920
of this treasury share	40	1 437 339	57 493 560
Amount of share capital	-	-	2 851 822 920

The company registry court registered the conversion of B and C types of interest bearing shares on 4th October, 2017 according to the general meeting decision on 12 September.

Number of voting rights connected to the shares (31 December 2017)

Series of shares	Number of shares issued	Number of voting shares	Voting rights per share	Total voting rights	Number of treasury shares
Series „A”	71 295 573	69 858 234	1	69 858 234	1 437 339

The Issuer's ownership structure (31 December 2017)

	Number of shares	Ownership stake	Voting rights
Domestic private individual	41 439 844	58,12%	58,12%
Domestic institution	27 968 448	39,23%	39,23%
Foreign private individual	309 437	0,43%	0,43%
Foreign institution	924 070	1,30%	1,30%
Nominee, domestic private individual	524 080	0,74%	0,74%
Nominee, foreign institution	64 906	0,09%	0,09%
Unidentified item	64 788	0,09%	0,09%
Total	71 295 573	100%	100%

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 31 December 2017

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%
MKB-Pannónia Fund Manager Ltd.	1072 Budapest, Nyár utca 12.	16% ²

² The decrease of the share of the Company in MKB-Pannónia Fund Manager Ltd. was registered at 9 November 2017,

9. Information published in the period

Date	Subject, short summary
October 2, 2017	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc
October 4, 2017	The amendment to the Articles of Association of CIG Pannónia Life Insurance Plc. was registered by the Court of Registration
October 20, 2017	Information on the conversion and listing of B and C type interest bearing shares
October 26, 2017	Extraordinary announcement on the change in the number of ordinary shares owned by persons discharging managerial responsibilities and persons closely associated with them
October 31, 2017	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
November 21, 2017	Quarterly report, Q3 2017
November 28, 2017	Memorandum of Understanding for Business Cooperation between China Re and the subsidiary of CIG Pannónia Life Insurance Plc.
November 30, 2017	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
December 12, 2017	Notice of Invitation to the Extraordinary General Meeting
December 21, 2017	Summary of the proposals relating to the agenda items of the GM and the draft resolutions
December 21, 2017	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc. at the date of convocation of the Extraordinary General Meeting
December 22, 2017	CIG Pannónia Life Insurance Plc. publishes its corporate events calendar for 2018 business year
January 2, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
January 11, 2018	Extraordinary announcement on the capital reduction of CIG Pannónia Life Insurance Plc.
January 19, 2018	Extraordinary announcement on the extraordinary General Meeting of CIG Pannónia Life Insurance Plc. convened for 10 a.m. on 19th January 2018
January 30, 2018	Strategic cooperation between CIG Pannónia Life Insurance Plc and KONZUM Plc.
January 30, 2018	Resolutions of the repeated Extraordinary General Meeting of CIG Pannónia Life Insurance Plc. held on 30
January 31, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia 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 fourth quarter of 2017 was not reviewed by an auditor, the report for the fourth quarter of 2017 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.

20 February 2018, Budapest

Gabriella Kádár dr.
Chief Executive Officer

Miklós Barta
Chief Financial Officer

Investor relations

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