

The current Prospectus ("Prospectus") was prepared in accordance with the provisions of Act CXX of 2001 on the capital market ("Tpt"), Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements ("Prospectus regulation"), as well as the "Regulations on Listing and Continued Trading" section of the General Terms of Service of the Budapest Stock Exchange Ltd. (Registered seat: 1054 Budapest, Szabadság tér 7., Platina torony, I. building, IV. floor; registration number: Cg. 01-10-044764; „BSE”).

## SUMMARY INFORMATION



# PANNÓNIA

## ÉLETBIZTOSÍTÓ

### The CIG Pannónia Life Insurance Plc.

regarding the introduction on BSE of 23.466.020 "A" type ordinary shares ("**Shares**") by the issuer ("**Issuer**"), at nominal value of HUF 40 each, issuing value of HUF 350 each

The Issuer initiates the introduction of Shares into the regulated market.

This Prospectus does not pertain to the listing, sale or offering of existing or new shares or other securities.

Related to this Prospectus, no other person but the Issuer has made a Declaration of Liability pursuant to Article 29 (2) of the Tpt. Accordingly, the responsibility for all information contained in this Prospectus and for any lack of information is the sole responsibility of the Issuer, ie no other person bears responsibility for information contained in this Prospectus or lack thereof.

The publication of this Prospectus and the announcement thereof has been approved by the Central Bank of Hungary ("**MNB**") by decision of H-KE-III-435/2018 dated 14 September of 2018.

**30 August 2018**

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## 1 SUMMARY

In this summary („**Summary**”), according to the Prospectus Ordinance Annex no. XXII. (Disclosure requirements for the summary), the first column shows the item number and the second column contains disclosure requirements, while non-applicable data is replaced by „Not applicable” comment.

**Based on this Prospectus, neither existing nor new shares will be sold, offered or issued,. This Prospectus has been prepared and published for the introduction Shares on BSE.**

**The overview of the Summary can not replace the detailed and thorough study of the Prospectus.**

Section A - Introduction and warnings	
A.1.	<p>The Company draws the investor's attention to:</p> <ul style="list-style-type: none"> <li>• this Summary is considered as an introduction of the Prospectus;</li> <li>• the decision to invest into securities must be based on the investor's consideration of the whole Prospectus;</li> <li>• where a claim relating to the information contained in this Prospectus is brought before a court in a member state of the European Economic Area, the plaintiff may, under the national legislation of the member state where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.</li> <li>• civil liability will attach to the persons, who submitted this summary, including any translation thereof, but only in that case, if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Shares</li> </ul>
A.2.	<i>Not applicable</i>
Section B – The issuer and the potential guarantor	
B.1.	<p>Legal and commercial name of the Issuer:</p> <p>CIG Pannónia Life Insurance Plc.</p>
B.2.	<p>The Issuer</p> <ul style="list-style-type: none"> <li>• registered seat: 1033 Budapest, Flórián tér 1., Hungary</li> <li>• legal form: public limited company</li> <li>• governing law in the operation: Hungarian law</li> <li>• country of registration: Hungary</li> <li>• registration number: 01-10-045857</li> </ul>
B.3.	<p>The main activity of the Issuer is life insurance activity, and through its subsidiary, other so-called non-life insurance business (eg. casco)</p> <p>The Issuer's major products are unit-linked life insurances on HUF and EUR basis, traditional life insurance and, in the non-life sector, casco and general liability insurance.</p>

B.4a.	<p>Presentation of key trends affecting the Issuer and its activities:</p> <p>Based on the publication of the MNB, an emergence of wider spread in self-care savings is forecasted. This can mean a significant number of new, nearly 1 million regular self-care savers. According to this forecast this will support the expansion of the insurance sector over the long term.</p> <p>If the development of the domestic insurance market follows the Western European pattern, then the life branch will be driving force of the expansion in the long run (10-year perspective).</p> <p>In the short term (in the next few years), the weight of the non-life branch may increase, as the purchase of higher value consumer goods increases the average fee of the related insurance (casco, home insurance, etc.). However, in the long run, with the spread of the unit-linked life insurances, the penetration of the life branch may become dominant (according to the Issuer's forecast). According to the MNB's projection, the ratio of the life branch may triple, while the ratio of the non-life branch may double in proportion to GDP. Within 10 years, that is by 2028, a 3% penetration rate can be a positive target for the companies in this sector, which may help Hungary return to the forefront of the region, like in the pre-crisis period. This can be achieved by an 8 percent annual average increase in the insurance market, which represents a feasible challenge for the institutions according to the current 6 percent growth and the persistently favorable macroeconomic conditions.</p>
B.4b.	<i>Not applicable.</i>
B.5.	<p>The Issuer is the member of the CIG Pannónia Group, formed by the Issuer and its several subsidiaries. The CIG Pannónia First Hungarian General Insurance Ltd. started its operation in 2011, as a non-life insurer, 100% owned by the Issuer. The Pannónia Investment Service Provider also started its operation in 2011, within the framework of CIG Partnership, now operating under the name MKB-Pannónia Fund Manager Ltd., the Issuer has a 16% share in it. In addition, the Issuer has a 100% share in Pannónia PI-ETA Funeral Services LLC, which provides service related to the funeral insurance.</p>

On 28 May 2018 (when the last ownership verification carried out), the KONZUM Plc. owns 24.85% of shares (23.466.020 shares, HUF 938,640,800 nominal value). The VINTON Property Management LLC. shareholder group owns 13.09% of shares (12,359,462 shares, HUF 494,378,480 nominal value).

The ownership verification carried out on 28 May 2018, Dr. Gábor Móricz, the Chairman of the Supervisory Board of the Issuer's 100% subsidiary, EMABIT - held a total of 4,680,210 ordinary shares. Kaptár Befektetési Zrt., closely related to Gábor Móricz, held a total of 3,715,148 ordinary shares. GridLogic Informatikai Zrt. owning 53.79% of Kaptár Plc. held 1,211,000 ordinary shares at the ownership verification. After 28 May 2018, due to share transactions, Dr. Gábor Móricz's number of shares has increased to 4,800,000, thus currently holds the direct shares in excess of 5%, exactly 5,08%. The ordinary shares of Kaptár Befektetési Zrt. changed to 3,750,000 pieces, while the ordinary shares of GridLogic Informatikai Kft. changed to 1,250,000 pieces.

B.6.

Owners description	Nominal value of equities on 28.05.2018 (thousand HUF)	Ownership ratio	Voting right
Domestic private individual	1 692 545	44.81%	44.81%
Domestic institution	1 987 181	52.61%	52.61%
Foreign private individual	12 585	0.33%	0.33%
Foreign institution	41 992	1.11%	1.11%
Nominee. domestic individual	13	0.00%	0.00%
Nominee. foreign individual	33 511	0.89%	0.89%
Nominee. foreign institution	9 238	0.24%	0.24%
Unidentified item	66	0.00%	0.00%
<b>Total</b>	<b>3 770 130</b>	<b>100%</b>	<b>100%</b>

The key financial data of the Issuer from the last three closed business years (consolidated, IFRS). Since only the major, the most important items of the Statement of Comprehensive Income and the Statement of Financial Position are shown here, therefore the data in the green fields are not the summarized amount of the white fields precisely (missing items are included in the later chapters of this Prospectus).

In the first five years after its founding, the strategic focus of the Group was basically the growth. The Insurer started up operation in each of the traditional insurance areas and also began to build regional presence. In 2013-14, the change in market conditions prompted the Group to change its previous strategy and the primary focus shifted to profitable business policy. The group has reviewed its target market, product structure and restructured its distribution system and radically transformed its cost structure and organization. As a result of above, the Group's operation stabilized and achieved to change the previous loss-generating operation into a predictable, stable profitability operation. In 2015-16, this change has also affected the Group's results. The life insurance portfolio has created a solid foundation for operation, written premium for contracts and yields on reserves increased the technical and unit-linked reserves as well as the investments behind this, and thus the total balance sheet. The Group became profitable due to portfolio cleaning of non-life insurance and shifting focus on profitable products as well as rationalizing costs, which resulted in an increase in equity. This change of strategy has provided a solid foundation for sustainable growth and adequate resources, that the Group could acquire the Hungarian insurers of the German VKB in 2017. The new profitable portfolio was not the only goal in the acquisition, but to gain a new sales channel: the MKB Bank (the strategy partner of the VKB), which can accelerate the pace of development. As a result of the acquisition, the managed insurance portfolio increased significantly, so the investments and the reserves increased considerably as well. In addition, the acquisition has generated significant profit for the Group in 2017, the profit after-tax increased the Group's equity by HUF 2.59 billion. In 2017, the Issuer's interest bearing shares were converted into ordinary shares, which increased the Group's equity by additional HUF 2.43 billion.

During the years 2016 and 2017, the Group has detailed certain consolidated income statements and consolidated financial statements for a more accurate and transparent presentation. For comparability, the comparative figures of 2016 were shown in 2017 consolidated financial statements and the comparative figures of 2015 were shown in 2016 consolidated financial statements

B.7.

Highlighted Financial Information - closed business years			HUF thousand
	2015	2016	2017
Earned premiums, net	15 587 097	14 950 729	19 219 920
Other income	1 931 195	6 213 110	12 555 130
<b>Total income</b>	<b>17 518 292</b>	<b>21 163 839</b>	<b>31 775 050</b>
Claim payments and benefits, and claim settlement costs	-8 069 622	-9 150 269	-15 820 705
Investment expenses, changes in reserves and benefits, net	-10 962 893	-14 497 573	-18 913 587
Operating costs	-5 608 202	-5 793 997	-9 704 429
Result of assets held for sale	-	-	-475 128
<b>Profit/loss before taxation</b>	<b>947 197</b>	<b>872 269</b>	<b>2 681 906</b>
<b>Profit/loss after taxation</b>	<b>927 945</b>	<b>723 982</b>	<b>2 598 336</b>

<b>Assets</b>			HUF thousand
	2015	2016	2017
Available-for-sale financial assets	6 114 512	5 952 201	16 517 833
Investments for policyholders of unit-linked life insurance policies	53 582 434	58 917 687	68 759 308
<b>Total assets</b>	<b>69 359 229</b>	<b>77 393 510</b>	<b>105 629 444</b>

<b>Liabilities</b>			HUF thousand
	2015	2016	2017
Technical reserves	5 259 993	7 280 999	17 170 478
Technical reserves for policyholders of unit-linked insurance	53 582 434	58 917 687	68 759 308
Investment contracts	1 311 539	1 399 050	3 961 311
<b>Total liabilities</b>	<b>66 175 601</b>	<b>73 421 824</b>	<b>96 614 359</b>

<b>Net Assets</b>			HUF thousand
	2015	2016	2017
<b>Shareholders' equity</b>			
Registered capital	2 531 328	2 531 328	2 851 823
Capital reserve	15 936 886	1 143 641	2 479 250
Profit reserve	-15 293 855	223 372	3 599 905
<b>Total shareholders' equity</b>	<b>3 183 628</b>	<b>3 971 686</b>	<b>9 015 085</b>

<b>Highlighted Financial Information - interim business years</b>			HUF thousand
	2017 Q1-Q2	2018 Q1-Q2	Change
Earned premiums, net	8 631 069	8 242 900	-388 169
Other income	6 252 627	3 505 653	-2 746 974
<b>Total income</b>	<b>14 883 696</b>	<b>11 748 553</b>	<b>-3 135 143</b>
Claim payments and benefits, and claim settlement costs	-7 305 878	-9 064 614	-1 758 736
Investment expenses, changes in reserves and benefits, net	-7 261 526	-5 924 304	1 337 222
Operating costs	-4 647 613	-4 522 822	124 791
Result of assets held for sale	-398 628	-	398 628
<b>Profit/loss before taxation</b>	<b>2 575 929</b>	<b>1 301 427</b>	<b>-1 274 502</b>
<b>Profit/loss after taxation</b>	<b>2 483 615</b>	<b>1 154 639</b>	<b>-1 328 976</b>

<b>Assets</b>			HUF thousand
	2017 Q1-Q2	2018 Q1-Q2	Change
Available-for-sale financial assets	14 976 897	26 176 667	11 199 770
Investments for policyholders of unit-linked life insurance policies	65 636 492	66 898 044	1 261 552
<b>Total assets</b>	<b>102 608 090</b>	<b>112 321 167</b>	<b>9 713 077</b>

<b>Liabilities</b>		<b>HUF thousand</b>	
	<b>2017 Q1-Q2</b>	<b>2018 Q1-Q2</b>	<b>Change</b>
Technical reserves	15 438 207	16 664 945	1 226 738
Technical reserves for policyholders of unit-linked insurance	65 636 492	66 898 044	1 261 552
Investment contracts	3 509 323	4 881 690	1 372 367
<b>Total liabilities</b>	<b>96 211 705</b>	<b>95 384 421</b>	<b>- 827 284</b>
<b>Net Assets</b>		<b>HUF thousand</b>	
	<b>2017 Q1-Q2</b>	<b>2018 Q1-Q2</b>	<b>Change</b>
Shareholders' equity			
Registered capital	2 531 328	3 777 130	1 245 802
Capital reserve	1 143 641	9 517 049	8 373 408
Profit reserve	2 706 982	3 821 302	1 114 320
<b>Total shareholders' equity</b>	<b>6 396 385</b>	<b>16 936 746</b>	<b>10 540 361</b>
B.8.- B.50.	<i>Not applicable.</i>		
<b>Section C – Securities</b>			
C.1.	Securities to be added on BSE: <ul style="list-style-type: none"> <li>• type and class: „A” type ordinary shares;</li> <li>• Securities Identification Number (ISIN): HU0000097738.</li> <li>• the technical identification number of the shares to be listed on the Stock Exchange: (ISIN): HU0000159736</li> </ul>		
C.2.	Currency of Shares: Hungarian forint.		
C.3.	The Issuer's registered capital is currently 94,428,260 pieces, nominal value HUF 40 per each, “A” type ordinary shares. The issue price of all shares issued by the Issuer is fully paid. The issue price of all shares (including the Shares) issued by the Issuer is fully paid.		
C.4.	Each Share entitles the shareholder to 1 (one) vote on the Issuer's General Meeting. The Shares grant their holders the equal (same) rights as the Issuer's already existing ordinary shares on the BSE.		
C.5.	There are no restrictions related to the transferability of the Shares.		
C.6.	Shares will be listed only on BSE; the Issuer will immediately arrange the Shares to be listed on BSE after the approval of the MNB.		
C.7.	The Shares entitle to dividends, based on the relevant regulation and the Issuer's Articles of Association. The General Meeting of the Issuer decides on the payable dividends (or dividends in advance). With authorization of the General Meeting, the Issuer's Board of Directors determines the technical conditions based on the Articles of Association Chapter VII. point 2: „A shareholder is entitled to receive dividends or interim dividends if he is included in the register of shareholders on the basis of the shareholder identification process conducted on the accounting date specified by the Board of Directors and published in the announcement on the dividend payment or interim dividend payment.		



C.8.- C.22.	<i>Not applicable.</i>
<b>Section D – Risks</b>	
D.1.	<p><b>The most specific risks to the insurance business are the following:</b></p> <ul style="list-style-type: none"> <li>(a) The Issuer is exposed to high market risk. If the market interest rate decreases below the technical interest rate of the traditional insurance product detailed in the insurance terms, that may negatively affect the Issuer's profitability.</li> <li>(b) As a result of the main activity, the Issuer is exposed to general counterparty risk, which means the risk of a third party (eg. reinsurer) failing to meet its obligation.</li> <li>(c) Given that products of the Issuer are denominated in euro or in other currencies, the so-called currency risk can not be excluded. Changes in the exchange rate of the euro (or, if applicable, other currencies) may have a significant impact on the development of written premium and insurance reserves and their value in HUF.</li> <li>(d) Since insurance is a high-risk business, thus the Issuer is exposed to unpredictable business risks despite the prudent operation.</li> <li>(e) The Issuer has several reserves, but incorrect calculations may result to improper written premium planning and may lead to false profit calculation.</li> <li>(f) In order to reduce the insurance risk, the Issuer has several reinsurance. There are significant exposure to these reinsurers, which poses a risk to the Issuer.</li> <li>(g) With regard to various insurance products, it is not possible to exclude the risk that clients will become beneficiary in greater numbers than expected, eg. premature death, accident, health issues.</li> <li>(h) Due to its relatively small size and economic openness, the Hungarian stock market closely follows the international, especially European stock market trends.</li> </ul>
D.2.	<i>Not applicable.</i>
D.3.	<p><b>The major risks to the Shares as Hungarian Securities:</b></p> <ul style="list-style-type: none"> <li>(a) Due to its relatively small size and economic openness, the Hungarian stock market closely follows the international, especially European stock market trends, which may result in volatile price of the Share.</li> <li>(b) It is not assured that, upon the listing of the Shares, active trading will take place on the stock exchange, or if it develops, its continuous existence is not ensured.</li> <li>(c) Apart from those set out in dividend policy, dividend payment by the Issuer is dependent of the financial position of the Issuer to allow dividends to be paid at all.</li> <li>(d) Depending on their nature, future capital increases may result a reduction in the share of shareholders' voting rights ("dilution") related to the total registered capital of the Issuer. It can not be excluded that future capital increases will be made at a lower price than the value of equity per share or the benchmark exchange rate or the acquisition cost of shareholder's Shares ("impairment").</li> <li>(e) Due to the economic openness and relatively small size of the Hungarian stock market, it is strongly dependent on international market trends. The trend of the price of Shares may also be significantly influenced by investors' assessment of</li> </ul>

	<p>Hungarian country risk.</p> <p><b>(f)</b> In specified cases, based on Capital Market Act and BSE Introduction and Holding on the market Rules, the suspension of trading of Shares may also occur, which may prevent the sale of Shares, during the suspended period.</p> <p><b>(g)</b> Securities of public limited company listed on BSE can be derecognised from BSE according to the current regulations and can be converted into private companies.</p> <p><b>(h)</b> An investor with a significant share may decide alone on certain agenda items (even against other shareholders).</p> <p><b>(i)</b> Shares are not covered by the National Deposit Guarantee Fund (or other similar coverage, such as the Investor Protection Fund).</p>
D.4.- D.6.	<i>Not applicable.</i>
Section E – Offer	
E.1. – E7.	<i>Not applicable</i>

## **2 RISK FACTORS**

*Unless otherwise stated or clearly different from the context, the term "Issuer" shall mean the Issuer Group as a whole group of companies.*

Investing in Shares involves a number of risks. The prospective investors must carefully consider the risk factors described below before making their decision to invest in Shares, as well as all the additional information contained in the Prospectus. If any of the risk factors occur, it may have a negative impact on the Issuer's business, prospects, financial position or results, and any of these effects may adversely affect the value of the Shares. As a result of these effects, investors may lose their equity invested in Shares in whole or in part.

The prospective investors must carefully and thoroughly review the full text of the Prospectus, in addition it is recommended for the prospective investors to consult with their own investment, financial, legal and / or tax expert before making their decision to invest in Shares to assess, understand and evaluate the risks associated with investing in Shares. Nevertheless, the Issuer is not in a position to state the likelihood of the occurrence and the effects of the factors.

### **2.1 Risks related to the general economic environment**

The operation and profitability of the Issuer is related to trend in the national economy (including the Hungarian economy and the economies of those countries which may be considered as the market of the Issuer). If unfavorable changes occur eg. adverse shift in macroeconomic situation, like the economic growth rate decreases or the economy falls in recession (unexpected state bankruptcy), the internal and external balance positions deteriorate, then the Issuer may not be independent of the effects of any adverse trend that may arise. Macroeconomic changes may have a major impact on the operation of the Issuer, including market interest rates, inflation and other macroeconomic factors. One of the consequences of governmental steps towards economic growth can be the rising inflation. Besides of inflation, the overall financial position deterioration of economic members is a further possible consequence of potential fiscal adjustment measures. Due to its small size and economic openness, the countries of the Central and Eastern European region, like the Hungarian economy, is particularly affected by the global, and primarily, the European economic processes. The activity and the operation of the Issuer are influenced by the trend of the macroeconomic situation and the international opinion of the national economies of the region. The decline in foreign demand has a negative impact on the economies of the region, both in terms of economic growth and foreign trade balance. The budget deficit and the lack of balance of payments, the inflation, interest rate and the exchange rate of Hungarian forint has an impact on the source and cost of the Issuer and thus its profitability.

### **2.2 Interest rate risk**

Interest rate risk generally includes changes in interest rates (either increase or decrease) and discrepancies between the maturity and duration of assets and liabilities. Interest rates are influenced by a number of factors, including government, financial and monetary policy, domestic and international economic and political relations, macroeconomic factors, a number of factors that the Issuer has no influence. The Issuer is exposed to high market risk. If the market interest rate decreases below the technical interest rate of the traditional insurance product detailed in the insurance terms, that may negatively affect the Issuer's profitability. In the case of unit-linked life insurances, there are also available asset funds whose performance (and thus attractiveness) is significantly affected by the interest rate environment.

### **2.3 Counterparty risk**

The Issuer is exposed to general counterparty risk, which is the risk that a third party fails to meet its obligation towards the counterparty. These partners include customers, financing partners, reinsurers, financial intermediaries, clearing houses, trading venues and investment firms. The interdependence of financial market members and integration of financial markets also means that if the liabilities of a large and recognized financial institution can not be met, then this may have an impact on the entire financial market through its ripple effect. The shaking of the trust in banking and insurance businesses, may also have a negative impact on the sale of the Issuer's products.

### **2.4 Risks related to the Issuer's exposure to financial markets**

The yield on the Issuer's investments depends to a large extent on changes in financial markets. This exposure does not only affect the value of the Issuer's own investments in its own account, but it may also affect the value and yield of the investments made by the Issuer for the benefit / interest of its clients, and the decrease in the value of these assets may lead to a reduction in the value of insurance reserves. Some of the fees charged by the insurer are calculated based on the unit-link reserves, and the decrease in the reserves also indirectly leads to a decrease in our profitability. It should also be noted that the past performance of eligible asset funds for unit-linked life insurances may affect the attractiveness of the Issuer's products. The reduction in the attractiveness of the Issuer's products can have a significant negative impact on the sale of new life insurance products and the written premium of the Issuer.

### **2.5 Currency Risk**

Euro and other denominated products can be found on the product range of the Issuer. Changes in the exchange rate of the euro (or, if applicable, other currencies) may have a significant impact on the of written premium and insurance reserves and their value in HUF. The Issuer also has liabilities (including the obligations to the Issuer's reinsurer's partners) and other receivables denominated in euro, whose value are also influenced by the development of the euro-forint exchange rate.

### **2.6 Insurance risk**

Insurance is a high-risk business. The technical risk can not be fully predicted, which includes actuarial risks, credit risk, market risk, strategic risk, operational risk and liquidity risk. The risk of technical reserves includes the occurrence, frequency and severity of the insurance event, compared to the expectations when the contract was concluded. This risk also applies to the fluctuation of both timing and amount of claims. The high level of technical reserve may reduce the issuer's earnings, but low level of technical reserves may arise liquidity problems for the Issuer. The technical risk may also increase the so-called deletion rates of the Issuer's portfolio.

### **2.7 Risk arising from the concentration of insurance risks**

The Issuer has a risk if insurance events occur neither independently, nor according to the calculations, rather connected, according to a trend or because of the same reason. The risk is mainly due to the fact, that the majority of written premium calculations assume the independence of events. Although every written premium of the Issuer contains an implicit or explicit safety allowance, the sufficiency of the allowances should be examined in extreme condition. Concentration of insurance risks therefore poses a risk to the Issuer.

## **2.8 Risks related to the calculation of insurance reserves**

The Issuer sets up the following reserves: unearned premium reserve, actuarial reserves, reserves for outstanding claims (IBNR, RBNS reserve), reserves for expected loss, reserves for premium refunds, cancellation reserve, technical reserves for policyholders of unit-linked life insurance policies. Incorrect calculation of insurance reserves may result an improper planning of written premium and incorrect result calculation.

## **2.9 Reinsurance risks**

The insurance risk of the Issuer is reduced by reinsurance. The availability or price of reinsurance is determined by external factors, which can change under external circumstances and make the reinsurance protection against the Issuer's losses more expensive or become inaccessible. If a reinsurer who has a significant exposure towards the Issuer would not meet its obligations, may result unexpected losses for the Issuer. This may have a negative impact on the Issuer's financial and liquidity position. The Issuer has significant exposures to the German Hannover Rückversicherung AG, the Spanish MAPFRE RE and the Swiss Re reinsurance companies. This risk can be further increased by the provisions of these treaties, that the claim is enforced only with the use of foreign regulation and the use of a foreign arbitral tribunal.

## **2.10 Risks related to mortality and morbidity**

The Issuer's financial position may be affected by changes in mortality and morbidity. The Issuer's financial position is adversely affected, if clients make limited fixed period life insurance and higher premature death rate occurs than expected (in this case the amount of the insurance must be paid to the beneficiary). Accident insurance raises the risk that a higher number of clients will suffer an accident or become unable to work than expected. The health insurance also raises the risk that a higher number of clients will be diagnosed with a disease than expected. For certain insurance products, the Issuer disregards prior medical examination before the conclusion of the contract in some cases, so omits the preliminary evaluation of health risk.

## **2.11 Risks related to certain material contracts**

The Issuer has contract with Uno-Soft Számítástechnikai Kft., and the Hungarian branch office of TATA Consultancy Services Limited for the use of IT Services and has contract with MKB-Pannónia Fund Manager Ltd. in subject of both equity and technical provisions and unit-linked life insurance. Given the complex nature of the contracts, these three contracts are considered by the Issuer as material contracts for operational risks.

## **2.12 General regulatory risk**

Changes in the legal environment, including regulation on tax, capital market and civil law and in particular legal regulations affecting insurance activity, may have an adverse effect on the Issuer's financial position and profitability. The range of products allowed for sale in certain countries and and the related regulatory requirements, report requirement, change in permits, change in the tax rules, change in sales channel regulation may have a great impact on the operation of the Issuer and may affect the business strategy.

## **2.13 Risks related to capital requirements (Solvency)**

The Issuer is required to provide significant solvency capital under the current legislation, as well as to meet many other regulatory requirements. If the Issuer would not be able to meet this capital adequacy (solvency) and other requirements, then the MNB (the competent supervisory authority)

has wide-ranging powers to oblige the Issuer to restore its capital adequacy and to ensure its proper functioning of legislation. The Issuer's current capital adequacy is excellent, and significantly exceeds the minimum requirements set by the Supervision and in the opinion of the Issuer, this is expected in the longer term; but if this were not the case, then the Issuer would be faced with the difficulties.

#### **2.14 Risks related to administrative and legal proceedings**

Considering that the Issuer operates in a strictly regulated area, there is a risk of regulatory actions or legal proceedings that can affect the financial situation and profitability of the Issuer. Failure to comply with statutory provisions and the requirements of MNB may entail the risk of legal proceedings and penalties. There are no risks associated with the Issuer's compliance. However, in Hungary, according to the public opinion, the regulations change quite frequently. They often become mandatory without a substantive preparation time, and may result in additional costs being incurred by the Issuer to comply with them.

#### **2.15 Risks related to changes in tax rules**

Within regulatory risk the change in tax rules may affect the financial situation and the profitability of the Issuer. Changes in tax regulation may not only adversely affect the tax status of the Issuer, but it may also adversely affect the position of the Shareholders or the Issuer's clients (eg. abolition of tax benefits related to insurances).

#### **2.16 The risks arising from the rapid growth of the Issuer**

Expansion of the Issuer to new areas, as well as rapid, extensive growth may lead to a certain weakening of the management's control functions. The costs of accessing new areas and the magnitude of development expenditures can not be accurately estimated today. It is also impossible to estimate exactly when and to what extent new areas can contribute to the increase in the Issuer's profit-generating capability. Despite the difficulties related to the accurate estimation of these costs and expenses, the Issuer must continually provide the financing of these costs and expenses.

#### **2.17 Risks related to new competitor**

Insurance markets in the Central and Eastern European region are dominated by insurers founded by foreign, financially strong owners, due to its continuous development over the past two decades. The Issuer expects further market development, as a result of the household savings is expected to shift towards insurance products. For this reason, the market presence may become more attractive to other insurers, and the large increase in the number of competitors may worsen the Issuer's expectations regarding market share growth and written premium growth.

The Issuer faces significant competition from both other insurers and other financial sector companies (eg. banks, fund managers) who sell their products and services satisfying customer demand similar to the Issuer's products on their own markets. Competition is basically based on the characteristics of the products offered, their prices, commissions, financial performance, independent ratings, brand awareness, customer satisfaction and support services. If the Issuer is unable to react in a timely and effective manner to the challenges posed by market competition (such as changes in consumer demand, regulatory environment and technology), this may also have an impact on the financial situation and profitability of the Issuer.

#### **2.18 Risk arising from the concentration of distribution networks**

The Issuer's products are also sold by its own sales network and by insurance brokers in different forms. Only a few members in the Hungarian life insurance market employ and grow their own sales network, which means that a decisive proportion of the written premium of life insurance companies is sold by intermediaries and insurance brokers.

In addition to its dependent insurance broker network (own network), the Issuer has no exclusivity agreement with most insurance intermediaries, so they can sell other insurers' products. Regarding to this, the sale of the Issuer's products depends to a large extent on the insurance intermediaries adequate knowledge of the Issuer products as well as the products of the Issuer's competitors and their products. The lack of effective insurance brokerage network, and their decline may result in a reduction in the Issuer's revenues and market share.

The concentration risk has been significantly reduced by Issuer in recent years through its own network, the contracts with brokers and sales co-operation with banks. At the same time, MKB Bank, as a strategic partner, currently has about 30% share of the new acquisition of life insurance. This is already a significant amount whose loss or significant decrease (for whatever reason) would have a noticeable negative impact on the Issuer's profitability.

#### **2.19 Risks related to planned launch of new products**

Besides the market of the traditional insurance products, the Issuer pays special attention to the development and introduction of new products, as well as introducing market segments that are unprecedented to the insurance market. The development of such products, the training of sales partners or the establishment of a special sales network will result in significant human labor and, in many cases, substantial financial expenditures. There is no guarantee that these new segments and products will meet their expected returns. In the case of new products, worse than expected claims ratio can also cause losses.

#### **2.20 Risks related to the operation of the information technology system**

The Issuer's operation depends to a great extent on the information technology system. Any problem with this system can have a significant adverse effect on the Issuer's financial position and profitability. A perfectly functioning information technology system (hardware and software) is essential for smooth operation of the Issuer. IT systems are threatened with many hazards, including computer viruses and hacker attacks. Partial or complete failure of systems may interfere the business processes that may cause the Issuer's reputation to decline. Malfunction of the system may have a negative impact on the Issuer's financial position and profitability. This risk is closely related to the section entitled "Risks related to certain material contracts" discussed under point 2.11 above.

#### **2.21 Damage caused by criminal manipulation in sales or claim settlement, the risk of anti-selection**

Every insurer is exposed to the possibly of non-demand sales (misselling), as well as the damage caused by criminal manipulation, which could negatively affect the Issuer's profitability, cause reputational losses and may result in disputes related to commissions. In the case of so-called anti-selection, the insured consciously conceals certain factors related to his / her own risk from the insurer. Thus the insured creates a coverage of his / her high risk, without the risk would have been revealed to the insurer.

#### **2.22 Risks related to catastrophe**

The financial position and profitability of the Issuer may be affected by unforeseen catastrophes, natural disasters, including epidemics. The exposure to these events depend on both the numerosity and the severity of those events, which can not be predicted. More catastrophes, or even a single major catastrophe, may cause unexpected costs, which can have a significant adverse effect on the Issuer's profitability.

### **2.23 Risks related to management retirement**

One of the key elements of successful operation of the Issuer is its successful staff policy. This ability means that the Issuer employs professionals who provide appropriate strategic guidance, whose expertise ensures the successful everyday operation, both towards customers and supervisory authorities (including the stock market). If the Issuer loses its ability to retain or replace its managers and employees, it may have a significant negative impact on the issuer's financial position and profitability.

### **2.24 Volatility risk of exchange rate**

Due to its relatively small size and economic openness, the Hungarian stock market closely follows the international and in particular, the European stock market trends. These international trends may have a significant impact on stock market performance of the Share. Possible speculative transactions may also result the volatility to the price of the Share.

### **2.25 Liquidity risk**

It is not certain that, upon the listing of the Shares, active trading will take place on the market of the Shares, or if it develops, its continuous existence is not ensured. The lack of adequate liquidity may adversely affect the price of Shares and increase volatility.

### **2.26 Dividend payment risk**

Apart from those set out in dividend policy, dividend payment by the Issuer is dependent from the financial position of the Issuer meet the regulations on dividend payment.

### **2.27 Risk of dilution and impairment**

In order to increase the registered capital of the Issuer, it may decide to further capital increases in the future. Depending on their nature (for example, whether there is a private or public capital increase and whether the subscription priority provided by regulation is excluded or not), future capital increases may result a reduction in the share of shareholders' voting rights ("dilution") related to the total registered capital of the Issuer. It can not be excluded that future capital increases will be made at a lower price than the value of equity per share or the benchmark exchange rate or the acquisition cost of shareholder's Shares ("impairment").

### **2.28 The risk of the stock market**

Because of the economic openness and relatively small size of the Hungarian stock market, it is strongly dependent on international market trends. The performance of the Hungarian stock market is affected by the trends of the international especially the European capital market and money market, which may result volatile in the exchange rates that are independent of the performance of the Issuer or the Hungarian economy. The trend of the price of Shares may also be significantly influenced by investors' assessment of Hungarian country risk.

### **2.29 The risk of suspension of trading**

Information and data that significantly influence the Issuer's activity and business must be published by the Issuer in accordance with current regulations. This disclosure of information or non-disclosure of required information, in specified cases, based on Capital Market Act and BSE Introduction and Holding on the market Rules may result the suspension of trading of Shares. This may prevent the sale of Shares, during the suspended period.



### **2.30 Regulation of investment in Shares**

Some investors may carry out their investment activities on the basis of laws and other regulations, and their activities are monitored and supervised by certain authorities. All prospective shareholders are advised to consult with their legal adviser and make sure that the investment in the Shares complies with the applicable laws and regulations

### **2.31 Risk of derecognised**

Securities of public limited company listed on a BSE can be derecognised from BSE according to the current regulations and can be converted into private companies. It can not be guaranteed that in the future one or more (together dominant) owners will not decide to derecognised the Shares from BSE. If the Shares are derecognised from BSE, their over-the-counter turnover may be extremely limited.

### **2.32 Shareholder with major share**

Currently the largest owner of the Issuer is KONZUM Plc. with a 24.85 percentage share in the Issuer. An investor with a significant share may decide alone on certain agenda items (even against the other shareholders). The share price may also be significantly influenced by this shareholder's eventual sell of shares in greater amount.

### **2.33 Lack of investor protection**

Shares are not covered by the National Deposit Guarantee Fund (or other similar coverage, such as the Investor Protection Fund). In case of share price losses or other losses related to Shares, no other third party will cover the losses. In case of possible insolvency of the Issuer, shareholders may lose all or part of the value of their investments.

### 3 RESPONSIBLE PERSONS

Undersigned persons authorized to represent CIG Pannónia Life Insurance Plc. („**Issuer**”, registered seat: 1033 Budapest, Flórián tér 1.; registration number: 01-10-045857), for the information contained in the Prospectus, we make the following declaration of responsibility, in accordance with the Act CXX of 2001 on capital market („**Tpt**”) Section 29 (2).

In preparing this Prospectus, the Issuer endeavored, in accordance with applicable legal requirements to include all the Issuer’s market, economic, financial and legal position and expected developments thereof, as well as necessary information for the assessment of the rights related to the Shares by investors. According to the Issuer's best knowledge, the information, data aggregations, statements, analyzes provided in this Prospectus correspond to reality, and enable the assessment of the Issuer’s market, economic, financial, legal position and expected developments thereof, as well as the assessment of the rights related to the Shares by investors. According to the Issuer's best knowledge, this Prospectus does not contain misleading information, grouping or analysis that may lead to false conclusions. It does not conceal any fact from investors that may jeopardize the justified judgment of the Issuer's market, economic, financial, legal position and expected developments thereof, or the assessment of the rights related to the Shares by investors.

In accordance with the above and in accordance with Tpt. Section 29 (2), the undersigned representatives of the Issuer declare on behalf of the Issuer, that this Prospectus contains information and statements that are true and does not omit any facts or information relevant to the assessment of the positions of the Shares and the Issuer. The Issuer is responsible to compensate the owners of the Shares for damages attributable to misleading content of this Prospectus or concealed information, therefore no other person (including, but not limited to the consultants involved in the preparation of this Prospectus) is responsible. The Issuer's responsibility covers all information contained in this Prospectus as well as omission of information.

Dated: Budapest, 15 June 2018

**CIG Pannónia Life Insurance Plc.**

**CIG Pannónia First Hungarian General Insurance Ltd.**

Name: dr. Gabriella Kádár

Name: Miklós Barta

Position: Chief Executive Officer, member of the Board of Directors

Position: Deputy Chief Executive Officer, member of the Board of Directors

## **4 REGISTERED AUDITORS**

### **The auditors of the CIG Pannónia Life Insurance Plc. and the EMABIT:**

#### **Business year of 2015**

KPMG Hungary Ltd. (1134 Budapest, Váci út 31.; Chamber ID: 000202)

Responsible auditor in person: Csilla Leposa, registered auditor; Chamber registration number: 005299

#### **Business year of 2016**

Ernst & Young Könyvvizsgáló Ltd. (1132 Budapest, Váci út 20.; Chamber ID: 001165)

Responsible auditor in person: Gabriella Virágh, registered auditor; Chamber registration number: 004245

#### **Business year of 2017**

Ernst & Young Könyvvizsgáló Ltd. (1132 Budapest, Váci út 20.; Chamber ID: 001165)

Responsible auditor in person: Gabriella Virágh, registered auditor; Chamber registration number: 004245

#### **Business year of 2018**

Ernst & Young Könyvvizsgáló Ltd. (1132 Budapest, Váci út 20.; Chamber ID: 001165)

Responsible auditor in person: Gabriella Virágh, registered auditor; Chamber registration number: 004245

The auditor of the merger of the MKB Life Insurance Ltd. into the CIG Pannónia Life Insurance Plc.:

MOORE STEPHENS K-E-S Audit Ltd. (1054 Budapest, Báthori u. 20. 3/1.; Chamber ID:: 001587)

Responsible auditor in person: dr. Anna Sugárné Kéri, registered auditor; Chamber registration number: 000691

## 5 HIGHLIGHTED FINANCIAL INFORMATION

IFRS based, consolidated data, in thousand forint – closed business years

	2015	2016	2016/2015 change (%)	2017	2017/2016 change (%)
Gross written premium	17 444 851	18 941 022	108.58%	26 932 551	142.19%
Changes in unearned premiums reserve	-546 593	-1 388 483	254.03%	-960 365	69.17%
<b>Earned premiums, gross</b>	<b>16 898 258</b>	<b>17 552 539</b>	<b>103.87%</b>	<b>25 972 186</b>	<b>147.97%</b>
Ceded reinsurance premiums	-1 311 161	-2 601 810	198.44%	-6 752 266	259.52%
<b>Earned premiums, net</b>	<b>15 587 097</b>	<b>14 950 729</b>	<b>95.92%</b>	<b>19 219 920</b>	<b>128.56%</b>
Premium and commission income from investment contracts	146 702	104 501	71.23%	208 084	199.12%
Investment income	0	802 087		2 278 002	284.01%
Share of the profit of associates and joint ventures accounted for using the equity method	655 709	4 141 809	631.65%	8 722 257	210.59%
Other operating income	250 471	222 368	88.78%	303 056	136.29%
Commission and profit sharing from reinsurance	878 313	942 345	107.29%	1 043 731	110.76%
<b>Other income</b>	<b>1 931 195</b>	<b>6 213 110</b>	<b>321.72%</b>	<b>12 555 130</b>	<b>202.07%</b>
<b>Total income</b>	<b>17 518 292</b>	<b>21 163 839</b>	<b>120.81%</b>	<b>31 775 050</b>	<b>150.14%</b>
Claim payments and benefits, and claim settlement costs	-8 069 622	-9 150 269	113.39%	-15 820 705	172.90%
Net change in the value of life technical reserves and unit-linked life insurance reserves		1 251 799		3 025 017	241.65%
Investment expenditure	-2 363 004	-5 734 264	242.67%	-4 490 822	78.32%
Share of the loss of associates and joint ventures accounted for using the equity method	-688 636	-613 105	89.03%	-1 140 460	186.01%
Change in the fair value of liabilities relating to investment contracts	-	-		-	
Change in the fair value of assets and liabilities relating to embedded derivatives	19 951	-90 051	-451.36%	-217 229	241.23%
Damage refunds from reinsurance	138 418	-161 683	-116.81%	-269 388	166.61%
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>-10 962 893</b>	<b>-14 497 573</b>	<b>132.24%</b>	<b>-18 913 587</b>	<b>130.46%</b>
Fees, commissions and other acquisition costs	-3 775 379	-4 038 711	106.97%	-5 821 289	144.14%
Other operating costs	-1 832 823	-1 462 263	79.78%	-3 297 650	225.52%
Other expenses	0	-293 023		-585 490	199.81%
<b>Operating costs</b>	<b>-5 608 202</b>	<b>-5 793 997</b>	<b>103.31%</b>	<b>-9 704 429</b>	<b>167.49%</b>
<b>Result of assets held for sale</b>	<b>-</b>	<b>-</b>		<b>-475 128</b>	
<b>Profit/loss before taxation</b>	<b>947 197</b>	<b>872 269</b>	<b>92.09%</b>	<b>2 681 906</b>	<b>307.46%</b>
Tax income / (expenses)	-122 866	-142 254	115.78%	-258 030	181.39%
Deferred tax income / (expenses)	103 614	-6 033	-5.82%	174 460	-2891.76%
<b>Profit/loss after taxation</b>	<b>927 945</b>	<b>723 982</b>	<b>78.02%</b>	<b>2 598 336</b>	<b>358.90%</b>
Other comprehensive income	-12 653	64 076	-506.41%	260 762	406.96%
<b>Comprehensive income</b>	<b>915 292</b>	<b>788 058</b>	<b>86.10%</b>	<b>2 859 098</b>	<b>362.80%</b>

ASSETS	2015/12/31	2016/12/31	2016/2015 change (%)	2017/12/31	2017/2016 change (%)
Intangible assets	852 006	840 081	98.60%	896 218	106.67%
Property, plant and equipment	50 361	39 080	77.60%	75 725	193.77%
Deferred tax assets	346 031	339 998	98.26%	514 458	151.31%
Deferred acquisition costs	995 493	1 503 271	151.01%	2 296 200	152.76%
Reinsurer's share of technical reserves	1 292 317	2 313 120	178.99%	4 647 235	200.91%
Investments in jointly controlled companies	326 081	297 979	91,38%		
Available-for-sale financial assets				352 037	
Investments for policyholders of unit-linked life insurance policies	6 114 512	5 952 201	97.35%	16 517 833	277.52%
Financial assets - investment contracts	53 582 434	58 917 687	109.96%	68 759 308	116.70%
Financial assets - embedded derivatives	1 311 539	1 399 050	106.67%	3 961 311	283.13%
Receivables from insurance policies and other receivables	676 320	514 637	76.09%	-	
Receivables from insurance policyholders	2 615 956	-		-	
Receivables from intermediaries		2 003 680		2 388 118	119.16%
Reinsurance receivables		360 923		597 529	165.56%
Other assets and prepayments		68 840		190 594	276.87%
Other receivables	108 498	137 046	126.31%	223 805	163.31%
Receivables from shareholders		1 099 701		325 900	29.64%
Cash and cash equivalents	1 087 681	1 606 216	147.67%	3 883 173	241.76%
<b>Total assets</b>	<b>69 359 229</b>	<b>77 393 510</b>	<b>111.58%</b>	<b>105 629 444</b>	<b>136.48%</b>

<b>(data in thousand forint)</b>					
<b>LIABILITIES</b>					
Technical reserves	5 259 993	7 280 999	138.42%	17 170 478	235.82%
Technical reserves for policyholders of unit-linked insurance	53 582 434	58 917 687	109.96%	68 759 308	116.70%
Investment contracts	1 311 539	1 399 050	106.67%	3 961 311	283.13%
Financial liabilities - embedded derivatives	-	-		-	
Financial liabilities - futures		-		3 638	
Liabilities from the issue of interest-bearing shares	2 312 283	2 460 088	106.40%	-	
Loans and financial reinsurance	1 863 130	1 269 695	68.15%	1 186 493	93.45%
Liabilities from insurance		710 579		1 601 086	225.32%
Liabilities from insurance policyholders		278 793		784 803	281.50%
Liabilities from intermediaries		322 304		578 713	179.56%
Liabilities from insurance	1 038 997				
Other liabilities and provisions	807 225	782 629	96.95%	2 568 529	328.19%
<b>Total liabilities</b>	<b>66 175 601</b>	<b>73 421 824</b>	<b>110.95%</b>	<b>96 614 359</b>	<b>131.59%</b>
<b>NET ASSETS</b>	<b>3 183 628</b>	<b>3 971 686</b>	<b>124.75%</b>	<b>9 015 085</b>	<b>226.98%</b>
<b>SHAREHOLDERS' EQUITY</b>					
Registered capital	2 531 328	2 531 328	0.00%	2 851 823	112.66%
Capital reserve	15 936 886	1 143 641	7.18%	2 479 250	216.79%
Share-based services		-		-250 000	
Treasury shares	9 269	73 345	791.29%	334 107	455.53%
Other reserves	-15 293 855	223 372	-1.46%	3 599 905	1611.62%
<b>Equity attributable to the owners of the Company</b>	<b>3 183 628</b>	<b>3 971 686</b>	<b>124.75%</b>	<b>9 015 085</b>	<b>226.98%</b>
Non-controlling interests	0	-		-	
<b>Total shareholders' equity</b>	<b>3 183 628</b>	<b>3 971 686</b>	<b>124.75%</b>	<b>9 015 085</b>	<b>226.98%</b>

During the years 2016 and 2017, the Group has detailed certain consolidated income statements and consolidated financial statements for a more accurate and transparent presentation. For comparability, the comparative figures of 2016 were shown in 2017 consolidated financial statements and the comparative figures of 2015 were shown in 2016 consolidated financial statements

In the consolidated financial statements for 2016, the local business tax and the innovation contribution of HUF 80,591 thousand have been reclassified from the Other operating costs line to the Tax income / (expenses). As a result of this there is a difference in line Profit/loss before taxation and tax expense between the comparative figures of 2015 shown in consolidated financial statements for 2016 and the original figures in consolidated financial statements for 2015.

In 2017, the following reclassifications / breakdowns were made, which was also used for the comparative period (2016).

Taking into account the principle of comparability, to the Ceded earned reinsurance premiums (in 2016: HUF -1,799,723 thousand) have been reclassified to the Commission and profit sharing from

reinsurance (in 2016: HUF 802,087 thousand) in the consolidated financial statements. Thus the Ceded earned reinsurance premiums changed to HUF – 2,601,810 HUF.

The amount of Damage refunds from reinsurance have been reclassified as an individual row. Thus the Claim payments and benefits, and claim settlement costs in 2016 change from HUF -7,898,470 thousand to -9,150,269 HUF thousand.

From Other operating costs items have been reclassified in the consolidated financial statements. Thus the Other operating costs in 2016 changed from HUF 1,755,286 thousand to HUF 1,462,263 thousand.

The HUF 3,533,144 thousand of Receivables from insurance policies and other receivables have been detailed in consolidated financial statement to Receivables from insurance policyholders and Receivables from intermediaries.

The Liabilities from insurance have been detailed to Liabilities from reinsurance and Liabilities from insurance policyholders and Liabilities from intermediaries in consolidated financial statement. The amount of this row was HUF 1,311,767 thousand in 2016.

## 6 INTRODUCTION OF THE ISSUER

### 6.1 Historical Background

Legal and commercial name of the Issuer: CIG Pannónia Life Insurance Plc. (Registered seat: 1033 Budapest, Flórián tér 1., Hungary; registration number: 01-10-045857), legal form: public limited company. Location of registration is Hungary, the governing law in the operation is the Hungarian law.

The Issuer was founded by well-known Hungarian public figures and domestic insurance professionals on 26 October 2007 as CIG Central European Insurance Ltd. The sales activity of the Insurer was launched on 26 May 2008. On 1 January 2010, the Company changed its name to CIG Pannonia Life Insurance Ltd.

On 4 November 2009 the Annual General Meeting of the Issuer decided on a conditional (future) change in the Issuer's operating form from a private company limited by shares to a public company limited by shares, and authorized the Board of Directors to implement this decision within a suitable time (but no later than 31 December 2010). After several months of preparing the initial public offering of the Insurer, the Board of Directors implemented the above-mentioned decision of the Annual General Meeting, with effect from 1 September 2010. From then on the Issuer began operating as a public company limited by shares. The subscription (IPO) period of Issuer's shares for small investors lasted from 11 October 2010 until 22 October 2010. As a result of the transaction, all of the new shares publicly issued (10,850,000) were subscribed and the Insurer raised a capital of HUF 9.3 billion.

After the new shares were created at KELER, the Issuer initiated their listing in category "B" on the Budapest Stock Exchange (BSE). Introduced shares were ordinary shares (later, the Issuer issued other types of shares, but did not introduced into stock market listing; currently the Issuer shares are again only ordinary shares). The first trading day was 8 November 2010. With the insurer's negotiable instrument its legal to trade BSE stocks in the series of the „premium" category since 12 April 2012 , the stocks are listed in the BUX basket.

The Issuer's detailed breakdown of capital increase / decrease is shown in Chapter 5 (Capital Resources), where changes in quantity of shares listed on BSE are also presented (including the capital increase registered on 18 May 2018, which made this Prospectus necessary).

### 6.2 Members of the CIG Pannónia Group

The operation of the CIG Pannónia First Hungarian General Insurance Ltd. („**EMABIT**"), was launched in 2011. It is a non-life Insurer, 100% owned by the Issuer as a subsidiary. The subsidiary is focused on domestic small and medium enterprises, state and local government institutions, companies, professional chambers, associations and society. After a dynamic domestic acquisition, EMABIT has also appeared abroad in certain markets in recent years: In 2012 with special liability insurance for carriers in Poland, a year later a cargo insurance product was introduced in Lithuania, while it has been selling suretyship insurance in Italy since 2014. It is also present with a special insurance solution in Slovakia and Romania. In 2017, entered into the Spanish market with a suretyship insurance product.

Pannónia Investment Services Ltd. was established in 2011 by the Issuer and Pannónia Pension Fund in the framework of a strategic cooperation. In 2013 it transformed to fund manager and changed its name to Pannónia CIG Fund Manager Ltd. Own issued, private funds appeared on the market for the first time in April 2013. On 15 October 2015 Pannónia Fund Service Provider Ltd. became the new owner instead of the Pannónia Pension Fund Ltd. The Pannónia Fund Service Provider Ltd. is 100% owned by the Pannónia Pension Fund Ltd., that way the indirect ownership share of Pannónia Pension Fund Ltd. did not changed. In 2017 with the intention of the economies of



scale and efficiency the ownership it's owner scale was increased with MKB Bank Ltd., MKB Pension Fund, MKB-Pannónia Health and Mutual Fund and the Gránit Bank Ltd. Now the current ownership of the MKB-Pannónia Fund Manager Ltd: Pannónia Fund Service Provider Ltd. (16%), CIG Pannónia Life Insurance Plc (16%), MKB Bank Ltd (49%), MKB Pension Fund (15%), MKB-Pannónia Health and Mutual Fund (2%) and the Gránit Bank Ltd (2%).

The contract was signed on 7 October 2016 according to which the CIG Pannónia Life Insurance Plc. acquires 98.97% ownership interest in MKB Life Insurance Ltd. while its subsidiary, CIG Pannónia First Hungarian General Insurance Ltd. acquires 98.98% ownership interest in MKB General Insurance Ltd. from Versicherungskammer Bayern („VKB”). The Competition Council of the Hungarian Competition Authority authorized the Insurer to get direct sole control over MKB Life Insurance Ltd., and the CIG Pannónia First Hungarian General Insurance Ltd. to get direct sole control over MKB General Insurance Ltd. The contract was approved by MNB on 22 December 2016. According to the contract between the CIG Pannónia Life Insurance Plc. and CIG Pannónia First Hungarian General Insurance Ltd. and the VKB, the conditions of to the contract closing were fulfilled on 1 January 2017. The acquisition was registered by the Registry Court on 18 January 2017 and on 25 January 2017, thus the CIG Group acquired 98.98% of MKB General Insurance Ltd. and 98.97% of MKB Life Insurance Ltd. 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 Ltd. was changed to Pannónia Life Insurance Ltd. and the name of MKB General Insurance Ltd. to Pannónia General Insurance Ltd.

CIG Pannónia Life Insurance Plc. bought the share of MKB Bank Ltd. in Pannónia General Insurance Ltd. (its former name: MKB General Insurance Ltd.) for HUF 16,155,816 according to the exchange ratio established in the merger contract. The CIG Pannónia Life Insurance Plc. became the 100% owner of the successor company – the CIG Pannónia First Hungarian General Insurance Ltd. – after the merger of the CIG Pannónia First Hungarian General Insurance Ltd. and the Pannónia General Insurance Ltd. CIG Pannónia Life Insurance Plc. is the successor of the merger between CIG Pannónia Life Insurance Plc. and Pannónia Life Insurance Ltd. The share of MKB Bank Ltd. in Pannónia Life Insurance Ltd. (formerly known as MKB Life Insurance Ltd.) has been swapped according to the merger agreement. Based on the merger agreement, MKB Bank Ltd. received 92,744 pieces shares from the treasury shares of CIG Pannónia Life Insurance Plc.

CIG Pannónia Life Insurance Plc. concluded a strategic cooperation agreement with MKB Bank Ltd. 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 is sold in the branches of MKB Bank, while the agents of Issuer will also sell the products of MKB Bank to the clients. With the strategic cooperation of Issuer and MKB Bank the mutually beneficial cooperation between the companies will continue to strengthen.

On 30 June 2017, the Court of Registration of Budapest registered the merge of Pannónia Life Insurance Ltd. into the Issuer and the merge of Pannónia General Insurance Ltd. into the EMABIT. The date of the merge is 30 June 2017. With the merge, Pannónia Life Insurance Ltd. have been terminated, the property of the company is transferred Issuer as successor. Issuer is operating in an unchanged corporate form, as a public limited company. With the merge, Pannónia General Insurance Ltd. have been terminated, the property of the company is transferred to EMABIT as successor. The EMABIT is operating in an unchanged corporate form, as a private limited company, while the officers and the company's registered capital remains unchanged.

### 6.3 Strategy

In the life insurance markets of Central and Eastern European countries convergence process takes place in economy and in the financial intermediary system. Following the establishment of a proper regulatory environment in the early years of 1990s, major international life and non-life insurance companies have appeared. The range of available services has been constantly expanded, and following the initial strong market concentration, now a highly competitive life insurance market is able to increase its written premium from year to year.

In parallel with rising convergence processes in the economy and living standards, life expectancy at birth is also rising. The decisive feature of self-care and saving is the life expectancy at retirement age, as it reflects a more favorable picture than life expectancy at birth (mainly due to the high mortality of men, especially middle-aged men). Considering the shrinking room for maneuver of state pension systems and the deteriorate the proportion of provider for dependents, the Issuer's management expects a further increase in the demand for life insurance, pension insurance and health insurance.

Having foreign ownership may be an advantage for domestic businesses (eg. through the knowledge of the international group or through its substantial capital supply) although in certain strategic and business issues, the decision-making procedures would take considerable time requirements due to its foreign owner. Information and reporting obligations towards the parent company require a large amount of additional resources. This can be seen in the domestic financial sectors, such as the participants of life insurance market. The goal of the founders of the Issuer was to operate a quick and innovative insurer in the domestic market and in the region with deep knowledge of market situations, customer needs, members of the market and other local relationships.

Accordingly, the strategic elements of the Issuer's operation (innovation and flexibility) also appear in strategic and day-to-day operational decision-making: the goal is to obtain and secure competitive advantage for the development of products offered to Hungarian and foreign clients by mapping customers' life situations and real needs, modern solutions and services that are in the interest of customers are being developed. The Issuer offers its products customized according to the needs of the country's population and the local insurance market.

The Issuer seeks to fully satisfy its customers with their products, customer service, and to be an attractive, profitable company for shareholders. For this purpose, in 2014 it has carried out a strategic change of approach, revised his goals and radically transformed its operations. Significantly reduced its presence or liquidated its activities on areas that were not profitable, and concentrated only on segments where it can operate profitable.

After the presence in a strong corporate market, the life insurance company started to expand on the retail market, while the non-life insurer, the EMABIT withdrew from the retail business after the 2014 strategy change (although in some cases it may be possible to re-enter to retail market in certain products, such as retail CASCO) and focuses on target areas where it is better to enforce its innovative business policy, concentrating on the domestic small and medium enterprises and targeting niche markets.

As a result of this, the Issuer (calculated individually) has been operating profitably since 2013 and the EMABIT (calculated individually) since 2015.

In recent years, the Issuer has been focusing on diversifying its distribution channels, compared to the previous large strategic partners, now the independent sales are also becoming more and more important and the Issuer also continuously develops its own sales network.

## 7 OVERVIEW OF THE BUSINESS ACTIVITY

The Issuer and its consolidated undertakings, representing together the CIG Pannónia Group (see the definition of it in the next paragraph), deal with the sale of unit-linked life insurance, term life insurance, endowment insurance, supplementary insurances, health insurance and non-life insurance, within that mainly casco, freight liability and suretyship, moreover investment, fund management and portfolio management activities. Unless otherwise indicated below, the **"Issuer"** or **"Group"** hereinafter refers to the consolidated group of companies together.

On 30 June 2017, the Court of Registration of Budapest registered the merge of Pannónia Life Insurance Ltd. into CIG Pannónia Life Insurance Plc. and the merge of Pannónia General Insurance Ltd. into the CIG Pannónia First Hungarian General Insurance Ltd. The date of the merge is 30 June 2017. With the merge, Pannónia Life Insurance Ltd. have been terminated, the property of the company is transferred to CIG Pannónia Life Insurance Plc. as successor. CIG Pannónia Life Insurance Plc. is operating in an unchanged corporate form, as a public limited company. With the merge, Pannónia General Insurance Ltd. have been terminated, the property of the company is transferred to CIG Pannónia First Hungarian General Insurance Ltd. as successor. The CIG Pannónia First Hungarian General Insurance Ltd. is operating in an unchanged corporate form, as a private limited company. The Group's report of 2017 includes the result of months 1-12 of the acquiring companies and the companies acquired in the merger.

The Issuer carries out its activities in Hungary, Romania, Slovakia as well as Poland, Lithuania, Latvia, Italy and Spain. In Romania until 20 December 2011 the operation was made by a branch office, after that was via cross-border activities, from 2016 the previously acquired portfolio is maintained. In Slovakia the cross-border activity has been operated since the beginning of operations in 2010, the sales activity is terminated in 2016, from now on the previously acquired portfolio is maintained in Slovakia. The non-life dealing subsidiary of the Issuer launched its cross-border activity during 2012 in Poland, in Lithuania during 2013, in Italy during 2014, in Spain during 2017 and in Latvia during 2018.

### 7.1 The Issuer's main activities

The main activity of the Issuer (individual) is life insurance activity. The other activities of the Issuer are the following:

- Other credit granting;
- Other financial service activities n.e.c.;
- Non-life insurance, reinsurance;
- Other activities auxiliary to financial services;
- Risk and damage evaluation;
- Activities of insurance agents and brokers;
- Other activities auxiliary to insurance and pension funding;
- Other professional, scientific and technical activities n.e.c.;
- Organization of conventions and trade shows;
- Other business support service activities n.e.c.;
- Other education n.e.c.;

- Accounting, bookkeeping and auditing activities n.e.c..

The main activity of EMABIT, subsidiary of the Issuer:

The main activity of EMABIT is non-life insurance activity. The other activities are the following:

- Risk and damage evaluation;
- Activities of insurance agents and brokers;
- Debt collection;
- Other education n.e.c.;
- Other financial service activities n.e.c.;
- Organization of conventions and trade shows;
- Reinsurance;

## 7.2 The products of the Issuer

The main products of the Issuer (individual) are regular unit-linked life insurances based on forint and euro. Unit-linked life insurances by the Issuer, offer solutions to customers, who are looking for customized solutions to different life situations and want to grow their savings not only with yields, but the insurance protection is also important. Clients can customize their portfolio in accordance with their yield expectations and risk appetite. In addition, there is a special health insurance product offered by the Issuer, as well as lifelong life insurance for funeral service, as well as traditional life insurance. The major specific products of the Issuer are:

### ***Pannónia Klikk Life Insurance***

Flexible life insurance linked to an investment, allowing the potential clients to take a life insurance more favourably and easily, without any consultation service. Contrary to the specifications generally applicable to investment life insurances, Pannónia Klikk not only provides a long-term investment, but it also provides a great opportunity for short-term and mid-term investments.

### ***Pannónia Esszencia<sup>E</sup> Investment Life Insurance (HUF or EUR based)***

Alongside the savings, this complex product also protects against the risks threatening the investment goals, it may be taken even for 8 years. The Issuer provides a Loyalty Bonus to those clients who maintain their long-term goals.

### ***Pannónia Pension Bond<sup>E</sup>***

An investment providing regular payments, a predictable and guaranteed form of savings, which allows the clients to take care of their financial safety during their pensioner years. The Issuer recommend it for clients who have at least 8 years before reaching the age of old-age pension and not entitled to pension services, or clients whose pension provided by the social security system will not be able to maintain the living standard they require. The tax refund opportunity prescribed by statutory provisions is also applicable on the pension insurance. The Issuer provides a Loyalty Bonus to those clients who maintain their long-term goals.

### ***Pannónia Gravis<sup>E</sup>***

This is a one-time premium life insurance, which also offers a competitive return on savings. It may be taken even after a one-time payment of HUF 650,000, the investment is always available to the customer, because it has the opportunity to fully or partially repurchase it immediately after the

completion of the one-time payment. The value of the investment is also increased by GravisE Loyalty Bonus.

#### ***Pannónia Primus Life Insurance***

Pannónia Primus Life Insurance is a risk insurance, which may be combined with an expiration service. Payment will be certainly made during the duration of the period in this case. If the insured person is still alive at the end of the period, the Issuer will pay the insurance amount due at the end of the payment, increased with the returns.

#### ***Pannónia Mentor Life Insurance***

Pannónia Mentor Life Insurance is intended to provide each dedicated and talented young person with an opportunity to acquire a higher education degree by providing the mentorship necessary to make the expensive tuition fees of universities and colleges. Special protections may be added to the construction, and the expiration service of the insurance guarantees that the amount indicated by the client will be available to its children, moreover, should anything happen to the parents, the insurance company undertakes to complete the payments, therefore the savings necessary for university studies will continue to increase, and will be received by the child on the planned date.

#### ***Best Doctors® Health Insurance***

Insured persons can access two types of services. One part of the service is the second medical opinion service from the disease chief medical specialist. The Insurer organizes the foreign medical appointments and finances the costs related to the recovery as the second part of the service (including the travel and accommodation costs, the cost of hospital placement, surgery, and medication) in case of five common critical conditions: cancer, by-pass surgery, heart valve replacement and recovery, neurosurgical interventions and living donor organ and tissue transplantation.

#### ***Pannónia Alkony Life Insurance***

A funerary life insurance for a whole life. It is primarily intended to allow the clients to take care of their last honours, and to release their loved ones of the costs of the funeral and the burdens of the related administrative procedures. Moreover, Pannónia Alkony Life Insurance is also an optimal tool to take care of heritage.

#### ***Pannónia Értékmegőrző 2016 Pension Insurance***

An investment providing regular payments, a predictable and guaranteed form of savings, which allows the clients to take care of their financial safety during their pensioner years. We recommend it for clients who have at least 5 years before reaching the age of old-age pension and not entitled to pension services, or clients whose pension provided by the social security system will not be able to maintain the standard of life they require. The tax refund opportunity prescribed by statutory provisions is also applicable on the pension insurance. We provide a Client Bonus to our clients who maintain their long-term goals.

#### ***Pannónia Értékmegőrző 2016 Endowment Insurance***

An insurance with regular payments and guaranteed term service. It helps to finance the future goals

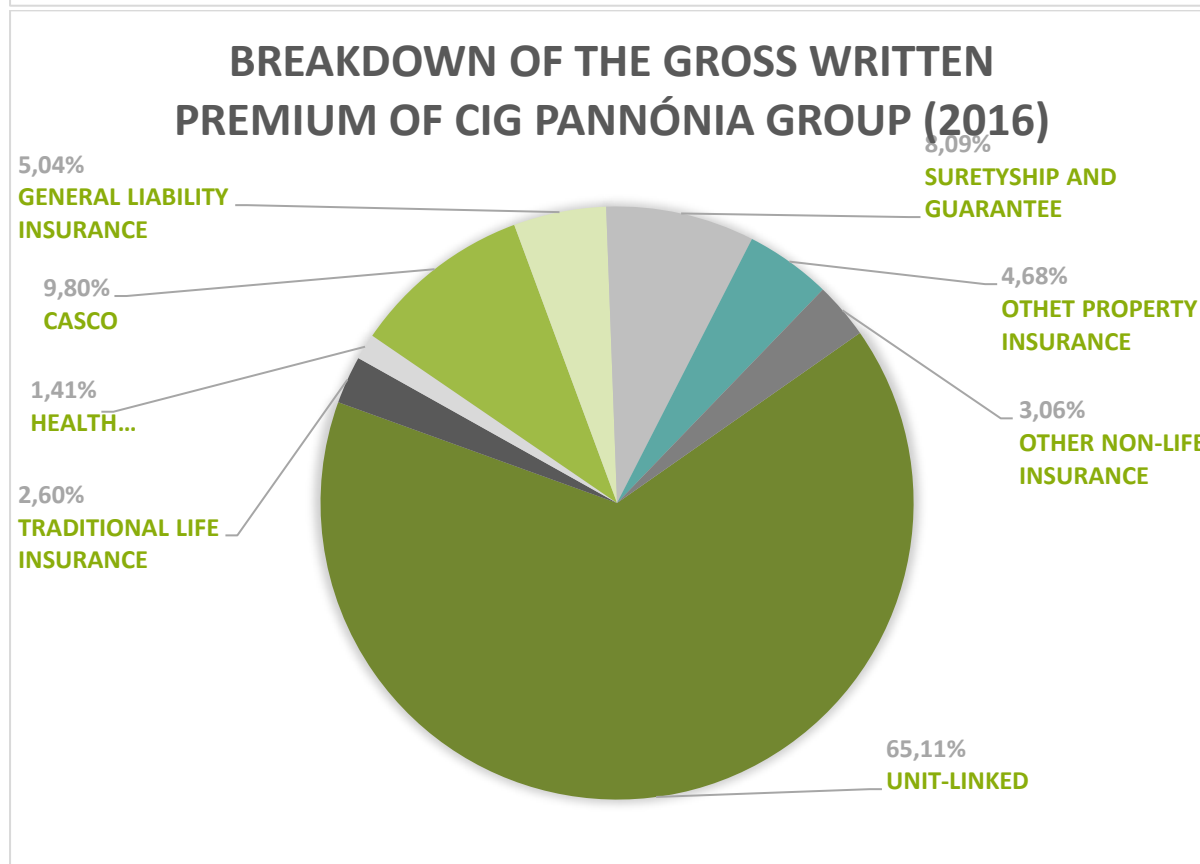
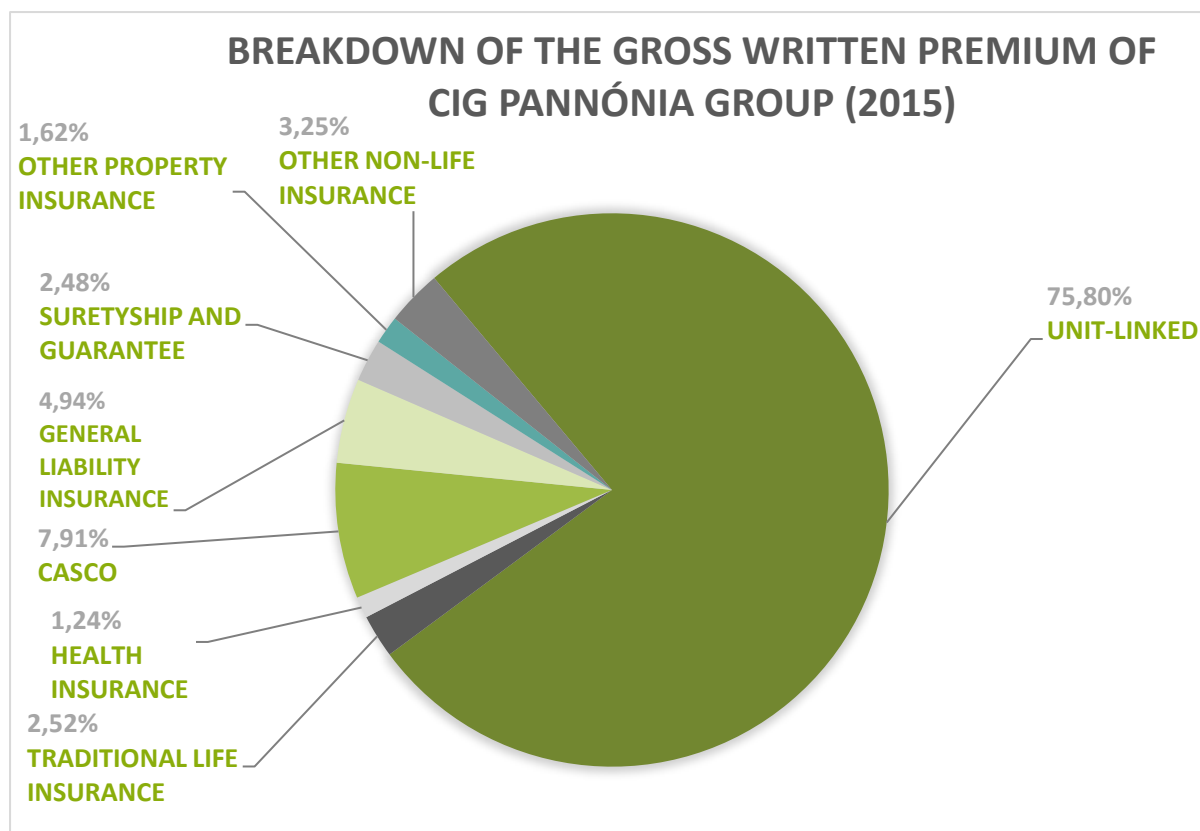
#### **The non-life products offered by EMABIT**

The EMABIT with flexible spirit, intends to focus and react in time on the possibilities given by niche markets. In its focus are the domestic SMEs, institutions of the state and local authorities, companies, professional chambers, and associations. EMABIT offers them innovative property and liability

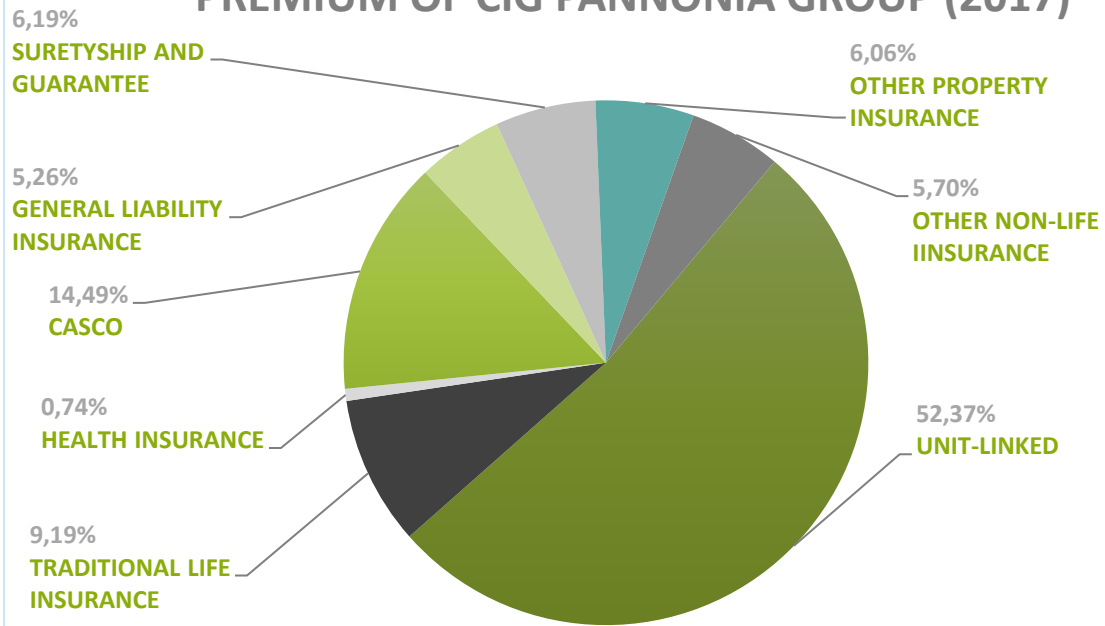
insurance products, casco, freight and carriers liability insurance products, and suretyship insurance product. EMABIT retained the retail casco portfolio after the merger of Pannónia General Insurance Ltd., which also allows a low risk to try a possible growth path the EMABIT, and in the long run, to develop a special casco product. Following the merger of Pannónia Insurance, it also actively engages in the retail casco business, which also offers an opportunity for a possible growth path with EMABIT with a lower risk assumption, and to develop special casco products based on it in the longer term. EMABIT offers the following products and product categories:

- Carrier's liability insurance
- Business property insurance
- Liability insurance for taxi service providers
- International and national freight insurance
- Liability insurance for road haulage operators and road passenger transport operators
- International liability insurance for road haulage operators
- National liability insurance for road haulage operators
- Warranty insurance for those who has to pay toll
- Suretyship insurances
- Liability insurance for executive officers
- Liability insurance for health service providers
- Liability insurance for contractors
- Insurances for construction services
- Casco
- Fleet casco
- Business liability insurances
- Liability insurance for technical engineers

**Breakdown of the gross written premium of CIG Pannónia Group:**

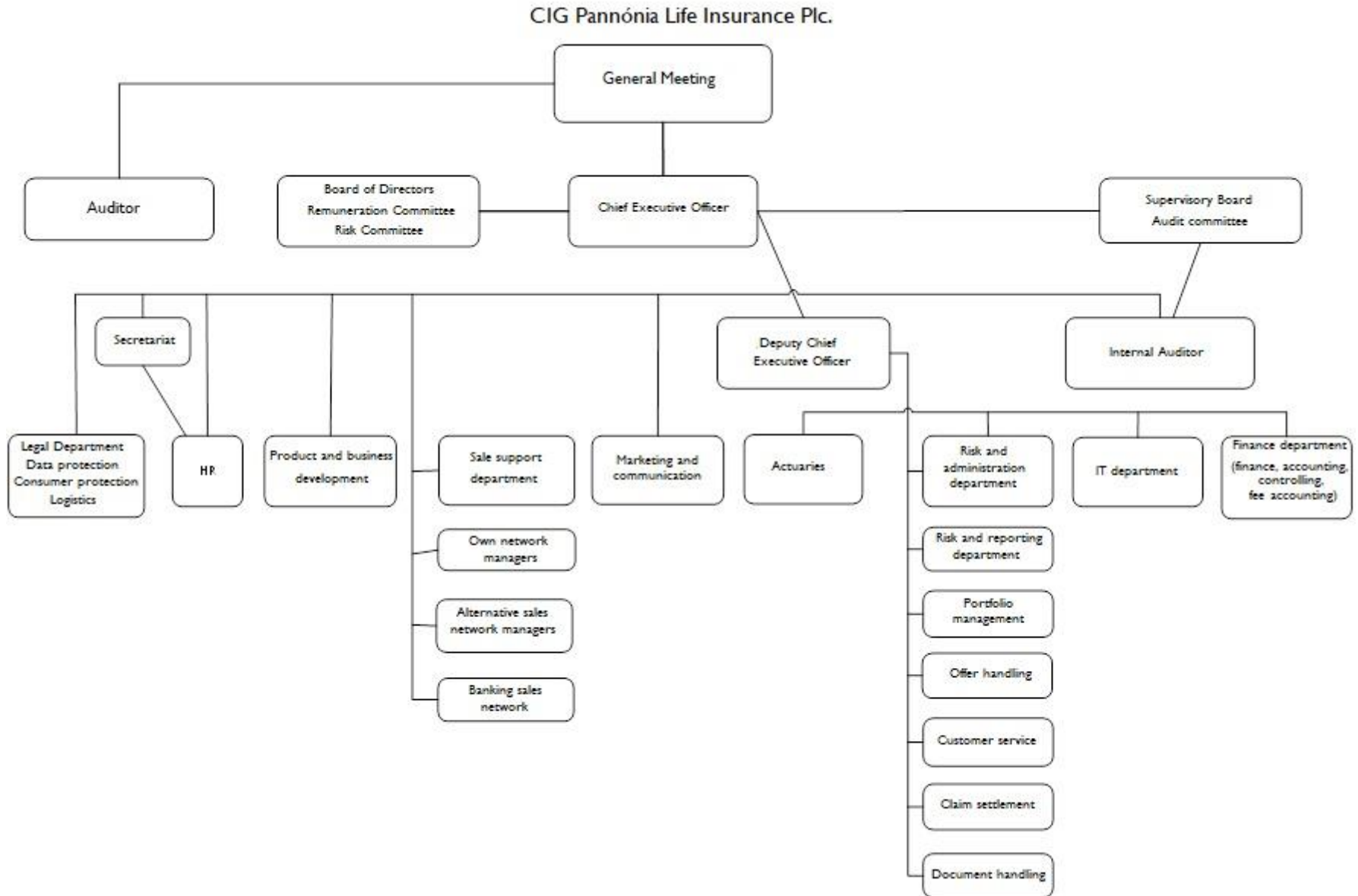


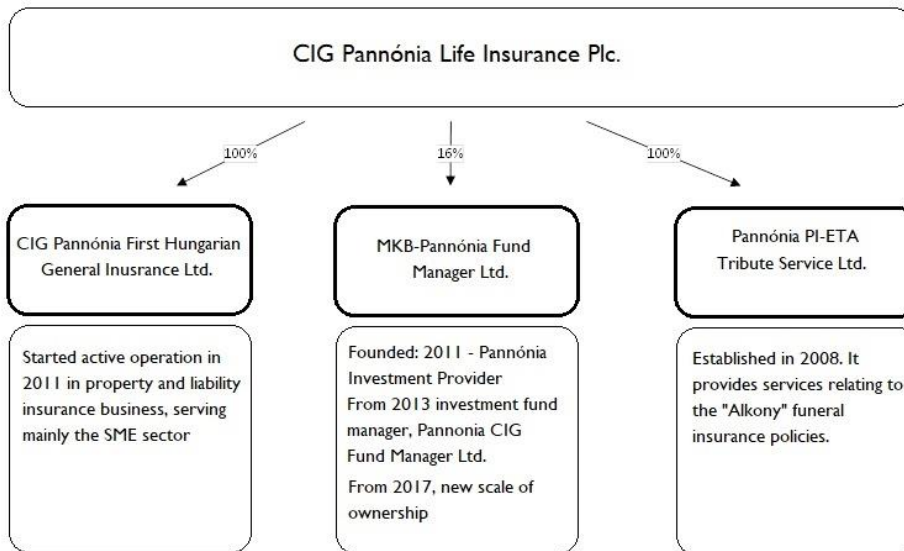
## BREAKDOWN OF THE GROSS WRITTEN PREMIUM OF CIG PANNÓNIA GROUP (2017)





## 8 ORGANIZATIONAL STRUCTURE





## 9 CAPITAL RESOURCE

### Number of shares:

Validity	Number	Nominal Value
17.01.2008. - 02.06.2008.	10 366 000 ordinary shares	100 HUF
02.06.2008. - 18.11.2008.	20 672 000 ordinary shares	100 HUF
18.11.2008. - 17.03.2009.	20 672 000 ordinary shares	40 HUF
17.03.2009. - 15.06.2009.	28 085 086 ordinary shares	40 HUF
15.06.2009. - 18.06.2009.	28 155 187 ordinary shares	40 HUF
18.06.2009. - 04.11.2009.	28 155 187 „A” type ordinary shares	40 HUF
18.06.2009. - 04.11.2009.	4 775 000 „B” type employee shares	40 HUF
22.06.2009. - 04.11.2009.	1 471 040 „C” type redeemable shares	40 HUF
04.11.2009. - 20.11.2009.	34 401 227 „A” type ordinary shares	40 HUF
20.11.2009. - 09.03.2010.	45 646 417 „A” type ordinary shares	40 HUF
09.03.2010. - 09.06.2010.	45 802 267 „A” type ordinary shares	40 HUF
09.06.2010. - 27.07.2010.	48 367 559 „A” type ordinary shares	40 HUF
08.07.2010. - 25.08.2010.	49 803 203 „A” type ordinary shares	40 HUF
27.07.2010. - 25.08.2010.	1 500 000 „B” type employee shares	40 HUF
25.08.2010. - 25.10.2010.	51 303 203 „A” type ordinary shares	40 HUF
25.10.2010. - 01.02.2011.	62 153 203 „A” type ordinary shares	40 HUF
01.02.2011. - 04.10.2017.	63 283 203 „A” type ordinary shares	40 HUF
14.12.2010. – 01.02.2011	1 130 000 „B” type employee shares	40 HUF
07.09.2012. - 11.09.2017.	1 150 367 „B” type employee shares	40 HUF
07.09.2012. - 11.09.2017.	730 772 „C” type interest-bearing shares	40 HUF
04.10.2017. - 08.01.2018.	71 295 573 „A” type ordinary shares	40 HUF
08.01.2018. - 07.05.2018.	70 962 240 „A” type ordinary shares	40 HUF
08.05.2018. -	94 428 260 „A” type ordinary shares	40 HUF

Changes in the registered capital of the Issuer from the foundation:

Validity	Total registered capital
17.01.2008. - 02.06.2008.	1 033 600 000 HUF
02.06.2008. - 18.11.2008.	2 067 200 000 HUF
18.11.2008. - 17.03.2009.	826 880 000 HUF
17.03.2009. - 15.06.2009.	1 123 403 440 HUF
15.06.2009. - 18.06.2009.	1 126 207 480 HUF
18.06.2009. - 22.06.2009.	1 317 207 480 HUF
22.06.2009. - 20.11.2009.	1 376 049 080 HUF
20.11.2009. - 09.03.2010.	1 825 856 680 HUF
09.03.2010. - 09.06.2010.	1 832 090 680 HUF
09.06.2010. - 08.07.2010.	1 934 702 360 HUF
08.07.2010. - 27.07.2010.	1 992 128 120 HUF
27.07.2010. - 25.10.2010.	2 052 128 120 HUF
25.10.2010. - 14.12.2010.	2 486 128 120 HUF
14.12.2010. - 24.09.2012.	2 531 328 120 HUF
24.09.2012. - 04.10.2017.	2 606 573 680 HUF
04.10.2017. - 08.01.2018.	2 851 822 920 HUF
08.01.2018. - 07.05.2018.	2 838 489 600 HUF
08.05.2018. -	3 770 130 400 HUF

Changes in the Shareholders' Equity and foreign capital in the last three financial years:

Shareholders' Equity (thousand forint)	2015	2016	2017
Registered capital	2 531 328	2 531 328	2 851 823
Capital reserve	15 936 886	1 143 641	2 479 250
Treasury shares	0	0	-250 000
Other reserves	9 269	73 345	334 107
Profit reserve	15 293 855	- 223 372	3 599 905
Non-controlling interests	0	0	0
<b>Total Shareholders' Equity</b>	<b>3 183 628</b>	<b>3 971 686</b>	<b>9 015 085</b>

During 2015 and 2016, the number of shares issued did not change. Due to the treasury shares, the number of shares in circulation is lower than the number of shares issued.

Description	Issued ordinary shares (pc)	Issued interest bearing shares (pc)	Number of shares outstanding (pc)
„A” type ordinary shares	63 283 203		62 086 453
„B” type interest-bearing shares		1 150 367	1 150 367
„C” type interest-bearing shares		730 772	730 772
	<b>63 283 203</b>	<b>1 881 139</b>	<b>63 967 592</b>

In the third quarter of 2012, the Board of Directors decided on a private capital increase with the issue of interest bearing shares, based on the former General Meeting's authorization, and the shareholders raised a capital increase of 1,4 billion forints. The „B” and „C” types of interest bearing shares were automatically converted into ordinary shares on 11 September 2017 according to General Meeting resolutions No. 27/2012. (VIII.16.) and 28/2012. (VIII.16.) and the provisions of the investor information memorandum and the share conversation agreement. In accordance with the decision of the Board of Directors of 12 September 2017 on the capital increase effected by means of a private placement, 6,131,231 pieces of registered dematerialized „A” type ordinary shares representing voting rights of nominal value HUF 40 per each were issued.

The B and C types of interest bearing shares issued by the Issuer. 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. The conversion of the „A”, „B” and „C” series interest bearing share was decided by the Issuer on 12 September, while the Registry Court registered it on 4 October 2017. Currently the Capital Share of the Issuer is only ordinary shares.

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 2017, so it is shown in the current financial statements as registered capital.

On 31 December 2017, the registered capital of the Issuer:

Description	Issued ordinary shares (pc)	Number of shares with voting rights (pc)
„A” type ordinary shares	71 295 573	69 858 234

## **Treasury shares**

On May 22, 2014, the former Senior Officer of the Issuer transferred to the Issuer a total of 1,196,074 750 ordinary shares with a nominal value of HUF 40 each, which previously acquired under the Employee Share Based Program of the Group. According to 22/2014. Annual Meeting declaration the employee shares will have a management incentive function in the future in accordance with their original purpose. The shares are recorded among the shares of Issuer, which do not bear its voting rights. Acquisitions of treasury shares were made free of charge by gifting, hence the acquisition of own shares did not affect the amount of the Issuer's equity

On 30 June 2017, the Pannónia Life Insurance Ltd. have been terminated by merger, the property of the company is transferred to CIG Pannónia Life Insurance Plc. as successor. The MKB Bank Ltd., the minority shareholder of the Pannónia Life Insurance Ltd., in accordance with the merger agreement, has received 92,744 pieces of ordinary shares of CIG Pannónia Life Insurance Plc by a share exchange. The shares were provided – in accordance with the decision of the General Meeting - from the treasury shares of the Issuer. After the transfer, the number of the Issuer's treasury shares changed to 1,104,006 pieces.

On 23 August 2017, the Issuer purchased 200,000 pieces of interest-bearing shares of series "C" issued by the Issuer with a nominal value of HUF 40 per share, at a price of HUF 750 per share by share purchase agreement. The transaction was carried out under the authorisation of the repeated Annual General Meeting held on 24 April 2017. After the transaction the Issuer has a total number of 1,304,006 pieces of treasury shares, of which 1,104,006 pieces are dematerialized „A" type ordinary shares and 200,000 pieces are dematerialized „C" type interest-bearing shares. The 200,000 pieces of „C" type interest bearing shares have been converted into „A" type ordinary shares as at 11 September 2017.

On 7 September 2017, the Issuer purchased 133,333 pieces of interest-bearing shares of series "B" issued by the Issuer with a nominal value of HUF 40 per share, at a price of HUF 750 per share by share purchase agreement. The transaction was carried out under the authorisation of the repeated Annual General Meeting held on 24 April 2017. After the transaction the Issuer has a total number of 1,437,339 pieces of treasury shares, of which 1,104,006 pieces are dematerialized „A" type ordinary shares 133,333 pieces are dematerialized „B" type interest-bearing shares and 200,000 pieces are dematerialized „C" type interest-bearing shares. The 133,333 pieces of „B" type interest bearing shares have been converted into „A" type ordinary shares as at 11 September 2017.

The decision no. 27/2017. (IX. 26.) and 29/2017. (IX. 26.) of the Extraordinary General Meeting of the Issuer decided to withdraw 333,333 pieces of ordinary shares in 2018: the decrease of the registered capital was registered by the Registry Court on 11 January 2018 with the decision no. Cg.01-10-045857/364. The registered capital of the Issuer decreased by HUF 13,333,320.

## **Capital increase in 2018**

In private capital increase, the Issuer has issued 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. The capital increase was registered by the Registry Court on 8 May 2018 (this Prospectus has been prepared for the listing of these Shares).

## **Debt**

The Issuer does not have bank loan, it has not issued debt securities. However, the Issuer has a financial reinsurance that resulted a liability of HUF 1,186 million on 31 December 2017.

### Dividend policy

The Issuer's Board of Directors published the dividend policy on 24 August 2017. However, the General Meeting of the Issuer is the board, that is entitled to make the decision on the amount of the specific dividend. In the Issuer's history, the first dividend was paid for the business year 2017, amounting to HUF 10 per share. Based on the announced dividend policy, the Board of Directors will propose to pay up to 50% of the profit after-tax as dividends for forthcoming years.

### The breakdown of the the registered capital of the Issuer, when publishing this prospectus

Description	Issued ordinary shares (pc)	Number of shares with voting rights (pc)
„A” type ordinary shares	94 428 260	93 324 254

## 10 RESEARCH AND DEVELOPEMENT, PATENTS AND LICENSES

The Insurer does not currently carry out research and development activities and has no patent or other intellectual property right (except for the software related to the contracts listed in Chapter 19).

In the year 2014, the consortium led by the Issuer received nearly HUF 185 million of non-refundable subsidy, on the tender name "Aiding the market-oriented research and development activity" under the Új Széchenyi Terv. With a total budget of nearly HUF 308 million, the consortium has developed an innovative insurance product that allows payment of fees proportional to the use of motor vehicles.

The consortium of the Issuer, the Griffsoft Ltd. and Bay Zoltán Applied Research Public Nonprofit Ltd. has developed an innovative casco product and a prototype of the required technological equipment that allows payment of fees proportional to the use of motor vehicles. The research, funded by the EU, based on a simple, easy-to-install measuring device with GPS and GSM technology, which can be used to access information of the use of the vehicle.

The new fee calculation logic built into the prototype product allows setting the price of the casco by the use of the vehicle. The technology is very cautious in the handling of personal data, only the aggregate data which is required for the calculation of the fee will be transferred to the insurer, which determines the written premium based on these data. The owner of the vehicle can track his / her own data (after the appropriate authentication) on a separate system via a web interface. The total cost of the development project was about HUF 308 million, with a received subsidy of almost HUF 185 million with the consortium for „development of a system that allows the use of a proportional insurance premium” under the Új Széchenyi Terv on the tender GOP 1.1.1.

The technical equipment was developed by Bay Zoltán Nonprofit LLC., while Griffsoft Ltd. worked on the value-added services related to the product. The projects have been finished, but the product has not been introduced, since the cost of operating the system would probably exceeded the revenue with the given technical possibilities.



## 11 TRENDS

The following summary is based on the Issuer's own valuation, using the data and forecasts of MABISZ and the MNB. However guarantee can not be given that the estimates, predictions and statements referred in below will indeed be realized as the Issuer sees today.

According to statistics published by the MNB, the average increase of the insurance market was 4.5% in the last five years, but in 2017 the insurance sector has reached an outstanding performance: the written premium increased to HUF 948.1 billion, it is a 6.7% increase as compared to the previous year. The growth in the life business line was 5% while it was more than 9% in the non-life business line.

Thanks to Solvency II regulatory system which entered into force in 2016, the capital requirement calculation was replaced by a risk-based calculation of the solvency capital requirement which takes each individual risk into consideration and better reflects insurers' risk profile. The capital adequacy ratio calculated at sector level, aggregated from the individual data and reported under the new risk-based solvency capital requirement, continued to be stable as compared to the previous periods. In 2017 Q4, the capital adequacy ratio at sector level was 225.8%, reflecting an increase of 2.4 percentage points relative to the previous quarter and a significant one of 8.9 percentage points relative to 2016 Q4. This far exceeds the requirements of 100% required by law and also the prudentially expected 150%, increased by a volatility capital puffer on the basis of the MNB's statutory provision recommendation.

In 2017 Q1-Q4, the sector's aggregated technical result increased by 11.2% compared with the value a year earlier, which was due primarily to a 12.5% increase in non-life earned premiums. Life insurance technical results showed an increase of more than 5%. Considering the after-tax profit the sector produced a significant grow: it increased to HUF 64.5 billion, which exceeded the value in the previous year by nearly 25%..<sup>1</sup>

In life insurance line unit-linked products are still the most famous products, 62% of the life insurance premium derived from these products. The appearance of products that comply with the ethical concept – that are more transparent and have more favourable cost structure for clients - was determining on the life insurance market. Considering the yearly data it can be stated that the ethical life insurance requirements of the National Bank of Hungary worked well, the average TCI declined to 3.55%.

On the non-life insurance market, the main driver of growth was the growth of the premium income of the compulsory motor third party liability insurances.

On the market it is essential for a company to acquire economies of scale, through proper cost management and a product line providing a proper cost recovery with acceptable risk. Having a long-term vision and an operation which is profitable on insurance technical level is essential. In addition, a stronger emphasis must be put on the solvency requirements getting stricter as a result of Solvency II, and implementing the Insurance Distribution Directive (IDD) and the regulation of packaged retail investment and insurance products (PRIIPs) in practice is also a priority

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<sup>1</sup> Source: Information on the Insurance Companies made by Hungarian National Bank, based on supervisory reporting in IV. quarter of 2017

## **12 PROFIT-FORECAST OR – ESTIMATION**

The Issuer does not publish profit-forecast or estimation in the Prospectus.

## **13 BOARD OF DIRECTORS, MANAGEMENT AND SUPERVISORY BOARDS AND MANAGEMENT EMPLOYEES**

### **13.1 Board of Directors**

The Issuer's managing body is the Board of Directors; it is the Board's duty to develop and manage the Issuer's organizational structure. The scope of its powers is defined by the relevant laws, the Issuer's Articles of Association, the resolutions of the General Meeting and the Board of Directors' terms of reference. The Board of Directors is responsible for adopting its own terms of reference by a majority of votes of the Members of the Board of Directors. The terms of reference regulates, among other items, issues related to the Board of Directors' operation, the structure of the Board of Directors, and the mandatory content items of the meetings and of the minutes to be kept of the meetings. The Issuer's Board of Directors has at least three, but no more than seven members; its members are appointed and recalled by the General Meeting. The rules applicable to senior employees as specified in Act LXXXVIII of 2014 on the Insurance Business (hereinafter referred to as **Insurance Act**) will apply to the Members of the Board of Directors.

#### ***Members of the Issuer's Board of Directors***

**Dr. Mária Király** is a certified economist specialized in enterprise planning and analysis; she later earned a specialist degree in economics with a focus on complex company management and a doctorate of economics at the Budapest University of Economics. She has been the executive director of operations at Axel Springer group (at present: Ringier Axel Springer), Hungary's largest publisher, since 1990. Her role includes the operational and business supervision of the various entities, the management of the management information system and the development of management strategies. She is a member of the Board of the Hungarian Newspaper Publishers' Association. She has been a member of the Issuer's Board of Directors since 6 June 2013 and became chairman later on.

**Dr. Gabriella Kádár** graduated from the Faculty of Law of ELTE University. After graduation and after passing the bar exam, she obtained qualifications in insurance law. Between 1994 and 2003, she worked in various areas of the ING group, leading their Pension Fund and later the Employee Benefit area as Managing Director. Following this, between 2003 and 2009, she was Director of Marketing and Corporate Development at Deloitte Hungary. From October 2009, she was charge of our Issuer's alternative sales channel and became Chief Sales Officer later on. She is the CEO of the Issuer from 6 January 2014 and CEO according to the Insurance Act.

**Miklós Barta** is an economist; he earned his degree at the University of Economics and Public Administration in a specialized course for actuaries. He was first employed at KPMG Hungary LLC in 2003 as an auditor. In 2007, he became an auditor manager at the firm. He earned an ACCA diploma (ACCA: Association of Chartered Certified Accountants, a leading global professional organization for finance and accounting experts) in 2008 and became a certified auditor at the Hungarian Chamber of Auditors in 2011. He joined the Issuer in January 2011 as a Controlling Director and he has been working as the CFO and Head of Controlling Department since 2012. He is currently Deputy CEO of the Issuer.

**Gergely Domonkos Horváth** is member of the Board of Directors since 6 June 2013. He graduated from the Budapest University of Technology as a mechanical engineer, from the Budapest University of Economics as an engineer-economist and earned an MBA at the University of Pittsburgh. He has held various top management positions over the past 20 years: he was Deputy CEO at Merkantil Bank and Budapest Bank, CEO at Keler Ltd., Betonút Ltd. and MNV, President at Magyar Posta, ACE and the Association of Futures Markets and the Secretary-General of CEECSDA. CEO of Norma

Instruments Ltd and member of the Board of Directors of Gránit Bank Ltd. and Norma Instruments Ltd. He has been an independent member of the Company's Board of Directors since 6 June 2013.

### **13.2 Supervisory Board**

In accordance with subsection 4 of section 85 of the Insurance Act, the Supervisory Board controls the internal audit organization and prepares recommendations and proposals on the basis of the findings of the audits carried out by the internal audit function.

The Supervisory Board consists of three to ten members. The members and the Chairman elected for a maximum period of five years and recalled by the General Meeting. The Supervisory Board adopts its own terms of reference, which are approved by the General Meeting of the Issuer.

In the course of fulfilling its duties required by law, the primary goal of the Supervisory Board is to establish a comprehensive and efficient audit system for the Issuer. Its scope of activities includes the management of the internal audit system and the preparation of recommendations on the basis of the findings of the audits carried out by the internal audit function.

In the course of developing its terms of reference and carrying out its activities, the Supervisory Board will take into account Recommendation No. 6/2014 (XII.17) of the President of the MNB on the development and operation of internal defense lines and on the management and control functions of financial institutions ("**Regulatory Recommendation**").

The Supervisory Board has meetings at least five times a year but also meets whenever it is necessary with regard to the Issuer's business interests. At its meetings, it must discuss (at least once in every three months) the report prepared by the Board of Directors on the Issuer's financial situation and business policies. The Supervisory Board is in charge of the internal audit organization. As part of its related duties, the Supervisory Board adopts the three-year audit plan of the internal audit function, discusses at least once in a half year the reports made by the internal audit function and checks the implementation of the necessary measures. If necessary, the Supervisory Board engages an external expert to support the work of the internal audit function and makes recommendations for any changes in the number of staff of the internal audit unit. The Supervisory Board also prepares recommendations and proposals on the basis of the findings of the audits carried out by the internal audit function.

The meetings of the Supervisory Board are convened by the Chairman or the Deputy Chairman if the Chairman is not available. The Chairman/Deputy Chairman convening the meeting will also preside over it. Any Member of the Supervisory Board may request the Chairman to convene a meeting in writing by specifying the reason and the purpose of the meeting. Within 8 (eight) days, the Chairman must set the date of such a meeting to a date within maximum thirty days. If the Chairman fails to comply with the request, the Member will have the right to convene the meeting himself/herself.

#### ***Members of the Supervisory Board of the Issuer:***

**Dr. József Bayer** graduated from the Karl Marx University of Economics (current name: Corvinus University of Budapest) in 1974. He has been a member of the Hungarian Society of Economics since 1976. He earned a university doctorate in 1976 and a Candidate of Sciences degree in 1985. Between 1 January 1978 and 1 June 1983, he was the secretary responsible for science affairs at the Collegium Hungaricum in Vienna. Between September 1983 and 1 August 1984, he worked on his dissertation for the Candidate of Sciences degree at the University of Stuttgart as an academic assistant, where he also had a guest lecturer role. He has been a member of the Industry- and Economic Committee of the Hungarian Academy of Sciences. Between October 1984 and 31 March 1989, he was the General Commercial Director of the Hungarian Television. He became a docent at

the Budapest University of Economics and Public Administration (current name: Corvinus University) on 1 April 1989. Since 1989 until today, he has been the Managing Director of Axel Springer Budapest Publishing LLC. (from 6 November 2014. Ringier Axel Springer Hungary Ltd.). In 2007, he took part in setting up the Issuer and he has been on the Supervisory Board ever since. Chairman of the Supervisory Board since 28 April 2015.

**Mrs. Imréné Fekete Katalin Gazdag** graduated from the Karl Marx University of Economics in 1969. She is a certified auditor and has a stock exchange exam. At the beginning of her career, she worked for the National Savings Bank (Országos Takarékpénztár) and then worked for the Ministry of Finance and the State Audit Office. Between 1992 and 2007, she was an auditor, later a partner and then the managing director of Ernst & Young LLC. She represented the auditor profession as a member of the bureau and after as professional vice-president in more international organisations. She pursues professional publication and training activities for several decades. Between 2008 and 2013, she was a member of the Auditors' Public Supervisory Committee. She is a Member of the Supervisory Board of the Issuer since 19 April 2012 and has been Chair of the Audit Committee since 18 April 2013. She is an independent member of the latter and is a qualified auditor.

**Dr. Erzsébet Czakó** graduated from the Karl Marx University of Economics (current name: Corvinus University of Budapest) in 1986 and since the graduation she has been working for CUB. She earned the doctorate in 1991, the PhD in 2002 and she became a professor of Corvinus University of Budapest at 1st September 2013. She participated academic and professional trainings at many foreign universities, like the Catholic University of Leuven (Belgium) and the Harvard Business School (USA). Among her taught subjects are international strategies and business economics, her research fields of interest are contents of competitiveness. She teaches both in Hungarian and English, and published many articles in both languages.

**István Papp** graduated from the Karl Marx University of Economics in 1975. He is a certified auditor and has a tax consultant qualification. Between 1979 and 1982 he had been the rapporteur-general of the Economic Department of the Ministry of Foreign Trade, after that he was deputy head of Economic Department of the Ministry of Industry. Between 1990 and 1991 he had been deputy financial CEO of Vegyiműveket Tervező Vállalat, from 1991 executive director and owner of P and P Mérlegdoktor Könyvvizsgáló Kft. He has been an independent member of the Issuer's Audit Committee since 27 May 2014.

**István Boros** graduated from the College of Foreign Trade in 1972. In 1992 he got the economist degree of CUB International Economic Relations. Between 1974 and 1986 he gained experience in foreign trade in Hungary and in the meanwhile he had been worked for the Hungarian trade office in Paris from 1981 until 1986. He was the Deputy CEO of Hungexpo Rt. between 1989 and 1995, he took part in the establishment and supervision of hungarianforeign joint venture companies (Publicis Hungary, Szonda-Ipsos). He had been the managing director of Cegos Counselling and Training Ltd. from 1995 and from 2015 he is owner and CEO of the company, after it was conversed into Ltd. He was founder and vice president of the French-Hungarian Chamber of Commerce and Industry from 1991 until 1997 and president between 2007 and 2010. He was the chairman of the advisory board of Autonomia Foundation between 2002 and 2014 and after that curator of the foundation. He has been member of the advisory board of the Budapest Festival Orchestra since 2009, and he was a member of the Board of Directors from 2004 until 2009 of Herendi Porcelánmanufaktúra Rt. He was honoured with officer class of the National Order of Merit (France) in 2006.

**Ákos Veisz** graduated as an economist from the Finance Faculty of the Corvinus University of Budapest in 2006 and he got the Professional Prize of the University. In 2005 he studied at the Tilburg University in the Netherlands with an Erasmus scholarship, between 2007 and 2010 he attended more professional trainings abroad in topics such as exchange rate policies, financial markets and

government debt management. Between 2006 and 2010 he worked at the Economic Policy Department at the Ministry for Finance as a financial analyst, and after that he was an economic analyst at the Prime Minister's Office and worked with Dr. György Szapáry, Chief Economic Policy Advisor to the Prime Minister. He has been a counsellor at MKB Bank from February 2015 and Executive Director of the Strategic Executive Directorate from January 2017. His tasks include the management of the strategic and analytical competence and the management of the product development and business development of the MKB Group. Participates in the work of domestic and international professional boards and interest representation bodies.

### **13.3 Audit committee**

The Audit Committee is a body supporting the work of the Supervisory Board by giving opinions, evaluations and recommendations. The scope of the Committee's powers is defined by the relevant laws, the Issuer's Articles of Association, the resolutions of the General Meeting and the Committee's terms of reference. The audit committee consists of at most four members, whose members are elected from the Supervisory Board by the General Meeting.

The tasks of the Audit Committee include the following:

- forming an opinion on the annual report prepared according to the Accounting Act;
- monitoring the audit of the annual report prepared according to the Accounting Act;
- making a recommendation for the appointment and remuneration of the auditor; preparation of the contract to be made with the auditor; signing the contract on behalf of the Company according to the authorization of the Articles of Association;
- reviewing the validation of the professional requirements, conflict of interest and independence regulations against the auditor, carrying out certain tasks related to cooperation with the auditor;
- monitoring any other services provided by the auditor to the Company in addition to the audit of the annual report prepared according to the Accounting Act, and
- if it is necessary, making recommendations to the Supervisory Board for taking measures.
- assessing the operation of the financial reporting system, and making recommendations for necessary measures;
- supporting of the work of the Supervisory Board to ensure the appropriate monitoring of the financial reporting system;
- and the assessment of the internal audit and risk management systems' efficiency according to the work allocation with the Supervisory Board.

The Audit Committee typically hold meetings five times in a year, and informs the Supervisory Board - which evaluates its work- about its decisions. It makes a report on its yearly work that is discussed by the Supervisory Board. Before the Annual General Meeting the Audit Committee delivers an opinion about the annual report and submits it to the Board of Directors and the Supervisory Board of the Issuer.

#### ***Members of the Audit Committee:***

- Mrs. Imréné Fekete
- István Papp

- Dr. Erzsébet Czakó

#### **13.4 Remuneration and nomination committee of the Issuer**

A consolidated Remuneration- and Nomination Committee was set up at the Issuer. Its members are mainly the independent members of the Supervisory Board and currently has an external member.

##### **The Committee**

- Makes a recommendation to the General Meeting on the nomination, appointment, revocation of the members of the Supervisory Board, the Audit Committee and the Board of Directors, also makes a recommendation on the drafting their contracts of employment and their remuneration;
- Prepares a recommendation on the mid- and long term remuneration system of the management, with particular reference to the employee shares, and the principles of performance evaluation;
- Discusses and delivers its opinion on the remuneration of managers and employees in key positions;
- Prepares such remuneration questions that are assigned to the Committee by the Board of Directors;
- Follows with attention the achievement of the persons in its powers;
- Initiates the evaluation of the work of the Bodies and summarize them;
- Follows with attention the implementation of remuneration policies;
- Make recommendation to modify the remuneration policies.

The Committee shall meet at least twice a year. The Committee publishes its guidelines - that have to be submitted to the General Meeting by the Board of Directors - on the website of the Issuer.

##### ***Members of the Committee at the Issuer:***

- Dr. József Bayer
- Dr. Gábor Móricz
- István Boros

### **13.5 Members of the Issuer's management**

The following is a list of those senior managers at the Company beyond the Board of Directors and the Supervisory Board members whose expertise and experience have an important role in the success of the Issuer:

- dr. Pál Búzás, Chief Risk Officer;
- Máté Komoróczy, Risk management Officer;
- Dr. Antal Csevár, Chief Legal Adviser, Consumer- and Data Protection Officer;
- Margit Gábelics, Chief Accountant;
- Dr. Katalin Halász, Senior Medical Officer;
- Judit Kerényi, Investor Relations;
- Dr. Erika Marczy, Internal Auditor;
- Tibor Edvi, Chief Actuary;
- Géza Szabó, Actuary;
- dr. Imre Pintér, Compliance Officer, Money-laundering Reporting Manager;
- Tamás Rittinger, Director of Tied Network;
- Alexandra Tóth, Head of Financial Department;
- László Wiand, Head of the IT Department.

### **13.6 Family relationships**

The Issuer is unaware of the existence of a family relationship between the Issuer's Board of Directors, Supervisory Board, Audit Committee and its senior management.

### **13.7 Disclosure on the absence of fraudulent crime, bankruptcy and liquidation proceedings and other sanctions**

According to the Issuer, among the persons referred to in Chapter 13:

- (a) no one has been sentenced for fraudulent offenses for 5 years prior to the date of this Prospectus;
- (b) no one has been involved in any bankruptcy or liquidation proceedings for 5 years prior to the date of this Prospectus;
- (c) no statutory or regulatory authorities (including designated professional organizations) have filed or applied any official charges and / or sanctions to anyone for 5 years prior to the date of this Prospectus; accordingly, none of these persons was banned by a court judgment from the membership or management of their business in the administrative, management and supervisory body of any issuing company.

### **13.8 Conflict of interest related to administrative, management and supervisory bodies and senior staff**

The Issuer is aware that there is no conflict of interest between the tasks assigned to the Issuer by the persons referred to in Chapter 13, the private interests of such persons and other duties.



The Issuer has not entered into an agreement with any of its major Shareholders, customers, suppliers or other persons as a result of whom the persons referred to in this Chapter 13 were elected or appointed to the position of the Issuer.

### **13.9 Remuneration and benefits**

In accordance with Article 258. paragraph 1) point I) of the Commission Delegated regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) the insurer is required to have a written remuneration policy.

In accordance with §3:268th (2) of the Civil Code it is within the competence of the General Meeting of public limited companies to determine the guidelines for long-term remuneration and incentive schemes for senior executives, supervisory board members and senior employees.

Detailed recommendations of the Remuneration and Nomination Committee of the Issuer to the Remuneration Guidelines have been approved by the Issuer with resolution 8/2016.04.29. on 29 April 2016. Regarding remuneration the General Meeting has issued the following resolutions:

#### ***General Meeting Resolution No. 12/2017. (IV.24.)***

The General Meeting decided that members of the Board of Directors, who have employment contracts with the Issuer, still shall not receive any remuneration. Effective from the passing of this resolution, the General Meeting decides that from 2017 those members of the Board of Directors, who are not employed by the Issuer, shall receive a remuneration of HUF 300,000 (gross) per sessions. At least six meetings per year entitles for remuneration. The Chairman of the Board of Directors if he/she does not have employment contract with the Issuer shall receive a remuneration of HUF 600,000 (gross) per month. Not more than six meetings per year entitles for remuneration.

#### ***General Meeting Resolution No. 13/2017. (IV.24.)***

The General Meeting decides that with the effect from passing this resolution the Chairman of the Supervisory Board of the Issuer, shall receive a remuneration of HUF 600,000 (gross) per meetings. Members of the Supervisory Board shall receive a remuneration of HUF 300,000 (gross) per meetings from 2017. Not more than six meetings per year entitles for remuneration.

#### ***General Meeting Resolution No. 14/2017. (IV.24.)***

The General Meeting decides that with the effect from passing this resolution the Chairman of the Audit Committee of the Issuer, shall receive a remuneration of HUF 300,000 (gross) per meetings. Members of the Audit Committee shall receive a remuneration of HUF 150,000 (gross) per meetings from 2017. Not more than six meetings per year entitles for remuneration.

#### ***General Meeting Resolution No. 16/2017. (IV.24.)***

The General Meeting accepts the amendment of the remuneration guideline according to which the Board of Directors shall extend share option program within the management interest system with a three years period for those employees who have essential impact on the successful operation of the Issuer. The participants shall be determined by the Board of Directors. The coverage of the share option program shall be the Issuer's own shares. The condition of the share option program is that the quarterly weighted average price of the share reaches HUF 210

The received monetary and in-kind benefits of the members of its Board of Directors and Supervisory Board in the business year of 2017:

Name	Position at the Issuer	Monetary benefits provided in the 2017 business year and legal title of the benefit	In-kind benefits provided in the 2017 business year and legal title of the benefit	
1.	Dr. Mária Király	Member of the Board of Directors from 6 June 2013, Chairman of the Board of Directors from 6 January 2014.	As a member/chairman of the Board of Directors this person has received a grand total of HUF 2,900,000 (gross) as remuneration.	The members/chairman of the Board of Directors have not received in-kind benefits
2.	Miklós Barta	Member of the Board of Directors from 16 August 2012.	As a member of the Board of Directors this person has not received monetary benefits.	The members of the Board of Directors have not received in-kind benefits
3.	Dr. Gabriella Kádár	Member of the Board of Directors from 16 August 2012.	As a member of the Board of Directors this person has not received monetary benefits.	The members of the Board of Directors have not received in-kind benefits
4.	Gergely Domonkos Horváth	Member of the Board of Directors from 6 June 2013.	As a member of the Board of Directors this person has received a grand total of HUF 1,500,000 (gross) as remuneration.	The members of the Board of Directors have not received in-kind benefits
5.	Dr. Gyula Mikó	Member of the Board of Directors from 6 June 2013 till 4 July 2018.	As a member of the Board of Directors this person has received a grand total of HUF 1,400,000 (gross) as remuneration.	The members of the Board of Directors have not received in-kind benefits
6.	István Papp	Member of the Supervisory Board from 27 May 2014. Member of the Audit Committee from 27 May 2014.	As a member of the Supervisory Board/ Audit Committee, this person has received a grand total of HUF 2,250,000 (gross) as a remuneration	The members of the Supervisory Board / Audit Committee have not received in-kind benefits
7.	Dr. Erzsébet Hajnalka Czákó	Member of the Supervisory Board from 24 July 2015. Member of the Audit Committee from 24 July 2015.	As a member of the Supervisory Board/ Audit Committee, this person has received a grand total of HUF 1,950,000 (gross) as a remuneration	The members of the Supervisory Board / Audit Committee have not received in-kind benefits.
8.	István Boros	Member of the Supervisory Board from 24 July 2015. Member of the Remuneration and nomination committee.	As a member of the Supervisory Board / Remuneration and nomination committee, this person has received a grand total of HUF 1,550,000 (gross) as a remuneration	The members of the Supervisory Board / Remuneration and nomination committee, have not received in-kind benefits
9.	Imréné Fekete	Member of the Supervisory Board from 19 April 2012. Acting Chairman of the Supervisory Board between 13 March 2015 and 28 April 2015. Chairman of the Audit	As a member/chairman of the Supervisory Board/ Audit Committee this person has received a grand total of HUF 3,100,000 (gross) as a remuneration	The members/chairman of the Supervisory Board/ Audit Committee have not received in-kind benefits

		Committee from 18 April 2013.		
10.	Ákos Veisz	Member of the Supervisory Board from 26 September 2017.	As a member of the Supervisory Board this person has received a grand total of HUF 600,000 (gross) as a remuneration	The members of the Supervisory Board have not received in-kind benefits
11.	Dr. Gábor Móricz	Member of the Remuneration and nomination committee.	As a member of the Remuneration and nomination committee this person has received a grand total of HUF 150,000 (gross) as a remuneration	The members of the Remuneration and nomination committee have not received in-kind benefits.
12.	Dr. József Bayer	Member of the Supervisory Board from 26 October 2007, 26 September 2013, acting Chairman until 29 April 2014, Chairman until 8 March 2015. Re-elected Chairman of the Supervisory Board from 28 April 2015. Chairman of the Remuneration and nomination committee.	As a chairman of the Supervisory Board / Remuneration and nomination committee this person has not received monetary benefits	The chairman of the Supervisory Board / Remuneration and nomination committee have not received in-kind benefits

### **Share Option Program**

The Group started a share based payment program for the management in 2014 with the following conditions. The employee who owns the option is entitled to buy a specified number of CIGPANNONIA shares per year for three consecutive years, in case of the budgeted result of the company is achieved. 1 option means the right to buy 1 CIGPANNONIA share for HUF 210 in the next three years after the acceptance of the annual report by the General Meeting. (regardless the results of the next years). The entitled employees have an option by 31 May to call the option and buy the shares on the strike price or to ask for a cash settlement. The amount of the cash settlement, therefore the total cost of the Company = (average price on the market – HUF 210) x number of options. The share based payment may be paid only to those employees still in contractual relationship with the company and not under employment termination period. The prerequisite for calling this option is that the given employee is still in contract with the Group when calling option. The performance criteria of the program were related to the planned consolidated results between 2014 and 2016. These conditions were fulfilled every year.

In October 2017, the share based payment program was expanded. Under the terms and conditions of the Employer's program for additional employees, employees are entitled to buy shares per annum once a year (2018-2019) for a given price after the signing of the new share based payment agreement if 100% of the annual profit plan is performed. 1 share option is to purchase one "A" series CIGPANNÓNIA share on 210 forints, or if the 30-day weighted average stock price exceeds 420 forints, the purchase price of the 30-day weighted average stock price less 210 forints (exercise price) entitles. The option is subject to the terms and conditions of the previous share based payment program. All existing share based payment programs will be closed during the year 2021. The most important data on the program is summarized in the following table:

Grant date year	Beginning of the year(nr)	Called up (no)	End of the year (nr)	Callable (from date)	Expiry (till date)	Call price
2014	270 000	270 000	0	1.05.2015	30.04.2018	210
2015	350 000	130 000	220 000	1.05.2016	30.04.2019	210
2016	350 000	0	350 000	1.05.2017	30.04.2020	210
2015	5 000	0	5 000	31.12.2018	30.06.2019	0
2017	10 000	0	10 000	31.12.2020	30.06.2021	0
2017	10 000	0	10 000	31.12.2020	30.06.2021	0
2017	210 000	0	210 000	30.04.2019	31.12.2020	max (210; market average price – 210)
2017	210 000	0	210 000	30.04.2020	31.12.2020	max (210; market average price – 210)
<b>Összesen</b>	<b>1 415 000</b>	<b>400 000</b>	<b>1 015 000</b>			

### 13.10 Statement on Corporate Governance Practice

The Issuer prepared its Articles of Association, and the terms of reference of Board of Directors, Supervisory Board and Audit Committee in accordance with BSE's "Corporate Governance Recommendations".

### 13.11 Amount of shares owned by the persons listed in this chapter

Name	Position	Owned shares (pc)
Miklós Barta	member of the Board of Directors, Deputy Chief Executive Officer	12,300
dr. József Bayer	member of the Supervisory Board	1,500,000
István Boros	member of the Supervisory Board, member of the remuneration and nomination committee	55,000
dr. Gabriella Kádár	member of the Board of Directors, Chief Executive Officer	46,400
Máté Komoróczki	person responsible for risk management	650
dr. Erika Marczy	the head of the internal audit	10,400
dr. Gyula Mikó	former member of the Board of Directors	567,515
dr. Gábor Móricz	member of the remuneration and nomination committee	4,800,000
Géza Szabó	actuarial	4,000
Alexandra Tóth	head of finance department	5,265

## 14 EMPLOYEES

The total number of employees of the CIG Pannónia Group companies was 129 at December 31, 2017 the number of employees in the life business was 82 in December 2017 and 47 in the non-life business.

The distribution of the CIG Pannónia Life Insurance Plc.'s salaries, salary contributions, staff benefit payments and staff number figures are presented in the following table, according to the different groups of employees:

2017	Investment and Administration	Claim settlement	Acquisition	Total
Number of staff	50,8	22,6	2,1	75,5
Salaries (thousand HUF)	545 153	4 811	166 614	716 578
Other staff benefits (thousand HUF)	33 608	493	56 438	90 539
Wage contributions (thousand HUF)	139 707	1 162	62 680	203 549
- of which social contribution	116 152	951	35 839	152 942
- of which vocational training contribution	8 161	65	2 494	10 720
- of which healthcare contribution	4 695	71	14 046	18 812
- of which personal income	4 023	75	10 056	14 154
- of which rehabilitation contribution	6 219	-	-	6 219
- of which accident tax	34	-	93	127
- of which company car tax	361	-	152	513
<b>Total payments (thousand HUF)</b>	<b>718 468</b>	<b>6 466</b>	<b>285 732</b>	<b>1 010 666</b>

The distribution of the EMABIT's salaries, staff benefit payments, wage contributions and staff number data are presented below, breakdown per different groups of employees in 2017:

2017	Investment and Administration	Claim settlement	Acquisition	Total
Number of staff (capita)	26,21	5,50	10,13	41,83
Salary costs (THUF)	301 250	24 117	90 728	416 095
Other staff benefits (THUF)	12 723	2 798	6 642	22 163
Wage contributions (thousand HUF)	74 049	6 069	23 168	103 287
- of which vocational training contribution	4 510	362	1 395	6 267
- of which social contribution	64 466	5 231	19 652	89 349
- of which personal income	1 517	239	916	2 672
- of which healthcare contribution	3 557	237	1 205	4 999
<b>Total payments (thousand HUF)</b>	<b>388 022</b>	<b>32 984</b>	<b>120 538</b>	<b>541 545</b>

## 15 OWNERSHIP STRUCTURE OF THE ISSUER

The number of Shareholders of the Issuer based on ownership verification carried out on 28 May 2018 is 6,693. The following investors exceed the 10%: KONZUM Plc. owns the 24.85 percentage (23,466,020 shares, HUF 938,640,800 nominal value); the VINTON Vagyonkezelő Kft. shareholder group owns the 13.09 percentage (12,359,462 shares, HUF 494,378,480 nominal value). Within this, the share number of owners of VINTON Vagyonkezelő Kft. is still unchanged: Dr. József Bayer with 1,500,000 ordinary shares, Iván Bayer with 100 ordinary shares and Zsuzsanna Csilla Bayer with 100 ordinary shares.

The ownership verification carried out on 28 May 2018, Dr. Gábor Móricz, the Chairman of the Supervisory Board of the Issuer's 100% subsidiary, EMABIT - held a total of 4,680,210 ordinary shares. Kaptár Befektetési Zrt., closely related to Gábor Móricz, held a total of 3,715,148 ordinary shares. GridLogic Informatikai Kft. owning 53.79% of Kaptár Plc. held 1,211,000 ordinary shares at the ownership verification. After 28 May 2018, due to share transactions, Dr. Gábor Móricz's number of shares has increased to 4,800,000, thus currently holds the direct shares in excess of 5%, exactly 5.08%. The ordinary shares of Kaptár Befektetési Zrt. changed to 3,750,000 pieces, while the ordinary shares of GridLogic Informatikai Zrt. changed to 1,250,000 pieces.

### THE OWNERSHIP STRUCTURE

Owners description	Nominal value of equities on 28.05.2018 (thousand HUF)	Ownership ratio	Voting right
Domestic private individual	1 692 545	44.81%	44.81%
Domestic institution	1 987 181	52.61%	52.61%
Foreign private individual	12 585	0.33%	0.33%
Foreign institution	41 992	1.11%	1.11%
Nominee, domestic individual	13	0.00%	0.00%
Nominee, foreign individual	33 511	0.89%	0.89%
Unidentified item	66	0.00%	0.00%
<b>Total</b>	<b>3 770 130</b>	<b>100%</b>	<b>100%</b>

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

## 16 INTRODUCTION OF THE RELATED UNDERTAKINGS OF THE ISSUER

Direct and indirect shares in other companies of the Issuer, as parent company:

Name	Registered seat	Share of the Issuer
CIG Pannónia First Hungarian General Insurance Ltd.	1033 Budapest, Flórián tér 1.	100%
Pannónia PI-ETA Funeral Services LLC	1033 Budapest, Flórián tér 1.	100%
MKB-Pannónia Fund Manager Ltd	1072 Budapest, Nyár utca 12.	16%

The financial data provided in this section (unless otherwise specified) are to be considered as individual data and the Hungarian Accounting Rules.

### 16.1 The CIG Pannónia Life Insurance Plc. has investments in the following related companies:

#### CIG Pannónia First Hungarian General Insurance Ltd. (EMABIT)

	2017	2016	2015
1033 Budapest, Flórián tér 1.	thousand forint	thousand forint	thousand forint
Ownership ratio:	100%	100%	100%
Nominal value of shares:	3 785 000	3 785 000	3 785 000
Impairment already accounted for:	0	982 912	982 912
Carrying amount of shares:	3 785 000	2 802 088	2 802 088
Share capital:	1 030 000	1 030 000	1 030 000
Equity:	2 671 669	1 675 619	1 472 995
Profit After tax:	439 079	202 624	87 076

In 2015 EMABIT generated a gross written premium of HUF 3,661 million, the majority thereof relating to the casco and liability. The retained profit of the Issuer was HUF 87 million; the shareholders' equity was HUF 1,473 million. In accordance with the strategy, the Insurer launched new niche products in 2015. The Insurer increased significantly its activity in Italy, which has an impact on the new acquisition numbers. In Poland it also appeared on the land vehicles comprehensive coverage (casco) product market with a partnership of a dominant partner in vehicle financing. With the collaboration with its partner EMABIT started the vehicles GAP and extended warranty also in Poland. The Company appeared in the Inland market with an Agro equipment insurance, which is a new coverage product for machinery breakdown and extended warranty of agricultural machines. In 2017 the sale of guarantee insurance started on the Spanish.

EMABIT decided to take over the land vehicles comprehensive coverage (casco), accident and sickness portfolio of Széchenyi István Mutual Insurance Association („SZIBE”). The takeover was approved by the MNB on 1 October 2015.

After that based on expected cash-flows of EMABIT, in line with the accounting principle of prudence, the Issuer evaluated its shares in its subsidiaries and accounted impairment amounting HUF 702 million in 2014. At the end of 2015, the Issuer re-evaluated its subsidiary's value and found that no additional impairment was required.

EMABIT had an outstanding performance in the series of consecutive quarters. As a result of this, in year 2016 recorded a significant profit increase as well as in the last year. The EMABIT generated a HUF 542 million income as technical result in 2016. Subtracting the administration cost the technical result is HUF 193 million. All this was achieved by the EMABIT under circumstances like the declining yield environment and the significant run-off loss of MTPL, which is a passive, discontinued product. The retained profit is HUF 203 million in 2016, which is HUF 116 million higher than the retained profit in 2015. The shareholder's equity is HUF 1,676 million as at 31 December 2016. The solvency capital adequacy of the EMABIT as at 31 December 2016 is 144 percentages according to the Solvency II. In 2016 EMABIT generated a gross written premium of HUF 5,934 million (39.3% comes from the cross-border business lines), which is 62 percent higher than in 2015. The dynamically growing gross written premium is mainly due to casco, property and liability insurance product and guarantee products. The amount of new acquisitions was HUF 1,522 million

During 2017, the Insurer did not carry out capital increase in its subsidiary. Investment in the subsidiary had been unchanged, but the impairment of previous years has been released by HUF 983 million. In year 2017 recorded a significant profit increase as well as in 2016. The Insurer generated a HUF 1,520 million income as technical result in 2017. Subtracting the administration cost the technical result is HUF 945 million.

The retained profit is HUF 439 million in 2017, which is HUF 236 million higher than the retained profit in 2016. The shareholder's equity is HUF 2,672 million as at 31 December 2017. The solvency capital adequacy of the EMABIT as at 31 December 2017 is 191 percentages according to the Solvency II. In 2017 EMABIT generated a gross written premium of HUF 8,744 million (30% comes from the cross-border business lines), which is 47 percent higher than in 2016. The dynamically growing gross written premium is mainly due to casco, property and suretyship and guarantee products. The amount of new acquisitions was HUF 5,675 million in 2017, of which HUF 2,643 million are related to the merger of Pannónia General Insurer Ltd. The Insurer has a portfolio of HUF 6,760 million at the end of the period.

As the Issuer does not only take into account the equity situation of the unlisted long-term investments during its evaluation, but future expectations and long-term compliance with the business plan are also taken into consideration. The Issuer accounted impairment amounting HUF 35 million in 2010 and HUF 246 million in 2013 for the loss making subsidiary. After that based on expected cash-flows of EMABIT, in line with the accounting principle of prudence, the Insurer evaluated its shares in its subsidiaries and accounted impairment amounting HUF 702 million in 2014. In 2017, the Issuer evaluated repeatedly its shares in its subsidiaries with discounted cash flow method and determined that the profitable operation is expected to continue in the future. The market value significantly exceed the cost value, so the Issuer released the impairment of HUF 983 million.

#### **Pannónia PI-ETA Funeral Services LLC**

	2017	2016	2015
1033 Budapest, Flórián tér 1.	thousand forint	thousand forint	thousand forint
Ownership ratio:	100%	100%	100%
Nominal value of shares:	3 800	3 800	3 800
Share capital:	3 000	3 000	3 000
Equity:	4 498	4 101	5 489
Profit After tax:	397	773	- 595



The activities of PI-ETA established in 2008 relates to the insurance product "Alkony" of the Insurer which is to cover funeral-related expenses. On 1 December 2010 the Insurer acquired 60 percent ownership in Pannónia PI-ETA LLC. through purchasing a business equity with a nominal value of HUF 300 thousand. In December 2011 the Insurer increased its shares in Pannónia PI-ETA Funeral Services LLC. from 60% to 100%, thus it became the exclusive owner of the company. During 2015, the Insurer carried out HUF 2,500,000 capital increase in Pannónia PI-ETA Funeral Services LLC to comply with the provisions of the new Civil Code.

PI-ETA closed the 2015 business year with HUF 595 thousand profit. It closed the 2016 business year with HUF 773 thousand profit. The PI-ETA closed the 2017 business year with HUF 397 thousand profit.

## 16.2 Ownership share investments in joint venture and associated companies

On 31 July 2017, the General Meeting of Pannonia CIG Fund Manager Ltd. (which is founded by the Issuer and it's strategic partner, the Pannonia Pension Fund) decided to decrease the share of the Issuer 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 Ltd., MKB Pension Fund, MKB-Pannónia Health and Mutual Fund and the Gránit Bank Ltd. With the increase of the owner scale, 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-Pannonia Fund Manager Ltd. will be subdivided between the owners by the profitability of the owners' portfolio and not by the share in the MKB- Pannonia 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. Due to the preference shares, the CIG Pannónia Life Insurance Plc. delegate 1-1 member to the Board of Directors and the Supervisory Board of MKB-Pannónia Fund Manager Ltd.

As a result of the decrease in the shares, the investment showed as joint venture had been reclassified as other investment.

**The Issuer's other investments are presented below:**

Data in thousand HUF	31.12.2015			31.12.2016			31.12.2017		
	Carrying value	Adjusted carr. val.	Market value	Carrying value	Adjusted carr. val.	Market value	Carrying value	Adjusted carr. val.	Market value
Other loans	14 867	14 867	14 867	4 537	4 537	4 537	53 827	53 827	53 827
Ownership share investment	0	0	0	0	0	0	51 753	51 753	51 753
Debt securities	3 875 211	3 865 490	3 875 016	3 557 269	3 570 795	3 634 539	10 808 908	10 809 916	12 039 417
<b>Total</b>	<b>3 890 078</b>	<b>3 880 357</b>	<b>3 889 883</b>	<b>3 561 806</b>	<b>3 575 332</b>	<b>3 639 076</b>	<b>10 914 488</b>	<b>10 915 496</b>	<b>12 144 997</b>

99.1% of other investments are debt securities. Debt securities include entirely Hungarian government bonds. Other loans are loans granted to employees and entrepreneurs.

### 16.3 Ownership share investment

#### MKB – Pannónia Fund Manager Ltd. (formerly Pannónia CIG Fund Manager Ltd.)

	2017	2016	2015
1072 Budapest, Nyár utca 12.	thousand forint	thousand forint	thousand forint
Ownership ratio:	16%	50%	50%
Nominal value of shares:	51 753	78 383	78 383
Share capital:	306 120	151 220	151 220
Equity:	1 332 030	634 896	731 067
Profit After tax:	1 025 910	483 676	579 847

Pannónia Investment Services Ltd. was established on 3 August 2011 and on 21 December 2011 it received the authorization necessary for commencing its activities from the Hungarian Financial Supervisory Authority (PSZÁF). Pannónia Investment Services Ltd. began its active operations in January 2012 and entered into an asset management contract with the Issuer and Pannónia Pension Fund. The Issuer increased its qualifying degree of direct influence in Pannónia Insurance Investment Services Ltd. from 20 percent to 41 percent throughout 2012.

On 5 February 2013 the Hungarian Financial Supervisory Authority approved the transformation of Pannónia Investment Services Ltd. to fund manager (in the resolution no. H-EN-III-7/2013), which is continued under the name of Pannónia CIG Fund Manager Ltd.

In addition, it purchased a share package from Pannónia Pension Fund that embedded a 1 percent share in Pannónia CIG Fund Manager Ltd.. In 2015, the Insurer purchased an additional 4 percent from Pannónia CIG Fund Manager Ltd.'s ownership share, thus it had a 50 percent ownership share.

At the end of 2015, Pannónia CIG Fund Manager Ltd. managed nearly HUF 163 billion, of which more than HUF 101 billion related and pension fund portfolios and HUF 55 billion related to unit linked insurance portfolio, herewith achieved 7,9 and 12,3 percent market share in the market of pension and insurance fund portfolio management, respectively. In 2015 Pannónia CIG Fund Manager Ltd. managed five own closed investment funds, wherewith achieved 7.15 percent market share in the market of closed investment funds in Hungary, thus with doubled last year's market share. The yearly revenue of Pannónia CIG Fund Manager Ltd. in 2015 was HUF 1.12 billion, while the profit after taxation was HUF 580 million, of which HUF 250 million is share of the Issuer.

At the end of 2016, Pannónia CIG Fund Manager Ltd. managed more than HUF 181 billion, of which almost HUF 114 billion related to pension fund portfolios and more than HUF 60 billion related to unit linked insurance portfolio, herewith achieved 8.2 percent market share in the market of pension fund portfolio management and 12.6 percent market share in the market of unit-linked insurance fund portfolio management. At the end of 2016 Pannónia CIG Fund Manager Ltd. managed five own closed investment funds, wherewith achieved 8.8 percent market share in the market of closed investment funds in Hungary. The yearly revenue of Pannónia CIG Fund Manager Ltd. in 2016 was HUF 1,044 million, while the profit after taxation was HUF 484 million, of which HUF 222 million is share of the Issuer.

In October 2017, the Registry Court registered the changes in equity, as a result, the name of the Pannónia CIG Fund Manager Ltd. changed to MKB-Pannónia Fund Manager Ltd. while the share of the Life Insurer in MKB-Pannónia Fund Manager decreased to 16% from 50%.

## 17 FINANCIAL INFORMATION FOR THE ISSUER'S ASSETS, LIABILITIES, FINANCIAL SITUATION AND RESULT

The consolidated financial statements incorporate the assets, liabilities and the results of operations at the Issuer and its consolidated undertakings. Subsidiary undertakings are the entities in which the CIG Group directly or indirectly has the power to govern the financial and operational activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### IFRS based, consolidated data, in thousand forint

	2015	2016	2016/2015 change (%)	2017	2017/2016 change (%)
Gross written premium	17 444 851	18 941 022	108.58%	26 932 551	142.19%
Changes in unearned premiums reserve	-546 593	-1 388 483	254.03%	-960 365	69.17%
<b>Earned premiums, gross</b>	<b>16 898 258</b>	<b>17 552 539</b>	<b>103.87%</b>	<b>25 972 186</b>	<b>147.97%</b>
Ceded reinsurance premiums	-1 311 161	-2 601 810	198.44%	-6 752 266	259.52%
<b>Earned premiums, net</b>	<b>15 587 097</b>	<b>14 950 729</b>	<b>95.92%</b>	<b>19 219 920</b>	<b>128.56%</b>
Premium and commission income from investment contracts	146 702	104 501	71.23%	208 084	199.12%
Investment income	655 709	4 141 809	631.65%	8 722 257	210.59%
Share of the profit of associates and joint ventures accounted for using the equity method	250 471	222 368	88.78%	303 056	136.29%
Other operating income	878 313	942 345	107.29%	1 043 731	110.76%
Commission and profit sharing from reinsurance	0	802 087		2 278 002	284.01%
<b>Other income</b>	<b>1 931 195</b>	<b>6 213 110</b>	<b>321.72%</b>	<b>12 555 130</b>	<b>202.07%</b>
<b>Total income</b>	<b>17 518 292</b>	<b>21 163 839</b>	<b>120.81%</b>	<b>31 775 050</b>	<b>150.14%</b>
Claim payments and benefits, and claim settlement costs	-8 069 622	-9 150 269	113.39%	-15 820 705	172.90%
Net change in the value of life technical reserves and unit-linked life insurance reserves	-2 363 004	-5 734 264	242.67%	-4 490 822	78.32%
Investment expenditure	-688 636	-613 105	89.03%	-1 140 460	186.01%
Share of the loss of associates and joint ventures accounted for using the equity method	-	-		-	
Change in the fair value of liabilities relating to investment contracts	19 951	-90 051	-451.36%	-217 229	241.23%
Change in the fair value of assets and liabilities relating to embedded derivatives	138 418	-161 683	-116.81%	-269 388	166.61%
Damage refunds from reinsurance		1 251 799		3 025 017	241.65%
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>-10 962 893</b>	<b>-14 497 573</b>	<b>132.24%</b>	<b>-18 913 587</b>	<b>130.46%</b>
Fees, commissions and other acquisition costs	-3 775 379	-4 038 711	106.97%	-5 821 289	144.14%
Other operating costs	-1 832 823	-1 462 263	79.78%	-3 297 650	225.52%
Other expenses	0	-293 023		-585 490	199.81%
<b>Operating costs</b>	<b>-5 608 202</b>	<b>-5 793 997</b>	<b>103.31%</b>	<b>-9 704 429</b>	<b>167.49%</b>
<b>Result of assets held for sale</b>	<b>-</b>	<b>-</b>		<b>-475 128</b>	
<b>Profit/loss before taxation</b>	<b>947 197</b>	<b>872 269</b>	<b>92.09%</b>	<b>2 681 906</b>	<b>307.46%</b>
Tax income / (expenses)	-122 866	-142 254	115.78%	-258 030	181.39%
Deferred tax income / (expenses)	103 614	-6 033	-5.82%	174 460	-2891.76%

Profit/loss after taxation	927 945	723 982	78.02%	2 598 336	358.90%
Other comprehensive income	-12 653	64 076	-506.41%	260 762	406.96%
<b>Comprehensive income</b>	<b>915 292</b>	<b>788 058</b>	<b>86.10%</b>	<b>2 859 098</b>	<b>362.80%</b>
<b>ASSETS</b>	<b>2015/12/31</b>	<b>2016/12/31</b>	<b>2016/2015 change (%)</b>	<b>2017/12/31</b>	<b>2017/2016 change (%)</b>
Intangible assets	852	840	-1.41%	896	6.67%
Property, plant and equipment	50	39	-22.00%	76	94.87%
Deferred tax assets	346	340	-1.73%	514	51.18%
Deferred acquisition costs	995	1503	51.06%	2296	52.76%
Reinsurer's share of technical reserves	1292	2313	79.02%	4647	100.91%
Investments in jointly controlled companies	326 081	297 979	91.38%		
Investments accounted for using the equity method				352 037	
Available-for-sale financial assets	6 114 512	5 952 201	97.35%	16 517 833	277.52%
Investments for policyholders of unit-linked life insurance policies	53 582 434	58 917 687	109.96%	68 759 308	116.70%
Financial assets - investment contracts	1 311 539	1 399 050	106.67%	3 961 311	283.13%
Financial assets - embedded derivatives	676 320	514 637	76.09%	-	
Financial assets - futures		-		-	
Receivables from insurance policies and other receivables	2 615 956	-		-	
Receivables from insurance policyholders		2 003 680		2 388 118	119.16%
Receivables from intermediaries		360 923		597 529	165.56%
Reinsurance receivables		68 840		190 594	276.87%
Other assets and prepayments	108 498	137 046	126.31%	223 805	163.31%
Other receivables		1 099 701		325 900	29.64%
Cash and cash equivalents	1 087 681	1 606 216	147.67%	3 883 173	241.76%
<b>Total assets</b>	<b>69 359 229</b>	<b>77 393 510</b>	<b>111.58%</b>	<b>105 629 444</b>	<b>136.48%</b>

<b>(data in thousand forint)</b>					
<b>LIABILITIES</b>					
Technical reserves	5 259 993	7 280 999	138.42%	17 170 478	235.82%
Technical reserves for policyholders of unit-linked insurance	53 582 434	58 917 687	109.96%	68 759 308	116.70%
Investment contracts	1 311 539	1 399 050	106.67%	3 961 311	283.13%
Financial liabilities - embedded derivatives	-	-		-	
Financial liabilities - futures		-		3 638	
Liabilities from the issue of interest-bearing shares	2 312 283	2 460 088	106.40%	-	
Loans and financial reinsurance	1 863 130	1 269 695	68.15%	1 186 493	93.45%
Liabilities from insurance		710 579		1 601 086	225.32%
Liabilities from insurance policyholders		278 793		784 803	281.50%
Liabilities from intermediaries		322 304		578 713	179.56%
Liabilities from insurance	1 038 997				
Other liabilities and provisions	807 225	782 629	96.95%	2 568 529	328.19%
<b>Total liabilities</b>	<b>66 175 601</b>	<b>73 421 824</b>	<b>110.95%</b>	<b>96 614 359</b>	<b>131.59%</b>
<b>NET ASSETS</b>	<b>3 183 628</b>	<b>3 971 686</b>	<b>124.75%</b>	<b>9 015 085</b>	<b>226.98%</b>
<b>SHAREHOLDERS' EQUITY</b>					
Registered capital	2 531 328	2 531 328	0.00%	2 851 823	112.66%
Capital reserve	15 936 886	1 143 641	7.18%	2 479 250	216.79%
Treasury shares		-		-250 000	
Other reserves	9 269	73 345	791.29%	334 107	455.53%
Profit reserve	-15 293 855	223 372	-1.46%	3 599 905	1611.62%
<b>Equity attributable to the owners of the Company</b>	<b>3 183 628</b>	<b>3 971 686</b>	<b>124.75%</b>	<b>9 015 085</b>	<b>226.98%</b>
Non-controlling interests	-	-		-	
<b>Total shareholders' equity</b>	<b>3 183 628</b>	<b>3 971 686</b>	<b>124.75%</b>	<b>9 015 085</b>	<b>226.98%</b>

In 2015, the Group's gross written premium was HUF 17,444,851 thousand, of this HUF 13,223,898 thousand are the gross written premium of unit-linked life insurance (of this HUF 2,137,753 thousand of pension insurance policies), HUF 440,244 thousand are traditional life products, HUF 216,915 thousand are health insurance policies, and HUF 3,563,794 thousand are non-life insurance. The non-life insurance segment generated a gross written premium of HUF 3,563,794 thousand in 2015 according to IFRS, increased by 49% compared to the previous year (HUF 2,386,334 thousand), which is mainly due to the increased sales of casco portfolio and secondly due to the increased sales of liability portfolio. In the life segment the gross written premium from the first annual premiums of policies sold was HUF 1, 715,364 thousand, which is a 7% decrease compared to the previous year (HUF 1, 844,071 thousand). The gross written premium income from renewals was 10,357,900 thousand in 2015 in contrast to HUF 10,637,231 thousand in the previous year. The decrease of renewal premiums of policies in the previous years (26%) has slowed to 3% in 2015. Approximately 30 percent of life insurance clients are using their premium holiday option granted by the Issuer from the third year of the insurance policies, which is the main reason for the fall in renewals. The effect of

this on the Issuer's profit is less significant, because the premium holiday option can only be used at a later, less profitable phase of the term of the contract. Top-up/single premiums (HUF 1,807,792 thousand) were 113% of the previous year's top-up/single revenue, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income- according to IFRS - of HUF 13,881,056 thousand, the rate of top-up/single premiums is 13 percent, which is increased compared to the previous year (11%). The increase is mostly due to the new Gravis single premium life insurance that was started at the end of 2014 by the Issuer.

In 2016, the Group's gross written premium was HUF 18,941,022 thousand, which is 109 percent of the revenues generated in the same period of the previous year. Of this HUF 12,333,045 thousand are the gross written premium of unit-linked life insurance (of this HUF 2,641,288 thousand of pension insurance policies), HUF 492,791 thousand are traditional life products, HUF 267,999 thousand are health insurance policies, and HUF 5,847,187 thousand are non-life insurance. The non-life insurance segment generated a gross written premium of HUF 5,847,187 thousand in 2016 according to IFRS (of which 39.9% related with cross-border business line), increased by 64% compared to the previous year (HUF 3,563,794 thousand), which is mainly due to the casco portfolio and secondly due to the increased sales of Italian suretyship insurance. In the life segment the gross written premium from the first annual premiums of policies sold was HUF 1,578,188 thousand, which is a HUF 137,176 thousand decrease compared to the same period of the previous year (HUF 1,715,364 thousand). In 2015 a significant unique group insurance policy also increased the new sales, this is the main reason of the fall in the first year premiums. However the premium of this contract is shown in the gross written premium of renewals in 2016. The gross written premium income from renewals was HUF 10,180,947 thousand in 2016 in contrast to HUF 10,357,900 thousand in the same period of the previous year, so the renewal premiums stagnated. Top-up and single premiums (HUF 1,334,700 thousand) were 74% of the previous year's top-up and single premiums revenue, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income- according to IFRS - of HUF 13,093,935 thousand, the rate of top-up and single premiums is 10 percent, however the profit margin of the top-up and single premiums policies is much lesser than the regular premium policies' coverage, so the decrease of these premiums have a less significant effect on the profitability of the Group.

In 2017, the Group's gross written premium was HUF 26,932,551 thousand, 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 14,103,680 thousand are the gross written premium of unit-linked life insurance (of this HUF 3,577,249 thousand of pension insurance policies), HUF 2,475,095 thousand are traditional life products (of this HUF 845,150 thousand from pension insurance policies), HUF 200,106 thousand are health insurance policies, and HUF 10,153,671 thousand are non-life insurance. The non-life insurance segment generated a gross written premium of HUF 10,153,671 thousand in 2017 according to IFRS increased by 74% compared to the previous year (HUF 5,847,187 thousand). In the life segment the gross written premium from the first annual premiums of policies sold was HUF 2,221,515 thousand, which is a 41% increase compared to the same period of the previous year (HUF 1,578,188 thousand). The gross written premium income from renewals was HUF 11,474,219 thousand in 2017 in contrast to HUF 10,180,947 thousand in the same period of the previous year, so the renewal premiums increased by 13%. Top-up and single premiums (HUF 3,083,146 thousand) 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 16,778,880 thousand, 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 2015 was HUF 546,593 thousand, while the amount of ceded reinsurance premiums was HUF 1,311,161 thousand. The significant increase of these items is mainly due to the growth of the non-life portfolio and the modification of reinsurance's structure in non-life segment. In 2016, these items increased further, the change in unearned premium reserve in 2016 was HUF 1,388,483 million, while the amount of ceded reinsurance premiums was HUF 2,601,810 thousand. The significant increase of these items is mainly due to the growth of the non-life portfolio and the higher reinsurance's proportion in non-life segment. Additionally, to the Ceded earned reinsurance premiums (in 2016: HUF -1,799,723 thousand) have been reclassified to the Commission and profit sharing from reinsurance (in 2016: HUF 802,087 thousand) in the consolidated statement of comprehensive income. The change in unearned premium reserve in 2017 was HUF 960,365 thousand, while the amount of ceded reinsurance premiums was HUF 6,752,266 thousand. 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 Issuer 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 Issuer that do not qualify as insurance policies under IFRS are classified by the Issuer as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 146,702 thousand in 2015 and HUF 104,501 thousand in 2016. 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 2,278,002 thousand 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.

In 2015 the amount of the other operating income was HUF 878,313 thousand, mainly includes the Issuer's income from fund management (HUF 763,739 thousand) and the income from reactivated policies (HUF 22,168 thousand) is also recognized and accounted for as part of this item, however, the income from the reactivated policies decreased compared with the previous year (HUF 66,848 thousand). The income from pending charge (HUF 60,140 thousand) decreased compared to the HUF 73,217 thousand in the previous year.

In 2016 the amount of the other operating income was HUF 942,345 thousand mainly includes the Group's income from fund management of HUF 741,468 thousand. Also recognized and accounted for as part of this item the other technical income (HUF 91,796 thousand) and the income from pending charges (HUF 69,584 thousand).

In 2017 the amount of the other operating income was HUF 1,043,731 thousand, mainly includes the Issuer's income from fund management (HUF 861,111 thousand), 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 68,520 thousand).

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 8,069,622 thousand in 2015), this expenditure is decreased by the recoveries from reinsurers (HUF 4,433 million). Including HUF 7,416,010 thousand related to partial or full surrender of unit-linked life insurance policies, and the claim settlement expenditure paid on general insurance is HUF 357,906 thousand. In 2016, the gross claim expenses increased to HUF 9,150,269 thousand, the 80% of this are related to partial or full surrender of unit-linked life insurance policies. The Damage refunds from reinsurance have decreased the gross claim expenses with HUF 1,251,799 thousand. In 2017, the gross claim expenses increased mainly due to the acquisition to HUF 15,820,705 thousand. The significant growth affected the non-life sector in a greater extent, thus

the share of the partial or full surrender of unit-linked life insurance policies from the total claim expenses decreased to 59%, while the share of the general insurance increased to 21%. The Damage refunds from reinsurance increased to HUF 3,025,017 thousand thanks to the general insurance.

In 2015 the amount of net change in reserves was significant (HUF 2,363,004 thousand), which is made up the following items. The unit-linked life insurance reserve amount increased by HUF 2,525,813 thousand. Due to the operation in the non-life branch, the outstanding claim reserves decreased by HUF 167,465 thousand, while the cancellation reserves also decreased by HUF 136,527 thousand concurrently with the decrease of the liabilities. The reserves for premium refunds independent on profit increased by HUF 114,486 thousand, while the mathematical reserves increased by HUF 20,522 thousand.

Considering the result, in 2016 also an important item is the amount of net change in reserves (HUF - 5,734,264 thousand), which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount increased by HUF 5,335,252 thousand. From the yearend the Group recognises the accounting reserve for the expected loyalty bonus of the clients - that was earlier recognised among the reserves for premium refunds independent on profit – among the other technical reserves. (That was HUF 974,776 thousand at 31 December 2016.) Mainly due to the operation in the non-life branch, the outstanding claim reserves increased by HUF 184,286 thousand, while the cancellation reserves decreased by HUF 68,695 thousand concurrently with the decrease of the premium receivables. The actuarial reserves increased by HUF 112,123 thousand.

In 2017 the amount of net change in reserves was HUF 4,490,822 thousand, which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount increased by HUF 3,456,886 thousand. The actuarial reserves increased by HUF 990,321 thousand, while the result-independent reserves by HUF 105,072 thousand and the result-depending premium refund reserves increased by HUF 4,715 thousand. The technical reserves for the bonus payment of the life insurance clients increased by HUF 204,717 thousand and there was HUF 95,693 thousand 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 290,178 thousand, while the cancellation reserves decreased by HUF 76,402 thousand concurrently with the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 5,608,202 thousand during 2015, of which HUF 3,775,379 thousand is related to the fees, commissions and other acquisition costs, and HUF 1,832,823 thousand is related to other operating costs. First year commissions have declined simultaneously with the acquisition costs of the life segment, and because of the changes in the non-life product mix toward to products with smaller acquisition cost ratios. The other operating costs decreased by HUF 170,304 thousand (8%) compared to the previous year (HUF 2,083,718 thousand).

The total operating cost of the Group was HUF 5,793,998 thousand in 2016, of which HUF 4,033,711 thousand is related to the fees, commissions and other acquisition costs, and HUF 1,755,286 thousand is related to other operating costs. Acquisition costs show increasing tendency which is a result of opposite factors. The acquisition costs of the life segment decreased mainly due to the change in the product mix, while the non-life portfolio increased significantly, the sales was shifted toward products with higher expense ratio. The other operating costs decreased by 4% compared to the same period of the previous year. The other expenses was HUF 293,023 thousand in 2016.

The total operating cost of the Issuer was HUF 9,704,429 thousand in 2017, of which HUF 5,821,289 thousand is related to the fees, commissions and other acquisition costs, and HUF 3,297,650



thousand is related to other operating costs and HUF 585,490 thousand 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 amount of new sales of the acquired portfolio. The other operating costs increased by HUF 1,835,387 thousand compared to the same period of the previous year (HUF 1,462,263 thousand 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 234,699 thousand in case of the life insurance company, and HUF 937,200 thousand 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 588,618 thousand 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 32,927 thousand loss, which is due to the aggregated effect of the following issues. After the significant yield growth in the first half of 2015, the unit-linked results fall back in the third quarter, which was partly compensated by the increase in the fourth quarter. In total, the yield of 2015 was HUF 166,422 thousand. In the fourth quarter the slowing growth of China through the commodity market, and the growth of the interest rate in the US determined the trend of the equity market. After the third quarter significant losses, in the fourth quarter the main MSCI global stock market indices (USA, EU, Emerging Markets) closed positively. The BUX index continues to rise and closed this quarter with 14% yield. According to this, the domestic unit-linked funds had the highest yield in our funds. In the movement of capital, the most capital was invested to the funds which invest into domestic and developed markets, while the capital was subtracted from the funds, which invest in Russia. The absolute yield and actively managed funds popularity increased, which caused a significant capital investment in these funds.

The investment results were negatively influenced by the interest costs of financial reinsurance, which amounted to HUF 125,778 thousand. The Issuer had HUF 173,965 thousand yield profit of its own investments in 2015. The interest expenditure for interest-bearing shares were HUF 247,536 thousand in 2015 which is shown in investment expenditure, and there was HUF 138,418 thousand profit in change in fair value of assets and liabilities related to embedded derivatives, which is totally HUF 109,118 thousand loss. The Group realized HUF 250,471 thousand profits from the result of the Pannónia CIG Fund Manager Ltd. at the end of 2015 which is shown in the Share of the profit of associates and joint ventures accounted for using the equity method.

The investment result is HUF 3,528,704 thousand profit, which is due to the aggregated effect of the following issues. The unit-linked yield was HUF 3,767,005 thousand in 2016. During the last quarter of 2016 a strong divergence characterized the global stockmarkets. On examining the market achievements, it can be seen that the emerging markets –excluding the Russian and Eastern-Europe markets - underperformed the developed stock markets, while the bond markets were devaluated in this period. Among unit-linked funds the products that investing in Russian, Eastern-European and domestic stockmarket and the Warren Buffet Stock Funds performed over 10%. Products investing in domestic and international bonds and the funds that contain global developing market stocks, and commodity market portfolios performed negatively. The investment results were negatively influenced by the interest costs of financial reinsurance, which amounted to HUF 74,484 thousand. The Issuer had HUF 112,470 thousand yield profit on its own investments in 2016.

The interest expenditure for interest-bearing shares were HUF 276,287 thousand in 2016 which is shown in investment expenditure, and there was HUF 161,683 thousand loss in change in fair value of assets and liabilities related to embedded derivatives, which is totally HUF 437,970 thousand loss.

The Group realized HUF 222,368 thousand profits from the result of the Pannónia CIG Fund Manager Ltd. in 2016. This is shown in the Share of the profit of associates and joint ventures accounted for using the equity method.

In 2017 the investment result is HUF 7,581,797 thousand 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 3,003,966 thousand on 1 January 2017. The amount of the contingent consideration was revalued through profit or loss at the end of the half year (HUF 193,360 million profit) so the total result of the acquisition on the profit/loss is HUF 3,197,326 million in 2017. The unit-linked yield was HUF 4,353,266 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 -50,002 thousand. The Issuer had HUF 284,328 thousand yield profit on its own investments in 2017. The interest expenditure for interest-bearing shares were HUF 203,121 thousand in 2017 which is shown in investment expenditure, and there was HUF 269,388 thousand loss in change in fair value of assets and liabilities related to embedded derivatives, which is totally HUF 472,509 thousand 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 75,246 thousand increase in the share capital, a HUF 1,335,609 thousand increase in the capital reserve and a HUF 778,197 thousand increase in the profit reserve. The amount of the surplus issue is HUF 245,249 thousand that was registered on 4th October, so it is shown in the current financial statements as registered capital.

The Issuer realized HUF 303,056 thousand 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 Ltd. 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 475,128 thousand in the four quarters, which consists of the loss of the assets held for sale (HUF -115,347 thousand) recognized until the sale, the expected result of the sale (HUF 223,500 thousand) and the impairment loss of the intangible asset (HUF -583,281 thousand) 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.

In 2015 the profit before tax amounted to HUF 947,197 thousand that was reduced by the HUF 122,866 thousand tax liability and increased by the deferred tax income (HUF 103,614 thousand). The profit after tax is HUF 927,945 thousand that exceeds the profit after tax of 2014 by HUF 1,097,494 thousand. The other comprehensive income contains the decrease in the fair value of available-for-sale financial assets amounting to HUF 12,653 thousand and, thus, the total comprehensive income represents a profit of HUF 915,292 thousand at the end of 2015. In 2016 the profit before tax amounted to HUF 872,269 thousand that was reduced by the HUF 142,254 thousand tax liability. The profit after tax is HUF 723,982 thousand that is HUF 203,963 thousand less than the profit after tax of the same period of 2015. The other comprehensive income contains the increase in the fair value of available-for-sale financial assets amounting to HUF 64,076 thousand and, thus, the total comprehensive income represents a profit of HUF 788,058 thousand in 2016. At last in 2017, the profit before tax of the Issuer amounted to HUF 2,681,906 thousand profit that was reduced by the HUF 258,030 thousand tax liability and increased by the HUF 174,460 thousand deferred tax income. The profit after tax is HUF 2,598,336 thousand that is HUF 1,874,354 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 260,762 thousand and, thus, the total comprehensive income represents a profit of HUF 2,859,098 thousand in 2017.

The Issuer's balance sheet total was HUF 69,359,229 thousand in 2015, HUF 77,393,510 thousand in 2016 and HUF 105,629,444 thousand in 2017; its financial position is stable; the company has met its liabilities in full. On 31 December 2015, the shareholders' equity was HUF 3,183,628 thousand, on 31 December 2016 the shareholders' equity was HUF 3,971,686 thousand and on 31 December 2017 was HUF 9,015,085 thousand.

As is apparent from the balance sheet, the amount of tangible assets of the Issuer is immaterial compared to its activity, so it is not shown separately here. There is no circumstance related to its tangible assets (such as a liability, obligation) that could materially affect the issuer's operations.

After the first and second quarter of 2018, the Issuer published its quarterly reports (consolidated, IFRS), what is referred in Chapter 21 of this Prospectus. Based on the data published in these reports, the following changes have been made to the issuer's financial position:

### Konzolidált, IFRS alapú adatok, ezer forintban – interim információk

Konzolidált átfogó jövedelem kimutatás - kumulált adatok (ezer forint)	2017Q1-Q2 (B)	2018Q1-Q2 (A)	Változás (A)-(B)
Biztosítási díjak	12 601 556	11 468 404	- 1 133 152
Meg nem szolgáltat díjak tartalékváltozása	- 435 917	- 83 592	352 325
<b>Bruttó megszolgált díj</b>	<b>12 165 639</b>	<b>11 384 812</b>	- <b>780 827</b>
Viszontbiztosítóknak átadott megszolgált díj	- 3 534 570	- 3 141 912	392 658
<b>Biztosítási díjak, nettó</b>	<b>8 631 069</b>	<b>8 242 900</b>	- <b>388 169</b>
			-
Díj -és jutalékbevételek befektetési szerződésekből	74 467	117 669	43 202
Befektetések bevétele	4 542 363	1 352 191	- 3 190 172
Tőke módszerrel elszámolt befektetések hozama (nyereség)	106 938	192 497	85 559
Egyéb működési bevételek	547 433	494 884	- 52 549
Viszontbiztosítótól járó jutalék és nyereségrészesedés	981 426	1 348 412	366 986
<b>Egyéb bevételek</b>	<b>6 252 627</b>	<b>3 505 653</b>	- <b>2 746 974</b>

				-
<b>Bevételek összesen</b>	<b>14 883 696</b>	<b>11 748 553</b>	<b>-</b>	<b>3 135 143</b>
				-
Kárfizetések és szolgáltatások, valamint kárrendezési költségek	- 7 305 878	- 9 064 614	-	1 758 736
Kármegtérülések viszontbiztosítóktól	1 379 459	1 502 334		122 875
Biztosítástechnikai tartalékok és befektetési egységekhez kötött (unit-linked) életbiztosítási tartalékok nettó állományváltozása	- 480 936	1 706 068		2 187 004
Befektetések ráfordítása	- 654 070	- 74 451		579 619
Befektetési szerződésekhez kapcsolódó kötelezettségek valós érték változása	- 58 211	6 359		64 570
Beágyazott derivatívákhoz kapcsolódó eszközök és kötelezettségek valós érték változása	- 141 890	-		141 890
<b>Befektetési ráfordítások, tartalékváltozások és szolgáltatások, nettó</b>	<b>- 7 261 526</b>	<b>- 5 924 304</b>		<b>1 337 222</b>
				-
Díjak, jutalékok és egyéb szerzési költségek	- 2 760 913	- 3 037 184	-	276 271
Egyéb működési költségek	- 1 511 870	- 1 170 097		341 773
Egyéb ráfordítások	- 374 830	- 315 541		59 289
<b>Működési költségek</b>	<b>- 4 647 613</b>	<b>- 4 522 822</b>		<b>124 791</b>
				-
<b>Értékesítésre tartott eszközök eredménye</b>	<b>- 398 628</b>	<b>-</b>		<b>398 628</b>
				-
<b>Adózás előtti eredmény</b>	<b>2 575 929</b>	<b>1 301 427</b>	<b>-</b>	<b>1 274 502</b>
				-
Adóbevételek / (ráfordítások)	- 92 314	- 146 788	-	54 474
Halasztott adó bevételek / (ráfordítások)	-	-		-
				-
<b>Adózott eredmény</b>	<b>2 483 615</b>	<b>1 154 639</b>	<b>-</b>	<b>1 328 976</b>
				-
A jövőben eredménybe át nem sorolható egyéb átfogó jövedelem	-	-		-
A jövőben eredménybe átsorolható egyéb átfogó jövedelem	- 58 910	- 512 843	-	453 933
<b>Egyéb átfogó jövedelem</b>	<b>- 58 910</b>	<b>- 512 843</b>	<b>-</b>	<b>453 933</b>
				-
<b>Teljes átfogó jövedelem</b>	<b>2 424 705</b>	<b>641 796</b>	<b>-</b>	<b>1 782 909</b>

<b>ESZKÖZÖK (ezer forintban)</b>	<b>2017. június 30. (B)</b>	<b>2018. június 30. (A)</b>	<b>Változás (A)-(B)</b>
Immateriális javak	1 082 043	857 389	- 224 654
Ingatlanok, gépek és berendezések	107 023	82 917	- 24 106
Halasztott adó követelések	339 998	514 458	174 460
Halasztott szerzési költségek	1 935 220	2 244 758	309 538
Viszontbiztosító részesedése a biztosítástechnikai tartalékokból	4 547 986	4 771 777	223 791
Tőke módszerrel elszámolt befektetések	182 549	291 465	108 916
Értékesíthető pénzügyi eszközök	14 976 897	26 176 667	11 199 770
Befektetési egységekhez kötött (unit-linked) életbiztosítások szerződői javára végrehajtott befektetések	65 636 492	66 898 044	1 261 552
Pénzügyi eszközök – befektetési szerződések	3 509 323	4 881 690	1 372 367
Pénzügyi eszközök – beágyazott derivatívák	372 747	-	- 372 747
Pénzügyi eszközök - határidős ügyletek	-	36 348	36 348
Követelések biztosítási kötvénytulajdonosoktól	2 087 136	2 092 009	4 873
Követelések biztosításközvetítőktől	287 575	371 434	83 859
Viszontbiztosítási ügyletekből származó követelések	310 490	271 265	- 39 225
Egyéb eszközök és elhatárolások	196 821	262 670	65 849
Egyéb követelések	1 052 702	460 442	- 592 260

Pénzeszközök és pénzeszköz-egyenértékesek	2 102 425	2 107 834	5 409
Értékesítésre tartott eszközök	3 880 663	-	3 880 663
<b>Eszközök összesen</b>	<b>102 608 090</b>	<b>112 321 167</b>	<b>9 713 077</b>

#### KÖTELEZETTSÉGEK (ezer forintban)

Biztosítástechnikai tartalékok	15 438 207	16 664 945	1 226 738
Biztosítástechnikai tartalékok a befektetési egységekhez kötött (unit-linked) életbiztosítás szerződői javára	65 636 492	66 898 044	1 261 552
Befektetési szerződések	3 509 323	4 881 690	1 372 367
Kamatkozó részvény kibocsátásából származó kötelezettségek	2 491 291	-	2 491 291
Kölcsönök és pénzügyi viszontbiztosítás	1 099 244	1 174 465	75 221
Viszontbiztosításból származó kötelezettségek	1 780 989	1 926 226	145 237
Kötelezettségek biztosítási kövénnytulajdonosokkal szemben	686 474	776 453	89 979
Kötelezettségek biztosításközvetítőikkel szemben	356 003	471 904	115 901
Egyéb kötelezettségek és céltartalékok	1 633 019	2 581 061	948 042
Értékesítésre tartott eszközökhöz kapcsolódó kötelezettségek	3 580 663	-	3 580 663
Tőketulajdonosokkal szembeni kötelezettség	-	9 633	9 633
<b>Kötelezettségek összesen</b>	<b>96 211 705</b>	<b>95 384 421</b>	<b>- 827 284</b>

#### NETTÓ ESZKÖZÖK

6 396 385      16 936 746      10 540 361

#### SAJÁT TŐKE

Jegyzett tőke	2 531 328	3 777 130	1 245 802
Tőketartalék	1 143 641	9 517 049	8 373 408
Egyéb tartalékok	14 434	- 178 735	- 193 169
Eredménytartalék	2 706 982	3 821 302	1 114 320
<b>A Társaság tulajdonosaira jutó saját tőke</b>	<b>6 396 385</b>	<b>16 936 746</b>	<b>10 540 361</b>
Ellenőrzést nem biztosító részesedések	-	-	-
<b>Saját tőke összesen</b>	<b>6 396 385</b>	<b>16 936 746</b>	<b>10 540 361</b>

In the first half year of 2018, the Group's gross written premium was HUF 11,468,404 thousand, which is 91 percent of the revenues generated in the same period of the previous year. Of this HUF 5,361,096 thousand are the gross written premium of unit-linked life insurance (of this HUF 2,043,727 thousand of pension insurance policies), HUF 1,334,420 thousand are traditional life products (of this HUF 539,123 thousand from pension insurance policies), HUF 164,738 thousand are health insurance policies, and HUF 4,608,150 thousand are gross written premium of non-life insurances.

The non-life insurance segment generated a gross written premium of HUF 4,608,150 thousand in 2018 according to IFRSs decreased by 4% compared to the previous year (HUF 4,800,091 thousand). In the life segment the gross written premium from the first annual premiums of policies sold was HUF 1,077,035 thousand, which is a 10% increase compared to the same period of the previous year (HUF 977,323 thousand). The gross written premium income from renewals was HUF 4,667,689 thousand in the first half of 2018 in contrast to HUF 5,038,975 thousand in the same period of the previous year, so the renewal premiums decreased by 7%. Top-up and single premiums (HUF 1,115,530 thousand) were 38% lower 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 6,860,254 thousand, the rate of top-up and single premiums is 16 percent. In 2018 due to the uniform application of the Group's accounting policy, a bigger part of the top-up and single premiums (HUF 1,576,228 thousand) accounted as insurance contracts as before (HUF 955,878 thousand), and this can not be recognized as written premium according to EU IFRSs, its coverage recognized in net among the Premium and commission income from investment contracts.

The change in unearned premium reserve in 2018 was HUF 83,592 thousand (expenditure), while the amount of ceded reinsurance premiums was HUF 3,141,912 thousand. The ceded premium to reinsurer declined by 11% as compared to the same period of the previous year, as in the non-life segment the portfolio that was transferred later to Aegon Hungary General Insurance cPlc. increased the reinsurance premiums in the first half year of 2017.

Unit-linked life insurance policies sold by the Group that do not qualify as insurance policies under EU IFRSs are classified as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 117,669 thousand in total during the reporting period.

HUF 1,348,412 thousand was recognised as reinsurers' commissions in the first half year of 2018 that is 37% higher than in the previous year, mainly due to the favourable changes in claims of the non-life segment.

The other operating income (HUF 494,884 thousand) mainly includes the Issuer's income from fund management (HUF 405,001 thousand), which decreased by 7% compared to the first half of 2017. Also a significant other income (HUF 27,603 thousand) was in the life segment the income from pending charges.

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 9,064,614 thousand), this expenditure is decreased by the recoveries from reinsurers (HUF 1,502,334 thousand). The net claim expenditure increased by 28% as compared to H1 2017, mainly due to the increase in the surrender of the unit-linked insurances.

The amount of net change in reserves is HUF -1,706,068 thousand, which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount decreased by HUF 1,861,266 thousand. The actuarial reserves increased by HUF +435,726 thousand, the technical reserves for the bonus payment of the life insurance clients increased by HUF +96,652 thousand, the result-dependent premium refund reserves increased by HUF +2,314 thousand and the other technical reserve by HUF +4,391 thousand. There was HUF 82,118 thousand decrease in the result

independent premium refund reserves, the outstanding net claim reserves decreased by HUF 120,264 thousand, while the cancellation reserves decreased by HUF 181,503 thousand concurrently with the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 4,522,822 thousand in H1 2018, of which HUF 3,037,184 thousand is related to the fees, commissions and other acquisition costs, and HUF 1,170,097 thousand is related to other operating costs and HUF 315,541 thousand to other expenses. Acquisition costs show increasing tendency, despite that gross premiums earned slightly decreased. The primary reason for this is that in life segment the new sales increased by 7% as compared to the same period of the previous year while in the non-life segment the change of the product mix has been shifted toward the products with higher acquisition cost ratio. The other operating costs decreased significantly by HUF 341,773 thousand (23%) compared to the same period of the previous year (HUF 1,511,870 thousand in H1 2017). This decrease is mainly related to the other operating costs incurred at the former Pannónia Insurance Companies incurs not any more after finishing the successful operational and IT migration. The volume of the other expenses (HUF 315,541 thousand) is lower as in the same period of the previous year (HUF 374,830 thousand). In total the higher acquisition costs are compensated by the other operating costs in H1 2018.

The investment result is HUF 1,277,740 thousand profit, which is due to the aggregated effect of the following issues.

The unit-linked yield was HUF 1,004,165 thousand profit in the first half of 2018. The second quarter was closed with developing market underperformance in all classes of instruments. In the face of trade war fears stock exchange markets were under pressure, and in case of bonds the quarter produced sales. Investors could reach the best return on the global raw material markets in this quarter. The global economic situation was slightly deteriorating due to the global trade war fears. In parallel with the monetary tightening of the FED the other determining central banks still implement a loose policy, which cause excess of liquidity and thereby reinforces the increase of the instrument prices. The most determining event of the last quarter was the divestiture from developing markets, that caused an enhanced capital flow on the US investment markets. As a result, the dollar could significantly strengthen, its exchange rate raised by 11% to the exchange rate of the Hungarian Forint. That had a positive impact on the exchange rates of the portfolios. The largest capital divestiture was in the Eastern-European, Latin-American and domestic share asset funds, while the largest capital inflow was in the International mixed, Eastern-American and Liquidity asset funds.

The investment results were negatively influenced by the interest costs of financial reinsurance, which amounted to HUF -22,603 thousand. The Issuer had HUF 296,178 thousand yield profit on its own investments in the half year.

The exceptionally large amount of investment income in the comparative period (HUF 3,888,293 thousand) can be explained by the gain on a bargain purchase on the 2017 acquisition and the revaluation of the contingent consideration, that was a HUF 3,197,326 thousand. Besides the yield for policyholders of unit-linked life insurance policies was a HUF 365,294 thousand profit in the first half of 2017 contrary to the HUF 1,004,165 thousand profit in H1 2018.

The Issuer realized in H1 2018 a HUF 192,497 thousand profit (80% higher than in the same period of the previous year) as a result from the MKB-Pannónia Fund Manager Ltd. that appears in the "investments accounted for using the equity method".

As a result of all of the above, the profit before tax amounted to HUF 1,301,427 thousand profit, which is HUF 1,274,502 lower than in H1 2017 (HUF 2,576,929 thousand profit) . Distracting the effect of the acquisition in 2017 (HUF 3,197,326 thousand ) and the result of the assets held for sale (HUF -

399,628 thousand) and the expenditure of interest bearing shares (HUF 283,552 thousand) from the H1 2017 result, the increase of the profit before tax would be HUF 1,239,644 thousand.

The profit after tax is HUF 1,154,639 thousand that is HUF 1,328,976 thousand lower than the profit after tax of H1 2017 due to the one-off effects above. The other comprehensive income contains the decrease in the fair value of available-for-sale financial assets amounting to HUF -512,843 thousand, that consist of the unrealised gains from the KONZUM shares (HUF 171,106 thousand) and the HUF 683,949 thousand unrealised losses of Hungarian state bonds. Thus the total comprehensive income represents a profit of HUF 641,796 thousand in the first half year of 2018.

The Issuer's balance sheet total was HUF 112,321,167 thousand; its financial position is stable; the company has met its liabilities in full. On 30 June 2018 the shareholders' equity was HUF 16,936,746 thousand.



## 18 TAX LIABILITIES RELATED TO INCOME FROM THE SHARE CAPITAL

The following section summarizes the general description of certain tax consequences for the Shareholder during the acquisition, possession and sale of Shares and consequently does not give a comprehensive and detailed description of all tax rules to be taken into account when investing in Shares, taking into account the holding or sale of Shares, provides general information on Hungarian tax consequences.

The following summary was made on the basis of the Hungarian tax rules in force at the time of the publication of this Prospectus. If the applicable legislation is changed (even with retroactive effect), certain tax consequences for the Shareholder may differ from the following. The tax consequences associated with the acquisition, holding and sale of Shares may also differ from the following in the provisions of the applicable double taxation conventions and in accordance with particular circumstances of the Shareholder.

The following summary should not be considered as tax consult and does not substitute advice provided by the expert, therefore the Shareholder's decision and responsibility is whether he or she is seeking personal financial, legal and tax advice on his or her investment. It is recommended that Shareholders consult their tax advisor regarding the specific tax consequences arising from certain specific circumstances. We also suggest that foreign Shareholders consult their tax expert on the question of how the provisions of international agreements on the avoidance of double taxation and the prevention of tax evasion (if applicable) between Hungary and their state of taxation in the area of income and property tax affect their tax liabilities related to Shares.

In accordance with Act CXVII of 1995 on personal income tax ("**Szja. tv.**") and Act CL of 2017 on the Order of Taxation ("**Art.**") the issuer is considered to be a payor, therefore the statutory provisions foresee the deduction, declaration and payment of the tax to the tax authority as an obligation of the paying party. In accordance with these provisions the Issuer assumes responsibility for the retention and payment to the tax authority of taxes arising from income provided by the Issuer.

### 18.1 Tax liability of private individuals

During the acquisition, possession and sale of Shares, individuals can obtain taxable income in particular on the basis presented below in accordance with "Szja. tv". and Act LXVI of 1998 on health care contribution ("Eho. tv.")

The fulfillment of tax and tax declaration obligations, in principle, a responsibility of individuals. However, in respect of certain types of income granted to individuals these obligations fall to the payer of such income. A domestic legal entity that provides a taxable income, regardless of whether it is paid directly or through an agent (post office, credit institution), is a payor according to "Art". In the case of dividends, the payor is the entity whose property is debited with the dividend payment obligation. In the case of income from a transaction involving an investment service provider in a stock exchange trading, the payor is considered to be the investment service provider but is not required to determine and deduct the tax and tax advance.

## Individual Hungarian tax residents

Tax liability for domestic taxable individuals covers all incomes, regardless of whether they come from Hungary or abroad. The tax year is the same as the calendar year. Based on the "Szja. tv." a domestic taxable individual:

- is a Hungarian citizen (unless he or she is simultaneously a citizen of another country and does not have a domestic residence specified in the Act on the Registration of Personal Data and Address of Citizens);
- is individual who exercises his or her right to "free movement and residence over a period of more than three months" for at least 183 days in the territory of Hungary in the given calendar year, including the day of entry and departure throughout a whole day;
- has settled status or is a stateless person;
- who only has permanent residence in Hungary; whose center of vital interests is in Hungary, but has permanent residence not only in Hungary or not at all; whose habitual residence is in Hungary, if they do not have a permanent home and their center of vital interests cannot be determined; with the fact that the center of vital interests is the state to which the individual is the closest to personal, family and economic ties.

When determining the individual's tax residence the provisions of the applicable international conventions governing the residence should also be taken into account.

### Income from regulated capital market transactions

As per "Szja. Tv." § 67.A the sale of the Share is considered as a regulated capital market transaction if it is carried out with or through the investment service provider and

- it is the object of an activity supervised by the MNB; or
- has been concluded with or through an investment service provider operating in any EEA state or in a state with which Hungary has a double taxation convention, and
- is subject of an activity supervised by the competent supervisory authority of that State;
- if the State concerned is a non-EEA State, it is ensured that information exchanged between its supervisory authority and the MNB; and
- for which the private individual has a certificate containing all the details of all transactions concluded in the tax year, issued by the investment service provider to his or her name

The income from a regulated capital market transaction is the sum of the transaction gains (including interest income or, if the transaction is a permanent investment income) on the basis of the regulated capital market transactions concluded by the private individual (total transaction gain) deducted the amount of transaction losses incurred in the tax year due to a private individual and the amount of the transaction related charges that the investment service provider charges (total loss on the transaction). A loss resulting from a regulated capital market transaction is the sum of all transaction losses in excess of all transaction profits.

Notwithstanding the foregoing, an asset value change is considered as an exchange gain (and not considered to be income in accordance with points b) c) d) and e) – with the exception of cases mentioned in section (5) – of the "Szja tv." §77/A(2) ) in the case of the sale of the security in a regulated capital market transaction. The nominal value of the security or at most the realized income being reduced by the value associated with the acquisition of the security and collateral costs associated with the security.

In accordance with the “Szja. tv.” and “Art.” the investment service provider, who is considered to be a payor, shall issue by 15 February of the year following the tax year, to the private individual a certificate of the result (gain or loss) for the transaction; income in the case of the positions closed by non-financial settlement; as well as the transaction costs taking into account in the Code of Conduct (in particular, the rules for taking into account the costs for the acquisition of a financial instrument) or in a similar contract concluded with a private individual. The certificate also includes the amount of additional costs incurred in the tax year not taken into account in the results of the transactions.

In the case of a security transaction and other transactions with a non-financial settlement (expired), the result (gain or loss) of the transaction is equal to the sale price value reduced by its associated costs (income from the transaction) reduced by the acquisition price value increased by its additional costs (expenses of the transaction). In the case of a transaction closed with a financial settlement, the result of the transaction (gain or loss) is equal to the value of the closed position at the cost directly linked to the transaction. Costs that are not directly attributable to the acquisition or sale or to the opening or closing of a position may be taken into account as additional costs not taken into account in the result of the transaction.

In accordance with the “Szja. tv.” and “Art.” the investment service provider, who is considered to be a payor, shall provide data (indicating the name and tax identification number of the private individual) to the state tax authority by 31 January of the year following the tax year on the amount of income earned by the private individual during the tax year; the sum of the aggregate result (profit or loss) determined in accordance with the contract governing the settlement of transactions (including in particular the rules for taking into account the amount of the financial instrument); and the collateral costs incurred in the tax year, not taken into account regarding the gains or losses. The state tax and customs authorities aggregate the cumulative result (gain or loss) of the data supplied as income from the regulated capital market transaction in the statement of income by reducing the amount of the profit and increasing the amount of the loss with the total amount of extra costs not taken into account in the transaction results.

Payable tax on transaction profits from a regulated capital market transaction is not subject to deduction of tax advances.

Income and taxes are determined (based on the certificate issued by the investment service provider on the regulated capital market transaction(s), or the revenue that comes from an investment service provider not considered a payor then the certificates issued by the investment service provider(s), or on the basis of his or her own records (taking into account rules regulation exchange gains) ), declared the income tax declaration and payed until the deadline for filing the tax declaration by the private individual receiving the income.

If a private individual in the tax year and/or the year preceding the tax year and/or two years preceding the tax year incurs loss related to a regulated capital market transaction and indicates the loss incurred in the tax declaration for the year in which the loss was incurred, the private individual is entitled to a tax deduction which can be claimed as a paid tax in the tax declaration as follows: the tax deduction is the multiplication of the loss resulting from a regulated capital market transaction declared in the tax year and/or the two previous years and the tax rate applicable at the time of the declaration, reduced by any tax deduction resulting from a regulated capital market transaction loss in any of the tax declarations of the two previous years, but not more than: the tax from a regulated capital market transaction in the tax year and/or the two preceding years, reduced by any tax deduction resulting from a regulated capital market transaction loss in any of the tax declarations of the two previous years

After the income resulting from a regulated capital market transaction, the personal income tax rate is 15 percent. Revenue from a regulated capital market transaction is not subject to healthcare contributions. If the rules on income from regulated capital market transactions are not applicable, the income from the sale of Shares is taxable as income from exchange gains.

#### Income from long-term investment

Income from long-term investment shall mean (in accordance with "Szja. tv." §67/B.) the portion of the revenue at the termination of a long term deposit, in excess of the sum of money deposited with an investment service provider or by a long-term investment contract with a credit institution, not including the portion considered as exchange rate gain, but including, in particular, the usual market value of the invested financial instrument, foreign payment instrument at the time of termination of the deposit and the interest receivable at the termination of the contract (deposit yield). The permanent investment contract is a separate agreement stating that the parties apply the tax regulations contained in "Szja. tv." §67/B. for such income.

The yield on the deposit is considered as taxable income for which the detailed rules are set out in the "Szja. tv." § 67/B. The personal income tax payable is 15, 10 or 0 percent depending on the length of the deposit period. Income from long-term investment is not subject to a healthcare contribution.

#### Income from dividends

In accordance with "Szja. tv." s. §66 a private individual's whole revenue from shareholder dividends and dividend advances shall be considered income (unless it is to be taken into account as other income, for example as income from long-term investments as required by other provisions of the "Szja. tv."). The personal income tax rate applicable to income from dividends and dividend advances is 15 percent.

The personal income tax is determined by the payer at the time of payment and is credited and paid in accordance with "Art.". In the absence of a payer the tax shall be determined by the private individual in a declaration prepared without the tax authority's involvement and shall be paid by the deadline for filing the declaration.

A private Shareholder shall indicate the dividend advance and its tax as indicative in the tax declaration for the year of payment, and declare the approved, paid dividend, the deducted, paid tax in the declaration for the year in which the dividend disclosure is accepted, taking into account the tax paid on the dividend advance deducted as deducted tax.

Dividends from securities (such as the Share) listed on a stock exchange considered (in accordance with the "Tpt.") an approved (regulated) market operating in an EEA state and considered as such under the regulations of the given member state, shall not be subject to healthcare contributions in Hungary.

#### Income from exchange gain

In accordance with "Szja tv." § 67, income from exchange gains is the part of the revenue from the sale of the Share that exceeds the aggregate amount of the acquisition value of the Share and the collateral costs associated with the Share. The portion of said difference which is taken into account (in accordance with the "Szja. tv.") at determining other income is not considered as income from exchange gain.

For the purposes of the provisions on income from exchange gain:

- the acquisition value of securities acquired is in particular (but not limited to):
- in the case of securities acquired through a regulated capital market transaction, the certified value of the transaction;
- in the case of securities acquired through an OTC contract, the certified portion of the value already paid by the private individual up until the transfer of the Share;
- the value taken into account for calculating the fee if the acquisition value (according to subpoints aa) to aj) of point a) of the “Szja. tv.” § 67 (9) ) can not be ascertained or the acquisition of the securities has taken place through inheritance or gifting, with the corrections indicated in “Szja. tv.”.
- in the case of securities acquired through means not mentioned in sub points aa) to ak) of point a) of “Szja. tv.” § 67 (9) the certified portion of the value already paid by the private individual up until the transfer of the Share;

collateral costs related to securities:

- the fee paid on the acquisition of the securities;
- certified expenditure related to the acquisition, holding or transfer of securities (including, in particular, the value of investment services, supplementary services related to investment services or commodity exchange services provided in connection with the acquisition, holding or transfer of securities);
- the amount associated with the pre-emption and transfer rights underlying the sale of the securities (free of charge or preferential acquisition, including the taxable income on the acquisition of the right), paid by the private individual
- in the case of securities borrowed, the value of the returned (repossessed) securities or, if the lender fails to repatriate the securities, the minimum amount of compensation paid under the capital markets act.

Income shall be determined from revenue on the date of the contract for the transfer of securities. If the private individual acquired the ownership of the transferred securities by borrowing a security, the income should be determined on the day of the return (repossession) of the security or in case of termination of a contract without the return (repossession) of the security (including the limitation period), the date shall be established on the day of the termination of the contract.

After determination of the income, the tax liability arises on the day the revenue is earned. If revenue is obtained in several installments, it is to be assumed that the individual earns the income in proportion to the percentage of the total revenue expected.

The payor shall determine the income, tax related to the income, the tax advance on the income at the time of payment, taking into account the acquisition value and collateral cost data available to him and declares and pays it in accordance with conditions laid out in “Art.”. If the income comes not from a payor, the private individual determines the tax in a declaration prepared without the tax authority's involvement and shall pay it by the deadline for filing the declaration.

After income from exchange rate gains, the personal income tax rate is 15 percent. Income from exchange gains is also subject to a 14 percent healthcare contribution until the total amount of

healthcare contribution reaches HUF 450.000 paid into the healthcare contribution account of the private individual (including other income which is subject to the 14 percent healthcare contribution).

#### Income withdrawn from enterprise

In accordance with § 68 of the "Szja. tv." income withdrawn from enterprise shall be considered:

- in the case of the termination of the Issuer without a legal successor, the portion of the revenue acquired from the Issuer's assets by the Private Shareholder by way of shareholder status, which exceeds the total amount of the Shares acquisition value and portion of the liability of the Issuer which falls to the Shareholder;
- if due to the withdrawal of the registered capital of a Shareholder, the portion of the revenue acquired from the Issuer's assets by the Private Shareholder by way of shareholder status, which exceeds the Share acquisition value in proportion of the withdrawal of the registered capital
- The part of the revenue from the Issuer's assets which exceeds the total value of the acquisition value of the Shares and the liability of the Issuer which falls to the Shareholder; in case of a termination (in the context of settlement of the termination of legal relationship) of the shareholder's legal relationship as a shareholder (excluding the termination of the Issuer without legal successor and the transfer of Shares)

If, according to these provisions, the benchmark value for determining the income does not reach the normal market value of the Share on the date of earnings, then the normal market value shall be considered as revenue when determining the income.

After withdrawn the income from the enterprise, the personal income tax rate is 15 percent. Income from exchange gains is also subject to a 14 percent healthcare contribution until the total amount of healthcare contribution reaches HUF 450.000 paid into the healthcare contribution account of the private individual (including other income which is subject to the 14 percent healthcare contribution).

In the event of the termination of the Issuer with no legal successor, the tax shall be determined on the date of earning income and shall be declared and paid in accordance with the "Art.", even if the deduction can not be take place for any reason; the payor can take into account the declared and paid tax when determining its liabilities towards the private individual. Otherwise, the Issuer determines the tax on the date of payment and declares and pays it in accordance with "Art".

#### **Individual foreign tax residents**

The tax liability of a foreign taxable person is limited because it only covers the income taxed in Hungary on the basis of the country of income or income taxable on the basis of the international agreement. A private individual is considered foreign tax resident, if he is not a private individual considered a domestic tax resident. When a private individual has a tax residency in a country with a double taxation agreement between that country and Hungary, the place of earning income, the place of income and taxation and, in some cases, the maximum amount of taxation, shall be determined primarily by the rules of the convention. In view of the fact that this always requires the examination of a given convention, this Prospectus does not include these detailed regulations. In the absence of a convention, the place of earning income shall be done on the basis of the "Szja. tv.". Tax consequences below are introduced on the basis of the provisions of the "Szja. tv." It should be noted that for the purposes of determining of the exact tax liability the examination of the relevant agreement is indispensable.

Foreign tax liability must be justified to the payor by the relevant documents in the Annex 7. of the "Szja. tv." as follows.

In order to prove foreign tax residence, an English-language certificate issued by the foreign tax authority - a certificate issued by the international organization in case of exemption - a Hungarian translation thereof or a copy of one of them, is needed (hereinafter: certificate of residence). A resident shall be certified by tax year even if the resident has not changed since the certificate of residence has been issued. The foreign resident individual shall submit the certificate before the first payment in a given tax year or in the case of change, the first payment after a change. If a foreign resident individual can not prove his or her residence until the date of payment, the payor may accept a written declaration from the resident. If the foreign resident individual does not present the certificate of residence until the filing of the tax declaration, the tax not deducted (unpaid after payment) is to be declared and paid by the payor as a liability for the last month of the tax year. Based on the declaration of residence presented following the submission of a declaration, the payor may correct it within the limitation period by self-examination. The payor shall keep the declaration and the certificate of residence. If a domestic investment service provider provides cross-border services, it can accept the certificate of identity of the recipient of the service from which the nationality of the recipient of the service can be established and the legally binding statement on the individual's residence as proof of foreign resident status. If the payor is a Reporting Hungarian Financial Institution according to § 43/H of Act XXXVII of 2013 on certain rules of international administrative cooperation on taxes and other charges ("**Aktv.**"), then points II-IV. and point VII. of Annex 1. of the Aktv. shall be taken into account when determining the residence of foreign private individual. If the Reporting Hungarian Financial Institution, as a result of the investigation determines that a private individual resident of several member states, of another state or of a territory with other jurisdictions, a certificate of residence shall be used to justify a foreign residence.

A foreign resident private person shall state, in advance of payment, in document (accompanied by official translation), that he is a beneficiary of the payment if, under the applicable double taxation agreement, this condition affects the tax liability. The custodian with unlimited, joint and several responsibilities may declare to the payor if the foreign resident individual is considered a beneficiary with regards to payment. The statement covers the amount paid under the same contract under the same conditions until circumstances change. The payor adjusts the tax amount if a foreign resident individual makes a statement after payment but before the tax declaration of the payor. In that case, the payor's declaration shall state the obligation established in accordance with the beneficiary statement, pays or deducts the difference, and shall settle the difference with the foreign resident individual. The same applies if the foreign resident individual corrects his or her prior statement prior to the declaration. On the basis of a statement made after a declaration has been submitted, the payor's declaration can be corrected by self-examination within the limitation period. The payor shall keep the statement.

If dividend due to a foreign resident individual is paid to an authorized shareholder nominee (nominee), the nominee shall prepare a signed statement by the last day of the calendar year of payment in Hungarian or Hungarian and English languages which contains the name, address, the place and time of birth, residency, the amount of dividends payable or paid in HUF, on the basis of which the payor issues the certificate and fulfills its reporting obligation. If the authorized shareholder nominee makes a statement after the date of the dividend payment, the payor will issue and deliver the certificate within 30 days of the received declaration. The payor issues the certificate at the same time as the payment is made if the authorized shareholder nominee declares the information underlying the payor's certificate by the date of payment and attaches the certificate of residence and the beneficial owner's declaration. If the payor can not provide data on the foreign resident individual receiving the dividend income, the payor fulfills its obligation by providing data on the shareholder nominee's name, address, resident's tax ID and the amount of dividend paid to him.



Individual foreign tax residents' income related to the Shares is only subject to healthcare contribution obligation if the foreign resident individual is considered<sup>2</sup> a domestic private individual according to the provisions of Act LXXX of 1997 on the social security benefits and the private pension scheme and the coverage of those services ("Tbj.").

#### Income from regulated financial market transaction

In determining the place of earning the "Szja. tv." does not contain provisions on income from regulated capital market transaction, so the income from regulated financial market transactions of foreign resident individuals is not taxable in Hungary. Income from regulated capital market transaction is not subject to healthcare contributions.

#### Income form long-term investment

The income from long-term investment of foreign resident individuals is not taxable in Hungary. Income from long-term investment is not subject to healthcare contributions. Notwithstanding Hungarian regulations income from long-term investment of foreign resident individuals may be subject to taxes according to regulation of the state with tax jurisdiction.

#### Income from dividend

The income from dividend of foreign resident individuals is subject to taxation in Hungary. The rate of the tax is 15 percent which can be reduced in accordance with double taxation conventions. Personal income tax is deducted by the payor of dividends according to regulation governing the payment of dividends.

Income of private individuals realized on payment of dividends is not subject to healthcare contributions

#### Income from exchange gains

In determining the place of earning the "Szja. tv." does not contain provisions on income from exchange gains, so in the case of income earned from exchange gains, the state of the individual's resident status must be regarded as the place of earning income. Accordingly, foreign exchange gains realized by foreign resident individuals are not taxable in Hungary. Foreign resident individuals' income from exchange rate gains is not subject to healthcare contributions provided that they are not considered domestic private individuals under the "Tbj."

#### Income withdrawn from enterprise

According to the "Szja. tv." in the case of income withdrawn from the enterprise, the place of earning income is the state of the corporation's registered seat, so in the case of income withdrawn from the enterprise in the case of the Issuer, the place of income is Hungary. Accordingly, the income of foreign resident individuals withdrawn from the enterprise is taxable in Hungary. The tax rate is 15 percent, but this rate is usually reduced by double taxation conventions.

In the event of the termination of the Issuer with no legal successor, the tax is determined on the date of earning income, declared in accordance with the "Art." and paid (even if the deduction can not be

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<sup>2</sup> Domestic:

1. A Hungarian citizen with registered resident, an immigrant and settled person, as well as a person recognized as a refugee or protector in accordance with Act LXVI of 1992 on the registration of citizens' personal data and address in the territory of Hungary,
2. a person subject to the law on entry and residence of persons with a right to free movement and residence hereinafter referred to as "the person with a right to free movement and residence"), who exercises the right of free movement and residence over a period of three months in the territory of Hungary and has a place of residence in accordance with the act on the registration of personal data and address of the citizens,
3. the stateless.



made for whatever reason); the payor can take into account tax paid and declared instead of a private individual with regards to its liability towards said individual. In any other case, the Issuer determines the tax on the date of payment and declares and pays it in accordance with the "Art.". Foreign resident individuals' income withdrawn from enterprise is not subject to healthcare contributions provided that the income is not considered realized by domestic private individuals under the "Tbj."

## **18.2 Tax liability of companies**

During the acquisition, custody and sale of Shares, company taxpayers may obtain taxable income from the following ways in accordance with Act LXXXI of 1996 on corporation tax and dividend tax ("Tao. tv."). The tax liabilities of other tax codes applicable to companies, such as small corporate tax, simplified corporate tax, are not discussed in this Prospectus.

The corporation tax is based on profit before tax, adjusted by the itemized decreasing and increasing items listed in "Tao. tv.". The corporate tax rate is 9 percent of the positive tax base. The "Tao. tv." shall be interpreted in accordance with the provisions of Act C of 2000 on Accounting.

### **Domestic resident companies**

The tax liability of a tax payer considered a domestic tax resident covers both domestic and foreign income.

A domestic tax resident is a domestic entity (a legal entity a regulated by domestic laws, association or other organization) typically a company (including non-profit companies, a regulated real estate investment pre-firm, a regulated real estate investment firm, and a regulated real estate investment project company), an association, a European public limited company (including a European holding company), a cooperative or a European cooperative.

A foreign resident is considered to be a resident taxpayer if his place of business is domestic.

Property managed under a trust asset management contract in accordance with the Civil Code also qualifies as a resident taxpayer.

### **Income from exchange gains**

Exchange rate realized on the Share by a domestic resident taxpayer Shareholder are taxable income of the taxpayer, which is taxed in accordance with the general provisions.

Preferential rules can be applied to shares declared in accordance with the "Tao tv.", i.e. if the Shareholder acquires a share in the Issuer and notifies the tax authority within 75 days of the acquisition. In such a case, the realization of the exchange gains on the Shares after one year of holding may be exempt from corporation tax.

### **Dividends**

In view of the fact that the Issuer does not qualify as a controlled foreign company, the dividend income realized by a resident company Shareholder on the Shares is exempt from corporation tax.

### **Foreign resident companies**

The tax liability of a foreign resident taxpayer covers the income from business activity performed on a domestic site (limited tax liability). Where the place of business of a foreign national is located in Hungary, that foreign company is to be regarded as a resident company.

If the company has tax residence in a country with a double taxation agreement between the country and Hungary, the manner of earnings, the place of earnings and taxing and, in some cases, the maximum tax rate, shall be determined primarily by the rules of the Convention. In view of the fact that this always requires the examination of a given Convention, this Prospectus does not include

these details. In the absence of such a convention, the place of earning of income shall be determined in accordance with the “Tao. tv.”.

Below, the tax consequences are introduced exclusively on the basis of Hungarian regulations, i.e. the “Tao. tv.”. It should be noted that the examination of the relevant agreement is a prerequisite of the determination of the exact tax liability.

#### Exchange rate gains

Exchange rate gains realized by a foreign tax resident Shareholder is not subject to corporate or other withholding taxes in Hungary, provided that the Shareholder does not possess such a site in Hungary to which the income realized on the exchange rate can be attributed. If the exchange rate gains are related to the domestic business of a foreign entrepreneur, the exchange rate gain is part of the tax base of the corporation tax payable on the domestic market.

#### Dividends

Income realized on dividends of the Shares by a foreign tax resident Shareholder is not subject to corporate or other withholding taxes in Hungary. A domestic site is not subject to corporate tax even if the dividend is related to business activities carried out on the domestic site given that the Issuer does not qualify as a controlled foreign company.

## 19 MAJOR CONTRACTS

### 19.1 Longer Term Contracts

Contracting partner	The subject of the contract	From when?
MKB Bank Ltd.	Account management, sale	2017
Raiffeisen Bank Ltd.	Account management, custody	2013
MKB-Pannónia Fund Manager Ltd.	Portfolio management	2012
Uno-Soft Llc.	Use of IT services	2011
Swiss Re	Reinsurance	2010
TATA Consultancy Services Limited	Use of IT services	2008
Unicredit Bank Ltd.	Account management, custody	2008
Hannover Rückversicherung AG	Reinsurance	2008
MAPFRE RE	Reinsurance	2008

### 19.2 Transaction contracts

#### 19.2.1 Acquisitions of VKB insurance companies

On 7 October 2016, CIG Pannónia and Versicherungskammer Bayern (VKB) signed the contract according to which the CIG Pannónia Life Insurance Plc. acquires 98.97% ownership interest in MKB Life Insurance Ltd. while its subsidiary, CIG Pannónia First Hungarian General Insurance Ltd. acquires 98.98% ownership interest in MKB General Insurance Ltd from VKB. The share purchase agreement has been completed without a dispute at 1 January 2017.

#### 19.2.2 Portfolio transfer to Aegon

The General Meeting of Pannónia General Insurance Ltd. that is owned through majority ownership by CIG Pannónia First Hungarian General Insurance Ltd. decided on 31 March 2017 to transfer the home insurance, condominium insurance and compulsory vehicle liability insurance portfolio to Aegon Hungary General Insurance Ltd. with the effect from the date of the supervisory authorization. In the meantime, the portfolio transfer contract was also completed without a dispute at 1 January 2017.

#### 19.2.3 Strategic Agreement with MKB

CIG Pannónia Life Insurance Plc. concluded a strategic cooperation agreement with MKB Bank Ltd. on 11 April 2017. According to the agreement the pension and life insurance products of the Issuer will be sold in the branches of MKB Bank for retail and corporate clients. With the strategic cooperation of CIG Pannónia and MKB Bank the mutually beneficial cooperation between the companies will continue to strengthen. The partnership begun on 1 January 2017 with the acquisition of Pannonia (formerly MKB) life and general insurers. Following the sale of shares by the decisive German owner of MKB Life Insurance Company and MKB General Insurance Company, a new situation emerged for MKB Bank, who became a minority owner of the two insurers after the merger of the two insurers into the CIG Pannonia Group, (CIG Pannónia Life Insurance Plc., and CIG Pannonia First Hungarian General Insurance Company). MKB Bank has developed a new strategy in the field of insurance products sales: it decided to establish a strategic partnership with the successful Hungarian-owned CIG Pannónia Insurer on the Hungarian market and build a new bank-insurer model.

#### 19.2.4 Cooperation agreement with Konzum

CIG Pannónia Life Insurance Plc. concluded a strategic cooperation agreement with KONZUM Plc. According to the decision of the General Meeting of the Issuer held on 30 January 2018, the Issuer increases its share capital in-private. The Issuer 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. Transactions required for cross-ownership are to be settled by the parties at the share price announced on 12 December 2017. The Issuer issues a total number of 23,466,020 pieces (that is twenty-three million, four hundred and sixty-six thousand and twenty pieces) of registered dematerialized series "A" ordinary shares representing voting rights of nominal value of HUF 40 (that is forty Hungarian Forints) per share and HUF 350 (that is three hundred and fifty Hungarian Forints) 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 on HUF 3,000 issue price per share, in total 1,368,851 pieces (that is one million, three hundred and sixty-eight thousand and eight hundred and fifty-one pieces) of shares representing voting rights of nominal value of HUF 25 (that is twenty-five Hungarian Forints) per share 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.

#### 19.2.5 Portfolio transfer of Dimenzió

In February 2017, 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 DIMENSION Mutual Insurance and Relief Society. The CIG Pannónia Life Insurance Plc. would have taken over the portfolio of life insurance products with more than HUF 2 billion technical reserves and the portfolio of supplementary pension products with additional HUF 0.4 billion technical reserves. According to The Pénzügyi Stabilitási és Felszámoló Nkft. (PSFN) information, the consortium of the most favorable tender was selected from the several valid offers received from the public call for tenders issued on 8 December 2016. However, the conclusion of the contract was canceled, because on 24 May 2017 a court decision suspended, the decision of the MNB of 8 November 2016, about the the revocation of the Dimension Association's license and the transfer of the points of the transfer. There is currently an administrative dispute between the Society and the MNB (about the decision of the MNB to as supervisory powers), which obstruct the portfolio transfer until the final decision.

## **20 INFORMATION FROM THIRD PARTIES, PROFESSIONAL DECLARATION AND INTEREST DISCLAIMER**

The information contained in this Prospectus has not been independently audited and reported, excluding the Issuer's annual financial statements and reports, what was audited by the issuer's auditor.

During the preparation of this Prospectus, only the information from the subsidiaries / affiliated companies of the Issuer has been used, or information from third parties that have been expressly designated in this Prospectus. The information provided by these persons was accurately obtained and there were no facts left out, that would render it inaccurate or misleading.

The referred information from third parties are not intended specifically for the Issuer and the Issuer has not confirmed or verified their content.

## 21 VIEWABLE DOCUMENTS AND REFERRED DOCUMENTS

The following (electronic format) documents (or the copy of that) can be accessed at the Issuer's registered seat (on business days, at the time of customer reception) and website ([www.cigpannonia.hu](http://www.cigpannonia.hu)):

- The Issuer's current Articles of Association;
- Terms of reference of Board of Directors;
- Terms of reference of Supervisory Board;
- Terms of reference of Audit Committee;
- Individual, audited financial statements of the Issuer and EMABIT in accordance with the Hungarian accounting standards for financial years 2015-2017, as well as the consolidated, audited financial statements of the Issuer in accordance with IFRS for financial years 2015-2017;
- Annual Report of the Board of Directors of the Issuer for financial years 2015-2017;
- The Issuer's non-audited interim management report for the first quarter of 2018.
- The Issuer's non-audited interim management report for the second quarter of 2018

## **22 LEGAL REGULATION ON THE ISSUER**

This section presents briefly the main regulations governing the Issuer and the Issuer as a group. The following summary is only an overview. The Issuing Group operates in an extremely regulated industry environment where legislation is continuous with a large number of highly technical regulations. There is no exhaustive list of all aspects of the operation of the Issuer Group (labor law, data protection, competition law, consumer protection, capital market law, etc.). The regulation of the insurance market at EU level is also very important, both at the regulatory and directly applicable level of regulation. In this chapter, we only mention Hungarian legislation at the level of the law and government, but lower-level regulations may also apply, and jurisdictions (whether at Hungarian or EU level) should also be taken into account. Of course, the aforementioned legislation may, after their original publication, be amended and, in principle, include the implementation of certain EU legislation referred to in that legislation.

### **22.1 General provisions**

The Issuer is registered in a commercial register in Hungary, and carries out its activities in the form of a public limited company. The Issuer has legal personality, is entitled, under the company name, to acquire rights and to undertake obligations, in particular to acquire property, make contracts, sue and be sued. The organization and operation of the Issuer, as well as the rights, obligations and responsibilities of Shareholders and senior officers are regulated by the Civil Code and Act V of 2006 on business register, court proceedings and the liquidation process ("Ctv."). The Issuer is supervised by the Capital Tribunal as Court of Registration in accordance with the Civil Code and "Ctv". The Issuer shall also be governed by the "Tpt.", including the rules on disclosure of publicly traded public limited liability companies, the obligation of notification on voting rights, the acquisition of influence on public limited liability companies and insider trading and market manipulation. The MNB shall exercise the supervisory powers over the Issuer as a public issuer. The operations of the Issuer are governed by the rules and regulations of the BSE.

### **22.2 Provisions on regular and extraordinary disclosure of information**

Among the legal provisions governing the Issuer and the provisions contained in the BSE Regulations, the rules concerning systematic and extraordinary disclosure by the Issuer should be emphasized. The Issuer, as the issuer of publicly traded securities, regularly informs the public about the main details of the financial, income position and operations. The Issuer is obliged to inform the MNB at the time of the disclosure and to ensure that the information is kept public for at least five years. In accordance with the relevant legal provisions, the Issuer regularly fulfills its obligation to provide information in the form of a semi-annual report and an annual report as well as an interim management report. In addition to regular disclosure, the Issuer shall inform the public in the form of extraordinary information about the value or yield of the Shares (and other securities issued by the Issuer) and any information directly or indirectly affecting the Issuer's judgment. The Issuer shall also inform the MNB at the same time as the disclosure. The Issuer in accordance with § 61 of the "Tpt.", with regards to any change in the voting rights related to the Shares it publishes information it received informing the MNB at the same time.

The Issuer is required to disclose the regulated information without discrimination and providing fast access, for which no fee may be charged. The Issuer is responsible for reimbursing the damage caused by the non-disclosure of the regulated information or by the misleading content thereof. In the event of disclosure of any false information about the Issuer that may affect the value or yield of the securities it issues, such as the Shares, it is obliged to immediately disclose the facts that are true. The Issuer publishes regulated information on the Issuer's website ([www.cigpannonia.hu](http://www.cigpannonia.hu)), on the BSE website (<http://bet.hu>), on the information storage system operated by the MNB

(<https://www.kozzetetelek.hu/>). Printed copies of the electronically published Prospectus are available at the Issuer's head office: [\*]. For the purposes of this summary "regulated information" is the summary report defined by the "Tpt." as well as regular and extraordinary information and information on the acquisition of influence and insider information.

### **22.3 Insurance activity**

The Issuer and its subsidiary, the EMABIT insurance companies, whose main activity is the conclusion of insurance contracts (risk assumption). The two insurance activities can not be legally carried out in a single insurance company (composite insurer), therefore the Issuer – wishing to carry out both activities - decided on the previously described proposed corporate structure. Based on this, the Issuer is a life insurance business, while EMABIT is pursuing non-life insurance business. The insurance (risk assumption) activity is also inherently related to the handling of written premium (reserves); this activity is performed by the Issuer through MKB-Pannónia Fund Manager Ltd. The insurance contracts and business operations are mainly governed by the Civil Code. and "Bit." The Civil Code governs the private legal relationship between the Issuer and – either life insurance or non-life insurance – the client while the "Bit." basically regulates the operation of the insurer on a public law basis, in a codex capacity in both cases. The "Bit." however is a so-called codex of mixed code, meaning that its certain provisions regulate the private legal relationships of the members on the insurance market. Additionally in the case of certain insurance contracts as mandatory motor vehicle liability insurance, special legislation (eg. Act LXII of 2009) shall also apply. "Bit." also regulates the activities of insurance intermediaries (agents). The insurance business is subject to authorization, which is currently authorized by the MNB (formerly the PSZÁF). The MNB also manages the continuous supervision of the operation of insurance companies.

### **22.4 Fund Management activity**

Fund management / asset management activities are governed by the Act XVI. of 2014 on Collective Investment Forms and their Managers and the Amendment of Certain Financial Matters. The client-fund manager relationship is legally regulated by the Civil Code.

### **22.5 Major Legislation**

#### Laws

Act LXXXVIII of 2014 on the Insurance Business

Act XVI of 2014 Act on Collective Investment Forms and their Managers and amendments to certain financial subjects

Act V of 2013 on the Civil Code

Act CII of 2012 on Insurance Tax

Act LXII of 2009 on Mandatory Motor Vehicle Liability Insurance

#### Government Regulations

437/2016. (XII.16.) on the detailed rules regarding the procedure and complaint handling rules of insurers, multiple agents and brokers

436/2016. (XII.16.) on the detailed rules for the group supervision of insurance and reinsurance undertakings

314/2015. (X. 28.) on the detailed rules on the solvency and financial situation related to insurance and reinsurance activities



44/2015. (III.12.) on the minimum content requirements of multiple agent and brokerage liability insurance contracts

43/2015. (III.12.) on the own funds and technical provisions of insurance and reinsurance undertakings

42/2015. (III.12.) on the protection of the IT system of financial institutions, insurance and reinsurance undertakings and investment firms and commodity exchange providers

## 22.6 Major license

Licensed company	Activity	License number	Period
CIG Pannónia Life Insurance Plc.	life insurance; non-life insurance, Insurance Act Annex No. 1, part A, 1. branch	H-EN-II-88/2016 H-EN-II-26/2017	indefinite
CIG Pannónia First Hungarian General Insurance Ltd.	non-life insurance	H-EN-II87/2016	indefinite
MKB-Pannónia Fund Manager Ltd.	6630'08 fund management	H-N-III72/2014	indefinite
Pannónia PI-ETA Funeral Services LLC	burial, additional service related to burial	license not required	N/A

## 22.7 Solvency II Directive

The most significant legislation governing the Issuer's activity at European Union level is Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance ("Solvency II Directive") and its implementing regulations. The Solvency II Directive was adopted by the EU in November 2009 and summarizes the most important prudential requirements for insurance and reinsurance undertakings in the European Union. Solvency II covers life assurance, non-life insurance and reinsurance activities. The Solvency II Directive lays down mandatory capital requirements for insurance and reinsurance undertakings, requires a proper and transparent risk assessment and deals in detail with supervisory powers over insurance and reinsurance undertakings. Under the Solvency II Directive, a number of implementing regulations have been adopted at EU level, which lay down additional requirements for the operation of insurance and reinsurance undertakings.

Perhaps the most important requirement from the point of view of the Issuer is that own funds (and this applies to both CIG insurers) must reach at least 100%. In 2017, the capital adequacy ratio of the Group was 239%, which is 31 percentage points growth related to 2016 (208%). This far exceeds the requirements of 100% required by law and also the prudentially expected 150%, increased by a volatility capital puffer on the basis of the MNB's statutory provision recommendation.

## 22.8 The Issuer's Articles of Association

The Issuer (registered seat: 1033 Budapest, Flórián tér 1.) is a public limited company incorporated in Hungary and has been established for an indefinite period of time. The main activity of the Issuer is life insurance activity. There are other activities of the Issuer – listed in the Articles of Association - that

are related to insurance: Other financial service activities n.e.c.; activities of insurance agents and brokers; reinsurance, Risk and damage evaluation etc. The objectives of the Issuer have not been included in the Articles of Association. The present and the following four points are non-exhaustive summaries of certain provisions of the issuer Articles of Association referred to in this Prospectus and accessible by shareholders.

## **22.9 Board of Directors**

The Board of Directors is the managing body of the Issuer, which represents the Issuer against third parties, before courts and other authorities. The duty of Board of Directors is to set up and manage the organization of the Issuer and to exercise the employer's rights. The members of the board of directors are required to act personally, there is no place for representation. The member of the Board of Directors, in this capacity, may not be instructed by the shareholder of the Issuer, and the authority of the Board of Directors may not be limited by the General Meeting.

The Issuer's Board of Directors has at least three, but no more than seven members. The members are elected and recalled by the General Meeting. The Board of Directors shall hold at least five meetings a year. It is the responsibility of the Board of Directors to report every three months to the Supervisory Board and once a year to the General Meeting about the management and financial position of the Issuer. It is responsible for the administration of the Issuer's books and share register, prepares the organizational and operational policies. Exercise employer's rights and decide on any transfer of employer's rights. Makes a proposal for the amount of remuneration for the member of the Board of Directors and the Supervisory Board members and submit the financial statement of the Issuer in accordance with the Accounting Act and makes proposals for the distribution of the profit after-tax. The Articles of Association and regulations provide additional authorities for the Board of Directors.

The Board of Directors has quorum if more than half and at least three members are present. It makes its decisions by simple majority, unless its terms of reference provide otherwise. The Board of Directors is entitled to decide on the acquisition of treasury shares without the authorization of the General Meeting, if it for the purpose to avoid serious harm to the Issuer, in this case, the Board of Directors must report at the next General Meeting about the reasons, the quantity and the value of the acquired treasury shares.

## **22.10 Supervisory Board**

The Issuer has a Supervisory Board with at least three and a maximum of ten members, what is the supervision body of the Issuer. Members are elected by the General Meeting or called back. Members may not be employed by the Issuer except in the case of the employee representation. According to the Accounting Act, the General Meeting of the Issuer may only decide with the written report of the Supervisory Board. The members of the Supervisory Board are independent of the members of the Board of Directors and can not be instructed in their activities. Members are required to act personally and there is no place for representation. The Supervisory Board acts as a body and has a quorum if at least two thirds of its members, but at least three members are present. It shall decide its decision by a simple majority vote and in case of a tie, the chairman's vote decides. It set up its own terms of reference, but it is approved by the General Meeting. The Supervisory Board may inspect into the Issuer's records, accounting records and booking and ask clarification from the employee of the Issuer. The Supervisory Board or their invited experts can examine the payment accounts of the Issuer, the petty cash, the portfolio of securities and commodities, the contracts. The issuer has a maximum of four members of the Audit Committee, whose members are elected by the General Meeting from the independent members of the Supervisory Board. The Audit Committee is responsible for reviewing the financial statement made in accordance with the Accounting Act,

monitoring the audit of the financial statement, proposing the auditor's person and remuneration, monitoring the validation of the professional requirements and the conflict of interest requirements of the auditor, evaluating the functioning of the financial reporting system and assisting the Supervisory Board for the proper control of the financial reporting system.

### **22.11 General Meeting**

The General Meeting is the supreme body of the Issuer, consisting of all shareholders. The convening of the General Meeting is the responsibility of the Board of Directors, which convenes at least once a year. The Annual General Meeting shall be convened at a time when the Issuer's annual financial statement is legally acceptable. The General Meeting can be convened at the registered seat of the Issuer or at a different location. The General Meeting must be convened at least 30 days prior to the day of its commencement on the Issuer's website, on the website of MNB ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)) and the website of the BSE. In addition, shareholders should also be notified electronically, on their request. In case of a discrepancy between the announcement and the electronic notice, the notice shall prevail. The name of the shareholder or the shareholder's trustee who wishes to attend the General Meeting shall be entered in the share register until the second working day before the starting date of the General Meeting. At the general meeting, those person are allowed to exercise the shareholder's rights, whose name - at the closing date - is included in the share register. The closing of the share register does not limit the right of the registered shareholder to transfer the share register after the closure. The transfer of shares prior to the date of the General Meeting does not prevent the right of the registered shareholder to participate in the General Meeting and to exercise his rights as a shareholder. The exercise of shareholder rights is subject to shareholder identification only, therefore there is no need for a certificate of ownership for the exercise of shareholder rights. 1% of shareholders can ask the Board of Directors to put a question on the agenda of the General Meeting according to the Civil Code. The extraordinary General Meeting is usually convened by the Board of Directors but, in the case of shareholders with at least 5% of shares and in statutory circumstances, the Supervisory Board is also entitled to convene the General Meeting.

### **22.12 Certain rights related to shares and other Articles of Association**

The share capital of the Issuer currently consists only ordinary shares. All ordinary shares are dematerialized and have a nominal value of HUF 40 and are entitled to one vote at the General Meeting. According to the Articles of Association of the Issuer, the General Meeting, or in case of an authorization, the Board of Directors may also decide to issue of employee shares that can be obtained at a discount rate or free of charge by employees or former employees of the Issuer. Employee shares have limited marketability as they can only be transferred to the Issuer's employees or to the Issuer. There are currently no employee shares issued by the Issuer. There are no special priority rights and restrictions associated with the various classes of shares, notwithstanding the mentioned information related to the employee shares. As regards limiting rights to shares, the Articles of Association do not contain any stricter terms than the statutory requirements. Compared to the thresholds laid down by law, the Articles of Association do not contain any additional thresholds, which, if reached, should lead to disclosure of the shareholder's identity . The Articles of Association do not contain stricter conditions in case of change in Registered Capital than the requirements of the Civil Code. There is no provision in the Articles of Association that would delay or prevent the change of control over the Issuer.

## 23 LITIGATIONS, DISPUTES

With the participation of the Issuer, two material litigation are in progress, which value exceeded five million HUF.

In one of the proceedings, the past intermediary of the CIG Pannónia Life Insurance Plc. had initiated a lawsuit against the Issuer for a commission of HUF 238 million and due to the loss of income. The ongoing procedure since 2011 July has not yet been completed at first instance.

In the other procedure, CIG Pannónia Life Insurance Plc. refused to pay one of its clients the payment of a HUF 42 million insurance premium, since the Issuer identified ground for exemption related to the accident set as the insurance event. The client did not accept the position of the insurer and enforces his claim by litigation. The lawsuit began on 16 June 2015. There is no judgment in the case at first instance, however, criminal proceedings have been initiated against the client due to the reasonable suspicion of the client's insurance fraud, which is currently in court.

In February 2017, 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 DIMENSION Mutual Insurance and Relief Society. The CIG Pannónia Life Insurance Plc. would have taken over the portfolio of life insurance products with more than HUF 2 billion technical reserves and the portfolio of supplementary pension products with additional HUF 0.4 billion technical reserves. According to The Pénzügyi Stabilitási és Felszámoló Nkft. (PSFN) information, the consortium of the most favorable tender was selected from the several valid offers received from the public call for tenders issued on 8 December 2016. However, the conclusion of the contract was canceled, because on 24 May 2017 a court decision suspended, the decision of the MNB of 8 November 2016, about the the revocation of the Dimension Association's license and the transfer of the points of the transfer. There is currently an administrative dispute between the Society and the MNB (about the decision of the MNB to as supervisory powers), which obstruct the portfolio transfer until the final decision.

## 24 REGISTRY OF SECURITIES

This Prospectus does not permit the listing, sale or offering of existing or new shares. The preparation of this Prospectus has become necessary due to the introduction of new shares (the Shares) to a regulated market (BSE) in private placement (capital increase).

Section 2 of the The General Terms of Service of the Budapest Stock Exchange (Regulations on Listing and Continued Trading) 16.1.1. the Issuer is required to apply for a change to the Product List from the BSE in the event that "*Issuer's authorized body passes a resolution on capital increase [...] by issuing securities carrying the same rights as those already listed on the Exchange (of the same series) including securities that are transitionally differentiated [...]*".

The capitalized terms in Chapter 24 - unless otherwise defined in the Prospectus - have the definition provided in the General Terms of Service of the BSE.

Whereas: (A) Article 49 of Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered by public bidding or on the admission of securities to trading on a regulated market and repealing Directive 2003/71/EC provides that, (a), (b) and (c) of the first subparagraph of Article 1 (5) and the second subparagraph of Article 1 (5) shall apply from 20 July 2017; and (B) point (a) of the first subparagraph of Article 1 (5) of this Regulation states that "*5. The obligation to publish a prospectus set out in Article 3(3) shall not apply to the admission to trading on a regulated market of any of the following: (a) securities fungible with securities already admitted to trading on the same regulated market, provided that they represent, over a period of 12 months, less than 20 % of the number of securities already admitted to trading on the same regulated market*"; and (C) the number of new shares placed on the market during the capital increase effecting the issuance of Shares represents more than 20% compared to the previous registered capital, therefore the preparation of the Prospectus became necessary for the introduction of the Shares on BSE.

However, the content of the Prospectus was drawn up on the basis of the Prospectus Regulation currently in force.

The Issuer hereby states that it considers that its working capital is sufficient for its current needs. The issuer's consolidated IFRS equity capital was HUF 9,145 million on 31 March 2018 (prior to the latest quarterly report and before the capital increase required for the preparation of this Prospectus). The Issuer has no credit, no bonds issued. The Issuer has a financial reinsurance that resulted in a liability of HUF 1,186 million on 31 December 2017. The total outstanding amount of the Issuer's total liabilities – mainly insurance related – was HUF 94,303 million at the balance sheet date.

### 24.1 Basic Information on Shares

Based on this Prospectus, the Shares to be introduced for the BSE shall be dematerialized, "A" type ordinary shares with a nominal value of HUF 40 (forty) each. The dematerialized Shares are generated and recorded by KELER on the so-called central securities account.

Each Share entitles the Shareholder to 1 (one) vote on the Issuer's General Meeting. The Shares shall grant their holders the same rights as the Issuer's current shares listed on the BSE.

On the date of this Prospectus (ie prior to the launch of the Shares on BSE), the only difference between of the Shares and the Issuer's stock already listed on the BSE is their ISIN code. The Shares will wear HU0000159736 ISIN code until stock exchange trading and will take HU0000097738 after the entry into the BSE.

There is no limit to the free transferability of Shares. Nevertheless, investors (notably non-Hungarians) who wish to acquire Shares must be aware of any special or foreign legislation applicable to them that may be applicable in connection with the acquisition of Shares.

## **24.2 Regulation related to dividends**

The Shares entitle to dividends, based on the relevant regulation and the Issuer's Articles of Association. The General Meeting of the Issuer decides on the payable dividends (or dividends in advance). With authorization of the General Meeting, the Issuer's Board of Directors determines the technical conditions based on the Articles of Association Chapter VII. point 2: „A shareholder is entitled to receive dividends or interim dividends if he is included in the register of shareholders on the basis of the shareholder identification process conducted on the accounting date specified by the Board of Directors and published in the announcement on the dividend payment or interim dividend payment.”

In case the General Meeting decides to pay dividends or dividends in advance and the Board of Directors on the payment of dividend advance, the starting date of the dividends in advance payment shall be determined by the Board of Directors by the end of at least 10 business days between the publication of the announcement and the start date of the payment of dividends or dividends advance. A shareholder is entitled to dividends or dividends in advance if he or she is listed on the Share Register of the Issuer on the basis of shareholder identification process conducted by the Board of Directors on the closing date announced in the Notice on dividends and dividends payments (executed by KELER on behalf of the Issuer).

The definitive rate of dividends shall be published no later than the two days before so-called Ex-Coupon Day contained in the General Terms of Service of the of the BSE. The Ex-Coupon Day may at the earliest be the third Stock Exchange Day after the General Meeting or the Board of Directors setting the rate of the coupon.

The general civil law limitation period (5 years) will govern the rules on limitation periods, with respect to the allocation of dividends and dividend advances. Dividend or dividends advances not requested within the limitation period shall be considered property the Issuer.

With regards to the rights to receive dividends Shares shall not be subject to restrictions other than the statutory provisions. The shareholder is entitled to dividends and dividend advances only in proportion to his or her financial contribution (ie the payment of the issue value of the shares he or she has acquired). The Articles of Association of the Issuer does not contain special provisions for non-resident (foreign-owned) shareholders. These shareholders will receive their dividends and dividend advances in accordance with the general rules (through their securities account manager or custodian).

The shareholder shall be entitled to the proportionate portion of the Shares' nominal value with the resolution of the General Meeting regarding the distribution of dividends, published concurrently with the approval of the financial statements prepared in accordance with the Accounting Act.

## **24.3 Additional rights related to shares**

If the Issuer's share capital is increased against a cash contribution, the Shareholders of the Issuer are entitled to priority rights in accordance with the terms and conditions set out in these Articles of Association in the following order: the shareholders with shares in the same type of shares issued; then the holders of convertible bonds with a right to pre-emption to them. However, the exercise of the right to pre-emption for shares may be excluded by the General Meeting, on the basis of a written submission by the Board of Directors. The proposal for a decision on the exclusion of the right to pre-emption shall be decided by the General Meeting prior to the proposal for a decision on the increase of share capital.

In the event of termination of the Issuer without a successor, the assets to be distributed shall be in proportion to the nominal value of the Shares owned by the Shareholders. Shares are ordinary

shares, with no right or obligation of redemption attached to them, and they do not provide any conversion rights for any other securities.

#### **24.4 Rules on listing and trading in Shares**

According to section 2 of the the General Terms of Service of the BSE (Regulations on Listing and Continued Trading) 16.1.1. subpoint b) the Issuer will apply for a modification of the Product List to be requested from the BSE, so that Shares may also be subject to stock exchange trading on the BSE. The prerequisite for this is the approval of this Prospectus by the MNB. No securities of any Issuer are currently being introduced or registered in any other trading venue other than BSE and the Issuer will not apply for registration of Shares on any other regulated market or trading venue. Shares will not be stabilized and the Issuer will be aware that there will be no entities that will act as intermediaries on the OTC market of the Shares or otherwise provide the liquidity of the Shares (for example, through quotation).

According to section 2 of the the General Terms of Service of the BSE (Regulations on Listing and Continued Trading) 15.6. which provides for the rules of the simplified introductory procedure. The Chief Executive Officer of the BSE approves the application for approval if it complies with all the relevant provisions of the Regulations on Listing and Continued Trading. The Day of Introduction and the First Trading Day are defined in a resolution.

Following the approval by the MNB of this Prospectus, the Issuer will promptly apply for the Shares on BSE (in practice the amendment of the stock exchange listing). The Chief Executive Officer of the BSE reviews the application within 30 (thirty) days from the submission of an application in accordance with the Regulations on Listing and Continued Trading.

#### **24.5 Additional information**

There were no information on the registry of securities audited by the auditor, and no experts were involved in the preparation of the registry of securities and it does not contain any third party information. During the preparation of the registry of securities, Andr  k  Kinstellar Law Office (registered seat 1054 Budapest, Sz  chenyi rakpart 3.) acted as a legal adviser.



## 25 LIST OF CROSS REFERENCES

### Minimum disclosure requirements for the share registration document

<b>1. RESPONSIBLE PERSONS</b>		
<b>1.1.</b>	All persons responsible for the information given in the registration document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative; management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.	Cover page + Chapter 3
<b>1.2.</b>	A declaration by those responsible for the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, a declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	Chapter 3
<b>2. REGISTERED AUDITORS</b>		
<b>2.1.</b>	Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).	Chapter 4
<b>2.2.</b>	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	n/a
<b>3. HIGHLIGHTED FINANCIAL INFORMATION</b>		
<b>3.1.</b>	Selected historical financial information regarding the issuer, presented for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information.  Highlighted prior financial information should include key figures summarizing the financial position of the issuer.	Chapter 5
<b>3.2.</b>	If highlighted financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information	n/a
<b>4. RISK FACTORS</b>		
	Prominent disclosure of risk factors that are specific to the issuer or its industry in a section headed 'Risk Factors'.	Chapter 2
<b>5. INTRODUCTION OF THE ISSUER</b>		
<b>5.1</b>	<b>The history and development of the Issuer</b>	
<b>5.1.1.</b>	The legal and commercial name of the issuer.	Chapter 6
<b>5.1.2.</b>	The place of the issuer's registration and its registration number	Chapter 6



5.1.3.	The date of the issuer's registration and the duration of its activity, if it was not established indefinitely.	Chapter 6
5.1.4.	The issuer's registered seat, legal form, the law governing its operation, the country of registration, the address and telephone number of the registered seat of the issuer (or the place where the economic activity takes place, if it is different from the registered office).	Chapter 6
5.1.5.	Major events in the development of the issuer's business.	Chapter 6
5.2.	<b>Investments</b>	
5.2.1.	Presentation of the issuer's major investments (with an indication of the amount), each financial year of the period covered by the previous financial information, up to the date of the registration document.	Chapter 16
5.2.2.	Presentation of major ongoing investments by the issuer, including the geographical distribution (domestic and foreign) of the investments and the method of financing (from internal or external sources).	Chapter 16
5.2.3	Information on issuer's major future investments that the Board of Directors has already committed to.	n/a
<b>6. OVERVIEW OF THE BUSINESS ACTIVITY</b>		
6.1.	<b>Main activities</b>	
6.1.1.	A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information; and	Chapter 7
6.1.2.	an indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of development.	Chapter 7 and 10
6.2.	<b>Principal markets</b>  A description of the principal markets in which the issuer competes, including a breakdown of total revenues by category of activity and geographic market for each financial year for the period covered by the historical financial information.	Chapter 7
6.3.	In the case of 6.1 and 6.2. were influenced by extraordinary factors, then the description of those factors.	n/a
6.4.	If material to the issuer's business or profitability, summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.	n/a
6.5.	Data for any statements made by the issuer of its own competitive position.	n/a
<b>7. ORGANIZATIONAL STRUCTURE</b>		
7.1.	If the issuer is a member of a company group, then a brief introduction of the issuer's position within the group.	Chapter 8
7.2.	List of significant subsidiaries of the issuer, including the name of the subsidiary, the country of registration or seat, and the share of ownership and voting rights if it does	Chapter 8

	not match.	
<b>8.</b>	<b>PROPERTY, PLANTS AND EQUIPMENT</b>	
<b>8.1.</b>	Information regarding any existing or planned material tangible fixed assets, including leased properties, and any major encumbrances thereon.	Chapter 17
<b>8.2.</b>	Presentation of environmental issues that may affect the use of the issuer's tangible assets.	n/a
<b>9.</b>	<b>OVERVIEW OF THE BUSINESS ACTIVITES AND FINANCIAL POSITION</b>	
<b>9.1.</b>	<p><b>Financial situation</b></p> <p>Unless otherwise stated in the registration document, the financial position of the issuer, material changes in the financial position and presentation of results for each year and period for which historical financial information has to be provided.</p> <p>Including the justification for material changes in financial information year by year, as long as this is necessary to understand the issuer's business as a whole.</p>	Chapter 17
<b>9.2.</b>	<b>Business result</b>	
<b>9.2.1.</b>	Presentation of significant factors influencing the issuer's business results, including unusual or rare events or new developments, and the extent of the influence of these events on the result.	Chapter 17
<b>9.2.2.</b>	If the financial statements show a significant change in net sales, a textual explanation of the changes.	Chapter 17
<b>9.2.3.</b>	<p>Information on any governmental, economic, fiscal, financial or political measure or factor that directly or indirectly affects or significantly affects the issuer's business.</p> <p>Information on any governmental, economic, fiscal, financial or political measure or factor that directly or indirectly affects or may affects the issuer's business.</p>	Chapter 17
<b>10.</b>	<b>CAPITAL RESOURCE</b>	
<b>10.1.</b>	Data on the issuer's own funds (both short and long-term).	9. fejezet
<b>10.2.</b>	The source and amount of the issuer's cash flow and its textual presentation.	
<b>10.3.</b>	Presentation of the issuer's credit requirements and financing structure.	9. fejezet
<b>10.4.</b>	Information about any restrictions on the use of capital resources that directly or indirectly have a significant effect or may have an effect on the issuer's business.	9. fejezet
<b>10.5.</b>	Presentation of the expected funding sources for the fulfillment of the commitments, mentioned in Section 5.2.3. and 8.1.	9. fejezet
<b>11.</b>	<b>RESEARCH AND DEVELOPEMENT, PATENTS AND LICENSES</b>	
	In justified cases, the presentation of the issuer's research and development policy for each financial year of the period covered by previous financial information, including the amounts invested in research and development activities supported by the issuer.	Chapter 10
<b>12.</b>	<b>TRENDS</b>	
<b>12.1.</b>	The major trends in the past in production, sales and stocks, the costs and sales prices between the end of the last financial year and the date of the registration	Chapter 11

	document.	
<b>12.2.</b>	Presentation of known trends, uncertainty factors, demand, commitments or events that may have a significant impact on the issuer's business prospects for at least the current financial year.	Chapter 11
<b>13.</b>	<b>PROFIT-FORECAST OR – ESTIMATION</b>	
	If an issuer chooses to include a profit forecast or a profit estimate the registration document must contain the information set out in items 13.1. and 13.2.	n/a
<b>13.1.</b>	<p>A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.</p> <p>There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions must be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the forecast.</p>	n/a
<b>13.2.</b>	<p>A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated, and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer.</p> <p>Where financial information relates to the previous financial year and only contains non-misleading figures substantially consistent with the final figures to be published in the next annual audited financial statements for the previous financial year, and the explanatory information necessary to assess the figures, a report shall not be required provided that the prospectus includes all of the following statements:</p> <p>the person responsible for this financial information, if different from the one which is responsible for the prospectus in general, approves that information;</p> <p>independent accountants or auditors have agreed that this information is substantially consistent with the final figures to be published in the next annual audited financial statements;</p> <p>this financial information has not been audited.</p>	n/a
<b>13.3.</b>	The profit forecast or estimate must be prepared on a basis comparable with the historical financial information	n/a
<b>13.4.</b>	If a profit forecast in a prospectus has been published which is still outstanding, then provide a statement setting out whether or not that forecast is still correct as at the time of the registration document, and an explanation of why such forecast is no longer valid if that is the case.	n/a
<b>14.</b>	<b>BOARD OF DIRECTORS, MANAGEMENT AND SUPERVISORY BOARDS AND MANAGEMENT EMPLOYEES</b>	
<b>14.1.</b>	The names, business contacts and positions of the following persons at the issuing company, as well as the main activities they carry out outside of the issuer, if they are relevant to the issuer:	Chapter 13

	<p>a) members of the administrative, management and supervisory bodies;</p> <p>b) unlimited liability members of unlimited liability companies;</p> <p>c) founders if the issuer has been established for less than five years; and</p> <p>d) any senior officer whose person may contribute to the determination that the issuer has the appropriate expertise and experience in relation to that business.</p> <p>The nature of a family relationship between these persons.</p> <p>In the case of each member of the administrative, management or supervisory bodies of the issuer and of each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information:</p> <p>(a) the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies;</p> <p>(b) any convictions in relation to fraudulent offences for at least the previous five years;;</p> <p>(c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years;</p> <p>d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years</p> <p>If there is no such information to be disclosed, a statement must be made.</p>	
<p><b>14.2.</b></p>	<p><b>Conflict of interest related to administrative, management and supervisory bodies and senior staff</b></p>	<p>Chapter 13</p>
	<p>Potential conflicts of interests between any duties to the issuer, of the persons referred to in item 14.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, a statement to that effect must be made.</p> <p>Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in item 14.1 was selected as a member of the administrative, management or supervisory bodies or member of senior management</p>	<p>Chapter 13</p>
<p><b>15. REMUNERATION AND BENEFITS</b></p>		
	<p>In relation to the last full financial year for those persons referred to in points (a) and</p>	<p>Chapter 13</p>

	(d) of the first subparagraph of item 14.1:	
<b>15.1.</b>	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.  That information must be provided on an individual basis unless individual disclosure is not required in the issuer's home country and is not otherwise publicly disclosed by the issuer.	Chapter 13
<b>15.2.</b>	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.	Chapter 13
<b>16.</b>	<b>PRACTICE CONCERNING BOARD MEMBERSHIP</b>	
	In relation to the issuer's last completed financial year, and unless otherwise specified, with respect to those persons referred to in point (a) of the first subparagraph of 14.1:	Chapter 13
<b>16.1.</b>	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.	Chapter 13
<b>16.2.</b>	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.	Chapter 13
<b>16.3.</b>	Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates.	Chapter 13
<b>16.4.</b>	A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime. In the event that the issuer does not comply with such a regime, a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.	Chapter 13
<b>17.</b>	<b>EMPLOYEES</b>	
<b>17.1.</b>	Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average during the most recent financial year.	Chapter 14
<b>17.2.</b>	Shareholdings and stock options  With respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1. provide information as to their share ownership and any options over such shares in the issuer as of the most recent practicable date.	Chapter 13
<b>17.3.</b>	Description of any arrangements for involving the employees in the capital of the issuer.	n/a
<b>18.</b>	<b>MAIN SHAREHOLDERS</b>	
<b>18.1.</b>	In so far as is known to the issuer, the name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an	Chapter 15

	interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest or, if there are no such persons, an appropriate negative statement.	
<b>18.2.</b>	Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement.	Chapter 15
<b>18.3.</b>	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused.	Chapter 15
<b>18.4.</b>	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.	n/a
<b>19.</b>	<b>TRANSACTIONS WITH RELATED COMPANIES</b>	
	<p>Details of related party transactions (which for these purposes are those set out in the Standards adopted according to the Regulation (EC) No 1606/2002), that the issuer has entered into during the period covered by the historical financial information and up to the date of the registration document, must be disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 if applicable.</p> <p>If such standards do not apply to the issuer the following information must be disclosed:</p> <p>the nature and extent of any transactions which are – as a single transaction or in their entirety – material to the issuer. Where such related party transactions are not concluded on a market basis provide an explanation of why these transactions were not concluded on a market basis. In the case of outstanding loans including guarantees of any kind indicate the amount outstanding;</p> <p>the amount or the percentage to which related party transactions form part of the turnover of the issuer.</p>	Chapter 16
<b>20.</b>	<b>FINANCIAL INFORMATION FOR THE ISSUER'S ASSETS, LIABILITIES, FINANCIAL SITUATION AND RESULT</b>	
<b>20.1.</b>	<p><b>Historical Financial Information</b></p> <p>Audited historical financial information covering the latest 3 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. If the issuer has changed its accounting reference date during the period for which historical financial information is required, the audited historical information shall cover at least 36 months, or the entire period for which the issuer has been in operation, whichever is the shorter. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.</p> <p>The last two years audited historical financial information must be presented and</p>	Chapter 17

	<p>prepared in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.</p> <p>If the issuer has been operating in its current economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under the Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards where the issuer is an issuer from the Community. For third country issuers, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited.</p> <p>If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least:</p>	
	<p>a) balance sheet;</p> <p>b) profit and loss statement;</p> <p>c) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and dividends to owners;</p> <p>d) cash flow statement;</p> <p>e) accounting policies and explanatory notes.</p> <p>The historical annual financial information must be independently audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.</p>	n/a
<b>20.2.</b>	<p><b>Pro forma financial information</b></p> <p>In the case of a significant gross change, a description of how the transaction might have affected the assets and liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.</p> <p>This requirement will normally be satisfied by the inclusion of pro forma financial information.</p> <p>This pro forma financial information is to be presented as set out in Annex II and must include the information indicated therein.</p> <p>Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors.</p>	n/a
<b>20.3.</b>	<p><b>Financial statements</b></p> <p>If the issuer prepares both own and consolidated annual financial statements, include at least the consolidated annual financial statements in the registration document.</p>	Chapter 17
<b>20.4.</b>	<p><b>Auditing of historical annual financial information</b></p>	Chapter 17
<b>20.4.1.</b>	<p>A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if</p>	Chapter 17 / link of

	they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.	Chapter 21
<b>20.4.2.</b>	Indication of other information in the registration document which has been audited by the auditors.	Chapter 17 / link of Chapter 21
<b>20.4.3.</b>	Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is unaudited.	n/a
<b>20.5.</b>	<b>Date of latest financial information</b>	Chapter 17
<b>20.5.1.</b>	The last year of audited financial information may not be older than one of the following:  a) 18 months from the date of the registration document if the issuer includes audited interim financial statements in the registration document;  b) 15 months from the date of the registration document if the issuer includes unaudited interim financial statements in the registration document.	Chapter 17
<b>20.6.</b>	<b>Interim and other financial information</b>	
<b>20.6.1.</b>	If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half yearly financial information has been reviewed or audited, the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed state that fact.	Chapter 17
<b>20.6.2.</b>	If the registration document is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, which may be unaudited (in which case that fact must be stated) covering at least the first six months of the financial year.  The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet	n/a
<b>20.7.</b>	<b>Dividend policy</b>  A description of the issuer's policy on dividend distributions and any restrictions thereon.	Chapter 9
<b>20.7.1.</b>	The amount of the dividend per share for each financial year for the period covered by the historical financial information adjusted, where the number of shares in the issuer has changed, to make it comparable.	Chapter 9
<b>20.8.</b>	<b>Legal and arbitration proceedings</b>	
	Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.	Chapter 23



<b>20.9.</b>	<b>Significant change in the issuer's financial or trading position</b>	
	A description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or provide an appropriate negative statement.	Chapter 17
<b>21.</b>	<b>ADDITIONAL INFORMATION</b>	
<b>21.1.</b>	<b>Share Capital</b>	
	The following information as of the date of the most recent balance sheet included in the historical financial information:	
<b>21.1.1.</b>	The amount of issued capital, and for each class of share capital:  (a) the number of shares authorised;  (b) the number of shares issued and fully paid and issued but not fully paid;  (c) the par value per share, or that the shares have no par value; and  (d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of capital has been paid for with assets other than cash within the period covered by the historical financial information, state that fact.	Chapter 9
<b>21.1.2.</b>	If there are shares not representing capital, state the number and main characteristics of such shares.	n/a
<b>21.1.3.</b>	The number, book value and nominal value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer.	Chapter 9
<b>21.1.4.</b>	The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription.	n/a
<b>21.1.5.</b>	Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital.	n/a
<b>21.1.6.</b>	Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate.	n/a
<b>21.1.7.</b>	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information.	Chapter 9
<b>21.2.</b>	<b>Memorandum and Articles of Association</b>	
<b>21.2.1.</b>	A description of the issuer's objects and purposes and where they can be found in the memorandum and Articles of Association.	Chapter 22
<b>21.2.2.</b>	A summary of any provisions of the issuer's Articles of Association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies.	Chapter 22
<b>21.2.3.</b>	A description of the rights, preferences and restrictions attaching to each class of the existing shares.	Chapter 22

<b>21.2.4.</b>	A description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.	Chapter 22
<b>21.2.5.</b>	A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of admission.	Chapter 22
<b>21.2.6.</b>	A brief description of any provision of the issuer's Articles of Association, statutes, charter or bylaws that would have an effect of delaying or preventing a change in control of the issuer.	Chapter 22
<b>21.2.7.</b>	An indication of the Articles of Association, statutes, charter or by law provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed.	Chapter 22
<b>21.2.8.</b>	A description of the conditions imposed by the memorandum and Articles of Association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law.	Chapter 22
<b>22.</b>	<b>MAJOR CONTRACTS</b>	
	<p>A summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the registration document.</p> <p>A summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the group which contains any provision under which any member of the group has any obligation or entitlement which is material to the group as at the date of the registration document.</p>	Chapter 19
<b>23.</b>	<b>INFORMATION FROM THIRD PARTIES, PROFESSIONAL DECLARATION AND INTEREST DISCLAIMER</b>	
<b>23.1.</b>	Where a statement or report attributed to a person as an expert is included in the registration document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the registration document.	Chapter 20
<b>23.2.</b>	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source of the information	Chapter 20
<b>24.</b>	<b>VIEWABLE DOCUMENTS</b>	
	<p>A statement that for the life of the registration document the following documents (or copies thereof), where applicable, may be inspected:</p> <p>a) the memorandum and Articles of Association of the issuer;</p> <p>b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document;</p>	Chapter 21

	<p>c) the historical financial information of the issuer or, in the case of a group, the historical financial information for the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the registration document.</p> <p>An indication of where the viewable documents can be inspected, by physical or electronic means.</p>	
<b>25.</b>	<b>PRESENTATION OF OWNED SHARES IN OTHER COMPANIES</b>	
	Information relating to the undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.	Chapter 16

### Minimum disclosure requirements for the share securities note

<b>1.</b>	<b>RESPONSIBLE PERSONS</b>	
<b>1.1.</b>	All persons responsible for the information given in the prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered seat.	Cover + Chapter 3
<b>1.2.</b>	A declaration by those responsible for the prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the part of the prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	Chapter 3
<b>2.</b>	<b>RISK FACTORS</b>	
	Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed 'Risk Factors'	Chapter 2
<b>3.</b>	<b>MAJOR INFORMATION</b>	
<b>3.1.</b>	<b>Working capital Statement</b>  Statement by the issuer that, in its opinion, the working capital is sufficient for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed.	Chapter 24
<b>3.2.</b>	<b>Capitalisation and indebtedness</b>  A statement of capitalisation and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as of a date no earlier than 90 days prior to the date of the document. Indebtedness also includes indirect and contingent indebtedness.	Chapter 24

<b>3.3.</b>	<b>Interest of natural and legal persons involved in the issue/offer</b>  A description of any interest, including conflicting ones that is material to the issue/offer, detailing the persons involved and the nature of the interest.	n/a
<b>3.4.</b>	<b>Reasons for the offer and use of proceeds</b>  Reasons for the offer and, where applicable, the estimated net amount of the proceeds broken into each principal intended use and presented by order of priority of such uses. If the issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed. Details must be given with regard to the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other business, or to discharge, reduce or retire indebtedness.	n/a
<b>4.</b>	<b>INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING</b>	
<b>4.1.</b>	A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (international security identification number) or other such security identification code.	Chapter 24
<b>4.2.</b>	Legislation under which the securities have been created.	Chapter 24
<b>4.3.</b>	An indication whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.	Chapter 24
<b>4.4.</b>	Currency of the securities issue.	Chapter 24
<b>4.5.</b>	A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.  — Dividend rights: — fixed date(s) on which the entitlement arises, — time limit after which entitlement to dividend lapses and an, indication of the person in whose favour the lapse operates.  — dividend restrictions and procedures for non-resident holders, — rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments.  — Voting rights. — Pre-emption rights in offers for subscription of securities of the same class. — Right to share in the issuer's profits. — Rights to share in any surplus in the event of liquidation. — Redemption provisions. — Conversion provisions.	Chapter 24
<b>4.6.</b>	In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or	n/a

	issued.	
4.7.	In the case of new issues, the expected issue date of the securities.	n/a
4.8.	A description of any restrictions on the free transferability of the securities.	Chapter 24
4.9.	An indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.	Chapter 24
4.10.	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated.	n/a
4.11.	In respect of the country of registered office of the issuer and the country where the offer is being made or admission to trading is being sought: <ul style="list-style-type: none"> <li>— information on taxes on the income from the securities withheld at source,</li> <li>— indication as to whether the issuer assumes responsibility for the withholding of taxes at the source.</li> </ul>	Chapter 18
<b>5. TERMS AND CONDITIONS OF THE OFFER</b>		
5.1	<b>Conditions, offer statistics, expected timetable and action required to apply for the offer</b>	n/a
5.1.1.	Conditions to which the offer is subject.	n/a
5.1.2.	Total amount of the issue/offer, distinguishing the securities offered for sale and those offered for subscription; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer.	n/a
5.1.3.	The time period, including any possible amendments, during which the offer will be open and description of the application process.	n/a
5.1.4.	An indication of when, and under which circumstances, the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	n/a
5.1.5.	A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	n/a
5.1.6.	Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest).	n/a
5.1.7.	An indication of the period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription.	n/a
5.1.8.	Method and time limits for paying up the securities and for delivery of the securities.	n/a
5.1.9.	full description of the manner and date in which results of the offer are to be made public.	n/a
5.1.10.	The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.	n/a
5.2.	<b>Plan of distribution and allotment</b>	n/a
5.2.1.	The various categories of potential investors to which the securities are offered. If the	n/a

	offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.	
<b>5.2.2.</b>	To the extent known to the issuer, an indication of whether major shareholders or members of the issuer's management, supervisory or administrative bodies intended to subscribe in the offer, or whether any person intends to subscribe for more than 5% of the offer.	n/a
<b>5.2.3</b>	Pre-allotment disclosure:  the division into tranches of the offer including the institutional, retail and issuer's employee tranches and any other tranches;  the conditions under which the clawback may be used, the maximum size of such claw back and any applicable minimum percentages for individual tranches;  the allotment method or methods to be used for the retail and issuer's employee tranche in the event of an over-subscription of these tranches;	n/a
	a description of any pre-determined preferential treatment to be accorded to certain classes of investors or certain affinity groups (including friends and family programmes) in the allotment, the percentage of the offer reserved for such preferential treatment and the criteria for inclusion in such classes or groups;  whether the treatment of subscriptions or bids to subscribe in the allotment may be determined on the basis of which firm they are made through or by;  a target minimum individual allotment if any within the retail tranche;  the conditions for the closing of the offer as well as the date on which the offer may be closed at the earliest;  whether or not multiple subscriptions are admitted, and where they are not, how any multiple subscriptions will be handled.	n/a
<b>5.2.4.</b>	Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made.	n/a
<b>5.2.5.</b>	Over-allotment and 'green shoe':  a) the existence and size of any over-allotment facility and/or 'green shoe';  b) the existence period of the over-allotment facility and/or 'green shoe';  c) any conditions for the use of the over-allotment facility or exercise of the 'green shoe.	n/a
<b>5.3.</b>	<b>Pricing</b>	n/a
<b>5.3.1.</b>	An indication of the price at which the securities will be offered. If the price is not known or if there is no established and/or liquid market for the securities, indicate the method for determining the offer price, including a statement as to who has set the criteria or is formally responsible for the determination. Indication of the amount of any expenses and taxes specifically charged to the subscriber or purchaser.	n/a
<b>5.3.2.</b>	Process for the disclosure of the offer price.	n/a
<b>5.3.3.</b>	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn, indication of the basis for the issue price if the issue is for	n/a

	cash, together with the reasons for and beneficiaries of such restriction or withdrawal.	
<b>5.3.4.</b>	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year, or which they have the right to acquire, include a comparison of the public contribution in the proposed public offer and the effective cash contributions of such persons.	n/a
<b>5.4.</b>	<b>Placing and Underwriting</b>	n/a
<b>5.4.1.</b>	Name and address of the coordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.	n/a
<b>5.4.2.</b>	Name and address of any paying agents and custodian agents in each country.	n/a
<b>5.4.3.</b>	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under 'best efforts' arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission.	n/a
<b>5.4.4.</b>	When the underwriting agreement has been or will be reached.	n/a
<b>6.</b>	<b>REGULATIONS FOR STOCK EXCHANGE LISTING AND TRADING</b>	
<b>6.1.</b>	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, the earliest dates on which the securities will be admitted to trading.	Chapter 24
<b>6.2.</b>	All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Chapter 24
<b>6.3.</b>	If simultaneously or almost simultaneously with the creation of the securities for which admission to a regulated market is being sought securities of the same class are subscribed for or placed privately or if securities of other classes are created for public or private placing, give details of the nature of such operations and of the number and characteristics of the securities to which they relate.	Chapter 24
<b>6.4.</b>	Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.	Chapter 24
<b>6.5.</b>	Stabilisation: where an issuer or a selling shareholder has granted an over-allotment option or it is otherwise proposed that price stabilising activities may be entered into in connection with an offer:	n/a
<b>6.5.1.</b>	The fact that stabilisation may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time.	n/a

<b>6.5.2.</b>	The beginning and the end of the period during which stabilisation may occur.	n/a
<b>6.5.3.</b>	The identity of the stabilisation manager for each relevant jurisdiction unless this is not known at the time of publication.	n/a
<b>6.5.4.</b>	The fact that stabilisation transactions may result in a market price that is higher than would otherwise prevail,	n/a
<b>7.</b>	<b>SELLING SECURITIES HOLDERS</b>	
<b>7.1.</b>	Name and business address of the person or entity offering to sell the securities, the nature of any position office or other material relationship that the selling persons has had within the past three years with the issuer or any of its predecessors or affiliates.	n/a
<b>7.2.</b>	The number and class of securities being offered by each of the selling security holders.	n/a
<b>7.3.</b>	Lock-up agreements  The parties involved.  Content and exceptions of the agreement.  Indication of the period of the lock up.	n/a
<b>8.</b>	<b>EXPENSE OF ISSUE / OFFER</b>	
<b>8.1.</b>	The total net proceeds and an estimate of the total expenses of the issue / offer.	n/a
<b>9.</b>	<b>DILUTION</b>	
<b>9.1.</b>	The amount and percentage of immediate dilution resulting from the offer.	n/a
<b>9.2.</b>	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	n/a
<b>10.</b>	<b>ADDITIONAL INFORMATION</b>	
<b>10.1.</b>	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	Chapter 24
<b>10.2.</b>	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.	n/a
<b>10.3.</b>	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the Securities Note.	n/a
<b>10.4.</b>	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.	n/a



## 26 DEFINITIONS

<b>Aktv.</b>	Act XXXVII of 2013 on certain rules of international administrative cooperation on tax and other public charges;
<b>Articles of Association</b>	The current Articles of Association of the Issuer with the amendments;
<b>US Securities Act</b>	the current US Securities Act of 1933 in the United States of America with its several amendments;
<b>Art.</b>	Act CL of 2017 on the Order of Taxation;
<b>BSE</b>	Budapest Stock Exchange Private Limited Company (registered seat: 1054 Budapest, Szabadság tér 7., Platina torony, I. épület, IV. emelet; registration number: Cg. 01-10-044764);
<b>Bit.</b>	Act LXXXVIII of 2014 on the Insurance Business;
<b>BUX</b>	the official stock index of the Budapest Stock Exchange;
<b>CIG Central-European Insurance Ltd.</b>	The former name of CIG Pannónia Life Insurance Ltd. (that is the Issuer); on 1 January 2010 changed the name to CIG Pannónia Life Insurance Ltd., from 01.09.2010 it is CIG Pannónia Life Insurance Plc.;
<b>CIG Pannonia Group or Group</b>	the Issuer and its affiliated companies;
<b>CIG Pannónia First Hungarian General Insurance Ltd.</b>	The non-life insurance subsidiary (EMABIT) owned by the Issuer;
<b>Ctv.</b>	Act V of 2006 on business register, court proceedings and the liquidation process;
<b>EEA state</b>	European economic area;
<b>Eho tv.</b>	Act LXVI of 1998 on health care contribution;
<b>EMABIT</b>	CIG Pannónia First Hungarian General Insurance Ltd., the non-life insurance subsidiary owned 100% by the Issuer;
<b>Impairment</b>	if the capital increase will take place on a lower price than the equity per share, or a lower price than the current stock exchange price / the acquisition cost of the shareholder's shares;
<b>Ex Coupon</b>	the third stock exchange day after the earliest statement of the coupon rate by the General Meeting or the Board of Directors;
<b>Dilution</b>	Reduction in the shareholder's share ratio and voting rights share of the total registered capital of the Issuer in case of a capital increase;
<b>Supervisory recommendation</b>	Recommandation of 6/2014 (XII. 17) on the establishment and operation of internal lines of defense and the management of the financial organizations and control

	functions by the MNB;
<b>IDD</b>	Directive of the European Parliament and of the Council (EU) 2016/97 on insurance sales;
<b>Certificates of taxresidence</b>	proof of non-residents, issued by the foreign tax authority, in English with its translation into Hungarian or a copy of one of these;
<b>ISIN code</b>	International Securities Identification Number;
<b>Reporting Hungarian Financial Institution</b>	a provider of data reporting obligations in accordance with §43/B Act XXXVII of 2013 on certain rules of international administrative cooperation on tax and other public charges;
<b>KELER</b>	Central Clearing House and Depository Ltd.;
<b>KGFB</b>	mandatory motor vehicle liability insurance;
<b>Issuer</b>	the CIG Pannónia Life Insurance Plc.;
<b>KONZUM Plc.</b>	The owner of the Issuer with a share of 24.85% (registered seat: 1065 Budapest, Révay utca 10. II. em.; registration number: Cg.01-10-049323);
<b>MABISZ</b>	Association of Hungarian Insurance;
<b>Misselling</b>	no demand based sales;
<b>MKB-Pannónia Fund Manager Ltd.</b>	A company 16% owned by the Issuer (registered seat: 1056 Budapest, Váci utca 38; registration number: Cg.01-10-047118);
<b>HNB</b>	MNB;
<b>Nominee</b>	a person or firm into whose name securities or other properties are transferred to facilitate transactions, while leaving the customer as the actual owner;
<b>National Deposit Guarantee Fund</b>	A fund in Hungary, to protect depositors of credit institutions in accordance with Act CXII of 1996 on credit institutions and financial enterprises;
<b>Pannónia PI-ETA Funeral Services LLC.</b>	the company founded in 2008 provides funeral insurance services, 100% owned by the Issuer;
<b>PRIIP</b>	requirements for packaged investment products;
<b>Prospectus Ordinance</b>	Commission Regulation (EC) No 809/2004 of implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
<b>PSZÁF</b>	Hungarian Financial Supervisory Authority (it was terminated and its competence was taken over by the MNB);

<b>Ptk.</b>	Act V of 2013 on Civil Code;
<b>Shares</b>	„A” type ordinary shares with a nominal value of HUF 40 each, a total of 23,466,020 piece, previously place on market in a private placement;
<b>SZIBE</b>	Széchenyi István Mutual Insurance Association;
<b>Szja. tv</b>	Act CXVII of 1995 on personal income tax;
<b>Solvency II Directive</b>	means Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance, since 2016 is in force;
<b>Tao. tv.</b>	Act LXXXI of 1996 on corporation tax and dividend tax;
<b>Tbj.</b>	Act LXXX of 1997 on the social security benefits and the private pension scheme and the coverage of those services;
<b>TKM</b>	Total Cost Indicator; shows how much the loss of income is due to the costs incurred by investing in unit-linked insurance against a theoretical-free investment return. This helps, that the unit-linked life insurance products become comparable of various insurance companies, through a type example;
<b>Tpt.</b>	Act CXX of 2001 on the capital market;
<b>Unit-linked life insurance</b>	the regular fee unit-linked life insurance, one of the major product of the Issuer;
<b>VKB</b>	Versicherungskammer Bayern, organization interested in life and non-life insurance;