



# **CIG Pannónia Life Insurance Plc.**

Quarterly report

On the basis of the consolidated financial statements  
prepared according to the International Financial  
Reporting Standards adopted by the EU

Q2 2018

22 August 2018, Budapest

## I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the second quarter of 2018 on this day. The Issuer publishes in this quarterly report for the second quarter of 2018, as required by the legislation, its consolidated, unaudited data in accordance with the International Financial Reporting Standards (hereinafter: EU IFRS) adopted by the EU. The quarterly report has been prepared in accordance with the provisions of IAS 34.

As the Company and its subsidiary – CIG Pannónia First Hungarian General Insurance Company Ltd. (hereinafter referred to as EMABIT) started to apply EU IFRS for the individual financial reports, too and the MABISZ provision of data ceased, thus the companies no longer prepare and publish the quarterly data compiled in accordance with the Hungarian Accounting Act.

Main results and events of the first half year of 2018:

- The profit after tax of the CIG Pannónia **Group**<sup>1</sup> (hereinafter: Group) is **HUF 1,155 million** in the first half of 2018.
- Distracting the effect of one-off events from the H1 2017 result (the acquisition with HUF 3,197 million, the result of assets held for sale amounted to HUF -399 million and the HUF -284 million expenditures of interest bearing shares) the HUF -30 million profit after tax of the four insurers and the portfolio manager increased by HUF 1,185 million. The portfolio cleaning of non-life segment and the restricted cost control of CIG Pannónia significantly contributed to the rising profits. For today the Group enhances its market position by the product lines with expected returns and operates at an optimal cost structure.
- The total comprehensive income of the Group is HUF 642 million, the **earnings per share is HUF 15.1** for the half year.
- The gross written premium is HUF 11,468 million which is 91% of the same period of the previous year's gross written premium. **The gross written premium of the non-life segment** is 96 percent of the gross written premium of the comparative period. **The gross written premium of the life segment in the first half year of 2018 according to IFRS is 88% of the comparative period's** gross written premium. The decrease is primarily due to the significant decline in the top-up and single premiums, that is caused by the fact that according to EU IFRSs considerably more of the Group's policies should be classified as investment contract, therefore can not be presented as gross written premium.

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<sup>1</sup> Group or CIG Pannónia Group is referred as the Issuer and its consolidated companies.

- In the life segment the new acquisition is HUF 1,524 million in the first half year of 2018, that is 7% higher than in the same period of 2017. There was a further portfolio cleaning in the non-life segment, the net portfolio development is HUF 86 million decrease, compared to the HUF 538 million decline in the comparative period of 2017.
- The Issuer's shareholders' equity was HUF 9,015 million at the end of 2017. It increased to HUF 16,937 million, which is 87% growth in 2018. The change in the shareholders' equity was in smaller proportion due to the total comprehensive income of the current year (HUF +642 million), the payment of dividend (HUF -933 million) and in larger proportion due to the capital increase by private placement (HUF +8,213 million)
- On 25th April 2018 the Central Bank of Hungary has authorized by its decision No. H-EN-II-38/2018. the acquisition of qualified influence of KONZUM Investment and Asset Management Plc. over CIG Pannonia Life Insurance Public Limited Company based on direct ownership exceeding the 20% limit and over CIG Pannonia First Hungarian General Insurance Public Limited Hungary (registered seat: registered seat: 1 Flórián tér, HU-1033 Budapest, company registration number: 0110-046150) based on indirect ownership exceeding the 20% limit. According to the said decision the Central Bank of Hungary has approved the transaction decided by the General Meeting of the Insurance Company and published in the announcement of the Company on 30th January 2018 as well. By the Transaction KONZUM Plc. subscribed 23,466,020 pieces of dematerialised "A" series ordinary shares issued by the Insurance Company with the face value of HUF 40. -, and with the issue value of HUF 350. -. As a result of the Transaction, the KONZUM Plc. acquired the 24,85 % direct ownership over the Insurance Company. The Court of Registration has passed the resolution number 01-10-045857/370 with the effect of 8 May 2018 on the registration of the increase of the share capital, so the share capital of the Company has been increased to 3,777,130,400 Hungarian Forints and the amount of the shares issued by the Company to 94,428,260 pieces.
- In order to list the 23,466,020 pieces of shares on the stock market the Company prepared the prospectus in accordance with the related Hungarian (Act CXX of 2001 on the Capital Market) and EU regulations (809/2004/EK regulation) and the General Terms of Service of the Budapest Stock Exchange and sent for approval to the National Bank of Hungary. After finishing the supervisory procedure and the final authorization of the text of the prospectus, the shares issued by private placement going to be listed on the Budapest Stock Exchange.
- At 27th April according to the resolution of the General Meeting of the Company (held on 30th January 2018) the Company has purchased 1,368,851 pieces of shares in an OTC trade at a fixed price of 3 000 HUF each, which was 6,56% of all the 20,860,000 pieces of the KONZUM shares introduced to the stock market.
- The General Meeting held on 27 April 2018 approved the Company's audited annual report and business report for the financial year 2017,

prepared according to the Hungarian Accounting Act, and the audited, consolidated financial statements and the consolidated business report for the financial year 2017, prepared according to the EU IFRS.

- The Board of Directors proposed a dividend payment of gross HUF 10 per share – that is total HUF 933,242,540 dividend after the business year 2017 for approval to the Annual General Meeting. The General Meeting decided on the proposed payment on 27 April 2018. The dividend has been paid from 4 June 2018.
- The General Meeting appointed Ernst & Young Audit LLC (chamber registration number: 001165) until the closure of the financial year 2019 and personally responsible auditor Gabriella Virágh (chamber registration number: 004245) as the statutory auditor of the Company.
- The General Meeting appointed Dr. Mária Király and Gergely Domonkos Horváth as members of the Board of Directors of the Company for a five-year period. The National Bank of Hungary authorized the appointment on 20th June 2018 with its resolutions No. H-EN-II-57/2018. and No. H-EN-II-56/2018.
- In June 2018 EMABIT decided to terminate the casco portfolio taken over during the mergers of MKB Insurers. The decision is justified by the fact that there is a high competition on casco market, the profitability of this product doesn't reach those of the other commodities of CIG Pannonia thus the Company has decided to focus on the development of such products that can ensure the Company's competitiveness and as well as the enforcement of ownership interests.
- The solvency capital adequacy of the Company is 348 percent at 30 June 2018, and 180 percent is EMABIT's adequacy, so both companies fulfil the minimum 150 percent Solvency Capital requirement of the Supervisory Authority.

Budapest, 22 August 2018.

CIG Pannónia Life Insurance Plc.

## 2. Financial statements

**Consolidated Statement of Comprehensive Income- cumulated data** (data in HUF millions)

	2018 Q1- Q2 (A)	2017 Q1- Q4 (B)	2017 Q1- Q2 (C)	Change (A)-(C)
Gross written premium	11 468	26 932	12 602	- 1 134
Changes in unearned premiums reserve	- 83	- 960	- 436	353
Earned premiums, gross	11 385	25 972	12 166	- 781
Ceded reinsurance premiums	- 3 142	- 6 752	- 3 535	393
<b>Earned premiums, net</b>	<b>8 243</b>	<b>19 220</b>	<b>8 631</b>	<b>- 388</b>
Premium and commission income from investment contracts	118	208	74	44
Commission and profit sharing due from reinsurers	1 349	2 278	982	367
Investment income	1 352	8 722	4 542	- 3 190
Yield on investment accounted for using equity method (profit)	193	303	107	86
Other operating income	495	1 044	548	- 53
<b>Other income</b>	<b>3 507</b>	<b>12 555</b>	<b>6 253</b>	<b>- 2 746</b>
<b>Total income</b>	<b>11 750</b>	<b>31 775</b>	<b>14 884</b>	<b>- 3 134</b>
Claim payments and benefits, claim settlement costs	- 9 065	- 15 821	- 7 306	- 1 759
Recoveries, reinsurer's share	1 502	3 025	1 380	122
Net changes in value of the life technical reserves and unit-linked life insurance reserves	1 706	- 4 491	- 481	2 187
Investment expenses	- 74	- 1 141	- 654	580
Change in the fair value of liabilities relating to investment contracts	6	- 217	- 58	64
Changes in fair value of assets and liabilities relating to embedded derivatives	-	- 269	- 142	142
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>- 5 925</b>	<b>- 18 914</b>	<b>- 7 261</b>	<b>1 336</b>
Fees, commissions and other acquisition costs	- 3 037	- 5 821	- 2 761	- 276
Other operating costs	- 1 170	- 3 298	- 1 512	342
Other expenses	- 316	- 585	- 375	59
<b>Operating costs</b>	<b>- 4 523</b>	<b>- 9 704</b>	<b>- 4 648</b>	<b>125</b>
<b>Result of assets held for sale</b>	<b>-</b>	<b>- 475</b>	<b>- 399</b>	<b>399</b>
<b>Profit/Loss before taxation</b>	<b>1 302</b>	<b>2 682</b>	<b>2 576</b>	<b>- 1 274</b>
Tax income/expenses	- 147	- 258	- 92	- 55
Deferred tax income/expenses	-	174	-	-
<b>Profit/Loss after taxation</b>	<b>1 155</b>	<b>2 598</b>	<b>2 484</b>	<b>- 1 329</b>
Comprehensive income, wouldn't be reclassified to profit or loss in the future	-	-	-	-
Comprehensive income, would be reclassified to profit or loss in the future	- 513	261	- 59	- 454
<b>Other comprehensive income</b>	<b>- 513</b>	<b>261</b>	<b>- 59</b>	<b>- 454</b>
<b>Total comprehensive income</b>	<b>642</b>	<b>2 859</b>	<b>2 425</b>	<b>- 1 783</b>

**Consolidated Statement of Comprehensive Income- cumulated data continuation**  
 (data in HUF millions)

	2018Q1-Q2 (A)	2017 Q1- Q4 (B)	2017Q1- Q2 (C)	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders	1 155	2 610	2 496	- 1 341
Profit/loss after taxation attributable to NCI	-	- 12	- 12	12
<b>Profit/Loss after taxation</b>	<b>1 155</b>	<b>2 598</b>	<b>2 484</b>	<b>- 1 329</b>
Total comprehensive income attributable to the Company's shareholders	642	2 871	2 437	- 1 795
Total comprehensive income to NCI	-	- 12	- 12	12
<b>Total comprehensive income</b>	<b>642</b>	<b>2 859</b>	<b>2 425</b>	<b>- 1 783</b>
<b>Earnings per share of the Company's shareholders</b>				
Basic earnings per share (HUF)	15,1	40,6	40,2	- 25,1
Diluted earnings per share (HUF)	15,1	40,6	37,8	- 22,7
<b>Earnings per share of NCI's</b>				
Basic earnings per share (HUF)	-	-	- 0,2	0,2
Diluted earnings per share (HUF)	-	-	- 0,2	0,2



**Consolidated Statement of Comprehensive Income - quarterly data**  
(data in HUF millions)

	2018Q2 (A)	2018Q1 (C)	2017Q2 (B)	Change (A)-(B)
Gross written premium	5 878	5 590	6 577	- 699
Changes in unearned premiums reserve	91	- 174	- 291	382
Earned premiums, gross	5 969	5 416	6 286	- 317
Ceded reinsurance premiums	- 1 538	- 1 604	- 1 588	50
<b>Earned premiums, net</b>	<b>4 431</b>	<b>3 812</b>	<b>4 698</b>	<b>- 267</b>
Premium and commission income from investment contracts	59	59	41	18
Commission and profit sharing due from reinsurers	725	624	511	214
Investment income	1 160	192	- 1 139	2 299
Yield on investment accounted for using equity method(profit)	103	90	53	50
Other operating income	- 4	499	267	- 271
<b>Other income</b>	<b>2 043</b>	<b>1 464</b>	<b>- 267</b>	<b>2 310</b>
<b>Total income</b>	<b>6 474</b>	<b>5 276</b>	<b>4 431</b>	<b>2 043</b>
Claim payments and benefits, claim settlement costs	- 4 313	- 4 752	- 3 734	- 579
Recoveries, reinsurer's share	641	861	675	- 34
Net changes in value of the life technical reserves and unit-linked life insurance reserves	- 795	2 501	1 315	- 2 110
Investment expenses	1 063	- 1 137	- 312	1 375
Change in the fair value of liabilities relating to investment contracts	- 57	63	- 4	- 53
Changes in fair value of assets and liabilities relating to embedded derivatives	-	-	7	- 7
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>- 3 461</b>	<b>- 2 464</b>	<b>- 2 053</b>	<b>- 1 408</b>
Fees, commissions and other acquisition costs	- 1 543	- 1 494	- 1 465	- 78
Other operating costs	- 663	- 507	- 713	50
Other expenses	- 189	- 127	- 246	57
<b>Operating costs</b>	<b>- 2 395</b>	<b>- 2 128</b>	<b>- 2 424</b>	<b>29</b>
<b>Result of assets held for sale</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>- 64</b>
<b>Profit/Loss before taxation</b>	<b>618</b>	<b>684</b>	<b>18</b>	<b>600</b>
<b>Tax income/expenses</b>	<b>- 78</b>	<b>- 69</b>	<b>- 49</b>	<b>- 29</b>
Deferred tax income/expenses	-	-	-	-
<b>Profit/Loss after taxation</b>	<b>540</b>	<b>615</b>	<b>- 31</b>	<b>571</b>
Comprehensive income, wouldn't be reclassified to profit or loss in the future	-	-	-	-
Comprehensive income, would be reclassified to profit or loss in the future	- 428	- 85	69	- 497
<b>Other comprehensive income</b>	<b>- 428</b>	<b>- 85</b>	<b>69</b>	<b>- 497</b>
<b>Total comprehensive income</b>	<b>112</b>	<b>530</b>	<b>38</b>	<b>74</b>



**Consolidated Statement of Comprehensive Income- quarterly data continuation**  
(data in HUF millions)

	2018Q2 (A)	2018Q1 (C)	2017Q2 (B)	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders	540	615	- 27	567
Profit/loss after taxation attributable to NCI	-	-	-	-
<b>Profit/Loss after taxation</b>	<b>540</b>	<b>615</b>	<b>- 27</b>	<b>567</b>
Total comprehensive income attributable to the Company's shareholders	112	530	41	71
Total comprehensive income to NCI	-	-	-	-
<b>Total comprehensive income</b>	<b>112</b>	<b>530</b>	<b>41</b>	<b>71</b>





**Consolidated Statement of Financial Position** (data in million HUF)

ASSETS	30 June 2018. (A)	31 Dec 2017. (B)	30 June 2017. (C)	Change (A)-(C)
Intangible Assets	857	896	1 082	- 225
Property, plant and equipment	83	76	107	- 24
Deferred tax asset	514	514	340	174
Deferred acquisition costs	2 245	2 296	1 935	310
Reinsurer's share of technical reserves	4 772	4 647	4 548	224
Investments accounted for using the equity method	291	352	183	108
Available-for-sale financial assets	26 177	16 518	14 977	11 200
Investments for policyholders of unit-linked life insurance policies	66 898	68 759	65 636	1 262
Financial assets – investment contracts	4 882	3 961	3 509	1 373
Financial assets – embedded derivatives	-	-	373	- 373
Financial assets – forwards	36	-	-	36
Receivables from insurance policy holders	2 092	2 388	2 087	5
Receivables from insurance intermediaries	371	598	288	83
Receivables from reinsurance	271	191	310	- 39
Other assets and prepayments	263	224	197	66
Other receivables	461	326	1 053	- 592
Cash and cash equivalents	2 108	3 883	2 102	6
Assets held for sale	-	-	3 881	- 3 881
<b>Total Assets</b>	<b>112 321</b>	<b>105 629</b>	<b>102 608</b>	<b>9 713</b>
<b>LIABILITIES</b>				
Technical reserves	16 665	17 170	15 438	1 227
Technical reserves for policyholders of unit-linked life insurance policies	66 898	68 759	65 636	1 262
Investment contracts	4 882	3 961	3 509	1 373
Financial liabilities-forwards	-	4	-	-
Liabilities from the issue of interest-bearing shares	-	-	2 491	- 2 491
Loans and financial reinsurance	1 174	1 186	1 099	75
Liabilities from reinsurance	1 926	1 601	1 781	145
Liabilities to insurance policy holders	776	785	686	90
Liabilities to insurance intermediaries	472	579	356	116
Other liabilities and provisions	2 581	2 569	1 635	946
Liabilities related to assets held for sale	-	-	3 581	- 3 581
Liabilities to shareholders	10	-	-	10
<b>Total Liabilities</b>	<b>95 384</b>	<b>96 614</b>	<b>96 212</b>	<b>- 828</b>

<b>Net Assets</b>	<b>16 937</b>	<b>9 015</b>	<b>6 396</b>	<b>10 541</b>
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<b>SHAREHOLDERS' EQUITY</b>				
Share capital	3 777	2 852	2 531	1 246
Capital reserve	9 517	2 479	1 144	8 373
Treasury shares	-	- 250	-	-
Other reserves	- 179	334	14	- 193
Retained earnings	3 822	3 600	2 707	1 115
Equity attributable to the Company's Shareholders	<b>16 937</b>	<b>9 015</b>	<b>6 396</b>	<b>10 541</b>
Non-controlling interest	-	-	-	-
<b>Total Shareholder's Equity</b>	<b>16 937</b>	<b>9 015</b>	<b>6 396</b>	<b>10 541</b>

**Consolidated Changes in Equity Q1-Q2 2018** (data in million HUF)

	Share capital	Capital reserve	Treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
<b>Balance on 31 December 2017</b>	<b>2 852</b>	<b>2 479</b>	<b>- 250</b>	<b>334</b>	<b>3 600</b>	<b>9 015</b>	<b>-</b>	<b>9 015</b>
<b>Total comprehensive income</b>								
Other comprehensive income	-	-	-	- 513	-	- 513	-	- 513
Profit in reporting year	-	-	-	-	1 155	1 155	-	1 155
<b>Transactions with equity holders recognised directly in Equity</b>								
Withdrawal of treasury shares	- 14	- 236	250	-	-	-	-	-
Capital increase	939	7 274	-	-	-	8 213	-	8 213
Dividend payment	-	-	-	-	- 933	- 933	-	- 933
<b>Balance on 30 June 2018</b>	<b>3 777</b>	<b>9 517</b>	<b>-</b>	<b>- 179</b>	<b>3 822</b>	<b>16 937</b>	<b>-</b>	<b>16 937</b>

**Consolidated Changes in Equity Q1-Q2 2017** (data in million HUF)

	Share capital	Capital reserve	Treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
<b>Balance on 31 December 2016</b>	<b>2 531</b>	<b>1 144</b>	<b>-</b>	<b>73</b>	<b>223</b>	<b>3 971</b>	<b>-</b>	<b>3 971</b>
<b>Total comprehensive income</b>								
Other comprehensive income	-	-	-	- 59	-	- 59	-	- 59
Profit in reporting year	-	-	-	-	2 484	2 484	12	2 496
NCI (acquisition)	-	-	-	-	-	-	- 41	- 41
NCI withdrawal							29	29
						-		
<b>Balance on 30 June 2017</b>	<b>2 531</b>	<b>1 144</b>	<b>-</b>	<b>14</b>	<b>2 707</b>	<b>6 396</b>	<b>-</b>	<b>6 396</b>

**Consolidated Statement of Cash Flows** (data in HUF millions)

	2018 Q1-Q2	2017 Q1-Q4	2017 Q1-Q2
<b>Profit/loss after taxation</b>	<b>1 155</b>	<b>2 598</b>	<b>2 484</b>
<b>Modifying items</b>			
Depreciation and amortization	155	930	516
Extraordinary depreciation	3	47	-
Booked impairment and reversal of booked impairment, waiver of claim	-	20	- 19
Result of assets sales	77	- 73	- 97
Share based payments	- 44	149	-
Exchange rate changes	10	6	- 9
Share of the profit or loss of associates	- 192	- 303	- 107
Changes of assets and liabilities relating to embedded derivatives, net	-	269	142
Deferred tax	-	- 174	-
Income taxes	147	258	93
Interest received	- 224	- 291	- 287
Result of derivatives	- 40	4	-
Provisions	-	346	-
Results of minority interests	-	- 12	- 12
Results of assets held for sale	-	660	283
Gain from a bargain purchase and revaluation of contingent purchase price	-	- 3 197	- 3 197
Interest cost	25	254	168
<b>Change of active capital items:</b>			
Increase / decrease of deferred acquisition costs (-/+)	51	- 535	- 242
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	1 861	- 3 457	- 334
Increase / decrease of financial assets – investment contracts (-/+)	- 920	- 717	- 265
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	387	2 541	1 824
Increase / decrease of reinsurer's share from technical reserves (-/+)	- 125	- 914	- 3 062
Increase /decrease of other assets and active accrued and deferred items (-/+)	- 39	- 64	- 36
Increase / decrease of technical reserves (+/-)	132	361	1 264
Increase / decrease of liabilities from insurance (-/+)	210	1 271	2 075
Increase / decrease of investment contracts (+/-)	920	717	265
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	- 1 861	3 457	334
Increase / decrease of other liabilities (+/-)	57	- 169	- 233
Paid income taxes	- 203	- 328	- 159
<b>Net cash flow from operating activities</b>	<b>1 541</b>	<b>3 654</b>	<b>1 389</b>



**Consolidated Statement of Cash Flows continuation** (data in HUF millions)

<b>Cash flow from investing activities</b>	<b>2018 Q1-Q2</b>	<b>2017 Q1-Q4</b>	<b>2017 Q1-Q2</b>
Purchase of debt instruments (-)	- 9 467	- 10 682	- 7 002
Sales of debt instruments (+)	2 722	9 715	6 537
Purchase of capital instruments (-)	- 4 107	-	-
Purchase of tangible and intangible assets (-)	- 134	- 352	- 101
Sales of tangible and intangible assets (-)	7	11	3
MKB acquisition (net of cash)	-	- 541	- 541
Cash flow from ceased activity	-	300	-
Decrease of shares	-	27	-
Interest received	190	291	287
Dividend received	253	222	222
<b>Cash flow from investing activities</b>	<b>- 10 536</b>	<b>- 1 009</b>	<b>- 595</b>

<b>Cash flow from financing activities</b>			
Securing loans	385	735	343
Income from the capital increase related to interest bearing shares	-	2 45	-
Treasury share purchase	-	- 250	-
Repayment of loans and their interests	- 490	- 865	- 531
Interest payment on interest-bearing shares	-	- 229	- 111
Capital increase	8 213	-	-
Dividend paid	- 924	-	-
<b>Cash flow from financing activities</b>	<b>7 184</b>	<b>- 364</b>	<b>- 299</b>

Impacts of exchange rate changes	36	- 4	1
<b>Net increase / decrease of cash and cash equivalents (+/-)</b>	<b>- 1 775</b>	<b>2 277</b>	<b>496</b>

<b>Cash and cash equivalents at the beginning of the period</b>	<b>3 883</b>	<b>1 606</b>	<b>1 606</b>
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<b>Cash and cash equivalents at the end of the period</b>	<b>2 108</b>	<b>3 883</b>	<b>2 102</b>
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### 3. Changes in accounting policies

For financial year beginning on 1 January 2018, the following new, mandatory standards shall be applied, their influence on the Financial Statements – if it is significant - are described below:

- IFRS 4 Completion of Insurance contracts regarding to IFRS 9
- IFRS 15 Revenue from Contracts with Customers,
- IFRS 9 Financial Instruments
  - Classification and measurement
  - Impairment
  - Hedge accounting
- IFRS 2 Share-based Payments-classification and measurement completion

#### 3.1 Introduction of IFRS 9

IFRS 4 provides for the granting of temporary exemption for the insurer that complies with the criteria in paragraph 20B, and this allows to the insurer to apply IAS 39 Financial Instruments: Recognition and Measurement Standard instead of IFRS 9 for annual periods beginning before January 1, 2021.

An Insurer with a temporary exemption from IFRS 9 is obliged to:

- a) comply with IFRS 9 requirements that are required for disclosures required by 39B-39J of this Standard; and
- b) apply all other standards relating to financial instruments except those in paragraphs 20A-20Q, 39B-39J and 46-47 of this Standard.

An insurer can if and only benefit from the temporary exemption from IFRS 9, if:

- a) did not apply any previously published IFRS 9 except for the recognition of gain and losses on financial liabilities designated at fair value through profit or loss that is consistent with IFRS 9 standard 5.7.1 (c), 5.7.7-5.7.9, 7.2.14 and B5.7.5 to B5.7.20;
- b) as described in section 20D, its activity is predominantly insurance related to the date of its annual report before 1 April 2016 or the date of its subsequent annual report, as provided for in paragraph 20G.

The activity of the insurer is primarily and exclusively related to insurance if and only if:

- a) the carrying amount of its liabilities arising from contracts falling within the scope of IFRS 4, as compared with the total carrying amount of all its liabilities, including the provisions of this Standard 7-12. as well as embedded derivative products separated by insurance contracts, are significant; and
- b) the percentage of the total book value of insurance liabilities (see paragraph 20E) relative to the total book value of all its liabilities:
  - i. higher than 90%, or

- ii. less than or equal to 90% but higher than 80% and the insurer does not carry out significant activities not related to insurance (see paragraph 20E)

These criteria are met by the Insurer because it has not previously applied any of the IFRS 9 releases and more than 90% (92%) of all its liabilities are related to the insurance business and therefore decided to postpone the introduction of IFRS 9 until 1 January 2021.

### **3.2 IFRS 15 revenue from contracts with customers**

IFRS 15 excludes insurance contracts from its scope, so its introduction may have a lower impact on the Group's earnings on other non-insurance activities. (eg.: re-invoicing of services, sale of assets, etc.)

Contracts that do not comply with the terms of the insurance contract and describe some service contract are within the scope of IFRS 15. The Group should review its contracts that do not comply with the terms of the insurance contract from 2018, but comply with the concept of contract under IFRS 15 and apply the new 5-step model of IFRS 15 from the identification of the contract until booking the revenue to the income statement.

According to the accounting policy, a vendor can count on revenue when it supplies the goods or services to the buyer and in the amount they are entitled to for the goods or services concerned.

The five-step model is as follows:

#### Step 1: Identify contracts with buyers

Contracts concluded by the Group may be verbal or written agreements with business content, but standard business practices may also create a contract. It is also a prerequisite for the contract to create enforceable rights and obligations that can not be cancelled without consequences.

Under the Standard, a contract is concluded when the following conditions are met:

- The parties have accepted the contract and are committed to fulfilling it;
- The parties' rights can be clearly defined on the basis thereof;
- The contract has economic benefits;
- It is likely that the seller will receive the consideration of the delivered goods / services performed, even if they use legal means to collect it.

In the case of a change in a contract, the way its content changed to be tested because there is a possibility that the amendment should be interpreted as a separate contract.

Step 2: Determining the separate obligations relating to the performance of the contract

In this step, it is necessary to determine which promised goods or services, or a combination thereof, can be treated as a separate performance obligation on the basis of the contract. In connection with the performance of the contract, the supplier may specify different incentives. A contract may include multiple obligations. All segregated, detachable goods, services or combinations thereof are considered as separate performance obligations. If a performance obligation can not be determined from the contract, revenue can not be booked.

#### Step 3: Determining the price of the transaction

The transaction price is the amount that the supplier will be entitled to pay for the goods delivered to the buyer or the service provided as expected. The goal is to make the revenue accrued evenly. In order to account for sales, various factors, such as performance incentives, must be taken into account at a sell-off price over a certain period of time. The amount of these sums should be deducted as sales revenue during the incentive period. The turnover of a transaction (which may differ from the invoiced amount) must be determined by estimation.

#### Step 4: Assigning the transaction price to the individual obligations

The seller must divide the transaction price between each obligation. If individual prices can not be ordered for each commitment, an estimate of the share should be used.

#### Step 5: Revenue recognition at fulfilment

Revenue can be recognized when the control over the purchased asset or service passes from the seller to the buyer. This can happen over a specific time period or at a specific time. Control is passed if the receiver is able to control the use of the device and is entitled to take advantage of the device.

For example:

- the asset can produce or provide services through the use of the provided service,
- the cost of the asset and the service provided can be reduced and the obligations can be sorted,
- the asset can be used as a security.

For a period of time, revenue can be recognized when:

- the buyer is always entitled to receive the benefits,
- the buyer acquires control over the asset only to the extent that the seller supplies it over the period,
- the supplier does not provide the customer with an immediately-controlled asset or service, but has the right to collect timely part deliveries.

#### **4. Presentation of the Issuer's financial position – consolidated and unaudited data for Q2 2018, on the basis of the international financial reporting standards (IAS 34) adopted by the EU**

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

**In the first half year of 2018, the Group's gross written premium was HUF 11,468 million, which is 91 percent of the revenues generated in the same period of the previous year. Of this HUF 5,361 million are the gross written premium of unit-linked life insurance (of this HUF 2,044 million of pension insurance policies), HUF 1,334 million are traditional life products (of this HUF 539 million from pension insurance policies), HUF 165 million are health insurance policies, and HUF 4,608 million are gross written premium of non-life insurances.**

The non-life insurance segment generated a gross written premium of HUF 4,608 million in 2018 according to IFRSs decreased by 4% compared to the previous year (HUF 4,807 million). In the life segment the gross written premium from the first annual premiums of policies sold was HUF 1,077 million, which is a 10% increase compared to the same period of the previous year (HUF 977 million). The gross written premium income from renewals was HUF 4,668 million in the first half of 2018 in contrast to HUF 5,039 million in the same period of the previous year, so the renewal premiums decreased by 7%. Top-up and single premiums (HUF 1,115 million) 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 million, 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 million) accounted as insurance contracts as before (HUF 956 million), 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 million (expenditure), while the amount of ceded reinsurance premiums was HUF 3,142 million. 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 118 million in total during the reporting period.

HUF 1,349 million 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 495 million) mainly includes the Issuer's income from fund management (HUF 405 million), which decreased by 7% compared to the first half of 2017. Also a significant other income (HUF 28 million) 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 9,065 million), this expenditure is decreased by the recoveries from reinsurers (HUF 1,502 million). 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 million, which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount decreased by HUF 1,861 million. The actuarial reserves increased by HUF +436 million, the technical reserves for the bonus payment of the life insurance clients increased by HUF +97 million, the result-dependent premium refund reserves increased by HUF +2 million and the other technical reserve by HUF +4 million. There was HUF 82 million decrease in the result independent premium refund reserves, the outstanding net claim reserves decreased by HUF 120 million, while the cancellation reserves decreased by HUF 182 million concurrently with the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 4,523 million in H1 2018, of which HUF 3,037 million is related to the fees, commissions and other acquisition costs, and HUF 1,170 million is related to other operating costs and HUF 316 million 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 342 million (23%) compared to the same period of the previous year (HUF 1,170 million in H1 2018). 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 316 million) is lower as in the same period of the previous year (HUF 375 million). In total the higher acquisition costs are compensated by the other operating costs in H1 2018.

The investment result is HUF 1,278 million profit, which is due to the aggregated effect of the following issues.

The unit-linked yield was HUF 1,004 million 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 -23 million. The Issuer had HUF 297 million yield profit on its own investments in the half year.

The exceptionally large amount of investment income in the comparative period (HUF 3,888 million) 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 million. Besides the yield for policyholders of unit-linked life insurance policies was a HUF 365 million profit in the first half of 2017 contrary to the HUF 1,004 million profit in H1 2018.

The Issuer realized in H1 2018 a HUF 193 million 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 1,302 million profit, which is HUF 1,274 lower than in H1 2017 (HUF 2,576 million profit) . Distracting the effect of the acquisition in 2017 (HUF 3,197 million ) and the result of the assets held for sale (HUF -399 million) and the expenditure of interest bearing shares (HUF 284 million) from the H1 2017 result, the increase of the profit before tax would be HUF 1,240 million.

The profit after tax is HUF 1,155 million that is HUF 1,329 million 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 -513 million, that consist of the unrealised gains from the KONZUM shares (HUF 171 million) and the HUF 684 million unrealised losses of Hungarian state bonds. Thus the total comprehensive income represents a profit of HUF 642 million in the first half year of 2018.

The Issuer's balance sheet total was HUF 112,321 million; its financial position is stable; the company has met its liabilities in full. On 30 June 2018 the shareholders' equity was HUF 16,937 million.

## 5. Executive summary

In H1 2018 the annualized premium of the new sales of insurance policies in life segment sold by the Group is HUF 1,524 million that is 7 percent higher than in the same period of the previous year. Of this HUF 1,282 million is from unit-linked life insurance, HUF 242 million is from traditional and group life insurance policies. In the same period of the previous year the annualized premium of the new sales was HUF 1,421 million, of which HUF 1,094 million related to unit-linked life insurance, HUF 327 million was derived from traditional and group life insurance policies. The main reason of the increase in the amount of the annualized premium of new sales of the life segment is the independent broker channel and other business development channel. In case of the non-life segment the net portfolio development was HUF 86 million decrease, while in H1 2017 there was a HUF 538 million decrease, as the comparative period contained the continuously decreasing compulsory motor vehicle insurance portfolio – that had been already sold - of Pannónia General Insurance Company cPlc.

### New sales and portfolio development<sup>2</sup>

Annualized premium of new sales - Life segment (million HUF)	2018.06.30 (A)	2017.12.31 (B)	2017.06.30 (C)	Change (A - C)	Change % (A - C) / C
Unit-linked life insurances	1 282	2 892	1 094	188	17%
Traditional and group life insurances	242	455	327	- 85	-26%
<b>Total annualized premium of new sales - Life</b>	<b>1 524</b>	<b>3 347</b>	<b>1 421</b>	<b>103</b>	<b>7%</b>

Net portfolio development Non-life segment (million HUF)	2018.06.30 (A)	2017.12.31 (B)	2017.06.30 (C)	Change (A - C)	Change % (A - C) / C
Net portfolio development of general insurances	- 86	3 729	- 538	452	-84%

As for life insurance policies sold in the first half year of 2018 the share of the tied agent network is 28 percent, the independent broker channel was 38 percent and the bank channel was 27 percent, while the other business development's share was 7 percent from the new sales. The restructuring of MKB Insurance portfolio product lines resulted a decrease in traditional insurance sales –especially at pension products - at bank sales performance. Despite new sales in total increased by 7 percent. Nearly the whole amount of the general insurances are related to independent broker channels. The net portfolio development of general insurances contains only the regular premium insurance policies.

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

<sup>2</sup> The Group presents hereinafter the net portfolio development of the non-life segment instead of the new sales data, because net development represents more accurately the change of the portfolio.

## 6. Operating segments

### Segment information Q1 –Q2 2018 (data in HUF millions)

ASSETS	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Intangible assets	760	97	-	-	857
Property, plant and equipment	61	22	-	-	83
Deferred tax assets	355	159	-	-	514
Deferred acquisition costs	755	1 490	-	-	2 245
Reinsurer's share of technical reserves	110	4 662	-	-	4 772
Subsidiaries	3 840	-	-	- 3 840	-
Investments by equity method	-	-	-	291	291
Available-for-sale financial assets	20 347	5 830	-	-	26 177
Investments for policyholders of unit-linked life insurance policies	66 898	-	-	-	66 898
Financial assets - investment contracts	4 882	-	-	-	4 882
Financial assets - embedded derivatives	-	-	-	-	-
Financial assets - forwards	36	-	-	-	36
Receivables from insurance policyholders	1 790	302	-	-	2 092
Receivables from intermediaries	50	321	-	-	371
Reinsurance receivables	5	266	-	-	271
Other assets and prepayments	40	232	-	- 9	263
Other receivables	325	132	1	3	461
Cash and cash equivalents	1 128	975	5	-	2 108
Intercompany receivables	21	-	-	- 21	-
<b>Total assets</b>	<b>101 403</b>	<b>14 488</b>	<b>6</b>	<b>- 3 576</b>	<b>112 321</b>

LIABILITIES	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	9 443	7 222	-	-	16 665
Technical reserves for policyholders of unit-linked insurance	66 898	-	-	-	66 898
Investment contracts	4 882	-	-	-	4 882
Liabilities from the issue of interest-bearing shares	-	-	-	-	-
Loans and financial reinsurance	1 174	-	-	-	1 174
Liabilities from reinsurance	48	1 878	-	-	1 926
Liabilities from insurance policyholders	396	380	-	-	776
Liabilities from intermediaries	261	211	-	-	472
Intercompany liabilities	-	21	-	- 21	-
Other liabilities and provisions	975	1 589	1	16	2 581
Liabilities from equity owners	10	-	-	-	10
<b>Total liabilities</b>	<b>84 087</b>	<b>11 301</b>	<b>1</b>	<b>- 5</b>	<b>95 384</b>
<b>NET ASSETS</b>	<b>17 316</b>	<b>3 187</b>	<b>5</b>	<b>- 3 571</b>	<b>16 937</b>
<b>SHAREHOLDERS' EQUITY</b>					
Registered capital	3 777	1 030	3	- 1 033	3 777
Capital reserve	12 383	1 369	-	- 4 235	9 517
Other reserves	-83	-96	0	0	-179
Profit reserve	1 239	884	2	1 697	3 822
<b>Total shareholders' equity</b>	<b>17 316</b>	<b>3 187</b>	<b>5</b>	<b>- 3 571</b>	<b>16 937</b>

Statement of comprehensive income	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Gross written premium	6 860	4 608	-	-	11 468
Changes in unearned premiums reserve	- 72	- 11	-	-	- 83
<b>Earned premiums, gross</b>	<b>6 788</b>	<b>4 597</b>	-	-	<b>11 385</b>
Ceded reinsurance premiums	- 92	- 3 050	-	-	- 3 142
<b>Earned premiums, net</b>	<b>6 696</b>	<b>1 547</b>	-	-	<b>8 243</b>
Premium and commission income from investment contracts	118	-	-	-	118
Investment income	1 272	80	-	-	1 352
Share of the profit of associates and joint ventures accounted for using the equity method	254	-	-	- 61	193
Other operating income	510	28	13	- 56	495
Commission and profit sharing from reinsurance	2	1 347	-	-	1 349
<b>Other income</b>	<b>2 156</b>	<b>1 455</b>	<b>13</b>	<b>- 117</b>	<b>3 507</b>
<b>Total income</b>	<b>8 852</b>	<b>3 002</b>	<b>13</b>	<b>- 117</b>	<b>11 750</b>
Claim payments and benefits, and claim settlement costs	- 7 401	- 1 672	-	8	- 9 065
Recoveries from reinsurance	22	1 477	-	3	1 502
Net change in the value of life technical reserves and unit-linked life insurance reserves	1 589	117	-	-	1 706
Investment expenditure	- 53	- 21	-	-	- 74
Change in the fair value of liabilities relating to investment contracts	6	-	-	-	6
Change in the fair value of assets and liabilities relating to embedded derivatives	-	-	-	-	-
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>- 5 837</b>	<b>- 99</b>	<b>-</b>	<b>11</b>	<b>- 5 925</b>
Fees, commissions and other acquisition costs	- 1 302	- 1 735	-	-	- 3 037
Other operating costs	- 758	- 402	- 13	3	- 1 170
Other expenses	- 59	- 300	-	43	- 316
<b>Operating costs</b>	<b>- 2 119</b>	<b>- 2 437</b>	<b>- 13</b>	<b>46</b>	<b>- 4 523</b>
<b>Result of assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/loss before taxation</b>	<b>896</b>	<b>466</b>	<b>-</b>	<b>- 60</b>	<b>1 302</b>
Tax income / (expenses)	- 91	- 56	-	-	- 147
Deferred tax income / (expenses)	-	-	-	-	-
<b>Profit/loss after taxation</b>	<b>805</b>	<b>410</b>	<b>-</b>	<b>- 60</b>	<b>1 155</b>
Other comprehensive income	- 274	- 239	-	-	- 513
<b>Comprehensive income</b>	<b>531</b>	<b>171</b>	<b>-</b>	<b>- 60</b>	<b>642</b>

**Segment information Q1 –Q2 2017 (data in million HUF)**

ASSETS	Life insurance segment	Non-life insurance segment	Pannónia Life insurance segment	Pannónia Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
Intangible assets	729	67	17	24	-	245	-	1 082
Property, plant and equipment	40	4	-	63	-	-	-	107
Deferred tax assets	-	-	-	-	-	340	-	340
Deferred acquisition costs	401	1 364	95	170	-	- 95	-	1 935
Reinsurer's share of technical reserves	190	2 725	-	3 880	-	- 2 247	-	4 548
Subsidiaries	2 973	689	-	-	-	104	- 3 766	-
Investments in jointly controlled companies	-	-	-	-	-	-	183	183
Available-for-sale financial assets	3 806	2 679	5 877	2 572	-	43	-	14 977
Investments for policyholders of unit-linked life insurance policies	60 857	-	8 288	-	-	- 3 509	-	65 636
Financial assets - investment contracts	-	-	-	-	-	3 509	-	3 509
Financial assets - embedded derivatives	-	-	-	-	-	373	-	373
Financial assets - forwards	-	-	-	-	-	-	-	-
Receivables from insurance policyholders	1 765	220	26	361	1	- 286	-	2 087
Receivables from intermediaries	44	244	-	-	-	-	-	288
Reinsurance receivables	6	113	-	440	-	- 249	-	310
Other assets and prepayments	98	180	181	29	-	- 272	- 19	197
Other receivables	719	110	30	194	-	-	-	1 053
Receivables from shareholders	-	-	-	-	-	-	-	-
Cash and cash equivalents	1 303	458	111	226	4	-	-	2 102
Financial assets held for sale	-	-	-	-	-	3 881	-	3 881
Intercompany receivables	15	-	-	20	-	-	- 35	-
<b>Total assets</b>	<b>72 946</b>	<b>8 853</b>	<b>14 625</b>	<b>7 979</b>	<b>5</b>	<b>1 837</b>	<b>- 3 637</b>	<b>102 608</b>



LIABILITIES	Life insurance segment	Non-life insurance segment	Pannónia Life insurance segment	Pannónia Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	3 058	4 957	5 166	4 478	-	- 2 221	-	15 438
Technical reserves for policyholders of unit-linked insurance	60 857	-	8 288	-	-	- 3 509	-	65 636
Investment contracts	-	-	-	-	-	3 509	-	3 509
Financial liabilities - embedded derivatives	-	-	-	-	-	2 491	-	2 491
Loans and financial reinsurance	1 099	-	-	-	-	-	-	1 099
Liabilities from insurance	60	978	-	1 581	-	- 838	-	1 781
Liabilities from insurance policyholders	247	248	12	286	-	- 107	-	686
Liabilities from intermediaries	182	91	8	75	-	-	-	356
Intercompany liabilities	-	15	20	-	-	-	- 35	-
Other liabilities and provisions	702	722	320	269	2	- 423	43	1 635
Obligation related to financial assets held for sale	-	-	-	-	-	3 581	-	3 581
<b>Total liabilities</b>	<b>66 205</b>	<b>7 011</b>	<b>13 814</b>	<b>6 689</b>	<b>2</b>	<b>2 483</b>	<b>8</b>	<b>96 212</b>
<b>NET ASSETS</b>	<b>6 741</b>	<b>1 842</b>	<b>811</b>	<b>1 290</b>	<b>3</b>	<b>- 646</b>	<b>- 3 645</b>	<b>6 396</b>
<b>SHAREHOLDERS' EQUITY</b>								
Registered capital	2 607	1 030	1 170	1 181	3	- 77	- 3 383	2 531
Capital reserve	2 011	2 755	3 800	6 372	-	- 867	- 12 927	1 144
Other reserves	-	-	-	-	-	14	-	14
Profit reserve	2 123	- 1 943	- 4 159	- 6 263	-	284	12 665	2 707
<b>Total shareholders' equity</b>	<b>6 741</b>	<b>1 842</b>	<b>811</b>	<b>1 290</b>	<b>3</b>	<b>- 646</b>	<b>- 3 645</b>	<b>6 396</b>

STATEMENT OF COMPREHENSIVE INCOME	Life insurance segment	Non-life insurance segment	Pannónia Life insurance segment	Pannónia Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total						
Gross written premium	6 102	3 369	2 655	2 602	-	-	2 119	7	12 602					
Changes in unearned premiums reserve	33	-	382	-	45	-	219	-	436					
<b>Earned premiums, gross</b>	<b>6 135</b>	<b>2 987</b>	<b>2 610</b>	<b>2 779</b>	<b>-</b>	<b>-</b>	<b>2 338</b>	<b>7</b>	<b>12 166</b>					
Ceded reinsurance premiums	-	111	-	1 637	-	-	3 966	-	2 174	5	-	3 535		
<b>Earned premiums, net</b>	<b>6 024</b>	<b>1 350</b>	<b>2 610</b>	<b>-</b>	<b>1 187</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>-</b>	<b>2</b>	<b>8 631</b>			
Premium and commission income from investment contracts	-	-	-	-	-	-	74	-	-	-	74			
Investment income	726	81	657	104	-	-	222	3 196	-	-	4 542			
Share of the profit of associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	107	-	-	-	107			
Other operating income	504	40	15	24	8	-	12	-	31	-	548			
Commission and profit sharing from reinsurance	-	-	520	-	985	-	-	523	-	-	982			
<b>Other income</b>	<b>1 230</b>	<b>641</b>	<b>672</b>	<b>1 113</b>	<b>8</b>	<b>-</b>	<b>576</b>	<b>3 165</b>	<b>-</b>	<b>-</b>	<b>6 253</b>			
<b>Total income</b>	<b>7 254</b>	<b>1 991</b>	<b>3 282</b>	<b>-</b>	<b>74</b>	<b>8</b>	<b>-</b>	<b>740</b>	<b>3 163</b>	<b>-</b>	<b>14 884</b>			
Claim payments and benefits, and claim settlement costs	-	4 529	-	919	-	1 883	-	1 626	-	1 643	8	-	7 306	
Recoveries from reinsurance	31	719	-	-	1 334	-	-	704	-	-	-	-	1 380	
Net change in the value of life technical reserves and unit-linked life insurance reserves	-	391	-	21	-	699	-	1 266	-	-	636	-	-	481
Investment expenditure	-	87	-	24	-	366	-	48	-	-	134	5	-	654
Change in the fair value of liabilities relating to investment contracts	-	-	-	-	-	-	-	58	-	-	58	-	-	58
Change in the fair value of assets and liabilities relating to embedded derivatives	-	-	-	-	-	-	-	142	-	-	142	-	-	142
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>-</b>	<b>4 976</b>	<b>-</b>	<b>245</b>	<b>-</b>	<b>2 948</b>	<b>-</b>	<b>926</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>13</b>	<b>-</b>	<b>7 261</b>
Fees, commissions and other acquisition costs	-	996	-	1 227	-	208	-	576	-	245	1	-	-	2 761
Other operating costs	-	549	-	179	-	234	-	388	-	9	175	22	-	1 512
Other expenses	-	34	-	135	-	90	-	189	-	-	73	-	-	375
<b>Operating costs</b>	<b>-</b>	<b>1 579</b>	<b>-</b>	<b>1 541</b>	<b>-</b>	<b>532</b>	<b>-</b>	<b>1 153</b>	<b>-</b>	<b>9</b>	<b>143</b>	<b>23</b>	<b>-</b>	<b>4 648</b>
<b>Result of assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>399</b>
<b>Profit/loss before taxation</b>	<b>699</b>	<b>205</b>	<b>-</b>	<b>198</b>	<b>-</b>	<b>301</b>	<b>-</b>	<b>1 027</b>	<b>3 199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 576</b>
Tax income / (expenses)	-	41	-	39	-	12	-	-	-	-	-	-	-	92
Deferred tax income / (expenses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit/loss after taxation</b>	<b>658</b>	<b>166</b>	<b>-</b>	<b>210</b>	<b>-</b>	<b>301</b>	<b>-</b>	<b>1 027</b>	<b>3 199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 484</b>
Other comprehensive income	-	-	-	-	-	-	-	59	-	-	-	-	-	59
<b>Comprehensive income</b>	<b>658</b>	<b>166</b>	<b>-</b>	<b>210</b>	<b>-</b>	<b>301</b>	<b>1</b>	<b>-</b>	<b>1 086</b>	<b>3 199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 425</b>

## 7. Number of employees, ownership structure

The number of employees at the members of the Group was 123 on 30 June 2018.

### Composition of the Issuer's share capital (30 June 2018)

Series of shares	Nominal value (HUF/each)	Issued number of shares	Total nominal value (HUF)
Series „A”	40	94 428 260	3 777 130 400
of this treasury share	40	1 104 006	44 160 240
<b>Amount of share capital</b>	-	-	<b>3 777 130 400</b>

### Number of voting rights connected to the shares (30 June 2018)

Series of shares	Number of shares issued	Number of voting shares	Voting rights per share	Total voting rights	Number of treasury shares
Series „A”	94 428 260	93 324 254	1	93 324 254	1 104 006

### The Issuer's ownership structure (30 June 2018)

Owners	Number of shares	Ownership stake	Voting rights
Domestic private individual	41 017 688	43,4%	43,4%
Domestic institution	49 776 272	52,7%	52,7%
Foreign private individual	352 929	0,4%	0,4%
Foreign institution	1 029 356	1,1%	1,1%
Nominee, domestic private individual	1 158 838	1,2%	1,2%
Nominee, foreign private individual	810 050	0,9%	0,9%
Nominee, foreign institution	266 515	0,3%	0,3%
Unidentified item	16 612	0,0%	0,0%
<b>Total</b>	<b>94 428 260</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 CIGPANNONIA shares does not provide data regarding the shareholders, the owners of the unidentified shares are recorded as "unidentified item" in the shareholders' register.



**The Issuer's investments on 30 June 2018:**

Name	Registered seat	The Issuer's share
CIG Pannónia First Hungarian General Insurance Company Ltd.	1033 Budapest, Flórián tér 1.	100,0%
Pannónia PI-ETA Funeral Service Limited Liability Company	1033 Budapest, Flórián tér 1.	100,0%
MKB-Pannónia Fund Manager Ltd.	1072 Budapest, Nyár utca 12.	16,0%
KONZUM Investment and Asset Management Plc.	1062 Budapest, Andrássy út 59.	4,7%

## 8. Information published in the period

Date	Subject, short summary
April 3, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc
April 16, 2018	Extraordinary announcement on the Annual General Meeting of CIG Pannónia Life Insurance Plc. convened for 10 a.m. on 16th April 2018
April 24, 2018	The person in charge of Investor Relations at CIG Pannónia Life Insurance Plc. has changed
April 25, 2018	Extraordinary announcement
April 27, 2018	Extraordinary announcement
April 27, 2018	Corporate governance report on business year 2017
April 27, 2018	Annual report
April 27, 2018	Resolutions of the repeated Annual General Meeting of CIG Pannónia Life Insurance Plc. held on 27 April 2018
May 2, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
May 14, 2018	Announcement of CIG Pannonia Life Insurance Plc. regarding dividend payment for business year 2017
May 14, 2018	Extraordinary Announcement on the increase of the share capital of the Insurance Company
May 22, 2018	Announcement of CIG Pannonia Life Insurance Plc. regarding actual amount of dividend per share
May 23, 2018	Quarterly report, Q1 2018
June 1, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
June 21, 2018	Extraordinary announcement on the elected members of the Board of Directors of CIG Pannonia Life Insurance Plc.
June 21, 2018	Extraordinary announcement on the termination of retail land vehicles comprehensive coverage (casco) segment at CIG Pannonia
June 27, 2018	Extraordinary announcement on the transaction of person discharging managerial responsibilities
July 2, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
July 3, 2018	Extraordinary announcement on the transaction of shares
July 4, 2018	Extraordinary announcement on the transaction of shares
July 5, 2018	Extraordinary announcement on the transaction of shares
July 6, 2018	The amendment to the Articles of Association of CIG Pannonia Life Insurance Plc. was registered by the Court of Registration
July 6, 2018	Extraordinary announcement on the transaction of shares
July 9, 2018	Extraordinary announcement on the transaction of shares
July 10, 2018	Extraordinary announcement on the transaction of shares
July 11, 2018	Extraordinary announcement on the transaction of shares
July 12, 2018	Extraordinary announcement on the transaction of shares
August 1, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.

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



## 9. Disclaimer

The Issuer declares that the report for the second quarter of 2018 was not reviewed by an auditor, the report for the second quarter of 2018 presents a true and fair view of the assets, liabilities and financial position, as well as the profit and loss of the Issuer and the enterprises consolidated in the financial statements. The consolidated management report provides a reliable presentation of the position, development and performance of the Issuer and the companies consolidated in its accounts.

22 August 2018, Budapest

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Gabriella Kádár dr.

Chief Executive Officer

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Miklós Barta

Deputy CEO, Chief Financial Officer

### Investor relations

Dr. Rebeka Krisztina Dudás, investor relations

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