



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

Q1 2018

23 May 2018

1. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the first quarter of 2018 on this day. The Issuer publishes in this quarterly report for the first quarter of 2018, as required by the legislation, its consolidated, unaudited data in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU (hereinafter: EU IFRS). 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 separate financial reports, too and MABISZ collection 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 Q1 2018:

- The profit after tax of the CIG Pannónia Group¹ (hereinafter: Group) is HUF 615 million.
- Distracting the effect of the acquisition accounting in 2017 (HUF 3,183 million) and the result of the assets held for sale (HUF -463 million) from the Q1 2017 result, the increase of the profit after tax might be HUF 820 million. The total comprehensive income of the Group is HUF 530 million, the earning per share is HUF 8.8.
- The gross written premium is HUF 5,590 million which is 93% of the same period of the previous year's gross written premium, which means that despite of the portfolio transfer, restructuring and the acquisition it almost reached the volume of the comparative period. The non-life segment shows a 5% growth in gross written premium according to IFRS, which is outstanding as the Q1 2017 amount still contained the compulsory motor vehicle liability insurance and condominium and home insurance portfolio of Pannónia General Insurance cPlc, that were sold in the middle of

¹ Group or CIG Pannónia Group is referred as the Issuer and its consolidated companies.

2017 at the time of the merger by acquisition.

The gross written premium of the life segment according to IFRS is 85% of the comparative period's gross written premium. The decrease is 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 contracts should be classified as investment contract.

- The Issuer's shareholders' equity was HUF 9,015 million at the end of 2017, increased to HUF 9,545 million, which is 6% growth in 2018. The change in the shareholders' equity was the total comprehensive income of the current year (HUF 530 million)
- In the life segment the new acquisition is HUF 765 million that is 12% higher than in the same period of 2017. The portfolio development in the non-life segment is HUF +106 million compared to the HUF 241 million decline in Q1 2017.
- CIG Pannónia Life Insurance Plc. concluded a strategic cooperation agreement with KONZUM Plc. According to the decision of the General Meeting of the Company held on 30 January 2018, the Company increases its share capital in-private. The Company aims to strengthen its capital position and to reach new sales channels in order to increase its business acquiring capacity through developing a strategic partnership with KONZUM Plc. This could be a significant new source of finance and guarantee for the stability of the Company and for the possible acquisition plans and or the long-term development.
- The available solvency capital of the Company is 264 percent at 31 March 2018, and 181 percent of the EMABIT, so each companies fulfil the 150 percent Solvency Capital requirement expected by the Supervisory Authority.

Events after the balance sheet date:

- 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 consolidated business report for the financial year 2017, prepared according to EU IFRS.
- The Board of Directors of the Company proposed for approval to the General Meeting to pay gross HUF 10 per ordinary share dividend after business year 2017, and the General Meeting approved this. The Company pays dividend according to the rules of dividend payment set by the Board of Directors published on 14th May.
- The General Meeting appointed Ernst & Young Audit LLC (chamber registration number: 001165) and personally responsible auditor Gabriella Virágh (chamber registration number: 004245) as the statutory auditor of the Company until the closure of the financial year 2019.
- The General Meeting held on 27 April 2018 appointed Dr. Mária Király and Gergely Domonkos Horváth as a member of the Board of Directors of the Company for a five-year period with the effect from the date of the authorization of the National Bank of Hungary.
- The Company has acquired 6,56% of the shares in KONZUM Investment and Asset Management Plc. on 27 April 2018 pursuant to the resolution of the General Meeting held on 30 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 make 6,56% of all the 20 860 000 pieces of the KONZUM shares introduced to the stock market.
- The National 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 Pannónia Life Insurance Public Limited Company based on direct ownership exceeding the 20% limit and over CIG Pannónia First Hungarian General Insurance Public Limited Hungary based on indirect ownership exceeding the 20% limit. According to the above decision the National 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. has subscribed 23 466 020, 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. has acquired the 24,85 % direct ownership over the Insurance Company. The new shares were created at BÉT, the shares will be placed on the market later.

- EMABIT continues its dynamic cross-border expansion, it entered the Baltic market with a suretyship insurance product after obtaining the required authorizations, so it is on the Lithuanian market with a new product and entered the market of Latvia as a new country.

Budapest, 23 May 2018.

CIG Pannónia Life Insurance Plc.

2. Financial Statements

Consolidated Statement of Comprehensive Income- cumulated data				Data in million HUF
	2018Q1 (A)	2017 Q1- Q4 (B)	2017Q1 (C)	Change (A)-(C)
Gross written premium	5 590	26 933	6 025	-435
Changes in unearned premiums reserve	-174	-960	-145	-29
Earned premiums, gross	5 416	25 973	5 880	-464
Ceded reinsurance premiums	-1 604	-6 752	-1 947	343
Earned premiums, net	3 812	19 221	3 933	-121
Premium and commission income from investment contracts	59	208	33	26
Commission and profit sharing due from reinsurers	624	2 278	471	153
Investment income	192	8 647	5 681	-5 489
Yield on investment accounted for using equity method(profit)	90	303	54	36
Other operating income	499	1 159	281	218
Other income	1 464	12 595	6 520	-5 056
Total income	5 276	31 816	10 453	-5 177
Claim payments and benefits, claim settlement costs	-4 752	-15 816	-3 572	-1 180
Recoveries, reinsurer's share	861	3 025	705	156
Net changes in value of the life technical reserves and unit-linked life insurance reserves	2 501	-4 491	-1 796	4 297
Investment expenses	-1 137	-1 066	-342	-795
Change in the fair value of liabilities relating to investment contracts	63	-217	-54	117
Changes in fair value of assets and liabilities relating to embedded derivatives	0	-269	-149	149
Investment expenses, changes in reserves and benefits, net	-2 464	-18 834	-5 208	2 744
Fees, commissions and other acquisition costs	-1 494	-5 824	-1 296	-198
Other operating costs	-507	-2 965	-799	292
Other expenses	-127	-1 036	-129	2
Operating costs	-2 128	-9 825	-2 224	96
Result of assets held for sale	0	-475	-463	463
Profit/Loss before taxation	684	2 682	2 558	-1 874
Tax income/expenses	-69	-258	-43	-26
Deferred tax income/expenses	0	174	0	0
Profit/Loss after taxation	615	2 598	2 515	-1 900
Comprehensive income, wouldn't be reclassified to profit or loss in the future	0	0	0	0
Comprehensive income, would be reclassified to profit or loss in the future	-85	261	-128	43
Other comprehensive income	-85	261	-128	43
Total comprehensive income	530	2 859	2 387	-1 857

Consolidated Statement of Comprehensive Income –cumulated data

Data in million HUF

	2018Q1 (A)	2017 Q1- Q4 (B)	2017Q1 (A)	Change (A)-(B)
Profit/loss after taxation attributable to the Company's shareholders	615	2 610	2 523	-1 908
Profit/loss after taxation attributable to NCI	0	-12	-8	8
Profit/Loss after taxation	615	2 598	2 515	-1 900
Total comprehensive income attributable to the Company's shareholders				
Total comprehensive income attributable to the Company's shareholders	530	2 871	2 396	-1 866
Total comprehensive income to NCI	0	-12	-9	9
Total comprehensive income	530	2 859	2 387	-1 857
Earnings per share				
Basic earnings per share (HUF)	8,8	40,8	40,6	-31,8
Diluted earnings per share (HUF)	6,6	40,8	36,8	-30,2
Earnings per share of NCI's				
Basic earnings per share (HUF)	0,0	-1,9	-0,1	0,1
Diluted earnings per share (HUF)	0,0	-1,9	-0,1	0,1

Consolidated Statement of Financial Position

Data in million HUF

ASSETS	31 March 2018 (A)	31 December 2017 (B)	31 March 2017 (C)	Change (A)-(C)
Intangible Assets	881	896	1 246	-365
Property, plant and equipment	98	76	116	-18
Deferred tax asset	514	514	340	174
Deferred acquisition costs	2 260	2 296	1 688	572
Reinsurer's share of technical reserves	4 829	4 647	4 283	546
Investments accounted for using the equity method	442	352	352	90
Available-for-sale financial assets	17 731	16 518	14 086	3 645
Investments for policyholders of unit-linked life insurance policies	67 181	68 759	67 358	-177
Financial assets – investment contracts	3 458	3 961	3 379	79
Financial assets – embedded derivatives	0	0	365	-365
Financial assets – forwards	9	0	9	0
Receivables from insurance policy holders	2 260	2 388	1 962	298
Receivables from insurance intermediaries	394	598	287	107
Receivables from reinsurance	625	191	237	388
Other assets and prepayments	255	224	168	87
Other receivables	795	326	1 059	-264
Cash and cash equivalents	2 116	3 883	3 916	-1 800
Assets held for sale	0	0	4 274	-4 274
Total Assets	103 848	105 629	105 125	-1 277
LIABILITIES				
Technical reserves	17 281	17 170	14 614	2 667
Technical reserves for policyholders of unit-linked life insurance policies	67 181	68 759	67 358	-177
Investment contracts	3 458	3 961	3 379	79
Financial liabilities - forwards	0	4	0	0
Liabilities from the issue of interest-bearing shares	0	0	2 526	-2 526
Loans and financial reinsurance	1 224	1 186	1 179	45
Liabilities from reinsurance	1 908	1 601	2 854	-946
Liabilities to insurance policy holders	929	785	936	-7
Liabilities to insurance intermediaries	432	579	319	113
Other liabilities and provisions	1 890	2 569	1 587	303
Liabilities related to assets held for sale	0	0	3 974	-3 974
Total Liabilities	94 303	96 614	98 726	-4 423
NET ASSETS	9 545	9 015	6 399	3 146
SHAREHOLDERS' EQUITY				
Share capital	2 838	2 852	2 531	307
Capital reserve	2 243	2 479	1 144	1 099
Treasury shares	0	-250	0	0
Other reserves	249	334	-54	303
Retained earnings	4 215	3 600	2 746	1 469
Equity attributable to the Company's Shareholders	9 545	9 015	6 367	3 178
Non-controlling interest	0	0	32	-32
Total Shareholder's Equity	9 545	9 015	6 399	3 146

Consolidated Changes in Equity Q1 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
Balance on 31 December 2017.	2 852	2 479	-250	334	3 600	9 015	0	9 015
Total comprehensive income								
Other comprehensive income	0	0	0	-85	0	-85	0	-85
Profit in reporting year	0	0	0	0	615	615	0	615
Transactions with equity holders recognised directly in Equity								
Treasury share withdrawal	-14	-236	250	0	0	0	0	0
Balance on 31. March 2018.	2 838	2 243	0	249	4 215	9 545	0	9 545

Consolidated Changes in Equity Q1 2017

Data in million HUF

	Share capital	Capital reserve	Treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2016.	2 531	1 144	0	73	223	3 971	0	3 971
Total comprehensive income								
Other comprehensive income	0	0	0	-127	0	-127	-1	-128
Profit in reporting year	0	0	0	0	2 523	2 523	-8	2 515
Non-controlling interests (acquisition)	0	0		0	0	0	41	41
						0		
Balance on 31 March 2017.	2 531	1 144	0	-54	2 746	6 367	32	6 399

Consolidated Statement of Cash Flows

Data in million HUF

	2018 Q1	2017 Q1 - Q4	2017 Q1
Profit/loss after taxation	615	2 598	2 515
Modifying items			
Depreciation and amortization	81	930	309
Extraordinary depreciation	0	47	0
Booked impairment and reversal of booked impairment, waiver of claim	0	20	-21
Result of assets sales	143	-73	62
Share based payments	47	149	-3
Exchange rate changes	5	6	-4
Share of the profit or loss of associates	-90	-303	-54
Changes of assets and liabilities relating to embedded derivatives, net	0	269	149
Deferred tax	0	-174	0
Income taxes	69	258	43
Interest received	-23	-291	-46
Result of derivatives	-13	4	-9
Provisions	0	346	0
Results of minority interests	0	-12	0
Results of assets held for sale	0	660	283
Gain from a bargain purchase and revaluation of contingent purchase price	0	-3 197	-3 184
Interest cost	12	254	77
Change of active capital items:			
Increase / decrease of deferred acquisition costs (-/+)	36	-535	5
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	1 578	-3 457	-2 056
Increase / decrease of financial assets – investment contracts (-/+)	503	-717	-135
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	-515	2 541	1 980
Increase / decrease of reinsurer's share from technical reserves (-/+)	-182	-914	-2 771
Increase /decrease of other assets and active accrued and deferred items (-/+)	-32	-64	-7
Increase / decrease of technical reserves (+/-)	111	361	654
Increase / decrease of liabilities from insurance (-/+)	305	1 271	3 539
Increase / decrease of investment contracts (+/-)	-503	717	135
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	-1 578	3 457	2 056
Increase / decrease of other liabilities (+/-)	-727	-169	-372
Paid income taxes	-125	-328	-104
Net cash flow from operating activities	-282	3 654	3 041

Consolidated Statement of Cash Flows- continuation

Data in million HUF

Cash flow from investing activities	2018 Q1	2017 Q1 - Q4	2017 Q1
Purchase of debt instruments (-)	-2 082	-10 682	-2 121
Sales of debt instruments (+)	638	9 715	2 042
Purchase of tangible and intangible assets (-)	-88	-352	-71
Sales of tangible and intangible assets (-)	0	11	8
MKB acquisition (net of cash)	0	-541	-541
Cash flow from ceased activity	0	300	0
Decrease of shares	0	27	0
Interest received	23	291	46
Dividend received	0	222	0
Cash flow from investing activities	-1 509	-1 009	-637
Cash flow from financing activities			
Securing loans	273	735	201
Income from the capital increase related to interest bearing shares	0	245	0
Treasury share purchase	0	-250	0
Repayment of loans and their interests	-257	-865	-294
Interest payment on interest-bearing shares	0	-229	0
Cash flow from financing activities	16	-364	-93
Impacts of exchange rate changes	8	-4	-1
Net increase / decrease of cash and cash equivalents (+/-)	-1 767	2 277	2 310
Cash and cash equivalents at the beginning of the period	3 883	1 606	1 606
Cash and cash equivalents at the end of the period	2 116	3 883	3 916

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 Group's accounting policy, 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 Q1 2018, on the basis of the financial reporting standards (IAS 34) adopted by the EU

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

In Q1 2018, the Group's gross written premium was HUF 5,590 million, which is 93 percent of the revenues generated in the same period of the previous year. Of this HUF 2,453 million are the gross written premium of unit-linked life insurance (of this HUF 807 million of pension insurance policies), HUF 620 million are traditional life products (of this HUF 209 million from pension insurance policies), HUF 81 million are health insurance policies, and HUF 2,436 million are gross written premium of non-life insurances.

The non-life insurance segment generated a gross written premium of HUF 2,436 million in 2018 according to IFRSs increased by 5% compared to the previous year (HUF 2,317 million). In the life segment the gross written premium from the first annual premiums of policies sold was HUF 533 million, which is a 8% increase compared to the same period of the previous year (HUF 492 million). The gross written premium income from renewals was HUF 2,314 million in Q1 2018 in contrast to HUF 2,462 million in the same period of the previous year, so the renewal premiums decreased by 6%. Top-up and single premiums (HUF 307 million) were 41% 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 3,154 million, the rate of top-up and single premiums is 10 percent. In 2018 due to the uniform application of the Group's accounting policy, a more significant part of the top-up and single premiums accounted as investment contracts as before, and so cannot be recognized as written premium according to EU IFRSs. The net coverage of these contracts recognized among the Premium and commission income from investment contracts.

The change in unearned premium reserve in 2018 was HUF 174 million, while the amount of ceded reinsurance premiums was HUF 1,604 million. The ceded premium to reinsurer declined by 18% 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. still increased the reinsurance premiums in the first half year of 2017.

Unit-linked policies sold by the Group that do not qualify as insurance policies under EU IFRS are classified as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 59 million during the reporting period.

HUF 624 million was recognised as reinsurers' commissions and profit sharing in the first quarter of 2018 that is 32% higher than in the previous year, mainly due to the favourable changes in claims of the non-life segment.

The other operating income (HUF 524 million) mainly includes the Issuer's income from fund management (HUF 205 million), which decreased by 6% compared to Q1 2017. Also a significant other income item (HUF 238 million) was in the life segment the amount withdrawn from UL investments after the balance sheet date as the maturity of single premium unit-linked life insurances, however it is compensated in the claim expenditures.

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 4,752 million), this expenditure is decreased by the recoveries from reinsurers (HUF 861 million). The net claim expenditure increased by 36% as compared to Q1 2017, mainly due to the increase in the surrenders of the unit-linked insurances.

The amount of net change in reserves is HUF +2,501 million, which is made up of the following changes in reserves. The unit-linked life insurance reserve decreased by HUF 2,585 million. The actuarial reserves increased by HUF +288 million, the technical reserves for the bonus payment of the life insurance clients increased by HUF +43 million, the result-dependent premium refund reserves increased by HUF +29 million and the other technical reserve by HUF +2 million. There was HUF 48 million decrease in the result independent premium refund reserves, the outstanding net claim reserves decreased by HUF 72 million, while the cancellation reserves decreased by HUF 158 million concurrently with the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 2,128 million in Q1 2018, of which HUF 1,494 million is related to the fees, commissions and other acquisition costs, and HUF 507 million is

related to other operating costs and HUF 127 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 12% as compared to the same period of the previous year while in the non-life segment the earned premiums and parallel the acquisition costs significantly declined as a result of the portfolio sale. The other operating costs decreased significantly by HUF 292 million (32%) compared to the same period of the previous year (HUF 507 million in Q1 2018). This decrease is mainly related to the other operating costs incurred at the former Pannónia Insurance Companies, those will not emerge in the future as the successful operational and IT migration finished. The volume of the other expenses is the same as in the same period of the previous year. In total the higher acquisition costs are compensated by the lower other operating costs in Q1 2018.

The investment result is HUF 945 million loss, which is due to the aggregated effect of the following issues.

The unit-linked yield was HUF 1,094 million loss in the first quarter of 2018. During the first quarter there was a significant correction on the stock markets, while on the exchange market the dollar weakened further that had a further negative influence on the achievement of our funds. Investors could reach the best return on the global bond markets in this quarter, while the global stock markets produced negative results. According to this a significant divestiture was from the stock market funds while the most popular products were the protected and actively managed portfolios.

The investment result was negatively influenced by the interest costs of financial reinsurance, which amounted to HUF -12 million. The Issuer had HUF 161 million yield profit on its own investments in the quarter.

The exceptionally large amount of investment income in the comparative period can be explained by the HUF 3,183 million from the gain on a bargain purchase on the 2017 acquisition and the revaluation of the contingent consideration. Besides the yield for policyholders of unit-linked life insurance policies was a HUF 2,107 million profit in the first quarter of 2017 contrary to the loss in Q1 2018.

The Issuer realized in Q1 2018 a HUF 90 million profit (67% 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” line.

As a result of all of the above, the profit before tax amounted to HUF 684 million profit, which is HUF 1,874 lower than in Q1 2017 (HUF 2,558 million profit) . Distracting the effect of the acquisition accounting in 2017 (HUF 3,183 million) and the result of the assets available for sale (HUF -463 million) from the Q1 2017 result, the increase of the profit before tax would be HUF 820 million.

The profit after tax is HUF 615 million, that is HUF 1,900 million lower than the profit after tax of Q1 2017 due to these one-off effects. The other comprehensive income contains the decrease in the fair value of available-for-sale financial assets amounting to HUF -85 million and, thus, the total comprehensive income represents a profit of HUF 530 million in the first quarter of 2018.

The Issuer’s balance sheet total was HUF 103,848 million; its financial position is stable; the company has met its liabilities in full. On 31 March 2018 the shareholders’ equity was HUF 9,545 million.

5. Executive summary

In Q1 2018 the annualized premium of the new sales of insurance policies in life segment sold by the Group is HUF 765 million that is 12 percent higher than in the same period of the previous year. Of this HUF 606 million is from unit-linked life insurance, HUF 159 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 682 million, of which HUF 515 million related to unit-linked life insurance, HUF 167 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 Insurance Company is the independent broker channel and bank channel. In case of the non-life segment the net portfolio development was HUF 106 million, while in Q1 2017 there was a HUF 241 million decrease, as the comparative period contained the decreasing compulsory motor vehicle insurance portfolio – that had been already sold - of Pannónia General Insurance cPlc.

New sales and portfolio development²

Annualized premium of new sales - Life segment (million HUF)	2018.03.31 (A)	2017.12.31 (B)	2017.03.31 (C)	Change (A - C)	Change % (A - C) / C
Unit-linked life insurances	606	2 892	515	91	18%
Traditional and group life insurances	159	455	167	-8	-5%
Total annualized premium of new sales - Life	765	3 347	682	83	12%
Net portfolio development Non-life segment (million HUF)	2018.03.31 (A)	2017.12.31 (B)	2017.03.31 (C)	Change (A - C)	Change % (A - C) / C
Net portfolio development of general insurances	106	3 729	-241	347	-144%

As for life insurance policies sold in the first quarter of 2018 the share of the tied agent network is 28 percent, while the independent brokerage network was 47 percent and the bank channel was 25 percent. The whole amount of the general insurances sale are related to independent broker and bank channels. The net portfolio development of general insurances contains only the regular premium insurance policies.

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

² The Group presents hereinafter the net portfolio development of the non-life segment instead of the new sales data, because it gives better understanding of the portfolio.

6. Operating segments

Segment Information Q1 2018

ASSETS	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Intangible assets	777	104	0	0	881
Property, plant and equipment	73	25	0	0	98
Deferred tax assets	355	159	0	0	514
Deferred acquisition costs	650	1 610	0	0	2 260
Reinsurer's share of technical reserves	125	4 704	0	0	4 829
Subsidiaries	3 841	0	0	-3 841	0
Investments by equity method	0	0	0	442	442
Available-for-sale financial assets	13 277	4 454	0	0	17 731
Investments for policyholders of unit-linked life insurance policies	67 181	0	0	0	67 181
Financial assets - investment contracts	3 458	0	0	0	3 458
Financial assets - embedded derivatives	0	0	0	0	0
Financial assets - forwards	9	0	0	0	9
Receivables from insurance policyholders	1 842	418	0	0	2 260
Receivables from intermediaries	46	348	0	0	394
Reinsurance receivables	6	619	0	0	625
Other assets and prepayments	36	228	0	-9	255
Other receivables	646	145	1	3	795
Receivables from shareholders	0	0	0	0	0
Cash and cash equivalents	656	1 454	6	0	2 116
Intercompany receivables	18	1	0	-19	0
Total assets	92 996	14 269	7	-3 424	103 848

Segment Information Q1 2018 (continuation)

LIABILITIES	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	9 790	7 491	0	0	17 281
Technical reserves for policyholders of unit-linked insurance	67 181	0	0	0	67 181
Investment contracts	3 458	0	0	0	3 458
Liabilities from the issue of interest-bearing shares	0	0	0	0	0
Loans and financial reinsurance	1 224	0	0	0	1 224
Liabilities from insurance	58	1 850	0	0	1 908
Liabilities from insurance policyholders	562	367	0	0	929
Liabilities from intermediaries	209	223	0	0	432
Intercompany liabilities	1	18	0	-19	0
Other liabilities and provisions	748	1 126	1	15	1 890
Total liabilities	83 231	11 075	1	-4	94 303
NET ASSETS	9 765	3 194	6	-3 420	9 545
SHAREHOLDERS' EQUITY					
Registered capital	2 838	1 030	3	-1 033	2 838
Capital reserve	5 109	1 369	0	-4 235	2 243
Treasury shares	0	0	0	0	0
Other reserves	161	88	0	0	249
Profit reserve	1 657	707	3	1 848	4 215
Total shareholders' equity	9 765	3 194	6	-3 420	9 545

Segment Information Q1 2018 (continuation)

COMPREHENSIVE INCOME STATEMENT	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (consolidation)	Total
Gross written premium	3 154	2 436	0	0	5 590
Changes in unearned premiums reserve	-62	-112	0	0	-174
Earned premiums, gross	3 092	2 324	0	0	5 416
Ceded reinsurance premiums	-38	-1 566	0	0	-1 604
Earned premiums, net	3 054	758	0	0	3 812
Premium and commission income from investment contracts	59	0	0	0	59
Investment income	157	35	0	0	192
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	90	90
Other operating income	492	25	7	-25	499
Commission and profit sharing from reinsurance	2	622	0	0	624
Other income	710	682	7	65	1 464
Total income	3 764	1 440	7	65	5 276
Claim payments and benefits, and claim settlement costs	-3 796	-964	0	8	-4 752
Damage refunds from reinsurance	9	855	0	-3	861
Net change in the value of life technical reserves and unit-linked life insurance reserves	2 434	67	0	0	2 501
Investment expenditure	-1 133	-4	0	0	-1 137
Share of the loss of associates and joint ventures accounted for using the equity method	0	0	0	0	0
Change in the fair value of liabilities relating to investment contracts	63	0	0	0	63
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	0	0
Investment expenses, changes in reserves and benefits, net	-2 423	-46	0	5	-2 464
Fees, commissions and other acquisition costs	-646	-848	0	0	-1 494
Other operating costs	-337	-167	-5	2	-507
Other expenses	-21	-124	0	18	-127
Operating costs	-1 004	-1 139	-5	20	-2 128
Result of assets held for sale	0	0	0	0	0
Profit/loss before taxation	337	255	2	90	684
Tax income / (expenses)	-46	-23	0	0	-69
Deferred tax income / (expenses)	0	0	0	0	0
Profit/loss after taxation	291	232	2	90	615
Other comprehensive income	-30	-54	0	-1	-85
Comprehensive income	261	178	2	89	530

Comparative data to the segment information of Q1 2018 (Q1 2017)

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	754	74	24	27	0	367	0	1 246
Property, plant and equipment	43	4	0	69	0	0	0	116
Deferred tax assets	0	0	0	0	0	340	0	340
Deferred acquisition costs	348	1 186	98	132	0	-76	0	1 688
Reinsurer's share of technical reserves	195	2 497	0	3 812	0	-2 221	0	4 283
Subsidiaries	3 506	280	0	0	0	274	-4 060	0
Investments in jointly controlled companies	0	0	0	0	0	0	352	352
Available-for-sale financial assets	3 548	2 288	5 548	2 953	0	-251	0	14 086
Investments for policyholders of unit-linked life insurance policies	62 537	0	8 200	0	0	-3 379	0	67 358
Financial assets - investment contracts	0	0	0	0	0	3 379	0	3 379
Financial assets - embedded derivatives	0	0	0	0	0	365	0	365
Financial assets - forwards	0	0	3	6	0	0	0	9
Own shares	250	0	0	0	0	-250	0	0
Receivables from insurance policyholders	1 706	163	59	596	1	-563	0	1 962
Receivables from intermediaries	49	236	0	1	0	0	1	287
Reinsurance receivables	13	115	0	230	0	-121	0	237
Other assets and prepayments	121	180	153	68	1	-337	-18	168
Other receivables	215	60	30	109	0	0	645	1 059
Receivables from shareholders	0	0	0	0	0	0	0	0
Cash and cash equivalents	1 215	740	471	1 486	4	0	0	3 916
Intercompany receivables	0	0	0	0	0	4 274	0	4 274
Financial assets held for sale	17	0	0	34	0	0	-51	0
Total assets	74 517	7 823	14 586	9 523	6	1 801	-3 131	105 125

Comparative data to the segment information of Q1 2018 (Q1 2017) (continuation)

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	2 941	4 583	4 833	4 682	0	-2 425	0	14 614
Technical reserves for policyholders of unit-linked insurance	62 537	0	8 200	0	0	-3 379	0	67 358
Investment contracts	0	0	0	0	0	3 379	0	3 379
Liabilities from the issue of interest-bearing shares	0	0	0	0	0	2 526	0	2 526
Loans and financial reinsurance	1 179	0	0	0	0	0	0	1 179
Liabilities from insurance	67	845	0	2 911	0	-969	0	2 854
Liabilities from insurance policyholders	200	202	378	311	0	-155	0	936
Liabilities from intermediaries	145	97	-3	80	0	0	0	319
Intercompany liabilities	0	17	34	0	0	0	-51	0
Other liabilities and provisions	813	323	141	219	1	-453	543	1 587
Obligation related to financial assets held for sale	0	0	0	0	0	3 974	0	3 974
Total liabilities	67 882	6 067	13 583	8 203	1	2 498	492	98 726
NET ASSETS	6 635	1 756	1 003	1 320	5	-697	-3 623	6 399
SHAREHOLDERS' EQUITY								
Registered capital	2 607	1 030	1 170	1 180	3	-76	-3 383	2 531
Capital reserve	2 011	2 755	3 800	6 372	0	-867	-12 927	1 144
Treasury shares	0	0	0	0	0	0	0	0
Share-based services	0	0	0	0	0	0	0	0
Other reserves	250	0	0	0	0	-305	1	-54
Profit reserve	1 767	-2 029	-3 967	-6 232	2	551	12 654	2 746
NCI	0	0	0	0	0	0	32	32
Total shareholders' equity	6 635	1 756	1 003	1 320	5	-697	-3 623	6 399

Comparative data to the segment information of Q1 2018 (Q1 2017) (continuation)

COMPREHENSIVE INCOME STATEMENT	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	2 765	1 571	1 265	1 567	0	-1 136	-7	6 025
Changes in unearned premiums reserve	34	-128	-11	-42	0	2	0	-145
Earned premiums, gross	2 799	1 442	1 254	1 524	0	-1 132	-7	5 880
Ceded reinsurance premiums	-69	-783	0	-2 593	0	1 491	7	-1 947
Earned premiums, net	2 730	660	1 254	-1 068	0	358	-1	3 933
Premium and commission income from investment contracts	0	0	0	0	0	33	0	33
Investment income	2 082	34	340	41	0	0	3 184	5 681
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	0	0	54	0	54
Other operating income	252	29	7	16	6	-12	-17	281
Commission and profit sharing from reinsurance	0	241	0	509	0	-279	0	471
Other income	2 334	304	347	566	6	-204	3 167	6 520
Total income	5 064	964	1 601	-502	6	154	3 166	10 453
Claim payments and benefits, and claim settlement costs	-2 109	-462	-900	-868	0	751	16	-3 572
Damage refunds from reinsurance	20	363	0	692	0	-359	-11	705
Net change in the value of life technical reserves and unit-linked life insurance reserves	-1 948	-6	-312	997	0	-527	0	-1 796
Investment expenditure	-59	-16	-188	-17	0	-62	0	-342
Share of the loss of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	0	0
Change in the fair value of liabilities relating to investment contracts	0	0	0	0	0	-54	0	-54
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	0	0	-149	0	-149
Investment expenses, changes in reserves and benefits, net	-4 096	-121	-1 400	804	0	-400	5	-5 208
Fees, commissions and other acquisition costs	-454	-582	-85	-321	0	146	0	-1 296
Other operating costs	-271	-88	-125	-182	-5	-130	2	-799
Other expenses	-14	-74	-4	-68	0	21	10	-129
Operating costs	-739	-744	-214	-571	-5	37	12	-2 224
Result of assets held for sale	0	0	0	0	0	-463	0	-463
Profit/loss before taxation	229	99	-13	-269	1	-672	3 183	2 558
Tax income / (expenses)	-19	-18	-6	0	0	0	0	-43
Deferred tax income / (expenses)	0	0	0	0	0	0	0	0
Profit/loss after taxation	210	81	-19	-269	1	-672	3 183	2 515
Other comprehensive income	0	0	0	0	0	-128	0	-128
Comprehensive income	210	81	-19	-269	1	-800	3 183	2 387

7. Number of employees, ownership structure

The number of employees at the members of the Group was 124 on 31 March 2018.

Composition of the Issuer's share capital (31 March 2018)

Series of shares	Nominal value (HUF/each)	Issued number of shares	Total nominal value (HUF)
Series „A”	40	70 962 240	2 838 489 600
of this treasury share	40	1 104 006	44 160 240
Amount of share capital	-	-	2 838 489 600

Number of voting rights connected to the shares (31 March 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”	70 962 240	69 858 234	1	69 858 234	1 104 006

The Issuer's ownership structure (31 March 2018)

Owners	Number of shares	Ownership stake	Voting rights
Domestic private individual	37 706 832	53,14%	53,14%
Domestic institution	25 260 849	35,60%	35,60%
Foreign private individual	344 808	0,49%	0,49%
Foreign institution	969 933	1,37%	1,37%
Nominee, domestic private individual	1 141 350	1,61%	1,61%
Nominee, foreign private individual	574 550	0,81%	0,81%
Nominee, foreign institution	77 872	0,11%	0,11%
Unidentified item	4 886 046	6,89%	6,89%
Total	70 962 240	100%	100%

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

The Issuer's investments on 31 March 2018

Name	Registered seat	The Issuer's share
CIG Pannónia First Hungarian General Insurance Company Ltd.	1033 Budapest, Flórián tér 1.	100%
Pannónia PI-ETA Funeral Service Limited Liability Company	1033 Budapest, Flórián tér 1.	100%
MKB-Pannónia Fund Manager Ltd.	1072 Budapest, Nyár utca 12.	16%

8. Information published in the period

Date	Subject, short summary
January 2, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
January 11, 2018	Extraordinary announcement on the capital reduction of CIG Pannónia Life Insurance Plc.
January 18, 2018	Extraordinary announcement on the extraordinary General Meeting of CIG Pannónia Life Insurance Plc. convened for 10 a.m. on 19th January 2018
January 30, 2018	Strategic cooperation between CIG Pannónia Life Insurance Plc and KONZUM Plc.
January 30, 2018	Resolutions of the repeated Extraordinary General Meeting of CIG Pannónia Life Insurance Plc. held on 30 January 2018
January 31, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc
February 20, 2018	Quarterly report, Q4 2017
March 1, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc
March 12, 2018	The decision of the Board of Directors regarding the dividend after business year 2017
March 14, 2018	Information about the members of the Board of Directors and the Supervisory Board, and about the monetary and in-kind benefits they received
March 14, 2018	Extraordinary General Meeting
March 22, 2018	Announcement of the Board of Directors regarding an agenda item of the Annual General Meeting
March 23, 2018	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc. at the date of convocation of the Annual General Meeting
March 23, 2018	Summary of the proposals relating to issues placed on the agenda items and the draft resolutions for the AGM
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

Date	Subject, short summary
April 25, 2018	Extraordinary announcement: the National Bank of Hungary has authorized the acquisition of qualified influence of KONZUM Investment and Asset Management Plc. over CIG Pannónia Life Insurance Public Limited Company based on direct ownership exceeding the 20% limit
April 27, 2018	Extraordinary announcement: the Company has acquired 6,56% of the shares in KONZUM Investment and Asset Management Plc
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 Pannónia Life Insurance Plc.
May 14, 2018	Announcement of CIG Pannónia 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

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

9. Disclaimer

The Issuer declares that the report for the first quarter of 2018 was not reviewed by an auditor, the report for the first 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.

23 May 2018, Budapest

Gabriella Kádár dr.
Chief Executive Officer

Miklós Barta
Deputy CEO, Chief Financial Officer

Investor relations

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