



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**

Q3 2017

21 November 2017

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the first three quarters of 2017 on this day. The Issuer publishes in this quarterly report for the first three quarters of 2017, as required by the legislation, its consolidated, unaudited data in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The quarterly report has been prepared in accordance with the provisions of IAS 34. Data compiled in accordance with the Hungarian Accounting Act, unaudited and unconsolidated, as well as data are published by the Issuer simultaneously with the present quarterly report, in a quarterly information paper concerning the Issuer and its subsidiary, CIG Pannónia First Hungarian General Insurance Company Ltd. (hereinafter referred to as EMABIT),

Main results and events of Q3 2017:

- The CIG Pannónia Group¹ (hereinafter: Group) gross written premium was HUF 18,590 million in the first three quarters of 2017 which means a 41% increase compared to the previous year, mainly due to the acquisition and the bank channel. The non-life segment shows a 71% growth in gross written premium according to IFRS, while the gross written premium according to IFRS of the life segment increased by 27% compared to the first three quarters of 2016. The Issuer's shareholders' equity was HUF 3,971 million at the end of 2016 which increased to HUF 8,357 million, that is 110% growth in 2017. The shareholders' equity increased significantly due to the conversion of the interest bearing shares (HUF 2,049 million)
- The after-tax result of the Group is a HUF 2,268 million profit in the first three quarters of 2017, the total comprehensive income of the Group is a HUF 2,337 million profit. The growth in the volume due to the acquisition and the additional costs of the migration had a significant effect on the result. The merger of the operating areas is expected to be finished by the end of the year. The earnings per share of the owners' is HUF 36.7 for the first three quarters of the year, that was HUF 7.5 /share in the same period of the previous year. The acquisitions' goodwill and the revaluation of the contingent consideration had a HUF 3,197 million one-off revenue, though the assets held for sale resulted a HUF 499 million loss in the period. The loss of the acquired companies' portfolio may decrease the results of CIG Pannónia Life Insurance Plc. and CIG Pannónia First Hungarian General Insurance Ltd. in 2017.
- In the life-segment the sales activity of the tied agent network was 20% better in the first three quarters of 2017 than in the same period of 2016. The performance of the independent broker network was 35% higher than in the same period of the previous year, while the bank channel performed ten times better thanks to the acquisition. So the total amount of new acquisitions was HUF 2,045 million in the first three quarters of 2017 in the life segment, that is 164% of the amount of the same period in the previous year. The new acquisition in the non-life segment increased by 38% compared to the same period of 2016.
- However in the non-life segment there was also a decline in the portfolio, as EMABIT transferred the portfolio of compulsory motor vehicle liability insurance and condominium and home insurance to Aegon Hungary General Insurance cPlc as at 1 July 2017. Besides EMABIT made a strategic decision on expanding it's activity in retail casco. The decision is justified by the fact that after the merger by acquisition EMABIT retained the retail casco portfolio of Pannónia General Insurance cPlc. This strategic decision shall be revised by the Board of Directors at the end of 2018.
- The review of the products transferred from Pannónia Life Insurance cPlc. is also in progress. The Company will continue only the sale of those products that fit to the market segment of the Group, in case of the other products the goal is the maintain and service of the portfolio.

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

- The Company Registry Court of Budapest – Capital Regional Court registered the merger by acquisition of Pannónia Life Insurance cPlc. into the Company and the merger by acquisition of Pannónia General Insurance cPlc. into CIG Pannónia First Hungarian General Insurance Company Ltd on 30 June 2017. The date of the transformation is 30 June 2017. With the merger by acquisition Pannónia Life Insurance cPlc. ceased to exist and all of its assets and liabilities were transferred to CIG Pannónia Life Insurance Plc. by way of universal succession. The business form of CIG Pannónia Life Insurance Plc. remained unchanged, it continues its operation as a public limited company, the executive officers and the registered capital of the company remained unchanged. Pannónia General Insurance cPlc. also ceased to exist and all of its assets and liabilities were transferred to CIG Pannónia First Hungarian General Insurance Company Ltd. by way of universal succession. The business form of CIG Pannónia First Hungarian General Insurance Company Ltd. remained unchanged, it continues its operation as a public limited company, the executive officers and the registered capital of the company remain unchanged.
- On 1 July 2017 EMABIT transferred the portfolio of compulsory motor vehicle liability insurance and condominium and home insurance to Aegon Hungary General Insurance cPlc as at 1 July 2017. Since Aegon Hungary General Insurance cPlc. serve the clients. The financial settlement of the portfolio transfer is still in progress on 30 September 2017.
- The MKB Bank cPlc., in accordance with the merger agreement related to Pannónia Life Insurance Ltd., was entitled by a share exchange to receive 92,744 pieces of ordinary shares of CIG Pannónia Life Insurance Plc. The shares were provided from the treasury shares of the Company. The shares were transferred to the securities account of the owner on 6 July. Meanwhile the CIG Pannónia First Hungarian General Insurance Ltd transferred the value of the shares of the Pannónia General Insurer cPlc. determined in the merger agreement to the MKB Bank cPlc.
- On 31 July 2017, the general meeting of Pannónia CIG Fund Manager Ltd. (which is founded by the CIG Pannónia Life Insurance Plc. and it's strategic partner, the Pannónia Pension Fund) decided to decrease the share of CIG Pannónia Life Insurance Plc. in the Fund Manager from 50% to 16%. The reason of the change (with the intention of the economies of scale and efficiency) is to increase it's owner scale with MKB Bank cPlc., MKB Pension Fund, MKB-Pannónia Health and Mutual Fund and the Gránit Bank Ltd. With the increase of the ownerscale, the name of the Fund Manager changed to MKB-Pannónia Fund Manager Ltd, the registered capital of Fund Manager increased significantly from the previous HUF 150 million to HUF 306 million. The profit of the MKB-Pannónia Fund Manager Ltd. will be subdivided between the owners by the profitability of the owners portfolio and not by the share in the MKB-Pannónia Fund Manager Ltd. As a result of the expected growth in the efficiency, CIG Pannónia Life Insurance Plc. expects the growth of its share of the profit of the Fund Manager. According to the preference shares the CIG Pannónia Life Insurance Plc. delegated I-I member to the Executive Board and to the Audit Board. The change of the equity was registered after 30 September 2017, so at 30 September 2017, the MKB-Pannónia Fund Manager Ltd. is still a jointly controlled company.
- On 12th September 2017 the Board of Directors decided on the capital increase effected by means of a private placement. The nature of the capital increase effected by means of a private placement is issuing registered dematerialized, "A" type ordinary shares representing voting rights of nominal value HUF 40 per each. The reason for the decision on the capital increase effected by means of a private placement is that in accordance with the provisions of the investor information memorandum and the share conversation agreement the 1,881,139 pieces of "B" and "C" types of interest bearing shares were automatically converted into "A" type ordinary shares on 11 September 2017. The Company Court of Registry registered the new shares on 4th October 2017, so the subscribed capital of the Company has increased to HUF 2,851,822,920.

- On 26th September 2017 the General Meeting decided on the decrease of the Company's capital by HUF 13,333,320 with the purpose of equity withdrawal. The Company will reduce the share capital by withdrawing 333,333 pieces of registered voting series "A" ordinary shares of HUF 40 of nominal value each, the way of reduction of the share capital is the reduction of the number of the shares. The reduction of the share capital has not been registered until the date of publication of this report.
- The National Bank of Hungary with its resolution No. H-EN-II-92/2017 has authorized the appointment of the new member – Ákos Veisz - of the Supervisory Board, appointed at the general meeting of 26 September 2017.
- The available solvency capital of the Issuer is 232 percent at the end of the second quarter in 2017, which significantly exceeds the 150 percent Solvency Capital Requirement of the Supervisory Authority (which contains a 50 percentage volatility puffer)².

Events after the balance sheet date:

- The B and C types of interest bearing shares issued by the Company were converted into ordinary shares by KELER on 26 October 2017, and the related newly issued shares were also created by KELER on this date. Budapest Stock Exchange Ltd. introduced into exchange trading the dematerialised, registered ordinary shares of the Issuer in an amount of 8,012,370 securities with a face value of HUF 40 giving a total face value of HUF 320,494,800 as of October 27, 2017.

Budapest, 21 November 2017.

CIG Pannónia Life Insurance Plc.

² At the time of preparing this quarterly report, the consolidated solvency capital calculations as at 30.09.2017 are in progress; the deadline for the completion of this calculation is the end of the fourth quarter.

2. Financial Statements

Consolidated Statement of Comprehensive Income- cumulated data				Data in million HUF
	2017Q1-Q3 (A)	2016Q1-Q4 (B)	2016Q1-Q3 (C)	Change (A)-(C)
Gross written premium	18 590	18 941	13 176	5 414
Changes in unearned premiums reserve	-480	-1 388	-1 078	598
Earned premiums, gross	18 110	17 553	12 098	6 012
Ceded reinsurance premiums	-3 531	-1 800	-1 314	-2 217
Earned premiums, net	14 579	15 753	10 784	3 795
Premium and commission income from investment contracts	112	105	80	32
Investment income	6 768	4 142	1 911	4 857
Share of the profit of associates and joint ventures accounted for using the equity method	157	222	155	2
Other operating income	818	942	639	179
Other income	7 855	5 411	2 785	5 070
Total income	22 434	21 164	13 569	8 865
Claim payments and benefits, and claim settlement costs	-8 718	-7 899	-5 765	-2 953
Net change in the value of life technical reserves and unit-linked life insurance reserves	-2 533	-5 734	-2 564	31
Investment expenditure	-824	-613	-445	-379
Change in the fair value of liabilities relating to investment contracts	-146	-90	-34	-112
Change in the fair value of assets and liabilities relating to embedded derivatives	-269	-162	-152	-117
Investment expenses, changes in reserves and benefits, net	-12 490	-14 498	-8 960	-3 530
Fees, commissions and other acquisition costs	-4 149	-4 039	-2 801	-1 348
Other operating costs	-2 878	-1 755	-1 235	-1 643
Operating costs	-7 027	-5 794	-4 036	-2 991
Results from the available for sale assets	-499	0	0	-499
Profit/loss before taxation	2 418	872	573	1 845
Tax income / (expenses)	-150	-142	-110	-40
Deferred tax income / (expenses)	0	-6	0	0
Profit/loss after taxation	2 268	724	463	1 805
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	69	64	68	1
Other comprehensive income	69	64	68	1
Total comprehensive income	2 337	788	531	1 806

Consolidated Statement of Comprehensive Income –cumulated data

data in million HUF

	2017Q1-Q3 (A)	2016Q1-Q4 (B)	2016Q1-Q3 (C)	Change (A)-(C)
Profit/loss after taxation attributable to the Company's shareholders	2 280	724	463	1 817
Profit/loss after taxation attributable to NCI	-12	0	0	-12
Profit/loss after taxation	2 268	724	463	1 805
Total comprehensive income attributable to the Company's shareholders	2 349	788	531	1 818
Total comprehensive income attributable to NCI	-12	0	0	-12
Total comprehensive income	2 337	788	531	1 806
Earnings per share				
Basic earnings per share (HUF)	36,7	11,7	7,5	29,2
Diluted earnings per share (HUF)	36,7	11,7	7,5	29,2
Earnings per share of NCI's				
Basic earnings per share (HUF)	-1,9	0,0	0,0	-1,9
Diluted earnings per share (HUF)	-1,9	0,0	0,0	-1,9

Consolidated Statement of Comprehensive Income -quarterly data

data in million HUF

	2017Q3 (A)	2017Q2 (B)	2017Q1 (C)	2016Q3 (D)	Change (A)-(D)
Gross written premium	5 988	6 577	6 025	4 759	1 229
Changes in unearned premiums reserve	-44	-291	-145	-200	156
Earned premiums, gross	5 944	6 286	5 880	4 559	1 385
Ceded reinsurance premiums	-978	-1 077	-1 476	-589	-389
Earned premiums, net	4 966	5 209	4 404	3 970	996
Premium and commission income from investment contracts	38	41	33	13	25
Investment income	2 226	-1 139	5 681	785	1 441
Yield of investments accounted for using the equity method (profit)	50	53	54	51	-1
Other operating income	270	267	281	247	23
Other income	2 584	-778	6 049	1 096	1 488
Total income	7 550	4 431	10 453	5 066	2 484
Claim payments and benefits, and claim settlement costs	-2 792	-3 059	-2 867	-1 931	-861
Net change in the value of life technical reserves and unit-linked life insurance reserves	-2 052	1 315	-1 796	-1 474	-578
Investment expenditure	-170	-312	-342	-105	-65
Change in the fair value of liabilities relating to investment contracts	-88	-4	-54	-4	-84
Change in the fair value of assets and liabilities relating to embedded derivatives	-127	7	-149	-34	-93
Investment expenses, changes in reserves and benefits, net	-5 229	-2 053	-5 208	-3 548	-1 681
Fees, commissions and other acquisition costs	-1 388	-1 465	-1 296	-921	-467
Other operating costs	-991	-959	-928	-442	-549
Operating costs	-2 379	-2 424	-2 224	-1 363	-1 016
Results from the available for sale assets	-100	64	-463	0	-100
Profit/loss before taxation	-158	18	2 558	155	-313
Tax income / (expenses)	-58	-49	-43	-8	-50
Deferred tax income / (expenses)	0	0	0	0	0
Profit/loss after taxation	-216	-31	2 515	147	-363
Comprehensive income, wouldn't be reclassified to profit or loss in the future	0	0	0	0	0
Comprehensive income, would be reclassified to profit or loss in the future	128	69	-128	17	111
Other comprehensive income	128	69	-128	17	111
Total comprehensive income	-88	38	2 387	164	-252

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

	2017Q3 (A)	2017Q2 (B)	2017Q1 (C)	2016Q3 (D)	Change (A)-(D)
Profit/loss after taxation attributable to the Company's shareholders	-216	-27	2 523	147	-363
Profit/loss after taxation attributable to NCI	0	-4	-8	0	0
Profit/loss after taxation	-216	-31	2 515	147	-363
Total comprehensive income attributable to the Company's shareholders	-88	41	2 396	164	-252
Total comprehensive income attributable to NCI	0	-3	-9	0	0
Total comprehensive income	-88	38	2 387	164	-252

Consolidated Statement of Financial Position

data in million HUF

ASSETS	30.09.2017. (A)	31.12.2016. (B)	30.09.2016. (C)	Change (A)-(C)
Intangible assets	1 045	840	849	196
Property, plant and equipment	86	39	41	45
Deferred tax assets	340	340	346	-6
Deferred acquisition costs	2 005	1 503	1 253	752
Reinsurer's share of technical reserves	4 387	2 313	2 347	2 040
Investments in jointly controlled companies	233	299	231	2
Available-for-sale financial assets	16 553	5 952	6 161	10 392
Investments for policyholders of unit-linked life insurance policies	67 232	58 918	56 114	11 118
Financial assets - investment contracts	3 659	1 399	1 255	2 404
Financial assets - embedded derivatives	0	515	524	-524
Financial assets at fair value through profit or loss	3	0	0	3
Receivables from insurance policies and other receivables	3 655	3 533	2 690	965
Other assets and prepayments	228	137	147	81
Cash and cash equivalents	2 407	1 606	1 919	488
Assets held for sale	0	0	0	0
Total assets	101 833	77 394	73 877	27 956
LIABILITIES				
Technical reserves	15 964	7 281	6 725	9 239
Technical reserves for policyholders of unit-linked insurance	67 232	58 918	56 114	11 118
Investment contracts	3 659	1 399	1 255	2 404
Liabilities from the issue of interest-bearing shares	245	2 460	2 382	-2 137
Loans and financial reinsurance	1 133	1 270	1 346	-213
Liabilities from insurance	2 452	1 312	1 586	866
Other liabilities and provisions	2 791	783	755	2 036
Liabilities related to the available for sale assets	0	0	0	0
Total liabilities	93 476	73 423	70 163	23 313
NET ASSETS	8 357	3 971	3 714	4 643
SHAREHOLDERS' EQUITY				
Registered capital	2 607	2 531	2 531	76
Capital reserve	2 243	1 144	1 144	1 099
Nominal value of treasury shares	-13	0	0	-13
Other reserve	142	73	77	65
Profit reserve	3 378	223	-38	3 416
Equity attributable to the Company's shareholders	8 357	3 971	3 714	4 643
Non-controlling interests	0	0	0	0
Total shareholders' equity	8 357	3 971	3 714	4 643

Consolidated Changes in Equity Q1-Q3 2017

data in million HUF

	Share capital	Capital reserve	Nominal value of treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2016	2 531	1 144	0	73	223	3 971	0	3 971
Total comprehensive income								
Other comprehensive income	0	0	0	69	0	69	0	69
Profit in reporting year	0	0	0	0	2 268	2 268	-12	2 256
NClS (aquisition)							41	41
Derecognition of NClS							-29	-29
Transactions with equity holders, recognised directly in equity								
Treasury share repurchase	0	-237	-13	0	0	-250	0	-250
Conversion of interest bearing shares	76	1 336	0	0	887	2 299	0	2 299
Balance on 30 September 2017	2 607	2 243	-13	142	3 378	8 357	0	8 357

Consolidated Changes in Equity Q1-Q3 2016

data in million HUF

	Share capital	Capital reserve	Nominal value of treasury shares	Other reserves	Retained earnings	Equity of the shareholders of the Company	NCI	Total shareholders' equity
Balance on 31 December 2015	2 531	15 937	0	9	-15 294	3 183	0	3 183
Total comprehensive income								
Other comprehensive income	0	0	0	68	0	68	0	68
Profit in reporting year	0	0	0	0	463	463	0	463
Restructuring in the Shareholders' equity	0	-14 793	0	0	14 793	0	0	0
Balance on 30 September 2016	2 531	1 144	0	77	-38	3 714	0	3 714

Consolidated Statement of Cash Flows

data in million HUF

	2017 Q1 - Q3	2016 Q1 - Q3
Profit/loss after taxation	2 268	463
Modifying items		
Depreciation and amortization	633	188
Extraordinary depreciation	19	9
Booked impairment	-1	32
Result of investment sales	-379	-19
Exchange rate changes	2	-13
Profit or loss of joint ventures	-157	-155
Changes of assets and liabilities relating to embedded derivatives, net	515	152
Corporate tax	47	33
Interest received	-291	-164
Badwill on acquisition	-3 197	0
Results of minority interests	-12	0
Results of available for sale assets	383	0
Interest cost	241	260
Change of active capital items:		
Increase / decrease of deferred acquisition costs (-/+)	-244	-257
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	-1 929	-2 532
Increase / decrease of financial assets – investment contracts (-/+)	-415	57
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	2 425	-109
Increase / decrease of reinsurer's share from technical reserves (-/+)	-654	-1 054
Increase /decrease of other assets and active accrued and deferred items (-/+)	-1 114	-40
Increase / decrease of technical reserves (+/-)	-846	1 465
Increase / decrease of liabilities from insurance (-/+)	759	547
Increase / decrease of investment contracts (+/-)	415	-57
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	1 929	2 532
Increase / decrease of other liabilities (+/-)	878	-74
Corporation tax paid	-20	-11
Net cash flow from operating activities	2 255	1 253

Consolidated Statement of Cash Flows

data in million HUF

Cash flow from investing activities	2017 Q1 - Q3	2016 Q1 - Q3
Purchase of debt instruments(-)	-9 073	-5 268
Sales of debt instruments(+)	8 237	5 308
Purchase of tangible and intangible assets (-)	-180	-205
Sales of tangible and intangible asset (+)	4	20
MKB acquisition (net of cash)	-541	0
Interest received	291	164
Dividend received	222	250
Cash flow from investing activities	-1 040	269
Cash flow from financing activities		
Securing loans	431	423
Income from the capital increase related to interest bearing shares	245	0
Treasury share purchase	-250	0
Repayment of loans	-606	-980
Interest paid on interest bearing shares	-229	-129
Cash flow from financing activities	-409	-686
Impacts of exchange rate changes	-5	-5
Net increase / decrease of cash and cash equivalents (+/-)	801	831
Cash and cash equivalents at the beginning of the period	1 606	1 088
Cash and cash equivalents at the end of the period	2 407	1 919



3. Changes in accounting policies

For financial year beginning on 1 January 2017, the Group does not have new mandatory used standard which has significant influence on the structure of the Group's Financial Statements.

4. Presentation of the Issuer's financial position – consolidated and unaudited data for Q3 2017, on the basis of the financial reporting standards (IAS 34) adopted by the EU

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

The company with a decisive impact on the Group's operations remains CIG Pannónia Life Insurance Plc., as a parent company; however, the performance of EMABIT and MKB-Pannónia Fund Manager Ltd.(former Pannónia CIG Fund Manager Ltd.) is becoming more substantial. Pannónia Insurance Companies as the new members of the Group (from 1st January 2017) had a significant influence on the results of the Group.

In the first three quarters of 2017, the Group's gross written premium was HUF 18,590 million, which is 141 percent of the revenues generated in the same period of the previous year, The increase is mainly due to the premiums of Pannónia Insurance Companies' portfolios. Of this HUF 9,404 million are the gross written premium of unit-linked life insurance (of this HUF 2,380 million of pension insurance policies), HUF 1,819 million are traditional life products (of this HUF 612 million from pension insurance policies), HUF 182 million are health insurance policies, and HUF 7,185 million are non-life insurance.

The non-life insurance segment generated a gross written premium of HUF 7,185 million in the first three quarters of 2017 according to IFRS increased by 71% compared to the previous year (HUF 4,209 million). In the life segment the gross written premium from the first annual premiums of policies sold was HUF 1,469 million, which is a 36% increase compared to the same period of the previous year (HUF 1,079 million). The gross written premium income from renewals was HUF 7,695 million in the first three quarters of 2017 in contrast to HUF 6,985 million in the same period of the previous year, so the renewal premiums increased by 10%. Top-up and single premiums (HUF 2,241 million) were almost one-and-a-half times 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 11,405 million, the rate of top-up and single premiums is 20 percent. The increase in the insurance premiums is significantly due to the acquisition.

The change in unearned premium reserve in the first three quarters of 2017 was HUF 480 million, while the amount of ceded reinsurance premiums was HUF 3,531 million. The significant increase of these items is mainly due to the continuous growth of the non-life portfolio and the higher reinsurance's proportion in non-life segment. In order to decrease the uncertainties in the portfolio of the Pannónia General Insurance Company, the Company increased the reinsurer's share in the outstanding claim reserves of 31 December 2016 from 40% to 80% and transferred the surplus as reinsurance premium to its reinsurer partner in the first quarter of the year 2017.

Unit-linked life insurance policies sold by the Group that do not qualify as insurance policies under IFRS are classified by the Group as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 112 million in total during the reporting period.

The other operating income (HUF 818 million) mainly includes the Issuer's income from fund management (HUF 645 million), which increased significantly compared to Q3 2016. Also recognized and accounted for as part of this item the reversal of losses on receivables (HUF 37 million) and the income from pending charges (HUF 13 million) and the reversal of the provision (HUF 32 million).

The most important item among expenses are claim payments and benefits and claim settlement costs (together HUF 8,718 million), including HUF 5,812 million related to partial or full surrender of unit-linked life insurance policies, HUF 1,401 million of maturity of unit-linked policies, HUF 559 million at death payment and HUF 361 million claim settlement expenditure paid on general insurances.

The amount of net change in reserves (HUF 2,533 million), which is made up of mainly the following changes in reserves. The unit-linked life insurance reserve amount increased by HUF 1,931 million. The actuarial reserves increased by HUF 751 million, while the result-independent reserves by HUF 26 million and the result-dependent reserves increased by HUF 4 million. The technical reserves for the bonus payment of the life insurance clients increased by HUF 137 million and there was HUF 91 million increase in the other technical reserves. Mainly due to the operation in the non-life branch and the change in the reinsurance structure, the outstanding net claim reserves decreased by HUF 209 million, while the cancellation reserves decreased by HUF 198 million concurrently with the decrease of the premium receivables.

The total operating cost of the Issuer was HUF 7,027 million in the first three quarters of 2017, of which HUF 4,149 million is related to the fees, commissions and other acquisition costs, and HUF 2,878 million is related to other operating costs. Acquisition costs show increasing tendency, although at a lower rate than the increase in the gross premiums earned. The primary reason for this is that non-life insurances represent a higher proportion in the amount of new sales of the acquired portfolio. The other operating costs increased by HUF 1,643 million compared to the same period of the previous year (HUF 1,235 million in the first three quarters of 2016). This increase is significantly related to the other operating costs incurred at the former Pannónia Insurance Companies. On

evaluating the net asset value of the acquired insurance companies, the difference between the fair value and the value according to IFRS4 of the technical reserves is HUF 265 million in case of the life insurance company, and HUF 937 million in case of the non-life insurance company, This difference is recognised among immaterial assets and will be amortised parallel with the on later evaluations. The amount of the amortisation in the first three quarters explains HUF 420 million from the increase of the other operating costs. The Group expects a significant decrease in the operating costs for next year after the merger by acquisition, and the operational and IT migration.

The investment result is HUF 5,944 million profit, which is due to the aggregated effect of the following issues. The one-off item on the acquisition of Pannónia Insurance Companies was HUF 3,003 million on 1st January 2017, of which is described in paragraph 5th of the Executive Summary. The amount of the contingent consideration was revalued through profit or loss at the end of the half year (HUF 194 million profit) so the total result of the acquisition on the profit/loss is HUF 3,197 million in 2017.

The unit-linked yield was HUF 2,576 million in the first three quarters of 2017. During the third quarter of 2017 the best yields could be reached on the stock market of developing countries. The global commodity market index corrected the negative performance of the second quarter and strengthened by 7 percent. On the developed bond market the yield levels declined in line with the inflation expectations in this quarter, that was also followed by the developing market bonds. Nonetheless the bond market became the worst performing class of assets at the end of the quarter. On the exchange market the dollar weakened further while Latin-American and CEE region exchanges showed appreciation. The BUX index reached a 5.9 percent increase in the first nine months, and with this achievement it overperformed the yield of CETOP index, that includes the shares of the region. Accordingly the most popular funds were those that invest in Hungarian and developing stock markets while there was a significant divestiture from those portfolios that contains Indian shares.

The investment results were negatively influenced by the interest costs of financial reinsurance, which amounted to HUF -38 million. The Issuer had HUF 412 million yield profit on its own investments in the first three quarters of 2017.

The interest expenditure for interest-bearing shares were HUF 203 million in the first three quarters of 2017 which is shown in investment expenditure, and there was HUF 270 million loss in change in fair value of assets and liabilities related to embedded derivatives, which is totally HUF 473 million loss. Changes in the Liabilities from the issue of interest bearing shares under the duration of the shares had a significant negative effect on the Issuer's results and on the capital according to IFRS, but this negative effect – except from the nominal interest payable – did not mean real expenditure for the Issuer, it represented incremental value for the owners of the interest bearing shares. At the end of the duration (on 11 September 2017), after the interest bearing shares was converted into ordinary shares, the amount of the liability (the Liabilities from the issue of interest bearing shares and the Financial assets – embedded derivatives from interest bearing shares) shown as capital increase, that compensates the capital decrease effect of the expenditure of interest bearing shares recognized previously. The conversion of the shares resulted in a HUF 75 million increase in the share capital, a HUF 1,336 million increase in the capital reserve and a HUF 888 million increase in the profit reserve. The amount of the surplus issue is HUF 245 million, that was registered on 4th October, so it is shown in the current financial statements as a liability.

The Issuer realized HUF 157 million profits from the result of the MKB-Pannónia Fund Manager Ltd. in the first three quarters of 2017. This is shown in the Share of the profit of associates and joint ventures accounted for using the equity method.

According to EU IFRS the non-life insurance portfolio sold to Aegon Hungary General Insurance cPlc. had to be considered as assets held for sale till the portfolio transfer as they met the criteria determined by the IFRS 5. The realised loss on this group of assets was HUF 499 million in the first three quarters, which consists of the loss of the assets held for sale (HUF -115 million) recognized until the sale, the expected result of the sale (HUF 200 million) and the impairment loss of the intangible asset (HUF -584 million) derived from the technical reserves revaluation on the held for sale portfolio. The asset group that produced losses in the first half year, will represent no further loss in the future.

As a result of all of the above, the profit before tax amounted to HUF 2,418 million profit (in the same period of 2016 the profit before taxation was HUF 573 million), that was reduced by the HUF 150 million tax liability. The profit after tax is HUF 2,268 million, that is HUF 1,805 million higher than the profit after tax of the same period of 2016. The other comprehensive income contains the decrease in the fair value of available-for-sale financial assets amounting to HUF 69 million and, thus, the total comprehensive income represents a profit of HUF 2,337 million in the first three quarters of 2017.

The Issuer's balance sheet total was HUF 101,833 million; its financial position is stable; the company has met its liabilities in full. On 30 September 2017 the shareholders' equity was HUF 8,357 million.

5. Executive summary

In the first three quarters of 2017 the annualized premium of the new sales of regular premium insurance policies sold by the Group is HUF 3,681 million that is 51 percent higher than in the same period of the previous year. Of this HUF 1,661 million is from unit-linked life insurance, HUF 384 million is from traditional and group life insurance policies and HUF 1,636 million is from general insurance. In the previous year the annualized premium of the new sales was HUF 2,437 million, of which HUF 1,117 million related to unit-linked life insurance, HUF 132 million was derived from traditional and group life insurance policies and HUF 1,188 million related to general insurance. The main reason of the increase in the amount of the annualized premium of new sales is the acquisition and the bank channel.

New sales

Annualized premium of new sales (million HUF)	30.09.2017. (A)	31.12.2016. (B)	30.09.2016. (C)	Change (A - C)	Change % (A - C) / C
Unit-linked life insurances	1 661	1 799	1 117	544	49%
Traditional and group life insurances	384	182	132	252	191%
General insurances	1 636	1 522	1 188	448	38%
Total annualized premium of new sales	3 681	3 503	2 437	1 244	51%

As for life insurance policies sold in the first three quarters of 2017 the share of the tied agent network is 40 percent, while the brokerage network was 34 percent and the bank channel was 26 percent. The whole amount of the general insurances are related to independent broker and bank channels. The new sales data of general insurances contains only the regular premium insurance policies.

Market share indicators³

	2016		2015		2014	
	million HUF	Market share	million HUF	Market share	million HUF	Market share
On the basis of the gross written premium of life insurance policies	13 390	2,94%	14 642	3,32%	14 420	3,19%
On the basis of the adjusted gross written premium of life insurance policies	12 202	4,04%	12 812	4,35%	12 860	4,52%
On the basis of the gross written premium of non-life insurance policies	5 934	1,28%	3 661	0,85%	2 496	0,63%

After examining the adjusted gross written premium, the Insurer, with a market share of 4.04 percent, it is the company with the 9. largest adjusted gross written premium on the basis of the fourth quarter of 2016' data. The EMABIT gained a 1.28 percent share in non-life market in Q4 2016 on examining the gross written premium. The acquisition of Pannónia Insurance Companies resulted a 4.73% share on life market, which means the 7th place in the gross written premium rank. The non-life share of the group increased to 2.72 percent, that might have been decreased nearly to 2% due to the transfer of the portfolio sold.

³ The quarterly data publication by MABISZ ceased, data on Q3 2017 were not available, thus the table shows the data for 2016.

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

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

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

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

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

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

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

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

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

6. Operating segments

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

Segment Information Q1-Q3 2017

ASSETS	Q1-Q3 2017					
	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
Intangible assets	759	102	0	184	0	1 045
Property, plant and equipment	36	50	0	0	0	86
Deferred tax assets	0	0	0	340	0	340
Deferred acquisition costs	528	1 481	0	-4	0	2 005
Reinsurer's share of technical reserves	178	4 209	0	0	0	4 387
Subsidiaries	2 806	0	0	0	-2 806	0
Investments in jointly controlled companies	78	0	0	155	0	233
Available-for-sale financial assets	9 982	5 228	0	1 343	0	16 553
Investments for policyholders of unit-linked life insurance policies	70 891	0	0	-3 659	0	67 232
Financial assets - investment contracts	0	0	0	3 659	0	3 659
Financial assets - embedded derivatives	0	0	0	0	0	0
Financial assets at fair value	0	0	0	3	0	3
Receivables from insurance policies and other receivables	2 616	1 074	1	-36	0	3 655
Treasury share	487	0	0	-487	0	0
Other assets and prepayments	391	310	0	-464	-9	228
Cash and cash equivalents	1 296	1 107	4	0	0	2 407
Intercompany receivables	470	33	0	0	-503	0
Assets held for sale	0	0	0	0	0	0
Total assets	90 518	13 594	5	1 034	-3 318	101 833

*HAL – Hungarian Accounting Law

Segment Information Q1-Q3 2017 (continuation)

(data in million HUF)						
LIABILITIES	Q1Q3 2017					
	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
Technical reserves	8 466	6 837	0	661	0	15 964
Technical reserves for policyholders of unit-linked insurance	70 891	0	0	-3 659	0	67 232
Investment contracts	0	0	0	3 659	0	3 659
Liabilities from the issue of interest-bearing shares	0	0	0	245	0	245
Loans and financial reinsurance	1 133	0	0	0	0	1 133
Liabilities from insurance	555	1 897	0	0	0	2 452
Intercompany liabilities	39	457	0	0	-496	0
Other liabilities and provisions	1 656	1 741	1	-616	9	2 791
Liabilities associated with assets held for sale	0	0	0	0	0	0
Total liabilities	82 740	10 932	1	290	-487	93 476
NET ASSETS	7 778	2 662	4	744	-2 831	8 357
SHAREHOLDERS' EQUITY						
Registered capital	2 607	1 030	3	0	-1 033	2 607
Capital reserve	4 877	1 369	0	232	-4 235	2 243
Nominal value of own shares	0	0	0	-13	0	-13
Other reserves	487	0	0	-345	0	142
Profit reserve	-193	263	1	870	2 437	3 378
Non-controlling interests	0	0	0	0	0	0
Total shareholders' equity	7 778	2 662	4	744	-2 831	8 357



Segment information Q1-Q3 2017 (continuation)

ÉLETPÉNTÁR

(data in million HUF)

COMPREHENSIVE INCOME STATEMENT	Q1-Q3 2017					
	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
Gross written premium	12 592	8 357	0	-2 352	-7	18 590
Changes in unearned premiums reserve	61	-321	0	-220	0	-480
Earned premiums, gross	12 653	8 036	0	-2 572	-7	18 110
Ceded reinsurance premiums	-155	-5 035	0	1 654	5	-3 531
Earned premiums, net	12 498	3 001	0	-918	-2	14 579
Premium and commission income from investment contracts	0	0	0	112	0	112
Investment income	3 534	239	0	-223	3 218	6 768
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	157	0	157
Other operating income	742	411	12	-312	-35	818
Other income	4 276	650	12	-266	3 183	7 855
Total income	16 774	3 651	12	-1 184	3 181	22 434
Claim payments and benefits, and claim settlement costs	-9 318	-535	0	1 123	12	-8 718
Net change in the value of life technical reserves and unit-linked life insurance reserves	-3 157	1 191	0	-567	0	-2 533
Investment expenditure	-522	-106	0	-201	5	-824
Change in the fair value of liabilities relating to investment contracts	0	0	0	-146	0	-146
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	-269	0	-269
Investment expenses, changes in reserves and benefits, net	-12 997	550	0	-60	17	-12 490
Fees, commissions and other acquisition costs	-1 783	-2 609	0	242	1	-4 149
Other operating costs	-1 419	-1 403	-12	-63	19	-2 878
Operating costs	-3 202	-4 012	-12	179	20	-7 027
Result of assets held for sale	0	0	0	-499	0	-499
Profit/loss before taxation	575	189	0	-1 564	3 218	2 418
Tax income / (expenses)	-69	-81	0	0	0	-150
Deferred tax income / (expenses)	0	0	0	0	0	0
Profit/loss after taxation	506	108	0	-1 564	3 218	2 268
Other comprehensive income	0	0	0	69	0	69
Comprehensive income	506	108	0	-1 495	3 218	2 337

Comparative data to the segment information of Q1-Q3 2017 (Q1-Q3 2016)

ASSETS	(data in million HUF)					
	Life insurance segment	Non-life insurance segment	Other	Q1-Q3 2016 Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
Intangible assets	738	86	0	25	0	849
Property, plant and equipment	38	3	0	0	0	41
Deferred tax assets	0	0	0	346	0	346
Deferred acquisition costs	290	965	0	-2	0	1 253
Reinsurer's share of technical reserves	177	2 170	0	0	0	2 347
Subsidiaries	2 806	0	0	0	-2 806	0
Investments in jointly controlled companies	78	0	0	153	0	231
Available-for-sale financial assets	3 774	2 254	0	133	0	6 161
Investments for policyholders of unit-linked life insurance policies	57 369	0	0	-1 255	0	56 114
Financial assets - investment contracts	0	0	0	1 255	0	1 255
Financial assets - embedded derivatives	0	0	0	524	0	524
Financial assets at fair value	0	0	0	0	0	0
Receivables from insurance policies and other receivables	1 932	797	0	-39	0	2 690
Treasury share	0	0	0	0	0	0
Other assets and prepayments	135	138	0	-108	-18	147
Cash and cash equivalents	1 254	661	3	1	0	1 919
Intercompany receivables	45	0	0	0	-45	0
Assets held for sale	0	0	0	0	0	0
Total assets	68 636	7 074	3	1 033	-2 869	73 877

*HAL – Hungarian Accounting Law

Comparative data to the segment information of Q1-Q3 2017 (Q1-Q3 2016) (continuation)

(data in million HUF)						
LIABILITIES	Life insurance segment	Non-life insurance segment	Other	Q1-Q3 2016		Total
				Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	
Technical reserves	2 803	3 941	0	-19	0	6 725
Technical reserves for policyholders of unit-linked insurance	57 369	0	0	-1 255	0	56 114
Investment contracts	0	0	0	1 255	0	1 255
Liabilities from the issue of interest-bearing shares	0	0	0	2 382	0	2 382
Loans and financial reinsurance	1 346	0	0	0	0	1 346
Liabilities from insurance	413	1 173	0	0	0	1 586
Intercompany liabilities	0	45	0	0	-45	0
Other liabilities and provisions	700	321	2	-275	7	755
Liabilities associated with assets held for sale						
Total liabilities	62 631	5 480	2	2 088	-38	70 163
NET ASSETS	6 005	1 594	1	-1 055	-2 831	3 714
SHAREHOLDERS' EQUITY						
Registered capital	2 607	1 030	3	-76	-1 033	2 531
Capital reserve	2 011	2 755	0	-867	-2 755	1 144
Nominal value of own shares						
Other reserves	0	0	0	77	0	77
Profit reserve	1 387	-2 191	-2	-189	957	-38
Non-controlling interests						
Total shareholders' equity	6 005	1 594	1	-1 055	-2 831	3 714

Comparative data to the segment information of Q1-Q3 2017 (Q1-Q3 2016) (continuation)

COMPREHENSIVE INCOME STATEMENT	Q1-Q3 2016					
	Life insurance segment	Non-life insurance segment	Other	Adjusting entries for calculations in the financial statements (IFRS - HAL)	Adjusting entries for calculations in the financial statements (consolidation)	Total
Gross written premium	9 132	4 296	0	-165	-87	13 176
Changes in unearned premiums reserve	-26	-1 052	0	0	0	-1 078
Earned premiums, gross	9 106	3 244	0	-165	-87	12 098
Ceded reinsurance premiums	-178	-1 211	0	0	75	-1 314
Earned premiums, net	8 928	2 033	0	-165	-12	10 784
Premium and commission income from investment contracts	0	0	0	80	0	80
Investment income	2 079	83	0	-251	0	1 911
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	155	0	155
Other operating income	648	27	15	0	-51	639
Other income	2 727	110	15	-16	-51	2 785
Total income	11 655	2 143	15	-181	-63	13 569
Claim payments and benefits, and claim settlement costs	-5 812	-209	0	241	15	-5 765
Net change in the value of life technical reserves and unit-linked life insurance reserves	-2 362	-91	0	-111	0	-2 564
Investment expenditure	-224	-23	0	-198	0	-445
Change in the fair value of liabilities relating to investment contracts	0	0	0	-34	0	-34
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	-152	0	-152
Investment expenses, changes in reserves and benefits, net	-8 398	-323	0	-254	15	-8 960
Fees, commissions and other acquisition costs	-1 552	-1 261	0	0	12	-2 801
Other operating costs	-818	-397	-19	-37	36	-1 235
Operating costs	-2 370	-1 658	-19	-37	48	-4 036
Result of assets held for sale	0	0	0	0	0	0
Profit/loss before taxation	887	162	-4	-472	0	573
Tax income / (expenses)	-69	-41	0	0	0	-110
Deferred tax income / (expenses)	0	0	0	0	0	0
Profit/loss after taxation	818	121	-4	-472	0	463
Other comprehensive income	0	0	0	68	0	68
Comprehensive income	818	121	-4	-404	0	531

7. Detailed explanation of IFRS – HAL adjustment items

A) Re-establishment of the foundation costs and useful life

On the basis of the Hungarian Accounting Act, the Group capitalized its general, non-life insurance subsidiary foundation costs. The foundation costs do not meet the criteria of the recognition of intangible assets according to the IFRS's, therefore, they were recognized as costs as incurred in the IFRS. Previously, in the case of intangible assets, the Group used valuation rates which were different from those used in Hungarian accounting, the effect of which appears as a difference.

B) Reclassification of investment contracts

On the basis of the IFRS accounting policies, the Group classifies its unit-linked policies which do not include significant insurance risk as investment contracts. It evaluates the receivables and liabilities related to investment contracts at fair value through profit or loss. In the case of investment contracts, the items of related premium, damage and commission items are recognized on the basis of IAS 39.

C) The recognition of the profit or loss of jointly controlled companies attributable to the Group

According to the Hungarian Accounting Act, it is an adjustment item calculated as the difference between the book values and market values of investments in jointly controlled companies.

D) The recognition of available-for-sale financial assets

In accordance with the IFRS accounting policy, the Group recognized the available-for-sale financial assets at fair value in other comprehensive income. The items of related exchange gain/exchange loss and prepayments are recognized on the basis of IAS 39.

E) Issue of interest-bearing shares

According to the EU IFRS's, the issued interest-bearing shares are shown as a liability until they are converted into ordinary shares on the basis of the conditions. As a result of all this, the registered capital and the capital reserve shown by the Group differ from the registered capital and the capital reserve shown according to the Hungarian Accounting Act. Until the conversion, the value recognized among liabilities is divided into a basic instrument recorded at amortized cost and into interest. Any changes in the liability are accounted for on the Investment expenses line. Two related derivative elements are separated from the basic instrument and they are recognized at fair value through profit or loss.

F) Treasury shares

According to IAS 32, point 33 and 34, the Company's treasury shares must be recognised as equity decreasing item. No profit or loss relating to purchase, sale, issue or termination of treasury shares is allowed to recognise in the consolidated statement of comprehensive income. Due to the fact that IFRS standards do not determine special disclosure criteria relating to treasury shares, the nominal value of treasury shares are recognised under separate equity line. In case of sale or reissuing of treasury shares, the equity line is decreased by the nominal value of these shares. Difference between the nominal value and countervalue modifies the capital reserve.

G) Assets held for sale

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

H) Settlement of the acquisition

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

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

I) Recognition of the costs of capital increase

J) Share option program

K) Cost of employee share issue

Explanation of consolidation adjustment items

Shares, receivables and liabilities and income and expenses between the segments, as well as the interim profit or loss from a transaction between the segments have been eliminated during consolidation.

8. Number of employees, ownership structure

The number of employees at the members of the Group was 132 on 30 September 2017.

Composition of the Issuer's share capital (30 September 2017)*

Share series	Nominal value (HUF/each)	Issued number of shares	Total nominal value (HUF)
Series „A”	40	63 283 203	2 531 328 120
of this treasury share	40	1 104 006	44 160 240
Series „B”	40	1 150 367	46 014 680
of this treasury share	40	133 333	5 333 320
Series „C”	40	730 772	29 230 880
of this treasury share	40	200 000	8 000 000
Amount of share capital	-	-	2 606 573 680

* Data according to the Hungarian Accounting Law.

The company registry court registered the conversion of B and C types of interest bearing shares on 4th October, 2017 according to the decision of the Board of Directors made at 12th September . Thus the above presented structure was the registered structure of the share capital on 30th September 2017.

Number of voting rights connected to the shares (30 September 2017)

Series of shares	Number of shares issued	Number of voting shares	Voting rights per share	Total voting rights	Number of treasury shares
Series „A”	63 283 203	62 179 197	1	62 179 197	1 104 006
Series „B”	1 150 367	1 017 034	1	1 017 034	133 333
Series „C”	730 772	530 772	1	530 772	200 000
Total	65 164 342	63 727 003		63 727 003	1 437 339

The Issuer's ownership structure (30 September 2017)

	Number of shares	Ownership stake	Voting rights
Domestic private individual	37 912 337	58,18%	58,18%
Domestic institution	24 222 277	37,17%	37,17%
Foreign private individual	262 102	0,40%	0,40%
Foreign institution	2 439 302	3,74%	3,74%
Nominee, Domestic private individual	101 340	0,16%	0,16%
Nominee, Foreign institution	155 169	0,24%	0,24%
Unidentified item	71 815	0,11%	0,11%
Total	65 164 342	100,00%	100,00%

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 September 2017

Name	Registered seat	The Issuer's share
CIG Pannónia First Hungarian General Insurance Company Ltd.	1033 Budapest, Flórián tér 1.	100%
Pannónia PI-ETA Funeral Service Limited Liability Company	1033 Budapest, Flórián tér 1.	100%
MKB-Pannónia Fund Manager Ltd.	1072 Budapest, Nyár utca 12.	50% ⁴

⁴ The decrease of the share of the Company in MKB-Pannónia Fund Manager Ltd. was registered only at 9 November 2017, and the reduce of capital has not been finished by the record date of the report.

9. Information published in the period

Date	Subject, short summary
August 15, 2017	Notice of Invitation to the Extraordinary General Meeting
August 22, 2017	Quarterly report, Q2 2017
August 23, 2017	Extraordinary announcement on a treasury share transaction by the Company
August 24, 2017	Extraordinary announcement on the decision of the Board of Directors regarding to the dividend policy of the Company
August 25, 2017	Summary of the proposals relating to the agenda items of the GM and the draft resolutions
August 25, 2017	Number of voting rights and the amount of registered capital at CIG Pannónia Life Insurance Plc. at the date of convocation of the Extraordinary General Meeting
August 31, 2017	Number of voting rights and the amount of registered capital at CIG Pannónia Life Insurance Plc.
September 7, 2017	Extraordinary announcement on a treasury share transaction by the Company
September 12, 2017	Extraordinary announcement on the decision of the Board of Directors regarding to the capital increase
September 15, 2017	Extraordinary announcement on the extraordinary General Meeting of CIG Pannónia Life Insurance Plc. convened for 10 a.m. on 15th September 2017
September 26, 2017	Extraordinary announcement on the capital reduction of CIG Pannónia Life Insurance Plc.
September 26, 2017	Extraordinary announcement on the new member of the Supervisory Board of CIG Pannónia Life Insurance Plc.
September 26, 2017	Resolutions of the repeated Extraordinary General Meeting of CIG Pannónia Life Insurance Plc. held on 26 September 2017
October 2, 2017	Number of voting rights and the amount of registered capital at CIG Pannónia Life Insurance Plc
October 4, 2017	The amendment to the Articles of Association of CIG Pannónia Life Insurance Plc. was registered by the Court of Registration
October 20, 2017	Information on the conversion and listing of B and C type interest bearing shares
October 26, 2017	Extraordinary announcement on the change in the number of ordinary shares owned by persons discharging managerial responsibilities and persons closely associated with them
October 31, 2017	Number of voting rights and the amount of registered capital at CIG Pannónia Life Insurance Plc.

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

10. Disclaimer

The Issuer declares that the report for the third quarter of 2017 was not reviewed by an auditor, the report for the third quarter of 2017 presents a true and fair view of the assets, liabilities and financial position, as well as the profit and loss of the Issuer and the enterprises consolidated in the financial statements. The consolidated management report provides a reliable presentation of the position, development and performance of the Issuer and the companies consolidated in its accounts.

21 November 2017, Budapest

Gabriella Kádár dr.
Chief Executive Officer

Miklós Barta
Chief Financial Officer

Investor relations

Judit Kerényi, investor relations

investor.relations@cig.eu ; 06-1-5 100 200

Disclaimer: All information contained within this document is for information purposes only, and shall not be considered an official translation of the official communication referred to herein. This document does not include the integral wording of the official communication referred to herein, the original Hungarian language version of it remains to be the solely legally binding material in the subject matter. For further information, please do not hesitate to contact us.