



PANNÓNIA
ÉLETBIZTOSÍTÓ

CIG PANNÓNIA LIFE INSURANCE PLC.

QUARTERLY INFORMATION

Q1 2012

21 May 2012

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: the Insurer) publishes this day its quarterly report. The purpose of this information is to publish the data compiled in accordance with the Hungarian Accountancy Act, unaudited and unconsolidated, as well as data disclosed on a voluntary basis to the Association of Hungarian Insurance Companies (MABISZ) by the Insurer, simultaneously with the present quarterly report, in a quarterly information Data provided to MABISZ are in Annex I to the present information.

The Insurer publishes its report on the first quarter of the 2012. business year separately from the present information. In the report it publishes its consolidated, unaudited data for the first quarter of 2012 in accordance with the international financial reporting standards (IFRS) as required by the laws.

The main results and events of the first quarter of 2012 were the following:

- In the first quarter of 2012 the Insurer achieved a gross written premium of HUF 5.191 billion, comprising HUF 4.552 billion in regular premiums and HUF 638 billion in top-up premiums. The gross written premium decreased by 36% compared to the first quarter of 2011, mainly because of the lower volume of new sales and top-up premiums. Owing to the financial and economic turmoil the spendable income of the population has significantly decreased, which also has a negative effect on the insurance market. Furthermore the provisions regarding the early repayments introduced in the fourth quarter of 2011 had a great impact on the Insurer's clientele, who provisionally restricted their savings. Besides the reduction of premiums, as a result of cost rationalization measures and measures increasing efficiency, the gross operating costs were also reduced by approx. 48%, which ballast and enhance the market position of the Insurer. The balance sheet profit realized by the Insurer is a loss of HUF 956 billion, which, despite the difficult economic situation, is still in accordance with the management's expectations and with this contribute to the Insurer's becoming profitable in 2014.
- The Insurer has appointed Dr. Gabriella Kádár as a Chief Sales Officer to ensure the effective operation, management and coordination of the diversified sales force (including associated and multi-tied agents).
- The Insurer, through its partially owned investment service provider, entered into a long-term cooperation agreement with BROKERNET Investment Holding Ltd. and, as regards the savings of its customers, it will continue to use the services of QUANTIS Investment Management Ltd., which operates as a member of the BROKERNET Company Group.
- A Insurer introduced a new product, the NOVA unit-linked life insurance. The new generation investment life insurance developed jointly with BROKERNET Ltd. serves the long-term, successful cooperation of the two companies.
- In order to coordinate and increase the efficiency of their activities, the Insurer and its general insurance subsidiary, CIG Pannónia First Hungarian General Insurance Company Ltd., decided to establish a service center and started the related preparatory works.

The most important events after the balance date:

- Csaba Gaál, the Chief Executive Officer of the Insurer resigned his Chief Executive Officer title, his membership of the Board of Directors and also his membership of the Board of Directors of CIG Pannónia First Hungarian General Insurance Company Ltd., as of 18 April 2012. As the Chief Executive Officer of the Insurer he was replaced by dr. Ottó Csurgó, who is also the Chief Executive Officer of CIG Pannónia First Hungarian General Insurance Company Ltd. The Board of

Directors expects that owing to the joint directing of the to insurance companies of the CIG Group, synergies will be exploited even more effectively and cost-effectiveness will also improve.

- On 19 April 2012 the Insurer held its annual general meeting, where, among other things, the audited individual report prepared according to the Hungarian accounting act and the consolidated report prepared according to the international accounting standards were accepted concerning the 2011 business year.
- The annual general meeting of the Insurer authorized the Board of Directors to increase the Insurer's registered capital by a maximum amount of HUF 215,000,000 by 30 April 2013 by issuing interest-bearing shares.
- The Insurer launched a Shareholders' Loyalty Program from 19 April 2012, within the framework of which it ensures discounts from various products of the group for its existing owners under certain terms and conditions, thereby thanking them for their trusting the Insurer.

CIG Pannónia Life Insurance Plc. publishes all other information relating to the activities of the members of the CIG Pannónia Group other than the Insurer in its report on the first quarter of 2012.

Budapest, 21 May 2012

CIG Pannónia Life Insurance Plc.

2. Financial Statements

Headlines in the Insurer's Income Statement

million HUF

Description	31.03.2012 (A)	31.12.2011 (B)	31.03.2011 (C)	% (A/C)
Gross premium requirement	5,191	28,063	8,157	64%
Gross acquisition costs	-1,162	-10,781	-4,557	25%
Changes in accrued acquisition costs	-905	-417	1,001	-90%
Claims and benefits	-1,862	-6,012	-1,835	101%
Gross changes of reserves	-1,646	-8,679	-1,296	127%
Technical investment result	104	-2,003	-1,360	-8%
Administration costs	-727	-4,930	-1,840	40%
Reinsurance and other technical result	203	330	15	1353%
Technical result	-804	-4,429	-1,715	47%
Non-technical result	-152	-258	640	-24%
Retained profit/loss for the year	-956	-4,687	-1,075	89%

Headlines in the Insurer's Income Statement

million HUF

Description	31.03.2012 (A)	31.12.2011 (B)	31.03.2011 (C)	% (A/C)
Intangible assets	797	860	1,253	64%
Investments	5,306	5,317	6,093	87%
Investments executed for policyholders of unit-linked life insurance	28,658	27,045	20,972	137%
Receivables	5,389	4,748	3,387	159%
Other assets	1,579	2,556	3,066	52%
Prepaid expenses and accrued income	2,844	3,755	5,173	55%
Total assets	44,572	44,281	39,945	112%
Shareholders' equity	4,099	5,055	8,669	47%
Technical reserves	2,408	2,395	1,110	217%
Technical reserves for policyholders of unit-linked life insurance	28,658	27,045	20,972	137%
Liabilities	4,835	4,808	4,074	119%
Accrued expenses and deferred income	5,120	4,978	4,572	112%
Total equity and liabilities	44,572	44,281	39,945	112%

3. Presentation of the Insurer's financial position – the Insurer's unaudited and unconsolidated data for the first quarter of 2012, according to the Hungarian Accounting Act

In the reporting period, the Insurer's gross written premium was HUF 5.191 billion, which is 64 percent of the performance achieved in the previous year's similar period. Within that, the gross written premium from unit-linked life insurance was HUF 5.135 billion, whilst the gross written premium from traditional life products was HUF 56 million.

The renewal premium of policies concluded in the previous years have increased by 116 percent in the portfolio, which only compensated for the decline in premiums from new sales and top-up premiums in part. The gross written premium for the first quarter of 2012 arising from renewals was HUF 3.748 billion, in contrast with HUF 1.758 billion in the first quarter of 2011. Gross written premium from the first annual premiums of policies sold was HUF 804 billion, which is a 75% decrease compared to the similar period of 2011 (HUF 3.183 billion). On the one hand, an important factor of this change is the situation of the insurance market, which is seriously affected by the protracted financial and economic turmoil and early repayments, and on the other hand, the reorganization of the sales force of the Insurer, which is currently in progress. The gross written premium from top-up premiums was 20% of the top-up premium of the first quarter of 2011, or HUF 638 billion, mainly relating to unit-linked life insurance policies. The reason for the decrease in top-up premiums is the negative effect of early repayments, made available in the fourth quarter of 2011, on the insurance market, the effect of which could still be felt in the first quarter of this year, on the savings of the Insurer's clients. Within the total gross written premium of HUF 5.191 billion, the share of top-up premiums is 12%.

Among expenses, one of the most important items is claims and benefits (HUF 1.862 billion), of which HUF 1.793 billion related to the partial or full surrender of unit-linked life insurance policies, still principally because of early repayments. Another significant item is the expenditure on the change of gross technical reserves (HUF 1.646 billion), including HUF 1.613 billion relating to the increase in life insurance reserves for unit-linked life insurance policies. Concurrently with the decrease of receivables, the cancellation reserves also decreased by approximately HUF 52 million, while the reserves for premium refunds independent of profit increased by HUF 59 million.

The gross operating costs of the Insurer in the first quarter of 2012 totaled HUF 2.816 billion, of which HUF 2.067 billion was acquisition costs, HUF 727 billion was administration costs, HUF 10 million was claim settlement costs and HUF 12 million was investment costs. Renewal commissions have increased in accordance with the growth of the portfolio and the first year commissions have declined simultaneously with the new acquisitions. The administration costs decreased by 60% compared to the similar period of the previous year. In the administration costs of the first quarter of 2011, HUF 883 million was related to tax and contribution payment liabilities arising from closing an employee share issue and the payment of a success fee for the completion of the Initial Public Offering. Clearing the first quarter of 2011 of the above one-time costs, the saving is 24%, which is the result of the cost rationalization measures of the Insurer announced in August 2011 and the reorganization of the organizational structure.

The investment result is a profit of HUF 104 billion, the major part of which is the non-realized result of unit-linked life insurance policies (HUF 191 million), which can be mostly attributed to the positive performance of investment funds in the Far East, developing markets and South America, corresponding to the market trends. As regards the total investment result, the positive return is reduced by the interest of financial reinsurance, by the amount of HUF 87 million. The exchange loss arising from the decrease of the EUR exchange rate compared to the end of 2011 negatively counterbalances the Insurer's return realized on its own investments.

On the whole, insurance earnings represent a loss of HUF 804 billion, further reduced by the non-insurance profit and loss of HUF 152 million, thus the balance sheet earnings amounted to a loss of HUF 956 billion in the first quarter of 2012.

The Insurer's balance sheet total was HUF 44.572 billion, its financial position is stable; the company has met its liabilities in full. The size of the shareholders' equity was HUF 4.099 billion forints on 31st March, 2012, which ensures the solvency and operability required by law. The available regulatory capital of the Insurer is HUF 3.302 billion, which covers 345% of its needs.

4. Executive summary

Despite the decline of the Insurer's premiums mainly due to early repayments, a significant part of its premiums remains the sale of new insurance policies; in the first three months of 2012 it sold regular premium life insurance policies representing an annualized premium of HUF 982 billion, 72% less than the first quarter of 2011, of which unit-linked life insurances amount to HUF 940 billion and traditional life insurances to HUF 42 million. In the similar period of the previous year the annualized premium of new sales was HUF 3.486 billion, of which HUF 45 million was related to traditional products and HUF 3.441 billion was related to unit-linked life insurance policies.

New sales

	<i>million HUF</i>				
	31.03.2012 (A)	31.12.2011 (B)	31.03.2011 (C)	Change, % (C - A) / A	Change % (C - A) / A
Unit-linked life insurance					
Number	2,072	15,090	5,429	-3,357	-62%
Annualized premium (HUF million)	940	8,988	3,441	-2,501	-73%
Traditional products:					
Number	612	5,704	510	102	20%
Annualized premium	42	174	45	-3	-7%
Life:					
Total:	2,684	20,794	5,939	-3,255	-55%
Total annualized premium:	982	9,162	3,486	-2,504	-72%

In the first quarter of 2012, a total of 2,684 life insurance policies were sold, of which 2,072 were unit-linked life insurance policies and 612 were traditional life insurance policies. The reasons for the change compared to the same period of 2011 are the effect of the above-mentioned financial and economic turmoil on the insurance market and the provisions relating to early repayments, which significantly reduce the available and spendable income of the population. With new sales in the current year, the Insurer's closing stock of life insurance policies changed to 43,205 units, the closing annualized premium thereof to HUF 23.361 billion.

As to life insurance policies sold in the first quarter of 2012, the share of the BROKERNET Group was 56%, of which 46% is related to sales in Hungary, and 9% to sales in Slovakia and 1% to sales in Romania. The tied network achieved 13%, while the performance of other sales channels was 31%, which means that the diversification of the sales channels increased even more.

Market share indicators*

	2011		2010		2009	
	million HUF	Market share	million HUF	Market share	million HUF	Market share
Annualized premium of unit-linked life insurance, new sales	8,988	**	10,199	24.0%	4,782	16.0%
On the basis of the annualized premium of life insurance policies, new sales	9,162	**	10,312	19.6%	4,828	11.6%
On the basis of the gross written premium of life insurance policies	28,063	6.4%	25,807	5.8%	12,082	2.9%
On the basis of the corrected gross written premium of life insurances	21,382	7.2%	16,421	5.6%	6,755	2.3%

* Data according to the Hungarian Accounting Act. At the time of preparing this quarterly report, the MABISZ market data on the first quarter of 2012 were not yet available.

** At the time of preparing this quarterly report the MABISZ new sales data relating to the end of the year 2011 were not available.

Examining the corrected gross written premium, it can be said that the Insurer became a key market participant on the life insurance market by 2011: with a market share of 7.2%, it is the company with the fifth largest corrected gross written premium.

The Insurer lays great stress on increasing its share during the remaining months of the year and keeping its market leading position in the new sales of regular premium life insurance policies in 2012, after the successful reorganization of the sales force and with the help of the new generation investment life insurance developed jointly with the BROKERNET Group, namely NOVA unit-linked life insurance. The purpose of this unique, innovative product is to serve customers at the highest possible standard and to encourage sales. Thanks to the scope for action ensured for customers and the significant developments realized in the field of premium management and repayment mechanisms, the NOVA unit-linked life insurance starts a new generation in the era of unit-linked life insurances.

The Insurer and its subsidiary, the First Hungarian General Insurance Company Ltd., establish a common service center, in order to integrate the individual services of their identical organizational units and create a synergy, which is suitable for utilizing mutual advantages and for sharing costs reasonably. The service center will primarily carry out administration, claim settlement and IT activities and the performance of customer service tasks will also fall within its sphere of activities so that it can increase the satisfaction of its customers by coordinated work and a smoother and more efficient service and it will also realize cost savings. The Insurer realizes the service center by reorganizing the existing CIG Pannónia Consultancy LLC.

The sale of unit-linked life insurance remains an important activity of the Insurer and the introduction of the new product also contributes to the Insurer's becoming profitable in 2014. The implemented cost rationalization measures and the structural rearrangement launched in the operation, as a result of which the operation is outsourced, also serve this goal.

Annex I

The presentation of the insurance policies (number) in the Insurer's life business line at the end if the period in question

Description	Opening stock on 01.01.2012	New business	Closing stock on 31.03.2012
Traditional life products	7,415	612	7,597
Life insurance for death	3,749	161	3,645
Mixed life insurance	205	23	207
Accident and illness riders	3,461	428	3,745
Unit-linked life insurance	35,347	2,072	35,608
Total life business line	42,762	2,684	43,205

The presentation of the insurance policies in the Insurer's life business line at the end if the period in question

thousand HUF

Description	Opening stock on 01.01.2012	New business	Closing stock on 31.03.2012
Traditional life products	266,850	41,629	279,935
Life insurance for death	218,636	35,805	228,999
Mixed life insurance	20,436	2,815	21,467
Accident and illness riders	27,778	3,009	29,469
Unit-linked life insurance	21,466,669	940,234	21,081,229
Total life business line	21,733,519	981,863	21,361,164

The Insurer's gross written premium at the end of the period in question, broken down by insurance sectors

thousand HUF

Description	Total gross written premium	Top-up gross written premium	Premiums earned
Traditional life products	56,395	62	63,918
Life insurance for death	44,206		49,796
Mixed life insurance	2,604		3,953
Accident and illness riders	9,585		10,169
Unit-linked life insurance	5,134,283	638,328	3,522,917
Total life business line:	5,190,678	638,390	3,586,835

The mathematical reserves of life insurance policies with single/top-up premiums at the end of the period in question

thousand HUF

Description	Amount of mathematical reserves	
	One-time premium	Top-up premium
Reserves of unit-linked life insurances	0	0
Total traditional	0	6,471

The Insurer's costs at the end of the period in question

thousand HUF

Description	Acquisition costs	Administration costs	Claim settlement costs	Investment costs	Total
Total life business line	2,066,894	727,405	9,554	12,070	2,815,923
Of this unit-linked life insurance	2,047,839	720,405	9,164	11,949	2,789,357