



PANNÓNIA
ÉLETBIZTOSÍTÓ

CIG PANNÓNIA LIFE INSURANCE PLC.

QUARTERLY INFORMATION

Q4 2011

16th February 2012

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its quarterly information on this day. 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 Issuer, simultaneously with the present quarterly report, in a quarterly information Data provided to MABISZ are in Annex I to the present information.

The Issuer publishes its report on the fourth quarter of the year separately from the present information. In the report it publishes its consolidated, unaudited data for the year 2011 in accordance with the international financial reporting standards (IFRS) as required by the laws.

The main results and events of the year 2011 were the following:

- In 2011 the Issuer achieved gross premium revenues of HUF 28.063 billion, comprising HUF 20.638 billion in regular premiums and HUF 7.425 billion in top-up premiums. The 9 percent increase in gross written premium compared to 2010 basically resulted from the 34 percent increase in regular premiums, in addition to the large number of sales of new life insurance policies. New annualized premium in the year 2011: HUF 9.162 billion, or 89% of the figure for the previous year, which, according to the management of the Issuer, will continue to safeguard their market leading position.
- In order to considerably improve cost efficiency and operating profits, from 21st December 2011 the Issuer will continue its operations in Romania, in line with the practice already established in Slovakia, in the form of cross-border activities. Sales in Romania take place exclusively through brokerage channels, primarily through the company Palladium Insurance Broker Srl., which belongs to the BROKERNET Group and which joined the Romanian market in 2011.

The most important events after the balance date:

- The Issuer, 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.
- In order to coordinate the diversified sales force and to ensure the successful operation of the same, the Issuer appointed dr. Gabriella Kádár as VP of Sales. Previously Ms Kádár was responsible for the Issuer's alternative sales channel.

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

Budapest, 16 February 2012

CIG Pannónia Life Insurance Plc.

2. Financial Statements

Headlines in the Issuer's Income Statement

million HUF

Designation	2011	2010	Change (A/B)
Gross premium requirement	28,063	25,805	109%
Gross acquisition costs	-10,781	-13,162	82%
Changes in accrued acquisition costs	-417	1,849	-23%
Claims and benefits	-6,012	-4,102	147%
Gross changes of reserves	-8,679	-12,013	72%
Technical investment result	-2,003	1,462	-137%
Administration costs	-4,930	-3,545	139%
Reinsurance and other technical result	330	-20	-1650%
Technical result	-4,429	-3,726	119%
Non-technical result	-258	-1,154	22%
Balance sheet profit	-4,687	-4,880	96%

Headlines in the Issuer's balance sheet million HUF

Designation	31.12.2011 (A)	31.12.2010 (B)	Change (A/B)
Intangible assets	860	1,409	61%
Investments	5,317	9,715	55%
Investment for policy holders of unit-linked life insurance policies	27,045	19,724	137%
Receivables	4,748	3,140	151%
Other assets	2,556	3,049	84%
Prepayments	3,755	4,176	90%
Total assets	44,281	41,213	107%
Equity	5,055	9,743	52%
Technical reserves	2,395	1,061	226%
Technical reserves for policy holders of unit-linked life insurance	27,045	19,724	137%
Provisions	0	671	0
Liabilities	4,808	5,467	88%
Accruals	4,978	4,547	109%
Total liabilities	44,281	41,213	107%

3. Presentation of the Issuer's financial position – the Issuer's unaudited and unconsolidated data for the year 2011, according to the Hungarian Accountancy Act

In the reporting period, the Issuer's gross written premium was HUF 28.063 billion, which is 109 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 27.807 billion, whilst the gross written premium from traditional life products was HUF 256 million. The 9 percent increase in gross written premium was primarily generated through gross written premium from the regular-premium life insurance portfolio, which grew by 34%.

As a result of the continuous increase of the portfolio, the renewal fees of policies concluded in the previous years have increased by 96 percent, which compensated for the decline in revenues from new sales and top-up premiums. The gross written premium for the year 2011 arising from renewals was HUF 12.309 billion, in contrast with HUF 6.288 billion in 2010. Gross written premium from the first annual premiums of policies sold was HUF 8.329 billion, which is an 8% decrease compared to 2010 (HUF 9.088 billion). A significant factor in this discrepancy is that, on one hand, the company's listing on the stock exchange in 2010 was connected with a one-time sales revenue of over HUF 1.5 billion; and, on the other hand, that measures introduced in connection with early repayments in the final quarter had a negative effect on new business. The gross written premium from top-up premiums was 71% of the previous year's top-up revenue, or HUF 7.425 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. Within the total gross written premium of HUF 28.063 billion, the 26% share of top-up premiums is somewhat lower than the market average in this country, which is in line with the efforts of the Issuer to maximize its share of regular premiums.

For the Issuer, the source of growth remains the sale of unit-linked life insurance policies as well as the significant increase of renewal premiums. In addition to this, the sales of traditional products have also increased.

Among expenses, one of the most important items is claims and benefits (HUF 6.012 billion), of which HUF 5.993 billion related to the partial or full surrender of unit-linked life insurance policies. Another significant item is the expenditure on the change of gross technical reserves (HUF 8.679 billion), including HUF 7.321 billion relating to the increase in reserves for unit-linked life insurance policies. The increase in cancellation reserves was HUF 1.155 billion, in accordance with the increased insurance portfolio. The age and structure of claims remained the same. The size of the other technical reserves cannot be considered as significant for the time being.

The gross operating costs of the Issuer in 2011 totaled HUF 16.220 billion, of which HUF 11.198 billion was acquisition costs, HUF 4.930 billion was administration costs, HUF 29 million was claim settlement costs and HUF 64 million was investment costs. Renewal commissions have increased in accordance with the growth of the portfolio and the first year commissions have changed simultaneously with the new acquisitions. Among the administration costs, HUF 1.147 billion was related to tax and contribution payment liabilities arising from closing an employee stock issue and the payment of a success fee for the completion of the Initial Public Offering, compensated in part by the reversal of the provision of HUF 671 million, created in the audited financial statements for the year 2010, accounted for as other income in the non-technical result. A major role in the development of operating costs was played by a dynamic increase in the number of employees at the Issuer, with stabilization at levels needed in the long run, under the impact of cost rationalization measures announced in August.

The major part (HUF -1.648 billion) of the loss in investment results (HUF -2.003 billion) is the non-realized result of unit-linked life insurance policies, which was mostly caused by the performance of investment funds in the Far East, Eastern Europe and South America, reflecting the trends observed in these markets during the year 2011. When we project the value of the loss to the average portfolio value, we receive a 6.9 percent negative return, which is more favorable than the -8 percent return of the MSCI World global stock price index of this year. The non-realized exchange rate margin from the EUR liabilities arising from

financial reinsurance also means a significant exchange loss for the Issuer, to the amount of about HUF 569 million, which is in part compensated by its interest earnings realized on its own investments (HUF 303 million).

On the whole, insurance earnings represent a loss of HUF 4.429 billion, further increased by the non-insurance profit and loss of HUF 258 million, thus the balance sheet earnings amounted to a loss of HUF 4.687 billion in 2011.

The Issuer's balance sheet total was HUF 44.281 billion, its financial position is stable; the company has met its liabilities in full. The size of the equity was HUF 5.055 billion forints on 31st December, 2011, which ensures the solvency and operability required by law.

4. Executive summary

A significant part of the revenues of the Issuer remains the sale of new insurance policies; in 2011, it sold regular-premium life insurance policies representing an annualized premium of HUF 9.162 billion, of which unit-linked life insurances amount to HUF 8.988 billion and traditional life insurances to HUF 174 million. In the similar period of the previous year the annualized premium of new sales was HUF 10.312 billion, of which HUF 113 million was related to traditional products and HUF 10.099 billion was related to unit-linked life insurance policies.

Unit-linked life insurance, new sales

	2011	2010	Change	Change %
Number	15,090	17,268	-2,178	-13%
Annualized premium (HUF million)	8,988	10,199	-1,211	-12%

In 2011, a total of 20,794 life insurance policies were sold, of which 15,063 were unit-linked life insurance policies and 5,704 were traditional life insurance policies. The reasons for the change compared to 2010 were the above-mentioned provisions relating to early repayments and the absence of the one-time sales promotion of 2010. With new sales in the current year, the Issuer's closing stock of life insurance policies increased to 42,762 units, the closing annualized premium thereof to HUF 21.734 billion.

As to policies sold in 2011, the share of the BROKERNET Group was 66%, of which 57% is related to sales in Hungary, and 9% to sales in Slovakia. The tied network achieved 11%, while the performance of other sales channels was 23%.

Market share indicators*

	First three quarters of 2011		First three quarters of 2010		First three quarters of 2009	
	million HUF	Market share	million HUF	Market share	million HUF	Market share
Annualized premium of unit-linked life insurance, new sales	6,908	20.0%	7,262	19.4%	2,926	14.5%
On the basis of the annualized premium of life insurance policies, new sales	7,067	15.9%	7,171	19.2%	2,933	10.1%
On the basis of the gross written premium of life insurance policies	19,487	6.0%	15,138	4.7%	6,590	2.3%
On the basis of the corrected gross written premium of life insurances	14,785	6.8%	9,952	4.6%	3,790	1.8%

*At the time of preparing this quarterly report, the MABISZ market data on the fourth quarter of 2011 were not yet available.

The Issuer entered the Slovakian market in September 2010, where life insurance products are sold in the form of cross-border services. In Slovakia, the Issuer sells unit-linked life insurance products denominated in euro, through the Slovakian subsidiary of the BROKERNET Group. In 2011, policies with an annualized premium of HUF 726 million were sold in Slovakia.

The policies sold by the Issuer's Romanian branch in the relevant period represent an annualized premium of HUF 142 million. In order to considerably improve cost efficiency and operating profits, from 21st December 2011 the Issuer will continue its operations in Romania, in line with the practice already established in Slovakia, in the form of cross-border activities. The Issuer complied with its duty to report changes in its operations to HFSA. Sales in Romania take place exclusively through brokerage channels, primarily through the company Palladium Insurance Broker Srl., which belongs to the BROKERNET Group and which joined the Romanian market in 2011.

For the Issuer's operations, the sales of investment-linked life insurance products in Hungary is and is expected to remain of significant importance and to serve as a basis for achieving profitability by the year 2014. The implemented cost rationalization measures, the transforming of the operation in Romania into a cross-border service and the structural rearrangement launched during the operation also serve this goal.

Annex I

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

Designation	Opening stock on 01.01.2011	New business	Closing stock on 31.12.2011
Traditional life products	3,144	5,704	7,415
Life insurance for death	2,134	2,557	3,749
Mixed life insurance	34	247	205
Accident and illness riders	976	2,900	3,461
Unit-linked life insurance	26,220	15,090	35,347
Total life business line	29,364	20,794	42,762

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

thousand HUF

Designation	Opening stock on 01.01.2011	New business	Closing stock on 31.12.2011
Traditional life products	141,511	173,570	266,852
Life insurance for death	130,822	127,905	218,639
Mixed life insurance	3,354	23,003	20,436
Accident and illness riders	7,335	22,662	27,777
Unit-linked life insurance	15,469,581	8,988,146	21,466,669
Total life business line	15,611,092	9,161,716	21,733,521

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

thousand HUF

Designation	Total gross written premium	Top-up gross written premium	Premiums earned
Traditional life products	255,505	2,702	216,697
Life insurance for death	213,261		184,116
Mixed life insurance	16,106		12,946
Accident and illness riders	26,138		19,635
Unit-linked life insurance	27,807,187	7,422,504	19,808,949

Total life business line:	28,062,692	7,425,206	20,025,646
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The mathematical reserves of life insurance policies with single/top-up premiums at the end of the period in question

thousand HUF

Designation	Amount of mathematical reserves	
	One-time premium	Top-up premium
Reserves of unit-linked life insurances	0	0
Total traditional	0	6,627

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

thousand HUF

Designation	Acquisition costs	Administration costs	Claim settlement costs	Investment costs	Total
Total life business line	11,198,040	4,930,157	28,846	63,401	16,220,444
Of this unit-linked life insurance	11,165,851	4,870,723	27,578	62,640	16,126,792