



PANNÓNIA
ÉLETBIZTOSÍTÓ

CIG PANNÓNIA LIFE INSURANCE PLC.

QUARTERLY REPORT

BASED ON CONSOLIDATED
FINANCIAL STATEMENTS
PREPARED ACCORDING TO THE
INTERNATIONAL FINANCIAL
REPORTING STANDARDS

Q4 2011

16th February 2012

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes this day its report for the fourth quarter of the year 2011. The Issuer publishes in this quarterly report for the fourth quarter of the year 2011, as required by the legislation, its consolidated, unaudited data in accordance with the international financial reporting standards (IFRS). 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), are published by the Issuer simultaneously with the present quarterly report, in a quarterly information paper concerning the Issuer and its subsidiary, the First Hungarian General Insurance cPlc (Első Magyar Általános Biztosító Zrt., hereinafter referred to as EMABIT)

The main results and events of the Q4 2011 were the following:

- In 2011 the Issuer achieved a gross written premium of HUF 27.196 billion, comprising HUF 20.215 billion in regular premiums and HUF 6.981 billion in top-up premiums. The 11 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 8.836 billion, or 88% 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 joined the Romanian market in 2011.
- CIG Pannónia First Hungarian General Insurance cPlc, which started to operate actively in the autumn of 2011, obtained authorization from the Hungarian Financial Supervisory Authority to offer compulsory motor third party liability insurance and entered the motor insurance market.
- EMABIT is launching a program for the subscription of privately issued, convertible bonds for a restricted circle, in order to support the interests of its insurance broker partners. During this it wishes to provide the opportunity to subscribe, not exceeding the value of HUF 150 million, mainly to the insurance brokers which are in a contractual relationship with it and achieve an outstanding performance.
- In order to exploit the operating synergies within the company group as efficiently as possible, the operating activities of the Issuer and CIG Pannónia First Hungarian General Insurance cPlc have been placed under common control.
- On 9th December 2011 the Issuer obtained a 100 percent share in PI-ETA Funeral Services LLC (PI-ETA Kegyeleti Szolgáltató Kft.).
- With its continued efficient and successful operation in mind, the personal pension fund branch of Pannónia Pension Fund decided on the merger of Évgyűrűk Private Pension Fund and Postás Private Pension Fund as of 1st October 2011. Together with the merging private pension funds, the membership of Pannónia Pension Fund shall exceed 3500 persons, with private pension fund assets in excess of HUF 8 billion and total private and voluntary pension fund assets in excess of HUF 60 billion.
- Pannónia Investment Services Ltd (Pannónia Befektetési Szolgáltató Zrt.), which falls within the Issuer's scope of interests, received, from the Hungarian Financial Supervisory Authority, the authorization necessary for commencing its activities.

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 a Chief Sales Officer (“CSO”). Previously Ms Kádár was responsible at the Issuer for the alternative sales channel.
- In the fourth quarter, EMABIT obtained a portfolio worth HUF 1.9 billion in annualized premiums, which will appear in the profit for the year 2012.
- EMABIT intends to provide travel insurance and professional liability insurance in the form of cross-border services in Poland.
- Pannónia Investment Services Ltd began its active operations in January 2012 and entered into an asset management contract with the Issuer and Pannónia Pension Fund, as a result of which its managed assets have exceeded HUF 80 billion at the beginning of 2012.

Budapest, 16 February 2012

CIG Pannónia Life Insurance Plc.

2. Financial Statements

Headlines of the Issuer's consolidated statement of comprehensive income:

million HUF

Designation	2011	2010	Change	Change %
Insurance premiums	27,196	24,536	2,660	11%
Ceded reinsurance premiums	-131	-8	-123	1538%
Fee and commission income from investment contracts	414	255	159	62%
Investment income (expenses)	-2,085	1,225	-3,310	-270%
Other operating income	500	251	249	99%
Claim payments and benefits, and claim settlement costs	-5,515	-3,309	-2,206	67%
Net change in the value of life technical reserves and unit-linked life insurance reserves	-8,607	-11,753	3,146	-27%
Change in the fair value of liabilities relating to investment contracts	56	-110	166	-151%
Fees, commissions and other acquisition costs	-11,525	-11,477	-48	0%
Administration costs	-4,356	-6,011	1,655	-28%
Balance sheet profit	-4,053	-6,401	2,348	-37%
Other comprehensive income	-102	45	-147	-327%
Total comprehensive income	-4,155	-6,356	2,201	-35%

Headlines of the Issuer's consolidated statement of financial position:

million HUF

Designation	31.12.2011	31.12.2010	Change	Change %
Intangible assets	744	633	111	18%
Property, plant and equipment	224	260	-36	-14%
Deferred acquisition costs	3,417	3,980	-563	-14%
Reinsurer's share of technical reserves	68	12	56	467%
Investments in jointly controlled companies	8	0	8	-
Available-for-sale financial assets	2,665	4,153	-1,488	-36%
Investment for policy holders of unit-linked life insurance policies	26,128	18,795	7,333	39%
Financial assets – investment contracts	917	929	-12	-1%
Receivables from direct insurance policies and other receivables	3,066	1,543	1,523	99%
Other assets and prepayments	293	122	171	140%
Cash and cash equivalent	4,323	8,162	-3,839	-47%
Total assets	41,853	38,589	3,264	8%
Technical reserves	2,409	1,073	1,336	125%
Technical reserves for policy holders of unit-linked life insurance	26,128	18,795	7,333	39%
Investment contracts	917	929	-12	-1%
Loans and financial reinsurance	5,848	4,038	1,810	45%
Liabilities from direct insurance	1,036	3,181	-2,145	-67%
Other liabilities and provisions	1,330	2,422	-1,092	-45%
Total liabilities	37,668	30,438	7,230	24%
Registered capital	2,531	2,531	0	0%
Capital reserve	15,937	15,937	0	0%
Stock-based services	184	0	184	100%
Other reserves	-83	14	-97	-693%
Profit reserve	-14,384	-10,332	-4,052	39%
Non-controlling interests	0	1	-1	-100%
Total shareholders' equity	4,185	8,151	-3,966	-49%

3. Presentation of the Issuer's financial position – consolidated, unaudited data for the year 2011, on the basis of the financial reporting standards (IFRS) adopted by the EU

The Issuer and its subsidiaries, representing together the Group, deal with the sale of unit-linked life insurance, term life insurance, endowment insurance, rider and non-life insurance.

The company with a decisive impact on the Issuer's operations remains CIG Pannónia Life Insurance Plc, as a parent company. The operations of the other companies in the Group cannot be considered significant in 2011.

In the reporting period, the Issuer's gross written premium was HUF 27.196 billion, which is 111 percent of the revenue in the previous year. Of this, HUF 26.802 billion is the value of unit-linked life insurance, HUF 256 million that of traditional life products, and HUF 138 million is the gross written premium from non-life insurance. The 11 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 in the portfolio, the renewal fees of policies concluded in the previous years have increased by 92 percent, which compensated for the decline in revenues from new sales and top-up premiums. The gross written premium of the year 2011 arising from renewals was HUF 12.077 billion, in contrast with HUF 6.288 billion in 2010. Gross written premium from the first annual premiums of policies sold was HUF 8.138 billion, which is an 8% decrease compared to 2010 (HUF 8.842 billion). A significant factor in this change 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 74% of the previous year's top-up revenue, or HUF 6.981 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 revenue of HUF 27.196 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.

Unit-linked life insurance policies sold by the Issuer that do not qualify as insurance policies under IFRSs are qualified by the Issuer as investment contracts. In connection with the investment contracts, the Issuer generated a gross written premium of HUF 414 million in total during the period.

The annualized premium of the life insurance policies sold in the year 2011 was HUF 8.836 billion, 88 percent of the performance achieved in the previous year (HUF 10.059 billion). The reasons for this change are early repayments and the absence of the one-time sales promotion of 2010. According to the management, due to this performance the Issuer will continue to be the market leader in the sale of life insurance policies. 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, sales of traditional products have also increased and the sale of non-life insurance policies has also begun.

The reason for the significant change in the fee transferred to the reinsurer is the premium paid on life insurance policies for cumulated risks, which is a natural consequence of the mortality risk arising from the growth of the portfolio.

Among expenses, the most important item is the amount of claims and benefits as well as claim settlement costs (HUF 5.515 billion together), including HUF 5.475 billion related to partial or full surrender of unit-linked life insurance policies. Another significant item is the expenditure on the change of net technical reserves (HUF 8.607 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 1.089 billion, in accordance with the increased life 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 operating costs of the Issuer in the year 2011 totaled HUF 15.881 billion, of which HUF 11.525 billion originates from fees, commissions and other acquisition costs, and HUF 4.356 billion from administration 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. A significant role in the development of operating costs was played by a dynamic increase in the number of employees at the Issuer, with a stabilization of this number 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 -2.085 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 in 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).

As a result of all of the above, the balance sheet profit and loss amounted to HUF 4.052 billion in loss, in accordance with the dynamic growth and plans of the Issuer. The other comprehensive income contains a change in the fair value of available-for-sale financial assets amounting to HUF 103 million and, thus, the total comprehensive income represented a loss of 4.155 billion on 31st December 2011.

The Issuer's balance sheet total was HUF 41.853 billion, its financial position is stable; the company has met its liabilities in full. The size of the equity was HUF 4.185 billion 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 and investment contracts representing an annualized premium of 9.162 billion forints, of which unit-linked life insurance amounts to HUF 8.662 billion, investment contracts to HUF 326 million, and traditional life insurance policies to HUF 174 million. In the previous year the annualized premium of new sales was HUF 10.312 billion, of which HUF 113 million was related to traditional products, HUF 9.946 billion was related to unit-linked life insurance policies and HUF 253 million was related to investment contracts.

In 2011, EMABIT realized a gross written premium of HUF 138 million, the majority thereof relating to the general liability sector and the self-propelled land vehicle liability sector.

Unit-linked life insurance, new sales

	2011	2010	Change	Change %
Insurance policies (number)	15,063	17,237	-2,174	-13%
Annualized premium (insurance policies, million HUF)	8,662	9,946	-1,284	-13%
Investment contracts (number)	27	31	-4	-13%
Annualized premium (investment contracts, million HUF)	326	253	73	29%
Total	15,090	17,268	-2,178	-13%
Total annualized premium (million HUF)	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, 27 were investment contracts 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 period in question, the Issuer's closing stock of life insurance policies and investment contracts increased to a total of 42,762 units, the closing annualized premium of which increased 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, with 11% from its tied network's performance and 23% from other channels.

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	19,487	6.0%	15,138	4.7%	6,590	2.3%

written premium of life insurance policies						
On the basis of the corrected gross written premium of life insurances	14,785	6.8%	9,952	4.6%	3,790	1.8%

* Data according to the Hungarian Accounting Act. 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 joined the Romanian market in 2011.

In the operation of the Group, it is primarily life insurance that remains decisive, but at the same time, during the fourth quarter, the Issuer's subsidiary, CIG Pannónia First Hungarian General Insurance cPlc, has started to operate actively. EMABIT obtained the authorization from the Hungarian Financial Supervisory Authority to offer compulsory motor third party liability insurance. In 2011, EMABIT realized a gross written premium of HUF 138 million, the majority thereof relating to the general liability sector and the self-propelled land vehicle liability sector. The financial position of EMABIT is stable, on 31st December 2011 its loss amounted to HUF 354 million, which is in line with the plans; its equity was HUF 1.330 billion, providing financing for the operations. EMABIT successfully made its entry into the target market segment through its comprehensive services offered mainly through brokers and to some extent through exclusive sub-agents and associated sales channels. In the traditional Q4 campaign - focusing mostly on motor insurance - policies worth nearly HUF 1.9 billion in annualized premium were signed. The motor liability and Casco insurance segments have achieved twice the gross written premium planned for the year 2012, while the number of transactions in property insurance corresponds to the time-proportionate plan.

Pannónia Investment Services Ltd received the authorization necessary for commencing its activities from the Hungarian Financial Supervisory Authority. Pannónia Investment Services Ltd began its active operations in January 2012 and entered into an asset management contract with the Issuer and Pannónia Pension Fund, as a result of which its managed assets have exceeded HUF 80 billion at the beginning of 2012.

The general meetings of Pannónia Pension Fund, a member of the CIG Partnership, as recipient, and Évgyűrűk Private Pension Fund (2208 members) and Postás Private Pension Fund (449 members), as absorbed funds, made a decision on the merger of the pension funds concerned, effective from 1st October 2011. Together with the merging private pension funds, the membership of Pannónia Pension Fund shall exceed 3500 persons, with private pension fund assets in excess of HUF 8 billion and total private and voluntary pension fund assets in excess of HUF 60 billion.

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 restructuring of the operation in Romania – implementation of sales as a cross-border service – and the structural rearrangement launched during the operation also serve this goal.

5. Number of employees, ownership structure

The number of employees at the Issuer was 155 on 31st December 2011.

Composition of the Issuer's equity capital (31st December 2011)

Series of stocks	Nominal value (HUF/each)	Issued shares	number of	Total nominal value (HUF)
Series "A"	40	63,283,203		2,531,328,120
Size of capital	-	-		2,531,328,120

Number of votes attached to the stocks (31st December 2011)

Series of stocks	Issued number of shares	Number of voting stocks	Voting power per stock	Total voting powers	Number of treasury stocks
Series "A"	63,283,203	63,283,203	1	63,283,203	0
Total:	63,283,203	63,283,203	-	63,283,203	0

The Issuer's ownership structure (31st December 2011)

	Number of stocks	Ownership stake	Voting power
Domestic private individuals	40,747,170	64.3886%	64.3886%
Domestic institution	20,206,798	31.9307%	31.9307%
Foreign private individuals	267,348	0.4224%	0.4224%
Foreign institution	835,046	1.3195%	1.3195%
Unspecified item	1,226,841	1.9387%	1.9387%
Total	63,283,203	100%	100%

The Issuer assigned KELER to keep the shareholder's register. If, on occasion of ownership verification, an account manager with clients holding CIGPANNONIA shares does not provide data regarding the shareholders, the owners of the unidentified stocks are recorded as "unspecified item" in the shareholder's register.

Investments made by the Issuer

	Name	Registered seat	The Issuer's share
1.	CIG Pannónia First Hungarian General Insurance cPlc	H-1033 Budapest, Flórián tér I.	100%
2.	CIG-Pannónia Consultancy LLC.	H-1033 Budapest, Flórián tér I.	100%
3.	S.C. Tisia Expert SRL	Romania - Bucharest, str. Povernei nr. 20, etaj 4, apartament 9, sector I.	100%
4.	Pannónia PI-ETA Funeral Services LLC.	H-1033 Budapest, Flórián tér I.	100%
5.	Pannónia Investment Services Ltd.	H-1072 Budapest, Nyár utca 12.	20 %
6.	Pannónia Fund Services Ltd.	H-1072 Budapest, Nyár utca 12.	20 %

Information published in the period in question

Date	Subject, short summary
03.10.2011	Other publication on the merger of certain private pension funds into Pannónia Pension Fund, which falls within the scope of interests of CIG Pannónia Life Insurance Plc.
12.10.2011	On the change of the contact person for CIG Pannónia Life Insurance Plc. investors.
14.10.2011	Extraordinary announcement on the expansion of the scope of activities of CIG Pannónia Life Insurance Plc's subsidiary dealing with general insurance
17.10.2011	Extraordinary announcement on the entry into force of the contracts between CIG Pannónia Life Insurance Plc, GEM Global Yield Fund Limited and GEM Management Ltd
20.10.2011	Extraordinary announcement on the appointment of a new Chief Operating Officer at CIG Pannónia Life Insurance Plc.
20.10.2011	Extraordinary announcement on a transaction relating to CIGPANNONIA shares by an executive officer of CIG Pannónia Life Insurance Plc (Attila Solymár)
25.10.2011	Extraordinary announcement on the registration of the members of the supervisory board of CIG Pannónia Life Insurance Plc's general insurance subsidiary
02.11.2011	Extraordinary announcement on the new executive officers of S.C. Tisia Expert S.r.l., exclusively owned by CIG Pannónia Life Insurance Plc
02.11.2011	Number of voting powers and size of the authorized capital at CIG Pannónia Life Insurance Plc.
03.11.2011	Extraordinary announcement on the change of the scope of activities of companies within CIG Pannónia Life Insurance Plc's scope of interests
16.11.2011	Quarterly report on the third quarter
16.11.2011	Extraordinary announcement on a transaction relating to CIGPANNONIA shares by an executive officer of CIG Pannónia Life Insurance Plc (Béla Horváth)
16.11.2011	Extraordinary announcement on a transaction relating to CIGPANNONIA shares by an executive officer of CIG Pannónia Life Insurance Plc (Dr. Gyula Mikó)
18.11.2011	Extraordinary announcement on a transaction relating to CIGPANNONIA shares by an executive officer of CIG Pannónia Life Insurance Plc (Béla Horváth)
18.11.2011	Extraordinary announcement on a transaction relating to CIGPANNONIA shares by an executive officer of CIG Pannónia Life Insurance Plc (Marianna Kiss)
21.11.2011	Extraordinary announcement on a transaction relating to CIGPANNONIA shares by an executive officer of CIG Pannónia Life Insurance Plc (Marianna Kiss)
24.11.2011	Extraordinary announcement on a structural change to CIG Pannónia Life Insurance Plc. (termination of the position of Chief Sales Officer of the Company Group)
30.11.2011	Number of voting powers and size of the authorized capital at CIG Pannónia Life Insurance Plc.
09.12.2011	Extraordinary announcement on the affiliated company of CIG Pannónia Life Insurance Plc
12.12.2011	Extraordinary announcement on the bond issue program of CIG Pannónia First Hungarian General Insurance cPlc, an undertaking falling within the scope of interests of CIG Pannónia Life Insurance Plc.
20.12.2011	Extraordinary announcement on a company within the scope of interests of CIG Pannónia Life Insurance Plc (Pannónia Investment Services Ltd has obtained the authorization necessary for starting its operation from HFSA)
20.12.2011	Extraordinary announcement on a transaction relating to CIGPANNONIA shares by an executive officer of CIG Pannónia Life Insurance Plc (Attila Solymár)
28.12.2011	Extraordinary announcement on a new operational permit of CIG Pannónia First Hungarian General Insurance cPlc an undertaking falling within the scope of interests of CIG Pannónia Life Insurance Plc.
28.12.2011	Extraordinary announcement on a transaction relating to CIGPANNONIA shares by an executive officer of CIG Pannónia Life Insurance Plc (Béla Horváth)
28.12.2011	Extraordinary announcement on a structural change to CIG Pannónia Life Insurance Plc. (establishment of a branch in Debrecen)

These announcements can be found on the websites of the Issuer (www.cig.eu) and the Budapest Stock Exchange Company Limited by Shares (www.bet.hu), as well as on the website of the Hungarian Financial Supervisory Authority (www.kozzetetelek.hu).

6. Disclaimer

The Issuer declares that the report for the fourth quarter of the year 2011 was not checked by an auditor, the report for the fourth quarter of the year 2011 presents a fair and reliable picture on the assets, liabilities and financial position, as well as the profit and loss of the Issuer and the undertakings 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.

Budapest, 16 February 2012

Csaba Gaál
CEO

Zsolt Kelemen
CFO

Investor Relations

dr. Kata Lódi, investor relations
investor.relations@cig.eu ; 06-1-5 100 200