



PANNÓNIA
ÉLETBIZTOSÍTÓ

CIG PANNÓNIA LIFE INSURANCE PLC.

QUARTERLY REPORT

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

Q3 2011

16th November 2011

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes this day its report for the third quarter of the year 2011. The Issuer publishes in this quarterly report for the third 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 Accounting 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.

Main events of the first three quarters of the year 2011:

Increase in operating efficiency, focus on cost consciousness and on achieving profitability.

- During the first nine months of the year 2011, the Issuer achieved gross premium revenues of HUF 19,011 million, as compared to HUF 14,148 million in the same period of the year 2010. The 34% increase in gross premium revenues beside the increase in the initial sales of unit-linked life insurance policies came basically from the renewal premiums of the existing life insurance portfolio. The Issuer's financial position is stable, on 30th September 2011 its equity capital totaled to HUF 5,873 million, providing financing for its operation.
- The Issuer and its general insurance subsidiary, CIG Pannónia First Hungarian General Insurance cPlc concluded a tripartite agreement with Gránit Bank cPlc, on strategic cooperation.
- When the agreement on strategic cooperation concluded between the Issuer and Pannónia Pension Fund entered into effect, the investment service provider and pension fund service provider companies were set up and registered.
- In order to considerably improve cost efficiency and operating profits, the Issuer will continue its operations in Romania, in line with the practice already established in Slovakia, in the form of cross-border sales from now on. Sales in Romania take place exclusively through brokerage channels, primarily through a company belonging to the BROKERNET Group, having joined Romanian market this summer.
- The registered capital of the Issuer's general insurance subsidiary has been increased, in order to enable the start of active operation.
- The Issuer submitted the winning proposal in an open public procurement tender regarding the provision of insurance services in the framework of a collective scheme of life and accident insurance for the National Directorate General for Disaster Management supervised by the Ministry for Internal Affairs. The Issuer will provide insurance services relating to specified insurance events during a period of 36 months, for 11,000 insured persons, in the framework of a collective life and general insurance contract, against an insurance fee of HUF 24,000,000 (that is, twenty four million forints).
- The BSE Index Committee made a decision on 23rd September 2011 about the structure of the new BUX basket and the new BUMIX basket. The Issuer remains the member of both baskets, the share of the CIGPANNONIA shares in the capitalisation is 2.55% in the BUX index and, by the same, it ranks sixth in terms of weight in the index. (The shares of the Issuer are included in the BUX index with effect from 1st April 2009, with a weight of 1.31%.)

Most important events after the closure of the balance sheet:

- the general assemblies of Pannónia Pension Fund, a member of the CIG Partnership, as absorbing and Évgyűrűk Private Pension Fund and Postás Private Pension Fund, as absorbed pension funds made a decision on the merger of the pension funds concerned.
- CIG Pannónia First Hungarian General Insurance cPlc. obtained the license from the Hungarian Financial Supervisory Authority for the services relating to motor third party liability insurance .
- the Issuer made a decision on the appointment of a new Chief Operating Officer. The Issuer appointed Mr Balázs Birkás to this position.
- The Issuer's clear goal is to become profitable by the year 2014 and, in order to achieve that, the Board has made certain decisions on restructuring and cost cutting in the third quarter of the year 2011.

Budapest, 16th November 2011

CIG Pannónia Életbiztosító Plc.

CIG Pannónia Életbiztosító Plc., Q3 quarterly report



PANNÓNIA
ÉLETBIZTOSÍTÓ

2. Financial Statements

Issuer's consolidated statement of comprehensive income

million HUF

Designation	2011.09.30. (A)	2010.12.31. (B)	2010.09.30. (C)	Change, % (A)/(C)
Insurance premiums	19 011	24 536	14 148	134%
Ceded reinsurance premiums	-41	-8	-5	820%
Fee and commission income from investment contracts	309	255	215	144%
Investment income (expenses)	-2 572	1 225	836	-308%
Other operating income	327	251	175	187%
Claim payments and benefits, and claim settlement cost	-3 887	-3 309	-2 319	168%
Net change in the value of technical reserves and unit-linked life insurance reserves	-3 950	-11 753	-5 418	73%
Change in the fair value of liabilities relating to investment contracts	-2	-109	-72	3%
Fees, commissions and other acquisition costs	-8 532	-11 477	-7 597	112%
Administration costs	-2 989	-6 011	-2 202	136%
Tax expenses	0	0	0	-
Balance sheet profit	-2 326	-6 400	-2 239	104%
Other comprehensive income	-155	44	26	-596%
Total comprehensive income	-2 481	-6 356	-2 213	112%

Issuer's consolidated statement of financial position:

million HUF

Designation	2011.09.30. (A)	2010.12.31. (B)	2010.09.30. (C)	Change, % (A)/(C)
Intangible assets	672	633	483	139%
Property, plant and equipment	347	260	175	198%
Deferred acquisition costs	3 904	3 980	3 646	107%
Reinsurer's share of technical provisions	82	12	0	-
Available-for-sale financial assets	3 384	4 153	330	1027%
Investment for policy holders of unit-linked insurance policies	21 841	18 795	12 815	170%
Financial assets – investment contracts	780	929	858	91%
Receivables from direct insurance contracts and other receivables	2 883	1 543	1 475	195%
Other assets and prepayments	404	122	-19	-2126%
Receivables from	0	0	0	-
Cash and cash equivalent	3 056	8 162	3 350	91%
Total assets	37 353	38 589	23 113	162%
Technical reserves	2 057	1 073	705	292%
Technical reserves for policy holders of unit linked insurance policies	21 841	18 795	12 815	170%
Investment contracts	780	929	858	91%
Loans and financial reinsurance	5 177	4 038	4 479	116%
Liabilities from direct insurance	1 308	3 181	1 284	102%
Other liabilities and provisions	316	2 421	275	115%
Total liabilities	31 480	30 438	20 416	154%
NET ASSETS	5 873	8 151	2 697	218%
Registered capital	2 531	2 531	2 052	123%
Capital reserve	15 937	15 937	6 721	237%
Preferential share purchase	0	0	114	0%
Share based payments	205	0	0	-
Other reserves	-141	14	-4	3525%
Profit reserve	-12 586	-10 333	-6 186	205%
Equity attributable to the Company's shareholders	5 874	8 150	2 697	218%
Non controlling interests	-1	1	0	-
Total shareholders' equity	5 873	8 151	2 697	218%

3. Presentation of the Issuer's financial position – consolidated, unaudited data for the first three quarters of the year, on the basis of the international 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, auxiliary insurance 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 for the time being.

In the reporting period, the Issuer's gross written premium was HUF 19,011 billion, which is 134 percent of the revenue in previous year's similar period. From this, HUF 18,723 million is the value of unit-linked life insurance, HUF 171 million that of traditional life insurance products, HUF 117 million is the gross written premium from non-life insurance. From policies sold in the first nine months of the year 2011, the premium revenue totaled to HUF 6,752 million, representing an 8% increase as compared to the previous year's similar period. In the case of renewals of contracts concluded in previous years, the increase in premiums was 187%, the gross written premiums originating from renewals was HUF 7,241 million in the three quarters, as opposed to HUF 2,522 million in the first half of the year 2010. Top-up premiums reached HUF 5,018 million, mainly from unit-linked life insurance, decreasing the top-up premium revenues of HUF 5,360 million achieved in the previous year's similar period by 6 percent. Within the premium revenue of HUF 19,011 million, the 28 percent share of top-up premiums is somewhat lower than the market average in this country, which is in line with the endeavour of the Issuer to maximise the share of regular premiums in its portfolio.

Unit-linked life insurance policies sold by the Issuer that do not qualify as insurance contracts under IFRSs, are qualified by the Issuer as investment contracts. In connection with the investment contracts, the Issuer generated premium revenues in total of HUF 309 million during the period.

The value of the contracts sold in the first three quarters of the year 2011 was HUF 6,768 million, corresponding (97%) to the performance achieved in the previous year's similar period. For the Issuer, the driver of growth remained the sale of unit-linked life insurance policies, but parallel to that, sales of traditional products also increased.

Among expenses, the most important item is the amount of claims and benefits (HUF 3,887 million), including HUF 16 million related to traditional life insurance, and the rest to partial or full redemption of unit-linked life insurance policies. Another significant item is the expenditure on changes in gross reserves (HUF 3,950 million), including HUF 3,045 million relating to the increase in provisions for unit-linked life insurance. The increase in cancellation reserves was HUF 809 million, in accordance with the increased insurance premium receivables; the size of the other technical reserves cannot be considered as significant for the time being.

Total operating costs of the Issuer in the first nine months of the year 2011 totaled to HUF 11,521 million, from which HUF 8,532 million originate from fees, commissions and other acquisition costs, HUF 2,989 million from administration costs. The acquisition costs increased proportionately to the dynamic increase in written premiums. A significant role in the development of operating costs was played by a dynamic increase in the headcount at the Issuer, with a stabilisation of the headcount at levels needed in the long run, under the impact of cost rationalisation announced in August.

The loss of HUF 2,572 million in investment result was mostly caused by the poor performance of investment funds of the Far East, Eastern Europe and South America, reflecting the trends observed on the markets in the second and third quarters of the year. The negative yield of 12%, calculated by dividing the loss with the average value of the portfolio, is in accordance with the performance of the MSCI World global stock index amounting minus 12.2%.

As a result of all of the above, the profit for the year amounted to HUF 2,326 million, 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, with HUF 155 million and thus, the total comprehensive income, on 30th September 2011 represented a loss of HUF 2,481 million.

The Issuer's total assets was HUF 37,353 million, *its financial position is stable*, the company meets its liabilities in full. The equity was HUF 5,873 million as at 30th September 2011, which provided the solvency and operability required by the law.

4. Executive summary

Sales of new life insurance continued their dynamic increase: the Issuer sold new regular-premium policies representing annualized premium of HUF 6,768 million (which amounts to HUF 6,909 million according to Hungarian Accounting Law), where unit-linked life insurances amount to HUF 6,610 million, while traditional life insurances to HUF 158 million. The annualized premium of new business in the same period of the previous year amounted to HUF 6,953 million, from that HUF 89 million connected to traditional and HUF 6,864 million to unit-linked policies.

Unit-linked life insurance, new sales*

	million HUF			
	30.09.2011 (A)	31.12.2010 (B)	30.09.2010 (C)	Change, % (A)/(C)
Number	11 902	17 268	12 439	96%
Annualized premium, HUF million	6 909	10 199	7 170	96%

* The data contains unit-linked life insurance policies as well, qualified as investment contracts under IFRS (at 30.09.2011 71 policies qualified as investment contracts with the annualized premium of HUF 299 million; at 30.09.2010 44 policies qualified as investment contracts with the annualized premium of HUF 307 million)

In the first nine months of the year 2011, a total of 16,642 contracts were sold, from which 11,902 were unit-linked life insurance policies, and 4,740 traditional life insurance policies. In August 2010, the Issuer produced outstanding sales results in connection with the flotation on the stock exchange, with a newly acquired value of HUF 1,977 million. Even though in 2011, due to the preferential schemes announced in connection with the public offering, no outstanding effect was experienced, the Issuer managed to reach its sales level of the year 2010 in the last three quarters.

With new sales in the current year, the Issuer's closing stock of life insurance contracts increased to 40,912 units, the closing value thereof to HUF 20,584 million.

A further improvement took place in the diversification of sales channels, in terms of annual value, with a major increase in sales of contracts through the BROKERNET Group, the volumes increased also in the case of sales through its tied agent network and alternative network. 2011. As to policies sold in the first nine months of the year 2011, the share of the BROKERNET Group was 67%, from where 60% is related to sales in Hungary, and 7% to sales in Slovakia, with 11% from its tied agent network's performance and 22% from other channels.

Market share indicators*

	30.06.2011		30.06.2010		30.06.2009	
	million HUF	Market share	million HUF	Market share	million HUF	Market share
Value of new sales unit-linked life insurance policies	4 837	20.4%	3 816	20.3%	1 721	13.1%
Value of new sales life insurance policies	4 923	16.5%	3 859	15.6%	1 737	9.1%
Life insurance gross written premium	12 642	5.6%	8 530	1.9%	3 860	0.9%

*At the time of preparing this quarterly report, the market data of MABISZ on the third 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 the first nine months of the year 2011, contracts with the annualized premium of HUF 486 million were sold in Slovakia.

The policies sold by the Issuer's Romanian branch – euro-denominated investment-linked life insurance products and mixed life insurance policies launched in the first quarter of 2011 – represent annualized premium of HUF 111 million. In order to considerably improve cost efficiency and operating profits, from now on, the Issuer will continue its operations in Romania, in line with the practice already established in Slovakia, in the form of cross-border sales. Procedures relating to the closing of the branch; acquisition of operations and mass layoffs have started. The Issuer complied with its liability to report changes in operation to HFSA. Sales in Romania take place exclusively through brokerage channels, primarily through a company belonging to the BROKERNET Group, having entered the Romanian market of insurance brokerage this summer.

In the operation of the Group, primarily life insurance remains decisive, but at the same time, during the third quarter of the year, works relating to the launch of the Issuer's subsidiary, CIG Pannónia First Hungarian General Insurance cPlc. were started, in order to start active operation, the capital was also increased. The Company plans to launch the sales of its property and liability insurance products, the surge of sales is expected in the fourth quarter of the year 2011. CIG Pannónia First Hungarian General Insurance cPlc obtained the license from the Hungarian Financial Supervisory Authority for the services relating to motor third party liability insurance. In the first nine months of the year, the Insurer achieved a gross written premium of HUF 117 million, with majority thereof relating to the general liability sector and the self-propelled land vehicle liability sector. The Insurer's total costs amounted to HUF 293 million, consisting mostly from administration costs. The Insurer's financial position is stable, its earnings on 30th September 2011 represented a loss of HUF 190 million, which corresponds to the plans; its equity amounts to HUF 1,494 million, providing for the financing of its operation.

In the first quarter of the year, the Issuer signed a letter of intent with the Pension Fund of Electricity Companies, on long-term strategic cooperation. The agreement entered into force in the second quarter of the year, the Pension Fund was re-named to Pannónia Pension Fund and became a member of the CIG partnership. The contractual parties, in order to explore the synergies of such cooperation to the maximum extent, started their collective work and, as a result, a strategy creation panel was set up and the investment service provider and fund service provider companies were set up. With this cooperation, the Issuer is a new player on the domestic market of private and voluntary pension funds. The purpose with the creation of the investment service provider company is to implement the investments of assets coming from the private and voluntary pension funds, the life and non-life provisions, the Issuer's own equity, other resources created within the Group and, if appropriate, from external assignments. With the issue of licenses, the operation of these companies can start, the authorization process is ongoing at the time of publishing this report.

The general assemblies of Pannónia Pension Fund, a member of the CIG Partnership, as absorbing 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, with effect 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 operations of the Issuer, the sale of unit-linked life insurance products in Hungary is and is expected to remain of significant importance and serve as a basis for achieving profitability by the year 2014. Cost rationalisation measures implemented, the restructuring of the operation in Romania – implementation of sales as a cross-border service – and the structural rearrangement launched after the balance date also serve this goal.

5. Number of the employees, ownership structure

The number of the Issuer's employees was 182 persons, on 30th September 2011.

Breakdown of the Issuer's equity (30th September 2011)

Series of shares	Face value (HUF/pc)	Issued number of shares	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 shares (30th September 2011)

Series of shares	Issued number shares	Number of voting shares	Voting power per share	Total voting powers	Number of treasury shares
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 (30th September 2011)

	Number of shares	Ownership stake	Voting power
Domestic private persons	31 977 478	50.5308 %	50.5308 %
Domestic institutional	17 107 554	27.0333 %	27.0333 %
Foreign private persons	251 428	0.3973 %	0.3973 %
Foreign institutional	581 226	0.9184 %	0.9184 %
Undefined item	13 365 517	21.1202 %	21.1202 %
Total	63 283 203	100 %	100 %

The Issuer assigned KELER to keep the shareholder's register. If, on occasion of an ownership verification an account manager with clients holding CIGPANNONIA shares does not provide data regarding the shareholders, then the owners of the unidentified shares are recorded as "undefined 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	I Flórián sqr. Budapest H-1033	100 %
2.	CIG-Pannónia Consultancy Ltd.	I Flórián sqr. Budapest H-1033	100 %
3.	S.C. Tisia Expert SRL	Romania - Bucharest, str. Povernei nr. 20, etaj 4, apartament 9, sector 1.	100 %
4.	Pannónia PI-ETA Funeral Services Ltd.	I Flórián sqr. Budapest H-1033	60 %
5.	Pannónia Investment Services cPlc.	12 Nyár str. Budapest H-1072	20 %
6.	Pannónia Fund Services cPlc.	12 Nyár str. Budapest H-1072	20 %

Information published in the current period

Date	Subject, short summary
01.07.2011.	Number of voting powers, size of the authorised capital at CIG Pannónia Life Insurance Plc.
06.07.2011	Extraordinary announcement on a new member in the Supervisory Board of CIG Pannónia Life Insurance Plc
08.07.2011	Extraordinary announcement from CIG Pannónia Life Insurance Plc on a transaction relating to CIGPANNONIA shares by a close relative of a company officer
19.07.2011	Extraordinary announcement on the agreement concluded by CIG Pannónia Life Insurance Plc, CIG Pannónia First Hungarian General Insurance cPlc and Gránit Bank cPlc on strategic cooperation
01.08.2011	Number of voting powers, size of the authorised capital at CIG Pannónia Life Insurance Plc.
04.08.2011	Other disclosure on the registration of subsidiaries established by CIG Pannónia Life Insurance Plc and Pannónia Pension Fund, jointly
25.08.2011	Quarterly report
01.09.2011	Number of voting powers, size of the authorised capital at CIG Pannónia Life Insurance Plc.
05.09.2011	Extraordinary announcement on the operations of CIG Pannónia Life Insurance Plc in Romania
08.09.2011	Extraordinary announcement from CIG Pannónia Life Insurance Plc on a transaction relating to CIGPANNONIA shares
16.09.2011	Extraordinary announcement from CIG Pannónia Life Insurance plc on a change of a top manager at a company within its scope of interests
26.09.2011	Extraordinary announcement on the registration of the capital increase of a subsidiary of CIG Pannónia Life Insurance Plc
28.09.2011.	Extraordinary announcement from CIG Pannónia Life Insurance Plc on its winning the public procurement tender opened by the Ministry of the Interior
30.09.2011	Number of voting powers, size of the authorised capital at CIG Pannónia Life Insurance Plc.

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

6. Disclaimer

The Issuer declares that the report for the third quarter of the year 2011 was not checked by an auditor, the report for the third quarter of the year 2011 presents a fair and reliable picture on the assets, liabilities, financial position, as well as 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, 16th November 2011

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