



**PANNÓNIA**  
ÉLETBIZTOSÍTÓ

## **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 2014

13 November 2014

## I. Summary

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CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the third quarter of 2014 on this day. The Issuer publishes in this quarterly report for the third quarter of 2014, 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 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, CIG Pannónia First Hungarian General Insurance Company Ltd. (hereinafter referred to as EMABIT).

Main results and events of the third quarter of 2014:

- The Group<sup>1</sup> improved its after-tax result significantly by HUF 594 million compared to the same period of the previous year, thus it achieved an after-tax profit of HUF 257 million in the first three quarters of 2014. The total comprehensive income is a profit of HUF 272 million, which means that the Group realised profit in the third quarter of 2014 either.
- The Issuer achieved a gross written premium of HUF 11,420 million in the first three quarters of 2014, which means a 29 percent decrease compared to the same period of the previous year. The premium income of the life insurance segment has fallen by 22 percent compared to the same period of 2013, while premium income of the non-life segment has also dropped by 52 percent.
- The decrease of the gross written premium in the life segment is mainly due to the fall of top-up and renewal premiums. The Group started to sell the new pension insurance products at 2 January 2014 by seizing the tax allowance potentials of the pension insurance segment fastly and flexible. In the first three quarters of 2014 the Group has built up a pension insurance portfolio with approximately HUF 636 million value. The distribution of the sales channels has continued, three new banking partners started to sell Best Doctor Smart, which is a health insurance product of the Insurer.
- Pannónia broadened its personal insurance portfolio with new products from July 2014. Dependent and independent sales channels of the Issuer are allowed to sell the CIG Pannónia Pension Bond, Quantis sells the unit-linked pension insurance product called 'MAXX', with determined duration and premium payment period, which is a regular premium unit-linked pension insurance product, expanded for one insured life, payments are in Hungarian forint. These products provide tax allowances based on the Law of Personal Income Tax. Conditions of pension products were determined by taken into account the requirements of Hungarian National Bank (2/2014. (V.26.)), therefore the Issuer was within the firsts, who were met by the National Bank's requirements. Three other, earlier sold products (Pannonia Klikk, Pannonia "Kikötő" Pension Investment and Origo Unit-linked Life Insurance Product) are in line with the new requirements either.
- Due to the Group's new strategy, the non-life segment has realised a profit in the third quarter of 2014. In accordance with the management expectations, as a result of the portfolio reduction, the gross written premium has decreased, however, the technical profit increased significantly, with HUF 466 million, compared to the similar period of the previous year.
- On 21 July 2014, the management of CIG Pannónia First Hungarian General Insurance Plc. decided to transfer the home insurance portfolio to AEGON Hungary General Insurance Plc. The Hungarian National Bank gave the supervisory authorization on 30 October 2014. From 1 August 2014 AEGON Hungary General Insurance Plc. sells the travel insurance products of CIG Pannónia under its own brand by its partners. The decision is in accordance with the renewed strategy of the Company, EMABIT is operating in non-life insurance segment, and it will focus on its corporate clients in the future. The parties are planning to extend their cooperation to other fields either.
- Based on the sales and experience in transportation insurance business in Poland and Hungary, EMABIT starts to provide suretyship-related insurance services as a cross-border activity in Italy for carriers.

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<sup>1</sup> "Group" or "CIG Group" covers the Issuer and its consolidated companies.

- The management remains committed in the rationalization of the operation. The results of the cost-saving measures made in 2013 will have an impact throughout 2014, therefore the administration cost decreased with an additional 34 percent compared to the same period of the previous year.
- In 2014, best participants and products in unit-linked investment management segment have been awarded by Money Moon for the fourth time. The Pannónia CIG Fund Manager Ltd. (the Group's joint venture) became the best unit-linked related fund manager, while more investment funds of the Insurer carried a prize, confirmed the fact that its innovative products belong to the bests at the market. The Pannónia CIG Fund Manager Ltd. had more than HUF 145 billion asset under management at the end of the third quarter.

Events after the balance sheet date:

- From 27 October, the Insurer has broadened its product mix with a single premium product, missing so far from the product portfolio. The main advantage of the product – among low cost level and simple structure – is offering flexibility for the clients: it is available as whole-life and pension insurance, as well.

Budapest, 13 November 2014

CIG Pannónia Life Insurance Plc.

## 2. Financial Statements

Consolidated Statement of Comprehensive Income				data in million HUF	
	Q1-Q3 2014 (A)	Q1-Q4 2013 (B)	Q1-Q3 2013 (C)	Change C=(A)- (C)	Change % (A-C)/(C)
Gross written premium	11 420	21 367	16 030	-4 610	-29%
Changes in unearned premiums reserve	-284	-302	-454	170	-37%
<b>Earned premiums, gross</b>	<b>11 136</b>	<b>21 065</b>	<b>15 576</b>	<b>-4 440</b>	<b>-29%</b>
Ceded reinsurance premiums	-359	-815	-587	228	-39%
<b>Earned premiums, net</b>	<b>10 777</b>	<b>20 250</b>	<b>14 989</b>	<b>-4 212</b>	<b>-28%</b>
Premium and commission income from investment contracts	68	190	162	-94	-58%
Investment income	6 321	791	815	5 506	676%
Share of the profit of associates and joint ventures accounted for using the equity method	100	81	78	22	28%
Other operating income	1 078	862	685	393	57%
<b>Other income</b>	<b>7 567</b>	<b>1 924</b>	<b>1 740</b>	<b>5 827</b>	<b>335%</b>
<b>Total income</b>	<b>18 344</b>	<b>22 174</b>	<b>16 729</b>	<b>1 615</b>	<b>10%</b>
Claim payments and benefits, and claim settlement costs	-5 463	-8 520	-6 687	1 224	-18%
Net change in the value of life technical reserves and unit-linked life insurance reserves	-7 336	-5 366	-3 509	-3 827	109%
Investment expenditure	-764	-646	-753	-11	1%
Change in the fair value of liabilities relating to investment contracts	-117	-40	-39	-78	200%
Change in the fair value of assets and liabilities relating to embedded derivatives	40	31	106	-66	-62%
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>-13 640</b>	<b>-14 541</b>	<b>-10 882</b>	<b>-2 758</b>	<b>25%</b>
Fees, commissions and other acquisition costs	-3 013	-5 263	-4 036	1 023	-25%
Administration costs	-1 409	-3 243	-2 129	720	-34%
<b>Operating costs</b>	<b>-4 422</b>	<b>-8 506</b>	<b>-6 165</b>	<b>1 743</b>	<b>-28%</b>
<b>Profit/loss before taxation</b>	<b>282</b>	<b>-873</b>	<b>-318</b>	<b>600</b>	<b>-189%</b>
Tax income / (expenses)	-25	-7	-19	-6	-
Deferred tax income / (expenses)	0	297	0	0	-
<b>Profit/loss after taxation</b>	<b>257</b>	<b>-583</b>	<b>-337</b>	<b>594</b>	<b>-176%</b>
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	15	64	34	-19	-56%
<b>Other comprehensive income</b>	<b>15</b>	<b>64</b>	<b>34</b>	<b>-19</b>	<b>-56%</b>
<b>Total comprehensive income</b>	<b>272</b>	<b>-519</b>	<b>-303</b>	<b>575</b>	<b>-190%</b>

	Q1-Q3 2014 (A)	Q1-Q4 2013 (B)	Q1-Q3 2013 (C)	Change C=(A)- (C)	Change % (A-C)/(C)
Profit/loss after taxation attributable to the Company's shareholders	257	-583	-337	594	-176%
Total comprehensive income to NCI	0	0	0	0	-
<b>Profit/loss after taxation</b>	<b>257</b>	<b>-583</b>	<b>-337</b>	<b>594</b>	<b>-176%</b>
Profit/loss after taxation attributable to the Company's shareholders	272	-519	-303	575	-190%
Total comprehensive income to NCI	0	0	0	0	-
<b>Total comprehensive income</b>	<b>272</b>	<b>-519</b>	<b>-303</b>	<b>575</b>	<b>-190%</b>
<b>Earnings per share</b>					
Basic earnings per share (HUF)	4,1	-8,9	-5,2	9	-179%
Diluted earnings per share (HUF)	5,3	-8,9	-5,2	10	-202%

**Consolidated Statement of Comprehensive Income (separated quarterly data)**

data in million HUF

	2014Q3 (A)	2014Q2 (B)	2014Q1 (C)	2013Q3 (D)	Change (A)/(D)
Gross written premium	4 438	3 215	3 767	5 864	76%
Changes in unearned premiums reserve	33	28	-345	-54	-61%
<b>Earned premiums, gross</b>	<b>4 471</b>	<b>3 243</b>	<b>3 422</b>	<b>5 810</b>	<b>77%</b>
Ceded reinsurance premiums	-150	-164	-45	-170	88%
<b>Earned premiums, net</b>	<b>4 321</b>	<b>3 079</b>	<b>3 377</b>	<b>5 640</b>	<b>77%</b>
Premium and commission income from investment contracts	17	11	40	33	52%
Investment income	2 736	2 182	1 403	545	502%
Share of the profit of associates and joint ventures accounted for using the equity method	37	27	36	26	142%
Other operating income	706	238	134	253	279%
<b>Other income</b>	<b>3 496</b>	<b>2 458</b>	<b>1 613</b>	<b>857</b>	<b>408%</b>
<b>Total income</b>	<b>7 817</b>	<b>5 537</b>	<b>4 990</b>	<b>6 497</b>	<b>120%</b>
Claim payments and benefits, and claim settlement costs	-1 830	-1 576	-2 057	-2 062	89%
Net change in the value of life technical reserves and unit-linked life insurance reserves	-3 914	-2 271	-1 151	-2 305	170%
Investment expenditure	-201	-230	-333	-260	77%
Change in the fair value of liabilities relating to investment contracts	-55	-33	-29	-13	423%
Change in the fair value of assets and liabilities relating to embedded derivatives	-52	99	-7	66	-79%
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>-6 052</b>	<b>-4 011</b>	<b>-3 577</b>	<b>-4 574</b>	<b>132%</b>
Fees, commissions and other acquisition costs	-1 127	-878	-1 008	-1 191	95%
Administration costs	-499	-504	-406	-652	77%
<b>Operating costs</b>	<b>-1 626</b>	<b>-1 382</b>	<b>-1 414</b>	<b>-1 843</b>	<b>88%</b>
<b>Profit/loss before taxation</b>	<b>139</b>	<b>144</b>	<b>-1</b>	<b>80</b>	<b>174%</b>
Tax income / (expenses)	-13	-5	-7	-19	68%
<b>Profit/loss after taxation</b>	<b>126</b>	<b>139</b>	<b>-8</b>	<b>61</b>	<b>207%</b>
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	3	25	-13	49	6%
<b>Other comprehensive income</b>	<b>3</b>	<b>25</b>	<b>-13</b>	<b>49</b>	<b>6%</b>
<b>Total comprehensive income</b>	<b>129</b>	<b>164</b>	<b>-21</b>	<b>110</b>	<b>117%</b>

	2014Q3 (A)	2014Q2 (B)	2014Q1 (C)	2013Q3 (D)	Change (A)/(D)
Profit/loss after taxation attributable to the Company's shareholders	126	139	-8	61	207%
Total comprehensive income to NCI	0	0	0	0	0
<b>Profit/loss after taxation</b>	<b>126</b>	<b>139</b>	<b>-8</b>	<b>61</b>	<b>207%</b>
Profit/loss after taxation attributable to the Company's shareholders	129	164	-21	110	117%
Total comprehensive income to NCI	0	0	0	0	0
<b>Total comprehensive income</b>	<b>129</b>	<b>164</b>	<b>-21</b>	<b>110</b>	<b>117%</b>

**Consolidated Statement of Financial Position**

data in million HUF

<b>ASSETS</b>	<b>30 September 2014 (A)</b>	<b>31 December 2013 (B)</b>	<b>30 September 2014 (C)</b>	<b>Change % (A-B)/(B)</b>
Intangible assets	1 024	1 106	1 140	-7%
Property, plant and equipment	70	100	111	-30%
Deferred tax assets	297	297	0	0%
Deferred acquisition costs	839	676	716	24%
Reinsurer's share of technical reserves	556	551	628	1%
Investments in jointly controlled companies	253	195	189	30%
Available-for-sale financial assets	5 803	5 915	5 953	-2%
Investments for policyholders of unit-linked life insurance policies	47 397	39 628	37 700	20%
Financial assets - investment contracts	712	720	690	-1%
Financial assets - embedded derivatives	422	382	457	10%
Receivables from insurance policies and other receivables	3 338	3 167	3 745	5%
Other assets and prepayments	125	77	153	62%
Cash and cash equivalents	772	1 329	1 349	-42%
<b>Total assets</b>	<b>61 608</b>	<b>54 143</b>	<b>52 831</b>	<b>14%</b>
<b>LIABILITIES</b>				
Technical reserves	4 723	4 938	5 186	-4%
Technical reserves for policyholders of unit-linked insurance	47 397	39 628	37 700	20%
Investment contracts	712	720	690	-1%
Liabilities from the issue of interest-bearing shares	2 094	1 988	1 933	5%
Loans and financial reinsurance	2 744	3 051	3 226	-10%
Liabilities from insurance	712	888	1 197	-20%
Other liabilities and provisions	862	838	1 115	3%
<b>Total liabilities</b>	<b>59 244</b>	<b>52 051</b>	<b>51 047</b>	<b>14%</b>
<b>NET ASSETS</b>	<b>2 364</b>	<b>2 092</b>	<b>1 784</b>	<b>13%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Registered capital	2 531	2 531	2 531	0%
Capital reserve	15 985	15 937	15 937	0%
Other capital contributions	0	0	735	-
Nominal value of treasury shares	-48	0	0	-
Other reserves	74	56	27	32%
Profit reserve	-16 178	-16 432	-17 446	-2%
<b>Equity attributable to the Company's shareholders</b>	<b>2 364</b>	<b>2 092</b>	<b>1 784</b>	<b>13%</b>
Non-controlling interests	-	-	-	-
<b>Total shareholders' equity</b>	<b>2 364</b>	<b>2 092</b>	<b>1 784</b>	<b>13%</b>



**Consolidated Changes in Equity Q1-Q3 2014**

Data in million HUF

	Share capital	Capital reserve	Other capital contributions	Nominal value of treasury shares	Other reserves	Retained earnings	Total shareholders' equity
<b>Balance on 31.12.2013</b>	<b>2 531</b>	<b>15 937</b>	<b>0</b>	<b>0</b>	<b>56</b>	<b>-16 432</b>	<b>2 092</b>
<b>Total comprehensive income</b>							
Other comprehensive income	0	0	0	0	15	0	15
Profits in reporting year	0	0	0	0	0	257	257
Reserve adjustment due to voluntary liquidation of subsidiary	0	0	0	0	3	-3	0
<b>Transactions with capital owners, directly accounted in own capital</b>							
Other capital contributions	0	0	0	0	0	0	0
Termination of other capital contribution	0	0	0	0	0	0	0
Treasury shares acquired by donation	0	48	0	-48	0	0	0
<b>Balance on 30.09.2014</b>	<b>2 531</b>	<b>15 985</b>	<b>0</b>	<b>-48</b>	<b>74</b>	<b>-16 178</b>	<b>2 364</b>

**Consolidated Changes in Equity Q1-Q3 2013**

Data in million HUF

	Share capital	Capital reserve	Other capital contributions	Nominal value of treasury shares	Other reserves	Retained earnings	Total shareholders' equity
<b>Balance on 31.12.2012</b>	<b>2 531</b>	<b>15 937</b>	<b>500</b>	<b>0</b>	<b>-8</b>	<b>-17 108</b>	<b>1 852</b>
<b>Total comprehensive income</b>							
Other comprehensive income	0	0	0	0	35	0	35
Losses in reporting year	0	0	0	0	0	-338	-338
	0	0	0	0	0	0	0
<b>Transactions with capital owners, directly accounted in own capital</b>							
Other capital contributions	0	0	235	0	0	0	235
<b>Balance on 30.09.2013</b>	<b>2 531</b>	<b>15 937</b>	<b>735</b>	<b>0</b>	<b>27</b>	<b>-17 446</b>	<b>1 784</b>

### Consolidated Statement of Cash Flows

Data in million HUF

	Q1-Q3 2014	Q1-Q3 2013
Profit/loss after taxation	257	-337
Modifying items		
Depreciation and amortization	238	217
Booked impairment	89	220
Other capital contributions	0	235
Exchange rate changes	73	109
Share of the profit or loss of associates and joint ventures accounted for using the equity method	-100	-78
Changes of assets and liabilities relating to embedded derivatives, net	-40	-106
Interest cost	353	347
Change of active capital items:		
Increase / decrease of deferred acquisition costs (-/+)	-163	265
Increase / decrease of investments for policyholders of unit-linked life insurance policies (-/+)	-7 769	-3 217
Increase / decrease of financial assets – investment contracts (-/+)	8	225
Increase / decrease of receivables from insurance contracts and other receivables (-/+)	-202	-626
Increase / decrease of reinsurer's share from technical reserves (-/+)	-5	-255
Increase / decrease of other assets and active accrued and deferred items (-/+)	-48	-82
Increase / decrease of technical reserves (+/-)	-216	903
Increase / decrease of liabilities from insurance (-/+)	-175	94
Increase / decrease of investment contracts (+/-)	-8	-225
Increase / decrease of technical reserves due to unit-linked life insurance (+/-)	7 769	3 217
Increase / decrease of other liabilities (+/-)	24	-663
<b>Net cash flow from operating activities</b>	<b>85</b>	<b>243</b>

### Consolidated Statement of Cash Flows

Cash flow from investing activities	Q1-Q3 2014	Q1-Q3 2013
Purchase / sales of debt instruments (-/+)	126	-905
Purchase /sales of capital instruments (-/+)	0	1
Purchase of tangible and intangible assets (-)	-143	-386
Sales of tangible and intangible asset (+)	17	120
Obtained dividend	42	0
<b>Cash flow from investing activities</b>	<b>42</b>	<b>-1 170</b>
<b>Cash flow from financing activities</b>		
Securing loans	367	523
Repayment of loans	-944	-1 327
Interest paid for interest-bearing shares	-119	0
<b>Cash flow from financing activities</b>	<b>-696</b>	<b>-804</b>
Impacts of exchange rate changes	12	-15
<b>Net increase / decrease of cash and cash equivalents (+/-)</b>	<b>-557</b>	<b>-1 746</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 329</b>	<b>3 095</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>772</b>	<b>1 349</b>

### 3. Changes in accounting policies

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In respect of the financial year(s) after 1 January 2014 numerous standards and interpretations going to be mandatory applicable. The following standards are relevant for the Group:

- IFRS 10 (new) Consolidated Financial Statements
- IFRS 11 (new) Joint Arrangements
- IFRS 12 (new) Disclosure of Interests in Other Interests
- IAS 27 (2011) (amendment) Separate financial statements
- IAS 28 (2011) (amendment) Investments in associates
- IAS 32 (amendment) Financial instruments: presentation - Offsetting Financial Assets and Financial Liabilities

None of the mentioned standards will affect the structure of Group's financial statements, but because of the possible effects of the application of IFRS 10, detailed analysis is necessary.

According to the IFRS 10 Consolidated Financial Statements the Group's investments should be reviewed under the new control model to determine whether they must be included in the consolidation. During the examination the Group identified such investments - in three different asset groups - where the review is necessary; these are investments among the investments executed for policyholders of unit-linked life insurance policies (in terms of the consolidation of the investment funds), investments among the financial assets – investment contracts (in terms of the consolidation of the investment funds) and the investments in jointly controlled companies.

Under the new control model, the Group examines the following aspects related to the above investments:

- Identification of the investee
- Identification of relevant activities of the investee
- Identification of method of decision-making related to relevant activities
- Assess whether the investor is able to control the relevant activities
- Assess whether the investor is exposed to the yield variability
- Assess whether there is a correlation between control and exposure.

After considering of the above aspects the Group has determined in case of the investment among the investments executed for policyholders of unit-linked life insurance policies and the investments among the financial assets – investment contracts's current presentation meets the requirements of IFRS 10.

In case of investment at joint ventures (namely Pannónia CIG Fund Management Ltd.) the Group tested who controls the Funds Manager's relevant activities. According to the expectations of the Group, the two owners are able to influence equally the decisions of controlling organization, and the Issuer is not able to control the relevant activities of the Fund Manager alone, therefore it is not a subsidiary according to IFRS 10.

In the second quarter of 2014 the Group acquired treasury shares for free by gift contract.

According to IAS 32, point 33 and 34, if the Company acquires treasury shares, it 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, the amount is booked directly under equity. According to IAS 1 value of treasury shares must be disclosed separately in the Statement of Comprehensive Income and the Notes.

Due to the fact that IFRS standards do not determine special disclosure criteria relating to treasury shares, but these are recognised under equity, the Issuer applies the following disclosure method:

- a. nominal value of acquired treasury shares are recognised on a separate line under equity as equity decreasing item
- b. in case of sale or reissuing of treasury shares, the equity line is decreased by the nominal value of these shares
- c. difference between the nominal value and countervalue modifies the capital reserve

In case of regular premium unit-linked life insurance policies pending charge occurs, when the Insurer is entitled to deduct costs, but the policyholder does not have sufficient accumulation units for the deduction. Although due date of cost deduction is the date of emergence, formerly, the Insurer booked income from pending charge as decreasing technical reserves of unit-linked insurances only at the date of the deduction, when available accumulation units were sufficient. Based on the accounting rule of matching whether expenditure occurs (risk exists, administration, service occurs) in parallel income should have been accounted for. Therefore the accounting policy of the Issuer has been modified; in case of emerging pending charge income is booked as other operating income and receivables from insurance policies and other receivables. The effect of this accounting policy modification is HUF 471 million in 2014, this amount was accounted in the third quarter as other operating income.

#### **4. Presentation of the Issuer's financial position – consolidated and unaudited data for the third quarter of 2014, on the basis of the financial reporting standards (IAS 34) adopted by the EU**

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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 and general insurance, within that mainly Casco and general liability insurance and also deal with portfolio 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 Pannónia CIG Fund Manager Ltd. is also significant in the results of the Group.

In the reporting period, the Group's gross written premium was HUF 11,420 million, which is 71 percent of the revenues generated in the same period of the previous year. Of this HUF 8,420 million is the gross written premium of unit-linked life insurance, HUF 393 million of traditional life products, HUF 96 million of health insurance policies, HUF 641 million of pension insurance policies, and HUF 1,870 million of non-life insurance.

The non-life insurance segment generated a gross written premium of HUF 1,870 million in the first three quarters of 2014, decreased by 52% compared to the same period of the previous year (HUF 3,877 million), which is the consequence of the portfolio reduction. In the life segment the gross written premium from the first annual premiums of policies sold was 1,261 million, which is a 10% decrease compared to the same period of the previous year (1,395 million). The change of the first year premiums is mainly due to the less unit-linked and group insurance sales. The renewal premium of policies have decreased by 22% in the life insurance portfolio, compared with the same period of the previous year. The gross written premium income from renewals was HUF 7,349 million in the first three quarters of 2014, in contrast to HUF 9,457 million in the same period of the previous year. 28 percent of life insurance clients are using their premium holiday option granted by the Issuer from the third year of the insurance policies, which is the main reason for the fall in renewals. This impact decreases the gross written premium, but the effect on the Issuer's profit is less significant, because the premium holiday option can only be used at a later, less profitable phase of the term of the contract. Top-up premiums (HUF 939 million) were 72% of the same period of the previous year's top-up revenue, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income of HUF 9,550 million, the rate of top-up premiums is 10 percent. The low rate of top-up premiums does not have a considerable short-term effect on the profitability of the Issuer, as their cost-bearing capacity is insignificant.

The change in unearned premium reserve in first three quarters of 2014 was HUF million 284, while the amount of ceded reinsurance premiums was HUF 284 million. The decrease of these items is mainly due to the reduction of the non-life portfolio.

Unit-linked life insurance policies sold by the Issuer that do not qualify as insurance policies under IFRS are classified by the Issuer as investment contracts. In connection with the investment contracts, the Issuer generated a premium and commission income of HUF 68 million in total during the reporting period. The other operating income (HUF 1,078 million) mainly includes the Issuer's income from portfolio management (HUF 509 million) and the income from reactivated policies (HUF 63 million) is also recognized and accounted for as part of this item, however, the income from the reactivated policies decreased compared with the same period of the previous year. Furthermore, significant item is the income from pending charge (HUF 471 million), which was presented in the point 3. Changes in accounting policies.

Among expenses, significant item is the net change in the value of life technical reserves and unit-linked life insurance reserves (HUF 7,366 million) which consist of the next items. HUF 7,769 million is relating to the increase in life insurance reserves for unit-linked life insurance policies. Concurrently with the decrease in receivables the cancellation reserves also decreased by approximately HUF 290 million. Outstanding claim reserves decreased by HUF 385 million in the first three quarters of 2014, primarily as a result of non-life business line operations. In connection mainly with the life insurance policy portfolio, the reserves for premium refunds independent of profit increased by HUF 175 million, while the actuarial reserves increased by HUF 67 million.

Important items are the amount of claim payments and benefits as well as claim settlement costs (HUF 5,463 million), including HUF 4,209 million related to partial or full surrender of unit-linked life insurance policies, and the claim settlement expenditure paid on general insurance is HUF 1,012 million.

The total operating cost of the Issuer was HUF 4,422 million during the first three quarters of 2014, from which HUF 3,013 million is related to the fees, commissions and other acquisition costs, and HUF 1,409 million is related to administration costs. First year commissions have declined simultaneously with the new acquisitions. The administration cost decreased significantly with 34 percent compared with the same period of the previous year (HUF 2,129 million), which is the result of the Issuer's consistently implemented cost rationalization measures and its more efficient operation.

The investment result is a profit of HUF 5,557 million, which is due to the aggregated effect of the following issues. The non-realized result of unit-linked life insurance policies is a profit of HUF 5,719 million. Stock markets were influenced partly by macroeconomic indicators, but mainly by the monetary policy. The main MSCI global stock market indices (World, Emerging Markets, EU) denominated in Hungarian forint realised a profit at the end of the third quarter of 2014. The best performance of developed market was achieved by the S&P500, realised a yield over 8 percent. The Russian-Ukrainian conflict has been affected the profit of investment portfolio exposed by Russian investment funds. During the third quarter, huge amount of capital has been transferred from these funds to liquidity funds, based on the signs of Navigator.

The investment results were significantly influenced by the interest costs of financial reinsurance, which amounted to HUF 127 million. The Issuer realized a profit of HUF 98 million on the investment on own funds in the first three quarters. The effect of interest-bearing shares on profit and loss is a payable interest of HUF 133 million in the first three quarter of 2014, and a profit of HUF 40 million of the change in the fair value of assets and liabilities relating to embedded derivatives, which in total means a loss of HUF 93 million.

The Issuer realized HUF 100 million profits from the result of the Pannónia CIG Fund Manager Ltd. in Q1-Q3 2014, the mentioned amount presented among the share of the profit of associates and joint ventures accounted for using the equity method.

As a result of all of the above, the profit before taxes amounted to HUF 282 million (in the same period of 2013, the loss was HUF 318 million), in accordance with the plans of the Issuer. A corporate tax of HUF 25 million is recognized under tax expenses. The other comprehensive income primarily contains a change in the fair value of available-for-sale financial assets amounting to HUF 15 million and, thus, the total comprehensive income represented a profit of 272 million in the first three quarters of 2014.

The Issuer's balance sheet total was HUF 61,608 million; its financial position is stable; the company has met its liabilities in full. On 30 September 2014, the shareholders' equity was HUF 2,364 million, the available solvency capital of the Issuer, according to the Hungarian Accounting Law, was HUF 4,418 million, which covers 240% of the increased minimum solvency capital requirement according to the modified Act on Insurance Institutions and the Insurance Business.



## 5. Executive summary

Of the new sales of annualized premium of HUF 2,870 million, HUF 1,372 million is the increase of general insurance (general liability insurance and casco), while HUF 763 million is from unit-linked life insurance (of which HUF 43 million is investment contracts), HUF 636 million from pension insurance, HUF 40 million derives from traditional life insurance policies and HUF 58 million from health insurance policies.

In the same period of the previous year, the annualized premium of new sales was HUF 5,021 million, of which HUF 2,956 million was derived from the sale of general insurance. A major part of sales, HUF 1,800 million, was related to unit-linked life insurance (of which investment contracts had a share of HUF 60 million), HUF 172 million to traditional life products and HUF 93 million to health insurance products.

A corporate group life insurance policy is the main reason for the reduction of the traditional product sales which increased the new sales in 2013, thus it is not included in the new annualized premium now, but contained in gross written premium in 2014. The sales of pension products could not compensate the sales decline of unit linked life insurance products. Growing sales of new pension products and pension savings (with characteristics recommended by the Hungarian Nation Bank) are expected by the Group. The fall of the new sales of the general insurance is due to the deliberately moderate presence in general liability insurance and casco segments.

### New sales

	30.09.2014 (A)	31.12.2013 (B)	30.09.2013 (C)	Change D=(A)-(C)	Change % (D)/(C)
<b>Unit-linked life insurance</b>					
Number of insurance policies	1 540	4 099	3 167	-1 627	-51%
Annualized premium - insurance policies, million HUF	720	2 120	1 740	-1 020	-59%
Number of investment contracts	16	9	8	8	100%
Annualized premium - investment contracts, million HUF	43	72	60	-17	-28%
Total number of unit-linked life insurances	1 556	4 108	3 175	-1 619	-51%
Annualized premium - unit-linked life insurance- total in million HUF	763	2 192	1 800	-1 037	-58%
<b>Pensionary insurance</b>					
Number	1 941	0	0	1 941	-
Annualized premium, million HUF	636	0	0	636	-
<b>Traditional life products</b>					
Number	467	804	625	-158	-25%
of this: health insurance	133	230	183	-50	-27%
Annualized premium, million HUF	98	310	265	-167	-63%
of this: health insurance	58	122	93	-35	-38%
<b>General insurance</b>					
Number	25 173	73 306	61 696	-36 523	-59%
Annualized premium, million HUF	1 372	3 179	2 956	-1 584	-54%
<b>Total number of new sales</b>	<b>29 137</b>	<b>78 218</b>	<b>65 496</b>	<b>-36 359</b>	<b>-56%</b>
<b>Total annualized premium of new sales in million HUF</b>	<b>2 870</b>	<b>5 681</b>	<b>5 021</b>	<b>-2 151</b>	<b>-43%</b>

In the first three quarters of 2014, a total of 3,964 life insurance policies were sold, of which 1,556 were unit-linked life insurance policies, 467 were traditional life insurance policies and 1,941 were pension insurance policies. At the same time, 25,173 policies were sold in the non-life business line.

With new sales in the current year, the Issuer's closing stock of life insurance policies changed to 40,071 policies, the closing annualized premium thereof to HUF 18,975 million, while the non-life insurance portfolio consists of 30,978 policies and an annualized premium of HUF 1,963 million.

As for life insurance policies sold in first three quarter of 2014 the tied network achieved 26%, while the performance of other broker sales channels – independent brokers - was 48% in Hungary and 4% in Slovakia. The share of the Quantis Group was 22%. The non-life policies were sold mainly by the broker channel.

#### Market share indicators\*

	Q2 2014		Q2 2013		Q2 2012	
	million HUF	Market share	million HUF	Market share	million HUF	Market share
On the basis of the gross written premium of life insurance policies	5 794	2,53%	7 793	3,40%	9 261	4,40%
On the basis of the adjusted gross written premium	5 450	3,90%	6 858	5,00%	8 088	5,80%
On the basis of the gross written premium of non-life insurance policies	1 358	0,31%	2 610	0,60%	1 351	0,33%

\* At the time of preparing this quarterly report, the MABISZ market data on the second quarter of 2014 were only available.

After examining the adjusted gross written premium, it can be said that the Issuer became a key market participant in the life insurance market: with a market share of 3.9%, it is the company with the ninth largest adjusted gross written premium on the basis of the data of Q2 2014. Regarding premium income, in Q2 2014, EMABIT obtained a 0.31% share of the non-life insurance market.

The gross written premium of the non-life segment was HUF 1,980 million in Q1-Q3 2014. Within the gross written premium the composition of the portfolio transformed significantly; instead of the former motor insurance businesses the liability and fire and natural forces sectors are dominant. The rest is divided among household, property, transportation, extended guarantee, travel, group accident insurance and the suretyship-related insurance. The most important item from expenses is the amount of claim settlements (HUF 1,012 million). Due to the portfolio reduction the gross claim ratio decreased from 67% to 44% and the net claim ratio fall from 69% to 43% as compared to the similar period of the previous year. The operating costs of the segment is HUF 1,064 million, of which HUF 678 million is earned acquisition cost and HUF 386 million is administration cost. Level of acquisition costs (including deferred acquisition costs) decreased by 25% despite the fact that gross earned premium more than halved, since sectors operating with higher acquisition cost ratio (transportation, property, liability) predominate instead of the formerly dominating motor insurance sector with lower acquisition cost ratio. Administration costs decreased significantly, by 34% compared to the third three quarters of 2013. Due to the Group's new strategy the nonlife segment has realised only a loss of HUF 33 million in the first three quarters of 2014.

The sale of unit-linked life insurance is still a dominant element of the Issuer's activities, but with a continually shrinking regular premium unit-linked life insurance market, the Issuer will increasingly concentrate on the diversification of its activities, with a view to extending its conventional life insurance, health insurance and pension insurance portfolio, as an important element of the new strategy. The increase of pension insurance portfolio is achievable with such flexible products which compete in the market with real customer benefits and significantly lower costs. The improvement of client services' standards and the diversification of sales channels, which is started by launching the bank channel, are important goals. Beside the sales channels and product diversification, in order to achieve a steadily improving profitable operation the further increase of efficiency and the continuous optimization of the organization are necessary.

## 6. Operating segments

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

### Segment information H3 2014

\*HAL – Hungarian Accounting Law

ASSETS	Q1-Q3 2014					
	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	722	167	0	135	0	1 024
Property, plant and equipment	63	7	0	0	0	70
Deferred tax assets	0	0	0	297	0	297
Deferred acquisition costs	551	304	0	-16	0	839
Reinsurer's share of technical reserves	147	409	0	0	0	556
Subsidiaries	3 338	0	0	0	-3 338	0
Investments in jointly controlled companies	67	0	0	186	0	253
Available-for-sale financial assets	3 616	2 048	0	139	0	5 803
Investments for policyholders of unit-linked life insurance policies	48 108	0	0	-711	0	47 397
Financial assets - investment contracts	0	0	0	712	0	712
Financial assets - embedded derivatives	0	0	0	422	0	422
Receivables from insurance policies and other receivables	2 609	728	-1	2	0	3 338
Other assets and prepayments	364	82	0	-321	0	125
Receivables from shareholders	0	0	0	0	0	0
Cash and cash equivalents	617	134	21	0	0	772
Intercompany receivables	52	1	7	0	-60	0
<b>Total assets</b>	<b>60 254</b>	<b>3 880</b>	<b>27</b>	<b>845</b>	<b>-3 398</b>	<b>61 608</b>

LIABILITIES	Q1-Q3 2014					
	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	2 831	1 895	0	-3	0	4 723
Technical reserves for policyholders of unit-linked insurance	48 108	0	0	-711	0	47 397
Investment contracts	0	0	0	712	0	712
Financial liabilities - embedded derivatives	0	0	0	0	0	0
Liabilities from the issue of interest-bearing shares	0	0	0	2 094	0	2 094
Loans and financial reinsurance	2 720	24	0	0	0	2 744
Liabilities from insurance	543	169	0	0	0	712
Intercompany liabilities	0	58	1	0	-59	0
Other liabilities and provisions	912	315	6	-394	23	862
<b>Total liabilities</b>	<b>55 114</b>	<b>2 461</b>	<b>7</b>	<b>1 698</b>	<b>-36</b>	<b>59 244</b>
<b>NET ASSETS</b>	<b>5 140</b>	<b>1 419</b>	<b>20</b>	<b>-853</b>	<b>-3 362</b>	<b>2 364</b>
<b>SHAREHOLDERS' EQUITY</b>						
Registered capital	2 607	1 025	11	-75	-1 037	2 531
Capital reserve	16 804	2 560	60	-819	-2 620	15 985
Other capital contributions	0	0	0	0	0	0
Treasury shares	0	0	0	-48	0	-48
Other reserves	257	9	0	-192	0	74
Profit reserve	-14 528	-2 175	-51	281	295	-16 178
<b>Total shareholders' equity</b>	<b>5 140</b>	<b>1 419</b>	<b>20</b>	<b>-853</b>	<b>-3 362</b>	<b>2 364</b>

COMPREHENSIVE INCOME STATEMENT	Q1-Q3 2014					
	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	9 675	1 980	0	-126	-109	11 420
Changes in unearned premiums reserve	-18	-266	0	0	0	-284
<b>Earned premiums, gross</b>	<b>9 657</b>	<b>1 714</b>	<b>0</b>	<b>-126</b>	<b>-109</b>	<b>11 136</b>
Ceded reinsurance premiums	-182	-276	0	0	99	-359
<b>Earned premiums, net</b>	<b>9 475</b>	<b>1 438</b>	<b>0</b>	<b>-126</b>	<b>-10</b>	<b>10 777</b>
Premium and commission income from investment contracts	0	0	0	68	0	68
Investment income	6 245	82	0	-7	1	6 321
Share of the profit of associates and joint ventures accounted for using the equity method	42	0	0	58	0	100
Other operating income	1 128	7	22	-24	-55	1 078
<b>Other income</b>	<b>7 415</b>	<b>89</b>	<b>22</b>	<b>95</b>	<b>-54</b>	<b>7 567</b>
<b>Total income</b>	<b>16 890</b>	<b>1 527</b>	<b>22</b>	<b>-31</b>	<b>-64</b>	<b>18 344</b>
Claim payments and benefits, and claim settlement costs	-4 649	-1 012	0	186	12	-5 463
Net change in the value of life technical reserves and unit-linked life insurance reserves	-7 854	528	0	-10	0	-7 336
Investment expenditure	-620	-12	0	-132	0	-764
Share of the loss of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0
Change in the fair value of liabilities relating to investment contracts	0	0	0	-117	0	-117
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	40	0	40
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>-13 123</b>	<b>-496</b>	<b>0</b>	<b>-33</b>	<b>12</b>	<b>-13 640</b>
Fees, commissions and other acquisition costs	-2 343	-678	0	0	8	-3 013
Administration costs	-967	-386	-38	-53	35	-1 409
<b>Operating costs</b>	<b>-3 310</b>	<b>-1 064</b>	<b>-38</b>	<b>-53</b>	<b>43</b>	<b>-4 422</b>
<b>Profit/loss before taxation</b>	<b>457</b>	<b>-33</b>	<b>-16</b>	<b>-117</b>	<b>-9</b>	<b>282</b>
Tax income / (expenses)	-25	0	0	0	0	-25
Deferred tax income / (expenses)	0	0	0	0	0	0
<b>Profit/loss after taxation</b>	<b>432</b>	<b>-33</b>	<b>-16</b>	<b>-117</b>	<b>-9</b>	<b>257</b>
Other comprehensive income	0	0	0	15	0	15
<b>Total comprehensive income</b>	<b>432</b>	<b>-33</b>	<b>-16</b>	<b>-102</b>	<b>-9</b>	<b>272</b>

### Comparative data to the segment information of Q1-Q3 2014 (Q1 – Q3 2013)

(data in million HUF)						
ASSETS	Q1-Q3 2014			Q1-Q3 2013		Total
	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)	
Intangible assets	701	225	3	211	0	1 140
Property, plant and equipment	93	18	0	0	0	111
Deferred tax assets	0	0	0	0	0	0
Deferred acquisition costs	432	297	0	-13	0	716
Reinsurer's share of technical reserves	162	466	0	0	0	628
Subsidiaries	3 123	0	0	0	-3 123	0
Investments in jointly controlled companies	61	0	0	128	0	189
Available-for-sale financial assets	3 784	2 049	0	120	0	5 953
Investments for policyholders of unit-linked life insurance policies	38 390	0	0	-690	0	37 700
Financial assets - investment contracts	0	0	0	690	0	690
Financial assets - embedded derivatives	0	0	0	457	0	457
Receivables from insurance policies and other receivables	2 721	1 142	-91	-27	0	3 745
Other assets and prepayments	149	125	3	-124	0	153
Receivables from shareholders	0	0	0	0	0	0
Cash and cash equivalents	1 044	284	21	0	0	1 349
Intercompany receivables	118	30	187	0	-335	0
<b>Total assets</b>	<b>50 778</b>	<b>4 636</b>	<b>123</b>	<b>752</b>	<b>-3 458</b>	<b>52 831</b>

\*HAL – Hungarian Accounting Law.

(data in million HUF)						
LIABILITIES	Q1-Q3 2013					
	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	3 087	2 149	0	-50	0	5 186
Technical reserves for policyholders of unit-linked insurance	38 390	0	0	-690	0	37 700
Investment contracts	0	0	0	690	0	690
Financial liabilities - embedded derivatives	0	0	0	0	0	0
Liabilities from the issue of interest-bearing shares	0	0	0	1 933	0	1 933
Loans and financial reinsurance	3 202	24	0	0	0	3 226
Liabilities from insurance	472	747	0	0	-22	1 197
Intercompany liabilities	172	68	89	0	-329	0
Other liabilities and provisions	885	390	-8	-186	34	1 115
<b>Total liabilities</b>	<b>46 208</b>	<b>3 378</b>	<b>81</b>	<b>1 697</b>	<b>-317</b>	<b>51 047</b>
<b>NET ASSETS</b>	<b>4 570</b>	<b>1 258</b>	<b>42</b>	<b>-945</b>	<b>-3 141</b>	<b>1 784</b>
<b>SHAREHOLDERS' EQUITY</b>						
Registered capital	2 607	1 015	11	-76	-1 026	2 531
Capital reserve	16 804	2 120	60	-867	-2 180	15 937
Other capital contributions	0	0	0	735	0	735
Other reserves	0	27	-2	2	0	27
Profit reserve	-14 841	-1 904	-27	-739	65	-17 446
<b>Total shareholders' equity</b>	<b>4 570</b>	<b>1 258</b>	<b>42</b>	<b>-945</b>	<b>-3 141</b>	<b>1 784</b>

COMPREHENSIVE INCOME STATEMENT	Q1-Q3 2013					
	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	12 431	3 988	0	-279	-110	16 030
Changes in unearned premiums reserve	-5	-448	0	0	-1	-454
<b>Earned premiums, gross</b>	<b>12 426</b>	<b>3 540</b>	<b>0</b>	<b>-279</b>	<b>-111</b>	<b>15 576</b>
Ceded reinsurance premiums	-158	-530	0	0	101	-587
<b>Earned premiums, net</b>	<b>12 268</b>	<b>3 010</b>	<b>0</b>	<b>-279</b>	<b>-10</b>	<b>14 989</b>
Premium and commission income from investment contracts	0	0	0	162	0	162
Investment income	727	87	1	0	0	815
Share of the profit of associates and joint ventures accounted for using the equity method	0	0	0	78	0	78
Other operating income	700	26	471	23	-535	685
<b>Other income</b>	<b>1 427</b>	<b>113</b>	<b>472</b>	<b>263</b>	<b>-535</b>	<b>1 740</b>
<b>Total income</b>	<b>13 695</b>	<b>3 123</b>	<b>472</b>	<b>-16</b>	<b>-545</b>	<b>16 729</b>
Claim payments and benefits, and claim settlement costs	-5 585	-1 547	0	432	13	-6 687
Net change in the value of life technical reserves and unit-linked life insurance reserves	-2 777	-462	0	-270	0	-3 509
Investment expenditure	-634	-23	-2	-94	0	-753
Share of the loss of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0
Change in the fair value of liabilities relating to investment contracts	0	0	0	-39	0	-39
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	106	0	106
<b>Investment expenses, changes in reserves and benefits, net</b>	<b>-8 996</b>	<b>-2 032</b>	<b>-2</b>	<b>135</b>	<b>13</b>	<b>-10 882</b>
Fees, commissions and other acquisition costs	-3 058	-987	0	0	9	-4 036
Administration costs	-1 351	-609	-460	-233	524	-2 129
<b>Operating costs</b>	<b>-4 409</b>	<b>-1 596</b>	<b>-460</b>	<b>-233</b>	<b>533</b>	<b>-6 165</b>
<b>Profit/loss before taxation</b>	<b>290</b>	<b>-505</b>	<b>10</b>	<b>-114</b>	<b>1</b>	<b>-318</b>
Tax income / (expenses)	-19	0	0	0	0	-19
Deferred tax income / (expenses)	0	0	0	0	0	0
<b>Profit/loss after taxation</b>	<b>271</b>	<b>-505</b>	<b>10</b>	<b>-114</b>	<b>1</b>	<b>-337</b>
Other comprehensive income	0	0	0	34	0	34
<b>Total comprehensive income</b>	<b>271</b>	<b>-505</b>	<b>10</b>	<b>-80</b>	<b>1</b>	<b>-303</b>



## **7. Detailed explanation of IFRS – HAL adjustment items**

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### **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) The recognition of government grants won in an EU tender**

The amount of the aid payable in respect of the costs incurred will be included in the IFRS financial statements as income from the government grant related to tenders won by the company – in accordance with the principle of comparison. The income is divided between the various periods in proportion to the costs incurred.

### **G) 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 as equity decreasing item. 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.

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

### **H) Recognition of the costs of capital increase**

### **I) Share option program**

### **J) 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 Issuer was 97 on 30 September 2014.

### Composition of the Issuer's share capital (30 September 2014)\*

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 shares:	40	1 196 750	47 870 000
Series „B”	40	1 150 367	46 014 680
Series „C”	40	730 772	29 230 880
<b>Amount of share capital</b>	-	-	<b>2 606 573 680</b>

\* Data according to the Hungarian Accounting Law.

### Number of voting rights connected to the shares (30 September 2014)

Series of shares	Issued number of shares	Number of voting shares	Voting rights per share	Total voting rights	Number of treasury shares
Series „A”	63 283 203	62 086 453	1	62 086 453	1 196 750
Series „B”	1 150 367	1 150 367	1	1 150 367	-
Series „C”	730 772	730 772	1	730 772	-
<b>Total</b>	<b>65 164 342</b>	<b>63 967 592</b>		<b>63 967 592</b>	<b>1 196 750</b>

### The Issuer's ownership structure (30 September 2014)

	Number of shares	Ownership stake	Voting rights
Domestic private individual	33 954 647	52,11%	52,11%
Domestic institution	28 918 197	44,38%	44,38%
Foreign private individual	393 645	0,60%	0,60%
Foreign institution	944 120	1,45%	1,45%
Nominee, foreign institution	43 329	0,07%	0,07%
Unidentified item	910 404	1,40%	1,40%
<b>Total</b>	<b>65 164 342</b>	<b>100,00%</b>	<b>100,00%</b>

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 2014**

Name	Registered seat	The Issuer's share
CIG Pannónia First Hungarian General Insurance Company Ltd.	1033 Budapest, Flórián tér 1.	100%
CIG Pannónia Service Center Limited Liability Company 'under liquidation'	1033 Budapest, Flórián tér 1.	100%
Pannónia PI-ETA Funeral Service Limited Liability Company	1033 Budapest, Flórián tér 1.	100%
Pannónia CIG Fund Manager Ltd.	1072 Budapest, Nyár utca 12.	46%

## 9. Information published in the period

Date	Subject, short summary
21.07.2014	Extraordinary announcement on the agreement between the subsidiary of CIG Pannónia Life Insurance Plc. and AEGON Hungary Plc.
31.07.2014	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
12.08.2014	Halfyear report of 2014
28.08.2014	Communication about the leader of share register of CIG Pannonia Life Insurance Plc.
01.09.2014	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
11.09.2014	CIG Pannónia expands in Italy
30.09.2014	Number of voting rights and the amount of registered capital at CIG Pannonia Life Insurance Plc.
13.10.2014	Increase the registered capital in the subsidiary of CIG Pannónia Life Insurance Plc.

These announcements can be found on the websites of the Issuer ([www.cigpannonia.hu](http://www.cigpannonia.hu)) and the Budapest Stock Exchange Ltd. ([www.bet.hu](http://www.bet.hu)), as well as on the website of the Hungarian Financial Supervisory Authority ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)).

## 10. Disclaimer

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The Issuer declares that the report for the Q3 2014 was not reviewed by an auditor, the report for the Q3 2014 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.

Budapest, 13 November 2014

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Gabriella Kádár dr.  
Chief Executive Officer

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Miklós Barta  
Chief Financial Officer

### Investor relations

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