



**PANNÓNIA**  
ÉLETBIZTOSÍTÓ

**CIG PANNÓNIA LIFE INSURANCE PLC.**

QUARTERLY INFORMATION

Q1 2014

15 May 2014

## I. Summary

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CIG Pannónia Life Insurance Plc. (hereinafter: Insurer) publishes its quarterly information on this day. The purpose of this information is to publish the 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) by the Insurer, simultaneously with the quarterly report, in a quarterly information paper. Data provided to MABISZ are included in Annex I to the present information.

The Insurer publishes its report on the first quarter of 2014 separately from the present information. In the report it publishes its consolidated, unaudited data for the first quarter of 2014 in accordance with the International Financial Reporting Standards (IFRS) as required by the law.

Main results and events of the first quarter of 2014:

- In the first quarter of 2014 the Insurer achieved a gross written premium of HUF 3,180 million, of which significant part is regular premium amounts to: HUF 3,003 million; and the top-up premium was HUF 177 million. The gross written premium decreased by 27 percent in the current quarter compared to the same period of previous year. Nevertheless the technical result of the Insurer in the first quarter of 2014 was HUF 100 million which is a HUF 102 million improvement compared to the same period of previous year. The profit for the quarter was HUF 141 million, meaning that the Insurer was profitable at the first quarter of 2014.
- The Insurer 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 quarter of 2014 the Group has built up a pension insurance portfolio with approximately HUF 203 million value. The distribution of the sales channels has continued, three new banking partners started to sell Best Doctor Smart, which is the retail health insurance product of the Insurer.
- 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 39 percent compared to the same period of the previous year.
- Ottó Csurgó dr. resigned from his positions at CIG Pannónia Life Insurance Plc. and CIG Pannónia First Hungarian General Insurance Company Ltd. on 6 January. His employment contract was terminated with mutual agreement. The Board of Directors – based on the proposal of the Company's Remuneration and Nominations Committee – decided on the election of Mária Király dr. member of the Board of Directors as the chairman of the Board of Directors, and Gabriella Kádár dr. member of the Board of Directors as a CEO.
- According to its analysis and estimates, the Insurer decided that the Romanian sales activity could not be efficiently performed by its Romanian subsidiary, therefore a decision was made about terminating this activity and closing TISIA. The Insurer will provide ongoing support and portfolio management services to its existing clients via cross border activity.
- Since 4 March - instead of Tamás Ács - Gábor Dezső, the Chief Accountant of the Company has been elected as the CEO of Pannónia PI-ETA Tribute Service Ltd. (Funeral service provider exclusively owned by the Company dealing with the support of funeral insurance).

Events after the balance sheet date:

- The General Meeting held on 29 April 2014 approved among others, the Insurer's audited separate annual report and business report for the 2013 business year prepared according to the Hungarian Accounting Act, and the Insurer's audited, consolidated financial statements and consolidated business report for the year 2013, prepared according to the international financial reporting and accounting standards accepted by the European Union.
- The General Meeting held on 29 April 2014 appointed Mr. István Papp- effective from the date of the authorization of the Central Bank of Hungary – as member of the audit committee of the Company for a period of five years.

Budapest, 15 May 2014.

CIG Pannónia Life Insurance Plc.

## 2. Financial Statements

### Headlines in the Insurer's Income Statement

million HUF

Description	Q1 2014 (A)	2013 (B)	Q1 2013 (C)	% (A/C)
Gross written premium	3 180	16 715	4 366	73%
Gross acquisition costs	-836	-3 302	-923	91%
Changes in deferred acquisition costs	52	-396	-220	-24%
Claims and benefits	-1 597	-7 021	-2 029	79%
Gross changes in reserves	-1 652	-4 450	-3 350	49%
Technical investment result	1 090	133	2 382	46%
Administration costs	-274	-1 564	-448	61%
Reinsurance and other technical result	137	654	221	62%
<b>Technical result</b>	<b>100</b>	<b>769</b>	<b>-1</b>	<b>-10 000%</b>
Non-technical and investment result	84	-235	-80	-105%
Tax liability	-6	-6	0	-
Dividends and interest – interest on interest-bearing shares	-37	-118	-30	123%
<b>Retained profit/loss for the year</b>	<b>141</b>	<b>410</b>	<b>-111</b>	<b>-127%</b>

### Headlines in the Insurer's Balance Sheet

million HUF

Description	31.03.2014 (A)	31.12.2013 (B)	31.03.2013 (C)	% (A/C)
Intangible assets	749	729	605	124%
Investments	6 901	6 973	7 302	95%
Investments performed for policyholders of unit-linked life insurance	41 982	40 348	38 856	108%
Receivables	2 544	2 684	3 096	82%
Other assets	1 201	1 147	1 530	79%
Prepaid expenses and accrued income	594	552	754	79%
<b>Total assets</b>	<b>53 970</b>	<b>52 433</b>	<b>52 143</b>	<b>104%</b>
Shareholders' equity	4 850	4 709	4 187	116%
Technical reserves	2 533	2 600	3 028	84%
Technical reserves for policy holders of unit-linked life insurance	41 982	40 348	38 856	108%
Liabilities	1 893	1 991	2 362	80%
Accrued expenses and deferred income	2 714	2 785	3 710	73%
<b>Total liabilities</b>	<b>53 970</b>	<b>52 433</b>	<b>52 143</b>	<b>104%</b>

### **3. Presentation of the Insurer's financial position – the Insurer's unaudited and unconsolidated data for the first quarter of 2014, according to the Hungarian Accounting Act**

In the reporting period, the Insurer's gross written premium was HUF 3,180 million, which is 73 percent of the performance achieved in the same period of the previous year. Within this, the gross written premium from unit-linked life insurance amounted to HUF 2,730 million, whilst the gross written premium from traditional life products amounted to HUF 206 million, the gross written premium from pension insurance amounted to HUF 198 million, and the gross written premium from health insurance policies amounted to HUF 46 million.

The gross written premium from the first annual premiums of policies sold was 487 million, which is a 3 percent increase compared to the first quarter of the previous year (475 million). The increase of the gross written premium from the first year premiums is mainly due to the pension insurance sales. The renewal premiums of policies concluded in the previous years have decreased by 25 percent compared with the same period of the previous year. The gross written premium income from renewals was 2,516 million in the first quarter of 2014, in contrast to HUF 3,337 million in the same period of the previous year. A significant number of clients (almost 25 percent) are using their premium holiday option granted by the Insurer from the third year of the policies, this is the main reason for the falls in renewals. This impact decreases the gross written premium, but its effect on the Insurer'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 177 million) were 32% of the same period of the previous year's top-up revenue, mainly relating to unit-linked life insurance policies. Within the total premium income of HUF 3,180 million, the rate of top-up premiums is 6 percent. The low percentage of top-up premiums does not have a considerable short-term effect on the profitability of the Insurer, as their cost-bearing capacity is insignificant.

Among expenses, one of the most important items is the expenditure on the change in gross technical reserves (HUF 1,652 million), including HUF 1,634 million relating to the increase in life insurance reserves for unit-linked life insurance policies, HUF 94 million unearned premium reserve, HUF 64 million reserves for premium refunds independent on profit, HUF 11 million actuarial reserves, and the premium refunds dependent on profit (HUF 2 million). Concurrently with the decrease in receivables, the cancellation reserves also decreased by approximately HUF 151 million, and the loss refunds dependent on profit decreased by 2 million. Another significant item is the expenditure on claims and benefits (HUF 1,597 million) of which HUF 1,479 million is related to the partial or total surrender of unit-linked life insurance policies.

The gross operating costs of the Insurer in the first quarter of 2014 totaled to HUF 1,069 million, of which HUF 784 million were acquisition costs, HUF 274 million were administration costs, HUF 10 million were claim settlement costs and HUF 1 million was investment costs. The administration costs decreased considerably, by 39 percent compared to the same period of previous year, which is the result of the Insurer's consistently implemented cost rationalisation measures and its more efficient operation.

The technical investment result totaled to HUF 1,090 million in the first quarter of 2014, which is the result of the following factors. The non-realized result of unit-linked life insurance policies is a profit of HUF 1,118 million. In the first quarter of 2014 the underlying investments of the unit-linked portfolio further performed well. The driving powers of the increase were mainly the significant two-digit increase of unit-linked investments related to Indian securities, which represent a significant element of the whole portfolio, and the remarkable performance of Warren Buffet portfolios, since those are even more significant compared to the whole portfolio. These effects combined with the weakening of HUF compared with USD, and EUR, could compensate the negative yield of the other up-and-coming markets (China, Russia, Hungary). The investment results were significantly influenced by the interest costs of financial reinsurance, which amounted to HUF 44 million. The Insurer realized a profit of HUF 16 million on the investment of technical reserves.

In the "Reinsurance and other technical result" line, the Insurer shows the revenue from asset management fees, the technical revenue of policy reactivation and the results of reinsurance activities, which is decreased

by HUF 60 million - due to the premium of traditional reinsurance - in the first quarter of 2014 compared to the same period of 2013.

On the whole, the technical result is a profit of HUF 100 million, which is increased by the non-technical result of HUF 84 million, and decreased by the interest which is HUF 37 million on the issued interest-bearing shares. The most significant item of non-technical result is the HUF 42 million dividends received from Pannónia CIG Fund Manager Ltd. After the HUF 6 million tax liability, the retained profit for the year amounted to HUF 141 million on 31 March 2014. The profitability of Insurance are mainly due to the insurance portfolio that provided a significant coverage and to the efficient operation.

The Insurer's balance sheet total was HUF 53,970 million; its financial position is stable; the company has met its liabilities in full. The shareholders' equity was HUF 4,850 million on 31 March 2014, which ensures the solvency and operability required by law. The available solvency capital of the Insurer is HUF 4,101 million, which covers 223 percent of the level required by law.

## 4. Executive summary

In the first quarter of 2014, the Insurer sold regular premium life insurance policies representing an annualized premium of 620 million, which is 30 percent less than in the previous year. Of this, unit-linked life insurances amount to HUF 377 million, pension insurances to HUF 204 million, health insurances to HUF 21 million and traditional life insurances to HUF 18 million. In the same period of the previous year, the annualized premium of new sales was HUF 890 million, of which HUF 126 million was related to traditional products, HUF 55 million health insurance and HUF 709 million to unit-linked life insurance policies. A corporate group life insurance is the main reason for the reduction of the traditional product sales which increased in 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 new sales of unit-linked life insurance (calculated together with pension insurance) increased by 8 percent compared to the same period of the previous year; the decline of performance in the tables due to the difference in the reactivation volume. The reactivated policies amounted to HUF 248 million in the first quarter of 2013, but only HUF 81 million in 2014. The sales of unit linked life insurance products is driven now by the tax allowance of pension products and pension savings.

### New sales

	31.03.2014 (A)	31.12.2013 (B)	31.03.2013 (C)	Change (A - C)	Change % (A - C) / C
<b>Unit-linked life insurance:</b>					
Number	696	4,108	1 236	-540	-44%
Annualized premium (HUF million)	377	2,192	709	-332	-47%
<b>Pension product:</b>					
Number	587	0	0	587	-
Annualized premium (HUF million)	204	0	0	204	-
<b>Traditional products:</b>					
Number	205	804	229	-24	-10%
of this: health insurance	37	230	80	-43	-54%
Annualized premium (HUF million)	39	310	181	-142	-78%
of this: health insurance	21	122	55	-34	-62%
<b>Life:</b>					
Number	1 488	4 912	1 465	23	2%
Annualized premium (HUF million)	620	2 502	890	-270	-30%

In the first quarter of 2014 a total of 1,488 life insurance policies were sold, of which 696 were unit-linked life insurance policies, 587 were pension insurance and 205 were traditional life insurance policies. With new sales in the first quarter of 2014, the Insurer's closing stock of life insurance policies changed to 39,589 units, and the closing annualized premium thereof changed to HUF 19,328 million.

As for life insurance policies sold in the first quarter of 2014, the share of the tied agent network is 29 percent, while the performance of other – constituted by independent brokers - sales channels was 46 percent in Hungary and 5 percent in Slovakia. The Quantis Group sold 20 percent of the policies.

### Market share indicators\*

	2013		2012		2011	
	million HUF	Market share	million HUF	Market share	million HUF	Market share
On the basis of the gross written premium of life insurance policies	16 715	5,90%	22 522	5,70%	28 063	6,40%
On the basis of the adjusted gross written premium of life insurance policies	15 328	5,60%	19 332	6,90%	21 382	7,20%

\* At the time of preparing this quarterly report, the MABISZ market data on the fourth quarter of 2013 were not yet available, thus the table shows the data for the fourth quarter of 2013.

After examining the adjusted gross written premium, it can be said that the Insurer became a key market participant in the life insurance market: with a market share of 5,6 percent, it is the company with the seventh largest adjusted gross written premium on the basis of the data of 2013.

The sale of unit-linked life insurance is still a dominant element of the Insurer's activities, but with a continually shrinking regular premium unit-linked life insurance market, the Insurer 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 improvement of client services's standards and the diversification of sales channels, which is on the good way, 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 is necessary.

## Annex I

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

Description	Opening stock on 01.01.2014	New business	Closing stock on 31. 03.2014
<b>Traditional life products</b>	<b>4 437</b>	<b>205</b>	<b>4 475</b>
Term life insurance	3 614	130	3 624
Endowment insurance	456	38	484
Accident and health riders	5 270	410	5 441
Other life insurance	367	37	367
<b>Unit-linked life insurance</b>	<b>35 040</b>	<b>696</b>	<b>34 527</b>
<b>Individual and group pension insurance</b>	<b>0</b>	<b>587</b>	<b>587</b>
<b>Total life business line</b>	<b>39 477</b>	<b>1 488</b>	<b>39 589</b>

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

thousand HUF

Description	Opening stock on 01.01.2014	New business	Closing stock on 31. 03.2014
<b>Traditional life products</b>	<b>619 235</b>	<b>39 051</b>	<b>640 552</b>
Term life insurance	346 655	9 878	349 114
Endowment insurance	60 731	5 638	65 749
Accident and health riders	100 496	11 554	110 499
Other life insurance	111 353	11 981	115 190
<b>Unit-linked life insurance</b>	<b>18 848 889</b>	<b>377 345</b>	<b>18 484 151</b>
<b>Individual and group pension insurance</b>	<b>0</b>	<b>203 406</b>	<b>203 406</b>
<b>Total life business line</b>	<b>19 468 124</b>	<b>619 802</b>	<b>19 328 109</b>



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

thousand HUF

Description	Total gross written premium	Top-up gross written premium	Premiums earned
<b>Traditional life products</b>	<b>252 128</b>	<b>806</b>	<b>117 485</b>
Term life insurance	179 408		54 442
Endowment insurance	16 360		14 772
Accident and health riders	24 821		24 863
Other life insurance	31 539		23 408
<b>Unit-linked life insurance</b>	<b>2 729 816</b>	<b>141 996</b>	<b>2 082 055</b>
<b>Individual and group pension insurance</b>	<b>198 442</b>	<b>33 964</b>	<b>30 320</b>
<b>Total life business line</b>	<b>3 180 386</b>	<b>176 766</b>	<b>2 229 860</b>

**The actuarial reserves of life insurance policies with single/top-up premiums at the end of the period**

thousand HUF

Description	Amount of actuarial reserve	
	Single premium	Top-up premium
Unit-linked life insurance reserve	0	0
Total traditional	0	11 026

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

thousand HUF

Description	Acquisition costs	Administrat ion costs	Claim settlement costs	Investment costs	Total
<b>Total life business line</b>	<b>783 826</b>	<b>273 972</b>	<b>9 607</b>	<b>1 488</b>	<b>1 068 893</b>
Of this: unit-linked life insurance	760 223	267 123	1 124	1 451	1 029 921