



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

Q3 2013

13 November 2013

I. Summary

CIG Pannónia Life Insurance Plc. (hereinafter: Issuer) publishes its report for the third quarter of 2013 on this day. The Issuer publishes in this quarterly report for the third quarter of 2013, as required by the legislation, its consolidated, unaudited data in accordance with the International Financial Reporting Standards (IFRS). 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 2013:

- Compared to the same period of the previous year, the Group improved its after-tax profit by HUF 2,704 million,¹ thus it achieved an after-tax loss of HUF 337 million in the first three quarters of 2013. The total comprehensive income is a loss of HUF 303 million, which, despite the difficult market situation, is still in accordance with management expectations.
- Whilst according to the general market trends, as a result of the bad economic environment, the life insurance segment declined further, the non-life segment produced visible growth. By the third quarter of 2013, the Issuer achieved a gross written premium of HUF 16,030 million, which corresponds to a 5% decrease compared to the same period of the previous year. The premium income of the life insurance segment has decreased by 17% compared to the third quarter of 2012; the lost life insurance premium income was almost fully compensated by the improving performance of the non-life insurance segment, which produced a 75% rise in premium income. The situation of the insurance market still doesn't seem to be improving significantly, which seriously affects the performance of the CIG Group. The resultant restructuring, the more efficient operation and the continuous, strict cost control resulted in a significant decrease (19%) in administration costs compared to the third quarter of 2012. The Group's existing regular premium life insurance policy portfolio provides a solid foundation and, as the investment portfolio becomes larger and more mature, its cost-bearing capacity also improves, which means that it is already able to provide coverage for the operating costs.
- The Insurer's Board of Directors decided on the introduction of a new strategic direction according to which, in the local insurance environment, which is full of challenges, in the future they will put the emphasis on the diversification of products, services, sales channels and geographic presence in order to increase efficiency and operate profitably, and also by bearing in mind the interests of the shareholders to the maximum extent.
- The Issuer's new sales in the life insurance business line by the end of the third quarter of 2013 was 2,065 million. The closing life insurance portfolio was worth HUF 19,868 million. At EMABIT, the amount of new acquisitions was HUF 2,956 million in the first three quarters of 2013 and the net portfolio growth was HUF 1,881 million, which resulted in a portfolio of almost HUF 4,917 million at the end of the third quarter. The total portfolio has grown from HUF 24,186 million (end of 2012) to HUF 24,785 million.
- EMABIT has an increasing role in the operation of the CIG Group. Motor insurance is still the largest of the non-life insurance business lines. Of the motor vehicle fleets, 75% are of smaller-sized fleets from the premium target market. The number of insurance policies sold to the forwarding, transportation market is increasing significantly and it has developed to be the second most significant business line, counting the results of the successful entry onto the market in Poland and the Baltic region.
- EMABIT increased its sales activity in the area of property and liability insurance for SMEs, and started its operation on further promising niche markets such as the suretyship-related and the extended guarantee insurance after it has received license from the Hungarian Financial Supervisory Authority on 5 July 2013 to perform insurance activities in the suretyship, guarantee business line.

¹ "Group" or "CIG Group" covers the Issuer and its consolidated subsidiaries.

- Pannónia CIG Fund Manager Ltd.'s own unit-linked funds represented themselves with a significant result again on the MoneyMoon Awards gala organized for the third time on 24 September. Out of the ten categories announced, similar to the previous year, the CIG unit-linked funds won in three.
- As of 1 July 2013, the Employees' Pension Fund of the Mayor's Office of the 11th District merged into the voluntary pension fund business of Pannónia Pension Fund, a strategic partner of the Issuer. The private pension fund business line has started the liquidation without legal succession. The Pannónia Pension Fund will therefore continue its operation under a single business line model as a voluntary pension fund.
- Zsigmond Járai and Attila Solymár resigned their positions in the Issuer's Supervisory Committee on 26 September 2013. Dr. József Bayer will be the acting chairman until the next general meeting, i.e. until the new chairman is elected.

Events after the balance sheet date:

- On 2 October 2013, the Insurer terminated with mutual agreement the capital investment contracts concluded with GEM Global Yield Fund Limited ("GEM") and GEM Management Ltd. on 31 May 2011, except for the Call Option Agreement, which was signed on the same date and modified on 26 January 2012.
- The Issuer made a decision to further increase the capital in its subsidiary by HUF 200 million, thus the registered capital of EMABIT rose by HUF 5 million to HUF 1,020 million. The remaining amount of HUF 195 million will be transferred to EMABIT's capital reserve, which in turn will grow to HUF 2,315 million. The capital increase was registered by the Court of Registration on 17 October 2013, i.e. after the balance sheet date.
- On 4 November 2013, having used its asset growth purchase option recorded in the deed of foundation, the Issuer called 4% from Pannónia CIG Fund Manager Ltd.'s ownership share. In addition, it purchased a share package from Pannónia Pension Fund that embedded a 1% share in Pannónia CIG Fund Manager Ltd., thus it already has a 46% ownership share. Parallel to this, the company sold its 20% share in Pannónia Pension Fund Service Provider Ltd. to the Fund. After the transaction, the Fund is the full owner of the shares issued by the Pension Fund Service Provider. The new structure fits into the operation of the Insurer and the Fund, since the Pension Fund Service Provider provides administrative, bookkeeping and IT services for the Fund and Pannónia CIG Fund Manager Ltd.
- The management of EMABIT made the following decision regarding its compulsory motor third party liability insurance portfolio which is primarily focused on company fleets: The company will significantly decrease its business presence in this segment in 2014. Instead it will focus on such target areas where EMABIT's innovative, value and service oriented and growth generating business policy, which targets local SMEs, households and niche markets, can be applied more successfully. The decision is justified by the fact that, being a new Insurer and due to its smaller size and quick growth, it has to constantly bear in mind that all elements of its portfolio should profitably fit into the strategy that aims at its strengthening on the local insurance market.

Budapest, 13 November 2013

CIG Pannónia Life Insurance Plc.

2. Financial statements

Consolidated Statement of Comprehensive Income

Data in million HUF

	Q1-Q3 2013 (A)	Q1-Q4 2012 (B)	Q1-Q3 2012 (C)	Change % (A-C)/(C)
Insurance premiums	16 030	24 699	16 865	-5%
Change in unearned premium reserve	-454	-329	-281	62%
Gross earned premium	15 576	24 370	16 584	-6%
Earned premium transferred to reinsurers	-587	-747	-683	-14%
Insurance premiums, net	14 989	23 623	15 901	-6%
Fee and commission income from investment contracts	162	275	194	-16%
Investment income	815	1 541	393	107%
Capital change of joint venture and associated companies (profit)	78	51	15	420%
Other operating income	685	887	646	6%
Other income	1 740	2 754	1 248	39%
Total income	16 729	26 377	17 149	-2%
Claim payments and benefits, and claim settlement costs	-6 687	-7 151	-5 082	32%
Net change in the value of life technical reserves and unit-linked life insurance reserves	-3 509	-9 622	-5 763	-39%
Investment expenditure	-753	-528	-659	14%
Change in the fair value of liabilities relating to investment contracts	-39	-25	-4	875%
Change in the fair value of assets and liabilities relating to embedded derivatives	106	85	-1	
Investment expenditure, changes in reserves, services, net	-10 882	-17 241	-11 509	-5%
Fees, commissions and other acquisition costs	-4 036	-8 330	-6 041	-33%
Administration costs	-2 129	-3 529	-2 640	-19%
Operating costs	-6 165	-11 859	-8 681	-29%
Profit/loss before tax	-318	-2 723	-3 041	-90%
Tax income / (expenses)	-19	-1	0	-
Profit/loss after taxation	-337	-2 724	-3 041	-89%
Change in fair value of available-for-sale financial assets	34	76	119	-71%
Other comprehensive income	34	76	119	-72%
Total comprehensive income	-303	-2 648	-2 922	-90%

	Q1-Q3 2013 (A)	Q1-Q4 2012 (B)	Q1-Q3 2012 (C)	Change % (A-C)/(C)
Profit/loss after taxation attributable to the Company's shareholders	-337	-2 724	-3 041	-89%
After-tax profit on non-controlling interests	0	0	0	
Profit/loss after taxation	-337	-2 724	-3 041	-89%
Total comprehensive income attributable to the Company's shareholders	-303	-2 648	-2 922	-90%
Total comprehensive income attributable to non-controlling interests	0	0	0	-
Total comprehensive income	-303	-2 648	-2 922	-90%
Earnings per share				
Earnings per share - basic (HUF)	-5	-43	-48	-89%
Earnings per share - diluted (HUF)	-5	-43	-48	-89%

ASSETS	30 September 2013 (A)	31 December 2012 (B)	30 September 2012 (C)	Change % (A-B)/(B)
Intangible assets	1 140	1 051	980	8%
Property, plant and equipment	111	150	153	-26%
Deferred acquisition costs	716	982	1 375	-27%
Reinsurer's share of technical reserves	628	373	343	68%
Investments in jointly controlled companies	189	111	43	70%
Available-for-sale financial assets	5 953	5 015	2 397	19%
Investment for policyholders of unit-linked life insurance policies	37 700	34 483	31 038	9%
Financial assets – investment contracts	690	916	828	-25%
Financial assets – embedded derivatives	457	351	244	30%
Receivables from insurance policies and other receivables	3 745	3 337	4 311	12%
Other assets and prepayments	153	71	88	115%
Cash and cash equivalent	1 349	3 095	4 343	-56%
Total assets	52 831	49 935	46 143	6%
LIABILITIES				
Technical reserves	5 186	4 283	3 822	21%
Technical reserves for policyholders of unit-linked life insurance	37 700	34 483	31 039	9%
Investment contracts	690	916	828	-25%
Liabilities from the issue of interest-bearing shares	1 933	1 751	1 660	10%
Loans and financial reinsurance	3 226	3 771	4 814	-14%
Liabilities from insurance	1 197	1 103	1 339	9%
Other liabilities and provisions	1 115	1 776	1 143	-37%
Total liabilities	51 047	48 083	44 645	6%
NET ASSETS	1 784	1 852	1 498	-4%
SHAREHOLDERS' EQUITY				
Registered capital	2 531	2 531	2 531	0%
Capital reserve	15 937	15 937	15 937	0%
Share-based services	735	500	420	47%
Other reserves	27	-8	36	-438%
Profit reserve	-17 446	-17 108	-17 426	2%
Equity attributable to the Company's shareholders	1 784	1 852	1 498	-4%
Non-controlling interests	-	-	-	-
Total shareholders' equity	1 784	1 852	1 498	-4%

	Registered capital	Capital reserve	Other capital contributions	Other reserves	Profit reserve	Equity attributable to the Company's shareholders	Non-controlling interests	Total shareholders' equity
Balance on 31 December 2012	2 531	15 937	500	-8	-17 108	1 852	0	1 852
						0		
Total comprehensive income	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	35	0	35	0	35
Losses in reporting year	0	0	0	0	-338	-338	0	-338
						0		
Transactions with capital owners, recognized directly in equity	0	0	0	0	0	0	0	0
Other capital contributions	0	0	235	0	0	235	0	235
Balance as at 30 September 2013	2 531	15 937	735	27	-17 446	1 784	0	1 784

	Registered capital	Capital reserve	Other capital contributions	Other reserves	Profit reserve	Equity attributable to the Company's shareholders	Non-controlling interests	Total shareholders' equity
Balance on 31 December 2011	2 531	15 937	184	-83	-14 385	4 184	0	4 184
	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	119	0	119	0	119
Losses in reporting year	0	0	0	0	-3 041	-3 041	0	-3 041
	0	0	0	0	0	0	0	0
Transactions with capital owners, recognized directly in equity	0	0	0	0	0	0	0	0
Other capital contributions	0	0	236	0	0	236	0	236
	0	0	0	0	0	0	0	0
Balance as at 30 September 2012	2 531	15 937	420	36	-17 426	1 498	0	1 498

Consolidated Statement of Cash Flows

Data in million HUF

	Q1-Q3 2013	Q1-Q3 2012
Profit/loss after taxation	-337	-3 041
Adjustment items		
Depreciation and amortization	217	142
Recognized impairment	220	185
Other capital contributions	235	236
Exchange rate changes	109	-19
Profit/loss of jointly controlled companies	-78	-15
Net changes of embedded derivative assets and liabilities	-106	-244
Interest cost	347	239
Change of working capital items:		
Increase/decrease of deferred acquisition costs (-/+)	265	2 041
Increase/decrease of investments for policyholders of unit-linked life insurance policies (-/+)	-3 217	-4 910
Increase/decrease of financial assets – investment contracts (-/+)	225	89
Increase/decrease of receivables from insurance and other receivables (-/+)	-626	-1 430
Increase/decrease of reinsurer's share from technical reserves (-/+)	-255	-275
Increase/decrease of other assets and prepayments (-/+)	-82	206
Increase/decrease of technical reserves (+/-)	903	1 413
Increase/decrease of liabilities from insurance (+/-)	94	303
Increase/decrease of investment contracts (+/-)	-225	-89
Increase/decrease of technical reserves due to unit-linked life insurance (+/-)	3 217	4 910
Increase/decrease of other liabilities (+/-)	-663	-185
Cash flows from operating activities	243	-444

Consolidated statement of cash flows continued

Cash flows from investment activities	Q1-Q3 2013	Q1-Q3 2012
Purchase / sales of debt instruments (-/+)	-905	160
Purchase / sales of capital instruments (-/+)	1	226
Purchase of tangible assets and intangible assets (-)	-386	-510
Sales of tangible assets and intangible assets (+)	120	202
Purchase of shares (-)	0	-20
Cash flows from investment activities	-1 170	58
Cash flows from financing activities		
Loans drawn	523	1 956
Repayment of loans	-1 327	-3 206
Income from the issue of shares	0	1 656
Cash flows from financing activities	-804	406
Impacts of exchange rate changes	-15	0
Net increase / decrease of cash and cash equivalents (+/-)	-1 746	20
Cash and cash equivalents at the beginning of the period	3 095	4 323
Cash and cash equivalents at the end of the period	1 349	4 343

3. Changes in accounting policies

The Group did not change its IFRS accounting policies in the third quarter of 2013.

4. Presentation of the Issuer's financial position – consolidated and unaudited data for the third quarter of 2013, on the basis of the financial reporting standards (IAS 34) adopted by the EU

The Issuer and its subsidiaries, representing together the CIG Group, deal with the sale of unit-linked life insurance, term life insurance, endowment insurance, health insurance, rider and general insurance, within that mainly Casco and compulsory third party motor insurance and general liability insurance.

The company with a decisive impact on the Group's operations remains CIG Pannónia Life Insurance Plc., as a parent company; however, with the starting of its operation, the performance of EMABIT becomes more and more important in the result of the Group.

In the reporting period, the Group's gross written premium was HUF 16,030 million, which is 95 percent of the revenues generated in the same period of 2012. Of this, HUF 11,700 million is the gross written premium of unit-linked life insurance, HUF 361 million of traditional life products, HUF 92 million of health insurance policies and HUF 3,877 million of non-life insurance.

The non-life insurance segment generated a gross written premium of HUF 3,877 million in the first three quarters of 2013, which is a 75% increase compared to the gross written premium of the previous year (HUF 2,211 million). The renewal premiums of policies concluded in the previous years have decreased by 11% in the life insurance portfolio. The gross written premium income from renewals was 9,457 million until the third quarter of 2013, in contrast to HUF 10,609 million in the previous year. Gross written premium from the first annual premiums of policies sold was 1,395 million, which is a 37% decrease compared to the third quarter of 2012 (2,212 million). The insurance market environment is still unfavorable for regular premium policies, for new policies and for renewals. A significant number of life insurance clients (almost 14 percent) suspended premium payment, this is the main reason for the fall in renewals. This impact decreases the gross written premium, but the effect on the Insurer's profit is less significant since the premium can only be suspended at a later, less profitable phase of the term of the contract. The gross written premium from top-up premiums was 71% of the previous year's top-up revenue, or HUF 1,301 million, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income of HUF 12,153 million, the rate of top-up premiums is 11%. The low percentage 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 reason for the increase in the reserve for unearned premiums is primarily the increase in the portfolio of general insurance. The proportion of policies with annual premium payment is high. The amount of earned premiums transferred to the reinsurer was HUF 587 million in the first three quarters of 2013.

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 gross written premium of HUF 162 million in total during the period. The other operating income (HUF 685 million) mainly includes the Issuer's income from portfolio management and the income from reactivated policies is also recognized and accounted for as part of this item.

Among expenses, one of the most important items is the amount of claims and benefits as well as claim settlement costs (HUF 6,687 million together), including HUF 4,925 million related to partial or full surrender of unit-linked life insurance policies, and the claim settlement expenditure paid on general insurance is HUF 1,547 million. Another significant item is the expenditure on the change in net technical reserves (HUF 3,509 million), including HUF 3,261 million 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 293 million. Outstanding claim reserves grew by HUF 353 million in the first three quarters of 2013, primarily as a result of non-life business line operations. In connection with the life insurance policy portfolio, the reserves for premium refunds independent of profit grew by HUF 14 million.

The operating costs of the Issuer in the first three quarters of 2013 totaled HUF 6,165 million, of which HUF 4,036 million originates from fees, commissions and other acquisition costs, and HUF 2,129 million from administration costs. First year commissions have declined simultaneously with the new acquisitions. The administration costs decreased considerably, by 19% compared to the same period of the previous year, 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 62 million. Of this, the non-realized result of unit-linked life insurance policies is a profit of HUF 224 million. Owing to the favorable global sentiment, the underlying investments of the unit-linked funds were able to increase in the aggregate in the third quarter. However, the extent of the growth was below the level of increase seen on the equity markets, since the distribution of the assets among the unit-linked funds changed significantly during the second quarter when significant capital was transferred from the developing market equity funds to the escaping money market funds. The investment results were influenced negatively by the interest costs of financial reinsurance, which amounted to HUF 165 million. In the first three quarters of 2013, the Issuer generated a return of HUF 185 million on its own investments. The effect of interest-bearing shares on profit and loss is a payable interest of HUF 182 million in the first three quarters of 2013, and a profit of HUF 106 million of the change in the fair value of assets and liabilities relating to embedded derivatives, which in aggregate means a loss of HUF 76 million.

As a result of all of the above, the loss before taxes amounted to HUF 318 million (until the third quarter of 2012, the loss was HUF 3,041 million), in accordance with the plans of the Issuer. A corporate tax of HUF 19 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 34 million and, thus, the total comprehensive income represented a loss of 303 million in the first three quarters of 2013.

The Issuer's balance sheet total was HUF 52,831 million; its financial position is stable; the company has met its liabilities in full. On 30 June 2013, the shareholders' equity was HUF 1,784 million, the available solvency capital of the Insurer, according to the Hungarian Accounting Act, was HUF 3,868 million, which covers 229% of the level required by law.

5. Executive summary

The processes in the economy and the insurance market, as well as the expansion of EMABIT's activity, significantly rearranged the trends of new sales as compared to last year.

Of the new sales of an annualized premium of HUF 5,021 million, HUF 2,956 million is the increase of general insurance (primarily third-party motor insurance and CASCO), while HUF 1,800 million is from unit-linked life insurance (of which HUF 60 million is investment contracts) and HUF 172 million derives from traditional life insurance policies and HUF 93 million from health insurance policies.

In the first three quarters of the previous year, the annualized premium of new sales was HUF 6,056 million, of which only HUF 2,926 million was derived from the sale of general insurance. A major part of sales, HUF 3,038 million, was related to unit-linked life insurance (of which investment contracts had a share of HUF 17 million), and HUF 92 million to traditional life products.

New sales

	30.09.2013 (A)	31.12.2012 (B)	30.09.2012 (C)	Change D=(A)-(C)	Change % (D)/(C)
Unit-linked life insurance					
Number of insurance policies	3 167	7 237	5 739	-2 572	-45%
Annualized premium - insurance policies, million HUF	1 740	3 984	3 021	-1 281	-42%
Number of investment contracts	8	8	8	0	0%
Annualized premium - investment contracts, million HUF	60	59	17	43	253%
Total number of unit-linked life insurances	3 175	7 245	5 747	-2 572	-45%
Annualized premium - unit-linked life insurance - total in HUF million	1 800	4 043	3 038	-1 238	-41%
Traditional life products					
Number	625	962	635	-10	-2%
of this: health insurance	183	170	0	183	
Annualized premium	265	182	92	173	188%
of this: health insurance	93	67	0	93	
General insurance					
Number	61 696	59 530	49 601	12 095	24%
Annualized premium	2 956	3 289	2 926	30	1%
Total number of new sales:	65 496	67 737	55 983	9 513	17%
Total annualized premium of new sales in million HUF	5 021	13 036	6 056	-1 035	-17%

By the third quarter of 2013, a total of 3,800 life insurance policies were sold, of which 3,175 were unit-linked life insurance policies and 625 were traditional life insurance policies. At the same time, 61,696 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 39,430 policies, the closing annualized premium thereof to HUF 19,868 million, while the non-life insurance portfolio consists of 92,791 policies and an annualized premium of HUF 4,917 million.

As for life insurance policies sold in the first three quarters of 2013, the share of the Quantis Group was 29%. The tied network achieved 24%, while the performance of other broker sales channels was 42% in Hungary and 5% in Slovakia.

Market share indicators*

	Q2 2013		Q2 2012		Q2 2011	
	million H	Market share	million H	Market share	million H	Market share
On the basis of the gross written premium of life insurance policies	7 793	3,4%	9 261	4,4%	12 642	5,6%
On the basis of the adjusted gross written pre	6 858	5,0%	8 086	5,8%	8 773	6,1%

* At the time of preparing this quarterly report, the MABISZ market data on the second quarter of 2013 were available.

After examining the corrected 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 5%, it is the company with the seventh largest adjusted gross written premium on the basis of the data of the second quarter of 2013. As regards premium income, in Q2 2013, EMABIT obtained a 1.3% share of the non-life insurance market.

The role of EMABIT further strengthened in the operation of the CIG Group, where motor insurance is still the largest of the non-life insurance business lines. The number of insurance policies sold to the forwarding, transportation market is increasing significantly and it has developed to be the second most significant business line, counting the results of the successful entry onto the market in Poland and the Baltic region.

EMABIT increased its sales activity in the area of property and liability insurance for SMEs, and started its operation on further promising niche markets such as the suretyship-related and the extended guarantee insurance after it has received license from the Hungarian Financial Supervisory Authority on 5 July 2013 to perform insurance activities in the suretyship, guarantee business line.

On the retail insurance market, EMABIT is primarily present with its travel insurance and household insurance products. By further focusing its sales channels, the company serves the SME and the institutional market with the contribution of its broker partners and the retail market mainly with direct sales tools.

The Issuer made a decision to further increase the capital in its subsidiary by HUF 200 million, thus the registered capital of EMABIT rose by HUF 5 million to HUF 1,020 million. The remaining amount of HUF 195 million will be transferred to EMABIT's capital reserve, which in turn will grow to HUF 2,315 million. The capital increase was registered by the Court of Registration on 17 October 2013, i.e. after the balance sheet date.

As of 1 July 2013, the Employees' Pension Fund of the Mayor's Office of the 11th District merged into the voluntary pension fund business of Pannónia Pension Fund, a strategic partner of the Issuer. The final settlement of the private pension fund business line has started, and the deadline announced for members for joining another pension fund expired in September 2013. Almost 60% of the members decided to join another private pension fund through which they maintain their private pension fund membership, and this ratio can be considered rather high based on the experience of final settlements. The Pannónia Pension Fund will therefore continue its operation under a single business line model as a voluntary pension fund.

Pannónia CIG Fund Manager Ltd.'s own unit-linked funds represented themselves with a significant result again on the MoneyMoon Awards gala organized for the third time on 24 September. Out of the ten categories announced, similar to the previous year, the CIG unit-linked funds won in three.

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 general insurance portfolio. In the first three quarters of this year, the sales of traditional life products almost doubled in terms of annualized premium compared to the same period of 2012. The sales of health insurance and traditional life insurance policies make up almost 13% of the total new life insurance portfolio and their ratio is increasing. (It was 3% in the same period of 2012.)

The Issuer's regular premium unit-linked portfolio provides a solid foundation for operation with an improved cost-bearing capacity, as a result of which the Issuer was able to cover the operating costs in the first half of 2013. The profit or loss before taxes was a loss of HUF 318 million in the first three quarters, which is an improvement of HUF 2,723 million compared to the same period of the previous year. The existing unit-linked portfolio, the increasingly intensive sale of the Issuer's traditional life insurance, and the profitable operation of non-life business, as well as the introduction of the new health insurance product portfolio contribute to the Insurer's becoming profitable as soon as possible. The implemented cost rationalization measures, the more efficient operation and the strict cost control also serve this goal.

6. Operating segments

From the first quarter of 2013, the Issuer has changed the presentation of the operating segments so that it would reflect the financial statements used by the management in the different segments as much as possible. 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 Q1-Q3 2013

ASSETS	Q1-Q3 2013					
	Life insurance segment	Non-life insurance segment	Other	Adjustment items for calculations in the financial statements (IFRS - HAL)	Adjustment items for calculations in the financial statements (consolidation)	Total
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
Investment 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 capital owners	0	0	0	0	0	0
Cash and cash equivalent	1 044	284	21	0	0	1 349
Related receivables	118	30	187	0	-335	0
Total assets	50 778	4 636	123	752	-3 458	52 831

*HAL – Hungarian Accounting Law

(data in million HUF)						
LIABILITIES	Q1-Q3 2013			Adjustment items for calculations in the financial statements (IFRS - HAL)	Adjustment items for calculations in the financial statements (consolidation)	Total
	Life insurance segment	Non-life insurance segment	Other			
Technical reserves	3 087	2 149	0	-50	0	5 186
Technical reserves for policyholders of unit-linked life 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
Related liabilities	172	68	89	0	-329	0
Other liabilities and provisions	885	390	-8	-186	34	1 115
Total liabilities	46 208	3 378	81	1 697	-317	51 047
NET ASSETS	4 570	1 258	42	-945	-3 141	1 784
SHAREHOLDERS' EQUITY						
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
Total shareholders' equity	4 570	1 258	42	-945	-3 141	1 784

Comprehensive income statement							
Insurance premiums	12 431	3 988	0	-279	-110	16 030	
Change in the unearned premium reserve	-5	-448	0	0	-1	-454	
Gross earned premium	12 426	3 540	0	-279	-111	15 576	
Earned premium transferred to reinsurers	-158	-530	0	0	101	-587	
Insurance premiums, net	12 268	3 010	0	-279	-10	14 989	
Fee and commission income from investment contracts	0	0	0	162	0	162	
Investment income	727	87	1	0	0	815	
Capital change of joint venture and associated companies (profit)	0	0	0	78	0	78	
Other operating income	700	26	471	23	-535	685	
Other income	1 427	113	472	263	-535	1 740	
Total income	13 695	3 123	472	-16	-545	16 729	
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	
Capital change of joint ventures and associated companies (loss)	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	
Investment expenditure, changes in reserves, services, net	-8 996	-2 032	-2	135	13	-10 882	
Fees, commissions and other acquisition costs	-3 058	-987	0	0	9	-4 036	
Administration costs	-1 351	-609	-460	-233	524	-2 129	
Operating costs	-4 409	-1 596	-460	-233	533	-6 165	
Profit/loss before tax	290	-505	10	-114	1	-318	
Tax expenses	-19	0	0	0	0	-19	
Retained profit/loss for the year	271	-505	10	-114	1	-337	
Other comprehensive income	0	0	0	34	0	34	
Total comprehensive income	271	-505	10	-80	1	-303	

Comparative data to the segment information of the third quarter of 2013 (Q1-Q3 2012)

ASSETS	Q1-Q3 2013					
	Life insurance segment	Non-life insurance segment	Other	Adjustment items for calculations in the financial statements (IFRS - HAL)	Adjustment items for calculations in the financial statements (consolidation)	Total
Intangible assets	615	140	60	165	0	980
Property, plant and equipment	114	19	20	0	0	153
Deferred tax assets	0	0	0	0	0	0
Deferred acquisition costs	1 275	133	0	-33	0	1 375
Reinsurer's share of technical reserves	34	309	0	0	0	343
Subsidiaries	2 423	0	0	0	-2 423	0
Investments in jointly controlled companies	32	0	0	11	0	43
Available-for-sale financial assets	2 253	0	0	144	0	2 397
Investment for policyholders of unit-linked life insurance policies	31 866	0	0	-828	0	31 038
Financial assets – investment contracts	0	0	0	828	0	828
Financial assets – embedded derivatives	0	0	0	244	0	244
Receivables from insurance policies and other receivables	3 405	953	7	-54	0	4 311
Other assets and prepayments	150	3	0	-65	0	88
receivables from capital owners	0	0	0	0	0	0
Cash and cash equivalent	2 658	1 663	22	0	0	4 343
Related receivables	1 691	9	27	0	-1 727	0
Total assets	46 516	3 229	136	412	-4 150	46 143

*HAL – Hungarian Accounting Law

(data in million HUF)						
LIABILITIES	Life insurance segment	Non-life insurance segment	Other	Q1-Q3 2012		Total
				Adjustment items for calculations in the financial statements (IFRS - HAL)	Adjustment items for calculations in the financial statements (consolidation)	
Technical reserves	2 767	1 111	0	-56	0	3 822
Technical reserves for policyholders of unit-linked life insurance	31 866	0	0	-827	0	31 039
Investment contracts	0	0	0	828	0	828
Financial liabilities - embedded derivatives	0	0	0	0	0	0
Liabilities from the issue of interest-bearing shares	0	0	0	1 660	0	1 660
Loans and financial reinsurance	4 814	0	0	0	0	4 814
Liabilities from insurance	665	674	0	0	0	1 339
Related liabilities	1 682	9	38	0	-1 729	0
Other liabilities and provisions	846	180	102	-3	18	1 143
Total liabilities	42 640	1 974	140	1 602	-1 711	44 645
NET ASSETS	3 876	1 255	-4	-1 190	-2 439	1 498
SHAREHOLDERS' EQUITY						
Registered capital	2 606	1 000	11	-75	-1 011	2 531
Capital reserve	16 804	1 435	60	-867	-1 495	15 937
Other capital contributions	0	0	0	420	0	420
Other reserves	101	6	-2	-69	0	36
Profit reserve	-15 635	-1 186	-73	-599	67	-17 426
Total shareholders' equity	3 876	1 255	-4	-1 190	-2 439	1 498

(data in million HUF)	Q1-Q3 2012					
	Life insurance segment	Non-life insurance segment	Other	Adjustment items for calculations in the financial statements (IFRS - HAL)	Adjustment items for calculations in the financial statements (consolidation)	Total
LIABILITIES						
Comprehensive income statement						
Insurance premiums	15 139	2 212	0	-485	-1	16 865
Change in the unearned premium reserve	56	-337	0	0	0	-281
Gross earned premium	15 195	1 875	0	-485	-1	16 584
Earned premium transferred to reinsurers	-83	-600	0	0	0	-683
Insurance premiums, net	15 112	1 275	0	-485	-1	15 901
Fee and commission income from investment contracts	0	0	0	194	0	194
Investment income	264	64	1	64	0	393
Capital change of joint venture and associated companies (profit)	0	0	0	15	0	15
Other operating income	720	42	288	0	-404	646
Other income	984	106	289	273	-404	1 248
Total income	16 096	1 381	289	-212	-405	17 149
Claim payments and benefits, and claim settlement costs	-4 721	-767	0	394	12	-5 082
Net change in the value of life technical reserves and unit-linked life insurance reserves	-5 215	-448	0	-100	0	-5 763
Investment expenditure	-654	0	-1	-4	0	-659
Capital change of joint ventures and associated companies (loss)	0	0	0	0	0	0
Change in the fair value of liabilities relating to investment contracts	0	0	0	-4	0	-4
Change in the fair value of assets and liabilities relating to embedded derivatives	0	0	0	-1	0	-1
Investment expenditure, changes in reserves, services, net	-10 590	-1 215	-1	285	12	-11 509
Fees, commissions and other acquisition costs	-5 691	-350	0	0	0	-6 041
Administration costs	-2 404	-452	-307	134	389	-2 640
Operating costs	-8 095	-802	-307	134	389	-8 681
Profit/loss before tax	-2 589	-636	-19	207	-4	-3 041
Tax expenses	0	0	0	0	0	0
Retained profit/loss for the year	-2 589	-636	-19	207	-4	-3 041
Other comprehensive income	0	0	1	118	0	119
Total comprehensive income	-2 589	-636	-18	325	-4	-2 922

Detailed explanation of IFRS – HAL adjustment items

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 state aids 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 state aids 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) GEM option

The Group evaluates the contract concluded with GEM Global Yield Fund Limited ("GEM") as a service provided by GEM (availability and capital investment if called by the Company) and as a consideration provided for it (capital investment if called by GEM, call option), as equity-based payments settled by capital according to IFRS 2 Share - payments.

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.

7. Number of employees, ownership structure

The number of employees at the Issuer was 138 on 30 September 2013.

Composition of the Issuer's share capital (30 June 2013)*

Series of shares	Nominal value (HUF/each)	Issued number of shares	Total nominal value (HUF)
Series "A"	40	63 283 203	2 531 328 120
Series "B"	40	1 150 367	46 014 680
Series "C"	40	730 772	29 230 880
Size of share capital	-	-	2 606 573 680

* Data according to the Hungarian Accounting Law.

Number of voting rights connected to the shares (30 September 2013)

Series of shares	Issued number of shares	Number of voting shares	Voting rights per share	Total voting powers	Number of own shares
Series "A"	63 283 203	63 283 203	1	63 283 203	-
Series "B"	1 150 367	1 150 367	1	1 150 367	-
Series "C"	730 772	730 772	1	730 772	-
Total:	65 164 342	65 164 342		65 164 342	

The Issuer's ownership structure (30 September 2013)

	Number of shares	Ownership stake	Voting rights
Domestic private individual	37 810 343	58,02%	58,02%
Domestic institution	25 688 533	39,42%	39,42%
Foreign private individual	300 068	0,46%	0,46%
Foreign institution	409 662	0,63%	0,63%
Nominee foreign private individual	24 799	0,04%	0,04%
Nominee, foreign institution	51 530	0,08%	0,08%
Unidentified item	879 407	1,35%	1,35%
Total	65 164 342	100,00%	100,00%

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 2013

Name	Registered seat	The Issuer's share
CIG Pannónia First Hungarian General Insurance Company Ltd.	H-1033 Budapest, Flórian tér 1.	100%
CIG Pannónia Service Center Limited Liability Company	H-1033 Budapest, Flórian tér 1.	100%
S.C. Tisia Expert SRL	Romania - Bucharest, str. Povernei nr. 20, etaj 4, apartament 9, sector 1.	100%
Pannónia PI-ETA Funeral Service Limited Liability Company	H-1033 Budapest, Flórian tér 1.	100%
Pannónia CIG Fund Manager Ltd.	H-1072 Budapest, Nyár utca 12.	41%
Pannónia Pension Fund Service Provider Ltd.	H-1072 Budapest, Nyár utca 12.	20%

Information published in the period

Date	Subject, short summary
2013.07.01	Number of voting powers and size of the share capital at CIG Pannónia Life Insurance Plc.
2013.07.05	The subsidiary of CIG Pannónia Life Insurance Plc. acts in a new insurance segment.
2013.07.11	Extraordinary announcement on the transaction of a senior officer of CIG Pannónia Life Insurance Plc. relating to CIGPANNONIA shares
2013.07.31	Number of voting powers and size of the share capital at CIG Pannónia Life Insurance Plc.
2013.08.15	Disclosure of the first semi-annual report for 2013
2013.08.30	Extraordinary announcement on the transaction of a senior officer of CIG Pannónia Life Insurance Plc. relating to CIGPANNONIA shares
2013.09.02	Number of voting powers and size of the share capital at CIG Pannónia Life Insurance Plc.
2013.09.23	Extraordinary announcement on the transaction of a senior officer of CIG Pannónia Life Insurance Plc. relating to CIGPANNONIA shares
2013.09.26	Resignation of a member of the Supervisory Committee of CIG Pannónia Life Insurance Plc.
2013.09.26	Resignation of the chairman of the Supervisory Committee of CIG Pannónia Life Insurance Plc.
2013.09.30	Number of voting powers and size of the share capital at CIG Pannónia Life Insurance Plc.
2013.10.01	On the new chairman of the Supervisory Committee of a subsidiary of CIG Pannónia Life Insurance Plc.
2013.10.01	On the capital increase of a subsidiary of CIG Pannónia Life Insurance Plc.
2013.10.03	Extraordinary announcement on the contracts concluded by CIG Pannónia Life Insurance Plc., GEM Global Yield Fund Limited and GEM Management Ltd.
2013.10.15	The amendments to CIG Pannónia Life Insurance Plc.'s Articles of Association have been registered by the Court of Registration.

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

6. Disclaimer

The Issuer declares that the report for the third quarter of 2013 was not reviewed by an auditor, the report for the first three quarters of 2013 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 2013

Dr Ottó Csurgó
Chairman and Chief Executive Officer, Chairman of the Board

Miklós Barta
Chief Financial Officer

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