



PANNÓNIA
ÉLETBIZTOSÍTÓ

CIG PANNÓNIA LIFE INSURANCE PLC.

QUARTERLY INFORMATION

Q3 2015

17 November 2015

I. Summary

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 third quarter of 2015 separately from the present information. In the report it publishes its consolidated, unaudited data for the third quarter of 2015 in accordance with the International Financial Reporting Standards (IFRS) as required by the law.

Main results and events of the first three quarters of 2015:

million HUF

Description	30.09.2015	31.12.2014	30.09.2014	Change %
	(A)	(B)	(C)	(A/C)
Gross written premium	10 264	14 420	9 675	106%
Technical result (without other operating costs)	1 362	1 967	1 417	96%
Other operating costs	-774	-1 165	-845	92%
Technical result	588	802	572	103%
Non-technical result	-56	-598	-24	233%
Profit/loss before tax	532	204	548	97%
Tax	-23	0	-25	92%
Divident (Interest on interest-bearing shares)	-89	-122	-92	97%
Retained profit/loss for the year	420	82	431	97%

- Beside solid profitability the Insurer was able to increase its gross written premium with 6% compared to the previous year, same period. In the first three quarter of 2015 the Insurer achieved a gross written premium of HUF 10,264 million, of which significant part is regular premiums amount to: HUF 8,523 million; and the top-up/single premium's amount is HUF 1,741 million. The increase in gross written premium was due to mainly the increase in top-up/single premium. The coverage of the insurance portfolio is stable, the technical result of the Insurer in the first three quarter of 2015 was HUF 588 million, which is 3 percent higher compared to the previous year, same period. In the first three quarter of 2015 the Insurer's profit before tax is HUF 532 million.
- The increased sales activity of the tied agent network (47% increase compared to the same period of previous year) and the acquired new business through public procurement almost compensated the sales loss caused by the termination of the agreement with Quantis, so the annualized premium of new sales is 91% of the acquired portfolio compared to the first three quarter of 2014.
- The Insurer's the extraordinary general meeting held on 20 July 2015 elected Dr. Erzsébet Czakó and István Boros to Supervisory Board for 5 years. Dr. Erzsébet Czakó was also elected to Audit Board.
- On 14 August 2015, the Insurer's Supervisory Board elected Dr. József Bayer as Chairman of the Supervisory Board.
- The Insurer increased the share capital in its subsidiary Pannónia PI-ETA Kegeyeleti Szolgáltató Ltd. by HUF 2 500 000. The capital increase was necessary to meet the regulations of the new Civil Code Law.

Events after the balance sheet date:

- At 1 October 2015 Pannónia CIG Fund Manager Ltd. won again the „Fund Manager of the Year” prize according to MoneyMoon Awards. Beside this two of our unit-linked funds won a prize emphasising our innovative products being among the best products in the market.

Budapest, 17 November 2015

CIG Pannónia Life Insurance Plc.

2. Financial Statements

Headlines in the Insurer's Income Statement

million HUF

Description	30.09.2015 (A)	31.12.2014 (B)	30.09.2014 (C)	Change % (A/C)
Gross written premium	10 264	14 420	9 675	106%
Gross acquisition costs	-1 513	-3 252	-2 332	65%
Changes in deferred acquisition costs	-198	243	119	-166%
Claims and benefits	-5 975	-6 901	-4 726	126%
Gross changes in reserves	-1 069	-11 615	-7 870	14%
Technical investment result	-699	8 035	5 632	-12%
Other operating costs	-774	-1 165	-845	92%
Reinsurance and other technical result	552	1 037	919	60%
Technical result	588	802	572	103%
Non-technical and investment result	-56	-123	-66	85%
Dividends received	0	275	42	-
Impairment of subsidiaries and shares	0	-750	0	-
Profit before tax	532	204	548	97%
Tax liability	-23	0	-25	92%
Profit after tax	509	204	523	97%
Dividends and interest – interest on interest-bearing shares	-89	-122	-92	97%
Retained profit for the year	420	82	431	97%

Headlines in the Insurer's Balance Sheet

million HUF

Description	30.09.2015 (A)	31.12.2014 (B)	30.09.2014 (B)	Change % (A/C)
Intangible assets	640	710	722	89%
Investments	6 376	6 049	7 056	90%
Investments performed for policyholders of unit-linked life insurance	52 971	51 896	48 108	110%
Receivables	1 929	2 212	2 823	68%
Other assets	1 230	1 551	970	127%
Prepaid expenses and accrued income	1 057	1 442	1 097	96%
Total assets	64 203	63 861	60 776	106%
Shareholders' equity	5 211	4 791	5 140	101%
Technical reserves	2 595	2 661	2 685	97%
Technical reserves for policy holders of unit-linked life insurance	52 971	51 896	48 108	110%
Liabilities	986	1 700	1 833	54%
Accrued expenses and deferred income	2 440	2 813	3 010	81%
Total liabilities	64 203	63 861	60 776	106%

3. Presentation of the Insurer's financial position – the Insurer's unaudited and unconsolidated data for the first three quarters of 2015, according to the Hungarian Accounting Act

In the reporting period, the Insurer's gross written premium was HUF 10,264 million, which is 106 percent of the performance achieved in the same period of previous year. Within this, the gross written premium from unit-linked life insurance amounted to HUF 9,776 million (including HUF 1 313 million gross written premium from pension insurance), the gross written premium from traditional life products amounted to HUF 353 million and the gross written premium from health insurance policies amounted to HUF 135 million.

The gross written premium from the first annual premiums of policies sold was 1,651 million, which is a 27 percent increase compared to the same period of previous year (1,304 million). The increase of the first three quarter premiums is mainly due to the group life and accident insurance of Ministry of Interior and the pension insurances. The renewal premiums of policies concluded in the previous years have decreased by 8 percent compared with the first three quarter of previous year, which is an improvement compared to the previous year's 12 percent decrease. The gross written premium income from renewals was 6,872 million in 2015, in contrast to HUF 7,451 million in the same period of the previous year. A significant number of clients (30,3 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 fall in renewals. The using of premium holiday option 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 and single premiums (HUF 1,741 million) were almost doubled the previous year's top-up/single premium revenue, mainly relating to unit-linked life insurance policies. Within the total premium income, the rate of top-up/single premiums grew to 17 percent from 10 percent compared to the previous year, same period. It's because of the Gravis, the new single premium product of the Insurer implemented at the end of the previous year.

Among expenses, one of the most important items is the expenditure on claims and benefits (HUF 5,975 million) of which HUF 5,645 million is related to the partial or total surrender of unit-linked life insurance policies. Another significant item is the change in gross technical reserves (HUF 1,069 million), including HUF 1,075 million relating to the increase in life insurance reserves for unit-linked life insurance policies, HUF 70 million reserves for premium refunds independent on profit, HUF 94 million reserves for other insurance, HUF 33 million claim reserves and HUF 26 million unearned premium reserve. Thus the reserves for premium refunds dependent on profit and the actuarial reserves decreased by HUF 2-2 million, with the decrease in receivables, the cancellation reserves also decreased by HUF 225 million.

The gross operating costs of the Insurer in the first three quarter of 2015 totalled to HUF 2,498 million, of which HUF 1,710 million were acquisition costs, HUF 774 million were other operating costs, HUF 10 million was claim settlement costs and HUF 4 million were investment costs. The other operating costs show a further decrease, it's 8 percent lesser compared to same period of previous year.

The investment result returns a loss - due to the global market situation - , amounted to HUF 699 million in the first three quarter of 2015, of which HUF 639 million is unrealized losses on unit-linked investments. In the third quarter the main MSCI global stock market indices (World, Emerging Markets, EU) – performed significant losses, because of the fear of the effects of the growth forecasts of emerging markets. The best performance was shown again by the domestic stock market index. The events of the capital market had a significant effect on the unit-linked portfolio, the Navigátor service initiated to disinvest from almost all of the stock- and commodity market asset funds. The capital was transferred into the liquidity portfolios. There was a further increase in the popularity of the funds of absolute yield and actively managed portfolios, this resulted a significant capital inflow in the third quarter.

The (traditional) investment result is HUF 39 million in the first three quarters of 2015. The interest expense of financial reinsurance has a significant effect on the investment resulted by HUF 99 million loss.

In the "Reinsurance and other technical result" line, the Insurer shows the revenue from fund management fees (HUF 596 million), the pending charges (HUF 39 million) and the results of reinsurance activities (HUF -86 million). Among the above the reason for the decrease - compared to 2014 – was due to the decrease in income from pending charge.

The most significant item of the non-technical result (HUF -56 million) is the yield of the Insurer's own investments (HUF 30 million), which is decreased by the other and extraordinary result (HUF -86 million).

The profit before tax is HUF 532 million which is 97 percent of the same period of previous year. It is reduced by calculated tax expenditure (HUF 23 million) and the dividends and the interest for interest-bearing shares (89 million HUF). Thus the retained profit is HUF 420 million as at 30 September 2015.

The Insurer's balance sheet total was HUF 64,203 million; its financial position is stable; the company has met its liabilities in full. The shareholders' equity was HUF 5,211 million on 30 September 2015, which ensures the solvency and operability required by law. The available solvency capital of the Insurer is HUF 4,571 million, which covers 239 percent of the minimum solvency capital.

4. Executive summary

In the first three quarters of 2015 the Insurer sold regular premium life insurance policies representing an annualized premium of 1,344 million, which is 9 percent less than in the same period of previous year. Of this, unit-linked life insurances amount to HUF 1,165 million, and HUF 179 million traditional and group life insurances. In the same period of previous year, the annualized premium of new sales was HUF 1,478 million, of which HUF 90 million was related to traditional and group products and HUF 1,388 million to unit-linked life insurance policies.

The Insurer terminated the cooperation agreement with its largest partner, Quantis at the end of 2014, which caused the decrease of the sales volume of unit-linked life insurances. The increase of the new sales of traditional product sales is due to the group life and accident insurance of Ministry of Interior.

New sales¹

Annualized premium of new sales (million HUF)	30.09.2015 (A)	31.12.2014 (B)	30.09.2014 (C)	Change (A - C)	Change % (A - C) / C
Unit-linked life insurance	1 165	2 013	1 388	-223	-16%
Traditional and group life insurance	179	115	90	89	99%
Annualized premium	1 344	2 128	1 478	-134	-9%

As for life insurance policies sold in the first three quarter of 2015, the share of the tied agent network is 50 percent, while the performance of other – constituted by independent brokers - sales channels was 48 percent in Hungary and 2 percent in Slovakia.

Market share indicators²

	Q2 2015		Q2 2014		Q2 2013	
	million HUF	Market share	million HUF	Market share	million HUF	Market share
On the basis of the gross written premium of life insurance policies	6 668	2,98%	5 794	2,53%	7 793	3,40%
On the basis of the adjusted gross written premium of life insurance policies	5 426	3,74%	5 450	3,90%	6 858	5,00%

After examining the adjusted gross written premium, with a market share of 3.74 percent, the company is with the 9. largest adjusted gross written premium on the basis of the first half of 2015' data.

The Insurer made a strategic repositioning in 2014, which determined the result of the first three quarter of 2015. On the product side the pension insurances play an important role in sales even further. One of the most important mission of the company is to replace its former strategic partner with other sales channel and to build a good quality, stable, long-term portfolio.

The data of the new acquisitions (Annex I) reported on a voluntary basis to MABISZ by the Insurer, contain the reactivation of previously cancelled portfolio. The new acquisition of policies denominated in foreign currency has to be reported in the exchange rate at the end of term, which may distort the comparability of the data. The management of the Insurer examine the new acquisitions, adjusted by the reactivation and exchange rate changes.

¹ Management information data – The data in accordance with the earlier reports can be found in the Annex I.

² At the time of preparing this quarterly report, the MABISZ market data on the third quarter of 2015 were not yet available, thus the table shows the data for the second quarter of 2015.

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 01.01.2015	New business	Closing stock on 30.09.2015
Traditional life products	4 412	348	4 325
Term life insurance	3 454	161	3 306
Endowment insurance	522	63	547
Accident and health riders	6 429	2 229	7 870
Other life insurance	436	124	472
Unit-linked life insurance	36 521	3 401	36 783
Including: Pension insurance according to Personal Income Tax Act.	3 021	1 711	4 528
Total regular-premium policies	40 933	3 749	41 108
Unit-linked life insurance	14	79	92
Including: Pension insurance according to Personal Income Tax Act.	5	6	11
Total single premium policies	14	79	92
Total life business line	40 947	3 828	41 200

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 01.01.2015	New business	Closing stock on 30.09.2015
Traditional life products	673 796	184 413	650 784
Term life insurance	330 612	126 587	308 725
Endowment insurance	68 960	7 388	72 802
Accident and health riders	133 864	29 148	150 543
Other life insurance	140 360	21 290	118 714
Unit-linked life insurance	18 410 569	1 229 568	17 836 856
Including: Pension insurance according to Personal Income Tax Act.	960 123	475 535	1 391 735
Total life business line	19 084 365	1 413 981	18 487 640

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	Gross written premium from single premium products	Top-up gross written premium	Premiums earned
Traditional life products	487 881	0	1 106	326 090
Term life insurance	262 541			148 725
Endowment insurance	52 878			48 985
Accident and health riders	102 752			102 848
Other life insurance	69 710			25 532
Unit-linked life insurance	9 775 886	434 755	1 304 698	7 937 158
Including: Pension insurance according to Personal Income Tax Act.	1 313 424	780	0	901 948
Total life business line	10 263 767	434 755	1 305 804	8 263 248

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	12 885

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

thousand HUF

Description	Acquisition costs	Other operating costs	Claim settlement costs	Investment costs	Total
Total life business line	1 710 404	773 661	9 455	4 169	2 497 689
Of this: unit-linked life insurance	1 666 126	753 040	6 124	4 057	2 429 347