

**Report for the year 2019, prepared by the Board of Directors of CIG Pannonia Life Insurance Plc, on the separate and consolidated financial statements made in accordance with the international financial reporting standards accepted by the European Union**

By complying its obligations based on effective laws, the Board of Directors have prepared the individual and consolidated financial statements of the Company (CIG Pannonia Life Insurance Plc. 1033 Budapest Flórián sqr. 1) for 2019, made in accordance with the international financial reporting standards (IFRS) adopted by the European Union. The key experience and findings made by the Board of Directors may be summarised as follows.

The governance and control bodies of the Company was extended by 2-2 members in 2019. According to governance and control the Company has taken into account the MNB's recommendations on the operation of these bodies and adjusted the rules of procedure accordingly. The design was based on the findings of the MNB's comprehensive audit. Based on its comprehensive investigation, the MNB imposed a supervisory and consumer protection fine of HUF 70 million on the Company and HUF 11 million on the EMABIT subsidiary.

In addition to specific requirements to the insurance industry, the Company has also been given special attention in complying its stock exchange requirements. The CIGPANNONIA share continues to be classified as a premium on the BSE. CIGPANNONIA's share price dropped significantly by the end of the year, also due to the impact of the COVID-19 coronavirus following the balance sheet date, reaching a historical low of HUF 100 / pc on March 16, 2020.

The Company continued its profitable operations in 2019 on the basis of its previously adopted strategy, however the loss of the EMABIT subsidiary from the Italian cross-border activities had a negative impact on profitability.

The Company suffered further losses on the KONZUM shares as a result of their merger with OPUS GLOBAL.

In 2019, the Group's gross written premium was HUF 18 041 million, which is 109% of the gross written premium in 2018. Of this HUF 14 225 million are the gross written premium of unit-linked life insurance (of this HUF 5 229 million of pension insurance policies), HUF 3 384 million are traditional life products (of this HUF 1 118 million from pension insurance policies), HUF 432 million are health insurance policies.

In the life segment the gross written premium from the first annual premiums of policies sold was HUF 2,895 million, which is a 28% increase compared to the same period of the previous year (HUF 2,257 million). The gross written premium income from renewals was HUF 11,412 million in 2019 in contrast to HUF 10,893 million in the same period of the previous year, so the renewal premiums increased by 5%. Top-up and single premiums (HUF 3,734 million) were 10% higher as the premiums in the same period of the previous year, mainly relating to unit-linked life insurance policies. Within the total life insurance premium income- according to IFRS - of HUF 18,041 million, the rate of top-up and single premiums is 21 percent.

The Group's written premium reached the 109% of the level of 2018. The Issuer's shareholders' equity was HUF 16,772 million at the end of 2018 which decreased to HUF 13,599 million, that is a 19% drop in 2019, primarily due to the capital decrease (HUF -3,006 million).

The total amount of new acquisitions was HUF 4,285 million in 2019 in the life segment, which exceeds the previous year's number by 33%. The Company's sales channels expanded, the mix of the portfolio further moved towards to risk and traditional insurance.

The available solvency capital of the Group is 268% at the end of 2019, which significantly exceeds the 150 percent Solvency Capital Requirement of the Supervisory Authority (which contains a 50 percentage volatility puffer).

**The Board of Directors has presented to the Supervisory Board the financial statements of the Company, the main figures of which are as follows:**

**- its separate financial statements for the financial year 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, with balance sheet total of HUF 102,917,696 thousand, loss after tax of HUF 1,571,701 thousand and total comprehensive income of HUF minus 1,298,305 thousand,**

**- The Board of Directors proposes to the General Meeting that the after-tax profit of the business year, i.e. a loss of HUF 1.571.701 thousand be transferred to the profit reserve,**

**- Consolidated financial statements for the 2019 financial year prepared in accordance with International Financial Reporting Standards as adopted by the European Union, with a balance sheet total of HUF 114,532,375 thousand, loss after tax of HUF 638,841 thousand and total comprehensive income of HUF minus 323,437 thousand.**

The Supervisory Board shall submit its opinion on the financial statements to the General Meeting in a separate report.

The Company considers the strategy it has developed so far to be the right one, and therefore continues its business activities based on these principles.

Budapest, 15 April, 2020

CIG Pannónia Life Insurance Plc

(Dr. Mária Király)  
Chairman of the Board of Directors