

Report for the year 2019, prepared by the Supervisory Board of CIG Pannonia Life Insurance Plc, on the 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 Supervisory Board have examined the parts of CIG Pannonia Life Insurance Plc (1033 Budapest, Flórián tér 1. hereinafter: „the Company”) on the 2019 consolidated financial statements made in accordance with the international financial reporting standards (IFRS). The key experience and findings made by the Supervisory Board in this context may be summarised as follows.

The Supervisory Board has made its evaluation on the basis of the reports from the Board and the auditor, its experience gained on the reporting system during the year, and the opinion expressed by the Audit Committee.

Regular and smooth cooperation between the Supervisory Board and the Company’s Board was conducive to this opinion.

It was a recurring item on the Supervisory Board meetings agenda the discussion of the Company’s, and more broadly the Group’s business strategy, with the involvement of the Chairman of the Board invited regularly to the meetings of the Supervisory Board, on the basis of the presentation by the CEO and the Deputy CEO. Their participation contributed to the Company management instant information on Supervisory Board resolutions and they may be implemented. The control role of the Supervisory Board was fully enforced in this manner.

In addition to this, members of the Board have consulted on several occasions the members of the management or the head of internal audit, with the view to monitor processes and identify individual issues and risks.

The Company’s key task in the 2019 business year was the evaluation of the retainings at both companies, the fraud occurred in the previous era, and its effect on the financial reports.

The Company’s 2019 result did not developed as expected. Despite the fact that revenues increased approximately as planned, the Company ended the year with a significant loss on consolidated basis due to the loss incurred in scope the Italian business activity of its consolidated subsidiary, First Hungarian General Insurance cPlc. (EMABIT) in Italy and, which is detailed in the financial reports.

The Supervisory Board continuously monitored the business processes and was informed about the supervisory investigations and their results, as well as the recovery plan prepared by EMABIT based on the HFSA's obligation, including the intention to sell profitable portfolio items. Despite the measures taken to mitigate the damage and, despite the creation of retainings, exposure due to transactions in Italy remains significant.

The Supervisory Board continuously monitored, on the basis of the preliminary approved work plan, the work of the internal audit, discussed reports, regularly checked the follow-up of findings, and set further tasks if it was necessary. In addition, it has checked the operation of risk management, internal control mechanisms and corporate governance functions, requested reports from the heads of risk management and compliance and the person in charge of IT security. It has also continuously checked the compliance with the set of requirements under Solvency II, launched as of 2016, in cooperation with the Audit Committee. Although the Subsidiary's solvency capital decreased to 60% by the end of the year, the Company itself still meets the solvency requirements.

In the performance of its activity it has relied on the work made by the Audit Committee, about which it received continuous information and whose work plan and report have been approved by it.

The Supervisory Board have reviewed and discussed in detail the Company's individual and consolidated financial statements, and in view of its opinion, and the content of the Audit Committee's and the auditor, it recommends them for adoption by the annual General Meeting as follows:

- the Company's 2019 individual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union, where assets and liabilities total is 102.917.696 HUF thousand, loss after tax 1.571.701 HUF thousand profit, the total comprehensive loss is 1.298.305 HUF thousand,
- and the Company's 2019 consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union, where assets and liabilities total is 114.532.375 HUF thousand, loss after tax 638.841 HUF thousand profit, the total comprehensive loss is 323.437 HUF thousand.

Budapest, 15 April 2020

On behalf of the Supervisory Board

Dr. József Bayer

Chairman of the Supervisory Board