

**Report of the Board of Directors of CIG Pannónia Life Insurance Plc.  
on the Company's annual report in accordance with the Hungarian Act of Accounting,  
and the Company's consolidated financial statements in accordance with international  
financial reporting standards (EU IFRS) for 2017 Business year**

In compliance with the legal obligations the Board of Directors prepared the annual report for 2017 business year according to the Hungarian Accounting Act, and the consolidated financial statements prepared according to the international financial reporting standards (EU IFRS) of CIG Pannónia Life Insurance Plc. (registered seat: 1033 Budapest, Flórián tér 1., hereinafter: the Company). The most important experiences and conclusions are the followings:

There were no substantial changes in the operating and governing system of the Company in 2017, but its operation was significantly influenced by the Solvency II and its supplementary regulations and the Guidelines of the System of Governance of the European Insurance and Occupational Pensions Authority (hereinafter: EIOPA). Besides the insurance specific provisions, the requirements occurring from the presence on the stock exchange also received particular attention. CIGPANNONIA shares are still part of the premium category of the Budapest Stock Exchange.

In 2017 the Company continued its profitable operation according to its business strategy adopted earlier. The strategy made possible not only the organic growth but the acquisition of shares in MKB Insurance Companies. The authorisation procedure was finished in 2016 but the transaction was fulfilled only in 2017.

The tied agents have an increasing role in the sales. In 2017 the new sales activity of the tied agent network was 43% better than in 2016. The performance of the broker network was 32% percent higher than in the previous year and the bank channel performed ten times better than in the previous year thanks to the acquisition. The amount of the new sales is HUF 3,347 million that is 169 percent of the base year's result.

The gross written premium of the Insurer increased by 17 percent mostly due to the merger by acquisition. The profit after tax of the Company is 95 percent higher than in the previous year. The main reason for this is that the impairment loss calculated earlier for EMABIT share has been totally reversed, as according to the discounted cash-flow based evaluation for the balance sheet day of the investment its value significantly exceeds its cost. Without this one-off item the profit after tax increased by 3% as compared to 2016, this contains the additional administration costs incurred due the organisational restructuring during the migration of Pannónia Life Insurance company. The merger of Pannónia Insurance Companies were finished, the Insurer could increase its financial result despite the loss of the acquired Pannónia Insurance Companies.

The coverage of the insurance portfolio is stable, the technical result of the Insurer in 2017 was HUF 884 million. The proportion of the technical result compared to the written premium is slightly decreased (from 8.5% to 6.6%), due to the increase in the premiums and the increase of the cost

level. The coverage of reserve decreased and parallel to this the liquidity ratios also decreased as compared to 2016. The increase of the acquisition cost ratio is minimal. The administration cost ratio was slightly increased parallel with the increasing written premium, caused by the additional administration costs incurred as a result of the organisational restructuring during the migration. For the next year the Board of Directors expects decrease in the administration cost ratio.

Investments performed for policyholders of unit-linked life insurance was HUF 72,720,618 thousand.

The Board of Directors submitted the annual reports of the Company to the Supervisory Board, the key figures are the followings:

- The Company's annual report for 2017 business year prepared according to the Hungarian Act on Accounting, according to which the matching grand total of assets and liabilities are THUF 94,994,919 the profit after tax for the year is a THUF 2,079,063 profit.
- The Company's consolidated financial statements for 2017 business year prepared according to international financial reporting standards (EU IFRS) according to which the matching grand total of assets and liabilities are THUF 105,629,444 and the profit after tax is a THUF 2,598,336 profit.

The Supervisory Board submits its opinion on the annual report to the General Meeting in a separate report.

The Company deems its business strategy correct and continues its business operation according to it.

12 March 2018, Budapest

on behalf of CIG Pannónia Life Insurance Plc.

Dr. Mária Király  
Chairman of the Board of Directors

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