

**Report by the Board of Directors of CIG Pannonia Life Insurance Plc.
on the individual and consolidated Financial Statements for the year
2018, prepared according to the international financial reporting
standards accepted by the European Union**

By complying its obligations based on effective laws, the Board of Directors has prepared the parts of CIG Pannonia Life Insurance Plc (1033 Budapest, Flórián tér 1. hereinafter: „the Company”) the individual and consolidated financial statements made in accordance with the international financial reporting standards (IFRS). Its key findings can be summarised as follows.

In 2018 the Company’s governance and control system essentially operated in accordance with their earlier composition, however, their operation was greatly influenced by the Solvency II and its additional regulation, and the Guidelines issued by the European Insurance and Occupational Pensions Authority (hereinafter: EIOPA) on the governance system. In addition to enforcing the insurance specific provisions, compliance with requirements arising from the stock exchange presence also received increased attention. CIGPANNONIA shares continue to qualify as premium category shares in BSE.

Based on the earlier adopted strategy, the Company’s activity continued to remain profitable in 2018.

The premium revenues of the life segment under the IFRS were 98% of the 2017 year premium revenue. The premium revenues of the non-life segment under the IFRS were 91% of the comparison period. In 2018 the issuer’s equity has grown from 9,015 MHUF (end of 2017) to 17,392 MHUF. Key items in the change of the equity is the total comprehensive income (+1,010 MHUF), distribution of dividends (-934 MHUF), and the private issuance (+8,213 MHUF).

In the life segment, new acquisitions are 3,212 MHUF, 4 percent less than new acquisitions in 2017. The Company’s sales channels further increased (sales via call centre), the product mix significantly moved towards risk and traditional products.

The Group continues to strengthen its market presence at product lines with the expected return and operates at optimum cost levels.

The consolidated capital adequacy of the Group under Solvency II was, at the end of 2018, 305 per cent, i.e. significantly above the 150 percent level expected by the Supervisor, including a 50% volatility buffer.

The market value of the Insurer's investments executed for unit-linked life insurance policyholders totalled 68,957,385 thousand HUF.

The Board of Directors has submitted to the Supervisory Board the Company's annual account with the following key numbers:

- the Company's 2018 individual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union, where assets and liabilities total is 99,466,642 HUF thousand, profit after tax 1,243,204 HUF thousand profit,
- and the Company's 2018 consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union, where assets and liabilities total is 110,776,225 HUF thousand, profit after tax 2,054,593 HUF thousand profit.

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

The Company considers its strategy established this far as correct, therefore it continues its business activity alongside these principles.

Budapest, 08 March 2019

On behalf of CIG Pannónia Life Insurance Plc.

(Dr Mária Király)
Chairman of the Board of Directors

Disclaimer: All information contained within this article is for information purposes only, and shall not be considered an official translation of the official communication referred to herein. This document does not include the integral wording of the official communication referred to herein, the original Hungarian language version of it remains to be the solely legally binding material in the subject matter. For further information, please do not hesitate to contact us.