



**The report of the Audit Committee of CIG Pannónia Életbiztosító Nyilvánosan Működő Részvénytársaság** (registered office: H-1097 Budapest Könyves Kálmán krt. 11., „B” building; company registry number: 01 10 045857; court of registration: Fővárosi Törvényszék Cégbírósága (in English: Company Registry Court of Budapest - Capital Regional Court) to the **Annual General Meeting for the year 2024**

The Audit Committee has discussed the separate and the consolidated reports of CIG Pannónia Életbiztosító Nyrt. (**Company**), and its affiliate company, CIG Pannónia Első Magyar Általános Biztosító Zrt. (**EMABIT**) prepared for the year 2023 in accordance with the International Financial Reporting Standards accepted by the European Union, which are **proposed for approval** by the Annual General Meeting and the founder, CIG Pannónia Életbiztosító Nyrt. in view of the relevant auditor's reports, considering the following:

At Group level, CIG Pannónia Nyrt., has involved CIG Pannónia Első Magyar Általános Biztosító Zrt.-t in consolidation in the previous years' consolidated financial reports, as its fully owned affiliate company (hereinafter jointly referred to as: the **Group**)<sup>1</sup>.

The Audit Committee, as a principal part of its scope of duties under Section 4.1 of the Rules of Procedure, as the focus of its work has set out in its work plan as its priority for 2023:

- (i) in support of the Supervisory Board's work, to back-test the practical implementation of the IFRS 17 framework, focusing on the actual impact and transition,
- (ii) the monitoring of the financial reporting system, with particular emphasis on the continuous monitoring of the compliance of the Company and EMABIT, which is consolidated, together as a group, with the solvency and liquidity situation,
- (iii) monitoring and supervising, in cooperation with the Supervisory Board, the strategic objectives, organisational structure, risk strategy, including risk appetite and risk management system, and disclosure practices of the Company and its subsidiaries; and
- (iv) reporting to the independent directors, with a risk management focus, as part of the work of the Supervisory Board,

in the Audit Committee's activities in 2023, all of these tasks have been emphasised in the Committee's work, primarily in support of the Supervisory Board's tasks.

The Audit Committee declares that the audit methodology and the independence criteria of MAZARS Könyvszakértő és Tanácsadói Korlátolt Felelősségű Társaság (registered office: 1123 Budapest, Nagyenyed utca 8-14.; company registration number: 01-09-078412; tax number: 10618684-2-41; Chamber of Auditors registration number: 000220; Auditor) have been examined, assessed and found to be in order. In the course of its work, it cooperated with the appointed auditor Andrea Kinga Molnár (mother's name: Dr. Mária Ibolya Kovács; address: 2096 Üröm, Kormorán u. 16/b.; Chamber of Auditors membership number: 007145).

In accordance with the Solvency II<sup>2</sup> rules, Insurers must calculate the figure for the own funds, and must also fulfil their obligation to make reports to the Supervisory Authority relating their own funds capital adequacy. The Group gives an account of the current status of the own funds as set forth in Section 7 entitled capital adequacy in notes to the consolidated financial statements as per the Solvency II regulations, which is in line with the provisions of the law. On an ongoing basis, it

<sup>1</sup> As from 1 August 2016, the Committee also performs the tasks of the Audit Committee of CIG Pannónia Első Magyar Általános Biztosító Zrt.

<sup>2</sup> Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance, which introduced a complex, risk-based capital requirement, a risk-based supervisory regime, as opposed to the previous rule-based capital requirement ("Solvency I")



is evident that the Company places a strong emphasis on and continues to comply with the capital adequacy requirements under Solvency II and Act LXXXVIII of 2014 on Insurance Activities (Bit.) at the individual and consolidated level. As of 31 December 2023, the available solvency capital on an individual (232%) and consolidated (217%) basis significantly exceeded the 150% level expected by the Supervisory Authority, including a 50% volatility buffer.

It has been established that CIG Pannónia Life Insurance Plc. has a consolidated balance sheet total of 144,53,185 eFt, its financial position is stable, it has a profit after tax of 2,873,539 eFt and has fully met its obligations.

In assessing the Group's financial position in 2023, it should be noted that the consolidated profit after tax in 2023 was a profit of HUF 2,874 million. There are two significant accounting profit items to consider when assessing the Company's performance:

- (i) the non-recurring corporate income tax liability was incurred as a result of the HUF 7 billion increase in equity due to the transition to IFRS 17, which decreases profit after tax by HUF 498 million; and
- (ii) the effect of the extra profit tax also needs to be separated from the profit and loss measurement caused by the ordinary business. The possibility to calculate the extra profit tax with mathematical precision is limited due to the framework provided by IFRS 17 - as the difference in the changes in the assumptions used to issue each contract and those used to prepare the financial statements would make the analysis too complex - and the Audit Committee has verified that the Company's best estimate of the extra profit tax for 2023 of HUF 687 million is correct.

The 87% increase in consolidated accounting profit after tax means that the 2022 IFRS 17 profit increased from HUF 1,535 million to HUF 2,873 million. It is also important to take into account the amount of income generated by our investments due to the high yield environment that is driving growth when assessing this figure.

It is important to emphasise that the valuation of life and non-life technical provisions involves a significant number of assumptions and complex decisions that determine the establishment of technical provisions. In the notes to both the individual and consolidated financial statements, the valuation of technical liabilities, the technical provisions and reinsurers' share of technical provisions, as well as unit-linked provisions are adequately disclosed.

Dated as of 27 March 2024

**VADA Erika sgd**

the Chairwoman of the Audit Committee