

Report for the year 2018, prepared by the Audit Committee of CIG Pannonia Life Insurance Plc, on the individual and consolidated financial statements made in accordance with the international financial reporting standards accepted by the European Union

Currently a three-member Audit Committee operates at CIG Pannonia Life Insurance Plc. (1033 Budapest, Flórián tér 1., hereinafter: the Company”) and performs the tasks of the audit committee at the Company and at its subsidiary, CIG Pannonia First Hungarian General Insurance Company Ltd. (hereinafter: “EMABIT”). By complying its obligations based on effective laws, the Audit Committee have examined and expressed opinion on the individual and consolidated financial statements of the Company for 2018, made in accordance with the international financial reporting standards (IFRS) adopted by the European Union. The key experience and findings made by the Audit Committee for this period may be summarised as follows.

The Audit Committee has relied in its opinion on the proposal from the Board and the auditor’s report, and the auditor’s additional report to the Audit Committee under Article 11 of Regulation (EU) 537/2014, furthermore its experience gained on the reporting system during the year.

Year 2018 was the first when the Company and its subsidiary included in the consolidation (EMABIT) have both migrated to accounting in accordance with the IFRS, and individual statement were prepared accordingly. The presentation of the first application has taken place in the financial statements. The migration went smoothly, thanks to the thorough preparation and the experience gained in the compilation of financial statements according to the IFRS.

The Audit Committee followed up the auditing process, expressed opinion on the auditor’s task and its remuneration, checked the enforcement of professional requirement and conflict of interest standards for the auditor and have found it satisfactory. Furthermore, in assisting the work done by the Supervisory Board, it have continuously monitored and evaluated the operation of internal lines of defence, in particular the efficiency of the internal audit and risk management system.

In the development of the Audit Committee’s opinion, the professional relationship established with the Company management, broad information obtained at committee meetings, also covering the implementation of the business strategy, as well as the regular interim checks related to the quarterly Company reporting requirements. The division of tasks and cooperation with the Supervisory Board, as part of the corporate governance system’s operation also contributed to the Audit Committee’s tasks’ performance.

In line with the earlier announced strategy, the Company’s key task in the 2018 business year was to perform the sales plan and maintaining the profitable operation. The change started in the performance of product groups in previous years has continued. Even filtered out the effects of the last year’s acquisition, profitability has further improved, despite the new acquisition of the Life Insurance Company lagging behind plan. The increasing profit of EMABIT and the also increasing yield at MKB Pannónia Fund Manager Co. Ltd. also contributed to profitability subject to the higher acquisition costs.

As a consequence of the private issuance, the Company's equity increased and the capital adequacy under SII has further improved.

The Audit Committee have reviewed, discussed, and expressed opinion on the Company's individual and consolidated financial statements in accordance with the IFRS, and in view of the report the auditor's opinion, it recommends them for adoption by the annual General Meeting as follows:

- 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, the total comprehensive income is 331,430 HUF thousand,
- 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 2,054,583 HUF thousand profit, the total comprehensive income is 1,009,868 HUF thousand.

Budapest, 12 March 2019

On behalf of the Audit Committee
Imréné Fekete
Chairwoman

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