Group Solvency & Financial Condition Report – Executive Summary

2021

Executive Summary

Set out below is the executive summary of the Solvency and Financial Condition Report ("Report") of "ETHNIKI" Hellenic General Insurance Company and its related undertakings ("the Group"), which includes key figures and information on the Group's Business and Performance, System of Governance, Risk Profile, Valuation for solvency purposes, Capital Management, Change of shareholder composition of the "ETHNIKI" Hellenic General Insurance Company ("the Participant") and its Future Prospects:

Key Figures

The following table presents the Group key figures for the financial years 2021 and 2020.

Solvency II Key Figures	31.12.2021	31.12.2020
(€ in thousands)		
Group eligible own funds		
Tier 1	668.270	597.456
Tier 2	125.000	-
Tier 3	57.836	57.093
Total Group eligible own funds	**851.106**	**654.549**
Capital Requirement		
Group Solvency Capital Requirement (SCR)	408.086	401.979
Group Solvency Ratio[1]	209%	163%

As indicated in the above Table, as at 31.12.2021 , the Group's eligible own funds exceed both the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR").

For 2021, no dividend will be distributed by any of the Group's Companies.

Business and Performance

The Group is present in Greece through the Participant and in Cyprus and Romania through Ethniki Insurance (Cyprus) Ltd, Ethniki General Insurance (Cyprus) Ltd, Garanta Asigurari S.A. (collectively: "the related undertakings") and Ethniki Insurance Agents and Consultants Ltd.

In 2021, the Group maintained strong levels of profitability, remaining a financially sound and robust beacon of stability for its policyholders.

The financial results of 2021 confirmed the Group's positive performance which continued its impressive profitability with Profit before Tax ("PBT") of €90,4m in 2021FY (before Voluntary Exit Scheme for Employees (VES) cost of €21,2m), compared to €87,9m in 2020FY. Profit before Tax for 2021FY including the Voluntary Exit Scheme for Employees (VES) cost reached €69,1m. Total Premium Production of the Group for 2021 reached €733,5m (2020: €710,7m)[2], increased by 3,2% compared to 2020. The increase is mainly due to the successful sales of single and recurring premium savings products, both for the new unit-linked products launched in 2021 and the guaranteed interest rate products whose sales were

[1] Group Solvency Ratio (to meet SCR) = Total eligible own funds to meet Group SCR / Group Solvency Capital Requirement (SCR)
[2] Including GWP €141,6m (2020: €182,7m) relating to contracts classified as investment products according to the provisions of International Financial Reporting Standards.

discontinued during 2021. The increase in production also benefited from higher sales of individual Health business. Out of total production in 2021, amount of €534,3m[2] is attributed to Life business (2020: €508,3m) and €199,2m is attributed to Non-Life business (2020: €202,4m).

The Group dealt efficiently with the challenges and risks emerged by the Covid-19 outbreak, while maintaining robust levels of capital adequacy and remained able to provide insurance services to its policyholders effectively.

System of Corporate Governance

The Group has an effective Corporate Governance System which ensures sound and prudent management and promotes the Group's continuity, consistency and proper operation.

The Board of Directors ("BoD") of the Participant and its related undertakings (supported by the Participant's BoD Committees) is responsible for setting out the strategic direction of the Group, supervising the senior management and exercising adequate control of the Group, aiming at the maximization of its long-term value, the advocacy of general corporate and group interest and the promotion of internal affairs, in accordance with the legal and regulatory framework.

The System of Corporate Governance of the Group includes:

1. Policies and procedures, approved by the BoD of the Participant and its related undertakings, such as Corporate Governance Code, Fit and Proper Policy, Remuneration Policy and Outsourcing Policy,
2. Internal Control system aiming at ensuring that internal control mechanisms are implemented as designed, are adequate and promote the consistent implementation of business strategy, the timely identification and effective management of risks undertaken, and the provision of reliable financial management information. In this context, Internal Control System includes, inter alia, allocating responsibilities to personnel, establishing and recording procedures and safeguards, carrying out regular and exceptional audits by the competent Units,
3. Risk management system, aiming at the timely identification, adequate assessment and effective monitoring, management and reporting of existing and emerging risks, throughout the range of Participant's business activities. For the effective operation of the Risk Management System, Risk Management Strategies and Policies are adopted and Own Risk & Solvency Assessment ("ORSA") is performed,
4. Four key functions: Internal Audit, Actuarial, Risk Management and Regulatory Compliance function, which operate on the basis of approved Regulations are supervised by the Committees of the BoD or / and directly by the BoD.

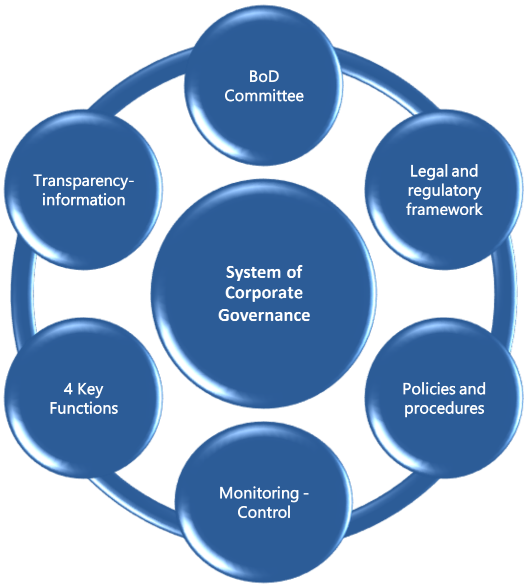


Diagram: Illustration of a System of Governance

Risk Profile

The Participant and its related undertakings monitor their risk profile through coordinated procedures for the identification, evaluation, management and reporting of the undertaken risks with the involvement of all business units.

In this framework, the following risks have been identified and managed through the development of policies and respective procedures:

Business environment both in Greece and worldwide, was characterized by increased uncertainty in 2021, which is reinforced by Covid-19 pandemic and geopolitical instability. The ongoing pandemic has had an adverse impact on Greek & Global economy, causing uncertainty to the society and markets, as its duration and evolution cannot be determined.

The impact from the pandemic and the respective mitigating actions put pressure on the economy, as the majority of economic activity is contained, thus measures are taken by the government to support the sectors affected.

Under this regime, there is likelihood that the Greek economy, along with other vulnerable economies, is most affected by the pandemic and the restrictive measures if the pandemic persists, as well as with the increased geopolitical uncertainty, which is likely to be reflected in the credit spreads of both government and corporate bonds.

Despite the recent upward trends, the low interest rate environment that was observed in the previous period, is preserved and is likely to be preserved for a long period in order to boost economic development, putting pressure on the Participant's insurance portfolios and more specifically on the Life portfolios with high technical guaranteed rates.

The Group successfully participated in 2021 in a supervisory exercise to examine possible effects of the unstable business environment on its financial position and its liquidity and to examine actions to deal with extreme conditions. At the same time, it prepares for the revision of the regulatory framework regarding Solvency II, when it is finalized and takes measures for its adequate harmonization with the requirements of the regulatory framework.

Due to the current conditions in Greece and globally, the main strategic risks that affected the Group's activities are those stemming from the unstable financial and operating business environment (macroeconomic risks at European and Greek level), which is deteriorating due to the pandemic and its consequences, as well as geopolitical instability in Eastern Europe. At the same time, the Group closely monitors developments in the field of cyber security, where there is an increase in the complexity and frequency of cyber-attacks.

For the calculation of Group Solvency, the alternative method referred to in article 233 of Directive 2009/138/EC of the European Parliament and of the Council is followed ("deduction and aggregation method") and is based on the following:

i. The use of transitional measures and volatility adjustment to the relevant risk free interest rate term structure for the Participant ("adjusted curve")
ii. The use of risk free curve for Ethniki Insurance (Cyprus) Ltd.
iii. The use of risk free curve for Ethniki General Insurance (Cyprus) Ltd.
iv. The use of risk free curve for Garanta Asigurari S.A.

The quantitative assessment of the Solvency Capital Requirement that stems from the risks undertaken is performed with the use of the standard formula. The suitability of this method, in relation to the Group's risk profile, has been evaluated within the framework of the annual ORSA of the Group.

The Group Solvency Capital Requirement as at 31.12.2021, with the use, by the Participant, of the adjusted curve and the transitional measures on technical provisions and on the equity risk sub-module ("transitional measures"), amounts to €408,1m as opposed to €402,0m as at 31.12.2020.

The solvency capital requirements of the Participant as well as of its related undertakings, as calculated for 31.12.2021 and 31.12.2020 are presented in the following tables:

A. Solvency capital requirements for 31.12.2021

Solvency Capital Requirements (amounts in € thousands) 31.12.2021	Participant	Ethniki Cyprus Life Insurance	Ethniki Cyprus Non-Life Insurance	Garanta
Market risk	221.251	4.826	2.402	2.538
Credit risk	29.774	2.662	1.911	1.825
Insurance risk Life	116.785	5.622	-	382
Insurance risk Health	107.186	635	1.775	550
Insurance risk Non - Life	76.768	-	2.704	4.174
Diversification	*(192.179)*	(4.048)	(2.925)	*(2.760)*

BSCR	**359.585**	**9.697**	**5.867**	**6.709**
Operational risk	25.748	508	559	322
LAC	-	-	-	(582)
Solvency Capital Requirement	**385.333**	**10.205**	**6.426**	**6.449**

B. Solvency capital requirements for 31.12.2020

Solvency Capital Requirements (amounts in € thousands) 31.12.2020	Participant	Ethniki Cyprus Life Insurance	Ethniki Cyprus Non-Life Insurance	Garanta
Market risk	191.226	4.283	2.060	3.016
Credit risk	24.393	2.659	1.921	1.897
Insurance risk Life	154.333	5.435	0	594
Insurance risk Health	104.394	564	1.803	516
Insurance risk Non - Life	80.105	0	2.798	4.157
Diversification	*(199.219)*	(3.813)	(2.852)	*(3.074)*
BSCR	**355.233**	**9.128**	**5.730**	**7.106**
Operational risk	*24.721*	*479*	*564*	*298*
LAC	0	0	0	(956)
Solvency Capital Requirement	**379.954**	**9.607**	**6.294**	**6.448**

The above table depicts the total SCR of each group entity which, for the purpose of calculating Group SCR, is multiplied by the share of the Participant in each affiliated company.

There was no material change to the Group's total risk profile, compared to the previous reporting period.

The Group has performed a sensitivity analysis, in order to estimate the effect of changes in risk factors on its own funds as at 31.12.2021. The sensitivity analysis was performed with:

a. The use of transitional measures and adjusted curve for the Participant.
b. The use of risk free curve of the part of Ethniki Insurance (Cyprus) Ltd.
c. The use of risk free curve of the part of Ethniki General Insurance (Cyprus) Ltd.
d. The use of risk free curve of the part of Garanta Asigurari S.A.

The results of the sensitivity analysis are summarized in the table below:

Scenarios	Value	Change (amounts in € thousands): Own capital	Capital Adequacy ratio
Change in interest rates	0,50%	35.392	217%
Change in interest rates	-0,50%	-40.749	199%
Change in bonds credit spreads	50 bps	-113.586	181%
Change in bonds credit spreads	-50 bps	123.472	239%
Change in equity prices	25%	41.382	219%
Change in equity prices	-25%	-41.382	198%
Change in property values	25%	60.834	223%
Change in property values	-25%	-60.834	194%

A description of the results and parameters of the sensitivity analyses is set out in Chapter 3. "Risk Profile" of the Group Report which is published on the Participant's website (www.ethniki-asfalistiki.gr).

Valuation for Solvency Purposes

Group undertakings evaluate assets and liabilities and calculate technical provisions in accordance with Chapter VI, section 1 and 2 of Greek Law 4364/2016 and Chapter VI, section 1 and 2 of Directive 2009/138/EC of the European Parliament and of the Council.

For assets and liabilities which are valued at fair value in accordance with International Financial Reporting Standards ("IFRS"), no further adjustments are performed. The remaining assets and liabilities, are adjusted to fair value. Technical provisions are valued in accordance with the valuation rules of technical provisions.

Compared to the previous reporting year, the Group did not make any changes or adjustments to the valuation methods used.

For the calculation of Group eligible own funds, Method 2 (alternative method) is applied, in accordance with article 233 of Directive 2009/138/EC of the European Parliament and of the Council (article 191 of Greek Law 4364/2016) and therefore a Solvency II balance sheet is not prepared for the Group. The Bank of Greece ("BoG"), with the decision No. 184/4/25.04.2016 of its Credit and Insurance Issues Committee ("CIC"), approved the use of method 2 for the calculation of the Solvency capital requirement, effective from 01.01.2016.

Capital Management

Through capital management, the Group aims to optimize the balance between risk and return, while ensuring that its funds are adequate to cover capital requirements. In order to achieve this task, a Capital Management Policy has been developed, which is in line with the Group's risk appetite and strategy.

To effectively monitor the capital position of the Group are set out in the Policy, capital adequacy limits on the solvency ratio of the Group.

The Participant, with decision No 184/6/25.04.2016 of the CIC of BoG, has received an approval for using the transitional measure on technical provisions amounting to €238,3m, on which it applies a linear amortization for 16 years.

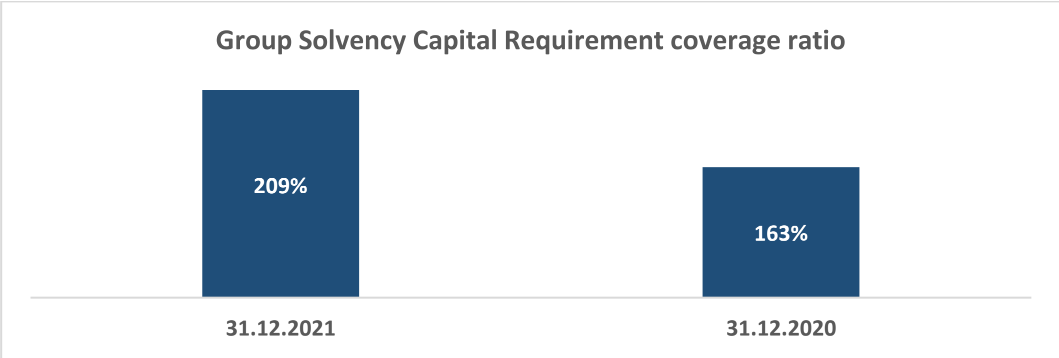
According to the decision No. 269/5/09.05.2018 of the CIC of BoG and in accordance with the provisions of article 275 of Greek Law 4364/2016, the transitional measure was set at €205,8m. The reduction of the technical provisions relates to the liability of the health legacy portfolio with a restriction on premium adjustment and is amortized linearly over a sixteen (16) year period. As at 31.12.2021 the unamortized value of the transitional measure on technical provisions amounting to €141,4m (i.e. 11/16 of the initial amount of the transitional measure of €205,8m) and for 2022 will amount to €128,6m (i.e. 10/16 of €205,8m).

The Group Solvency Capital Requirement ratio with the use, by the Participant, of the volatility adjustment on the relevant risk free interest rate term structure and transitional measures reached 209% at 31.12.2021, compared to 163% at 31.12.2020.

The Solvency Capital Requirement ratio without the use of the transitional measure for technical provisions but using the volatility adjustment and the transitional measure for the equity risk sub-module, by the Participant, amounts to 174% as at 31.12.2021 compared to 124% as at 31.12.2020.

The Group, as at 31.12.2021 exceeds the solvency capital requirement target set in its Capital's Management Policy. The total eligible own funds at Group level with the aggregation and deduction method amount to €851,1m as at 31.12.2021, and the Group solvency capital requirement stands at €408,1m.

Taking into account the above, the Group Solvency capital adequacy ratio reached 209%, with the use of transitional measures, increasing by 46 percentage points compared with last year's ratio.



The increase in the ratio is due to the increase of eligible own funds by €196,6m as at 31.12.2021, while capital requirements increased by €6,1m.

The increase of capital requirements is attributed mainly to the significant increase (by € 30,5m) of capital requirements for Market Risk, as well as smaller increases of Credit Risk (by € 5,3m) and and health insurance risk (by €2,9m)and was offset by the decrease of capital requirements for life insurance risk (by € 37,6m) and non-life insurance risk (by € 3,4m).

The increase of eligible own funds with the use of the transitional measures, by €196,6m, in 2021 compared to 2020, is mainly driven by:

- The issuance of subordinate loan of € 125m.
- The continuous profitability of the Group (€69,1m in 2021), as it happened in 2020.
- The decrease of technical provisions by € 107,9m due to the upward movement of the interest rate curve.

On 1 January 2021 the transitional measure on technical provisions was amortized by €12,9m.

Finally, according to Own Risk and Solvency Assessment Results that was carried out in 2021, the Solvency Capital Requirement Coverage Ratio for 2022 is expected to be increased compared to 2021 (with and without use of transitional measures). The ongoing pandemic, despite the availability of vaccines, as well as its impact, together with the increased inflation stemming from higher energy prices, help to maintain a fluid economic environment while preserving insecurity. The Group is constantly monitoring the developments and is taking precautionary measures to secure the health of its personnel, the insured and third parties that transact with the Group , and is also monitoring closely financial risks to secure its capital position.

Change of shareholder composition of the Participant

On March 31, 2022, National Bank of Greece (NBG) completed the divestment of 90.01% of the Participant's share capital to CVC Capital Partners 'Fund VII (" CVC "). The transaction includes the sale and transfer of all the shares of the Participant from NBG to the newly established subsidiary of CVC: Ethniki Holdings S.à.r.l, and the purchase by the NBG of 9.99% in the share capital of Ethniki Holdings S.à.r.l.

The above transfer followed the approval of the European Commission on February 25, 2022, as well as the supervisory authorities of the countries in which the Participant operates and its subsidiaries.

The Annual Ordinary General Meeting of the sole shareholder «Ethniki Holdings S.à.r.l.» of the Participant, elected on Thursday 14th of April 2022, a new Board of Directors, whose composition is presented in section 1.1.4 "BoD Members" of the Group Report which is published on the Participant's website (www.ethniki-asfalistiki.gr).

Outlook for 2022

The prospects for 2022 remains positive for the insurance market, which is expected to benefit from the accelerated economic recovery. The companies' interest is focused on the digital transformation and the adoption of technological innovations, while at the same time intensifying the actions for the preparation for the implementation of the new accounting standards IFRS 17 and IFRS 9 but also for the adoption of ESG criteria that will influence the choice of investment policy, the behavior for environmental protection, governance and risk management and finally the risk-taking policy with the issuance of new insurance products that will meet the criteria of sustainability.

The Group showed quick reflexes and differentiated its strategy with the outbreak of the pandemic, while at the same time they managed to maintain its growth dynamics based on long-term experience, a stable value system, a clear business policy and above all the tireless effort of their people.

The three-year business plan aims to the growth of the Group at a faster than the market, with consequent expansion of market share, achieving a strong and healthy capital base and finally helping to tackle climate change and build a sustainable future.

Looking to the future, the Group proceeds to achieve their strategic goals that are indicative:

- Increase operating profitability and maximize dividend yield
- Modernization of the product composition
- Retaining operating costs and enhancing capital adequacy
- Development of environmental awareness and integrity and targeting of ESG investments
- Investment in new technologies and strategic transformation

The Group has renewed its products, by offering more options to its policyholders in both the Life and Non-Life. As of December 2020, the Participant offers in Greece a new regular premium product "Full Life Plan" linked to investments (Unit-Linked without guarantee), both through agency and through the bancassurance distribution channel, while from the first quarter of 2021 offers a corresponding product of a single premium "Full Capital Plan”.

In addition, the promotion of "Full" health products with extremely competitive pricing and benefits continues dynamically in Greece, while at the same time significant additional coverages are redesigned and the contracts with hospitals are improved. In Fire, new “Full Home” products are offered with the aim of the most complete response to the current needs of the insured, while in Motor, products are designed using telematics technology. In terms of modernization of its processes, the application Robotic Process Automations (RPAs) brings significant improvement in the efficiency of claims management and the speed of service of policyholders, while new actions are already planned in the context of the Participant's digital transformation with emphasis on modernization IT environment.

The primary, timeless and non-negotiable goal of the Group remains the immediate, complete and quality coverage of all the needs of the insured, along with ensuring health and protecting its human resources and associates.

“ETHNIKI” HELLENIC GENERAL INSURANCE COMPANY S.A.
103-105 SYGGROU AVE, GR117-45 ATHENS, TEL.: +30 2130318189, FAX: 210.90.99.111
www.ethniki-asfalistiki.gr