ETHNIKI
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Group Solvency & Financial Condition Report – Executive Summary

2020

Executive Summary

Set out below is the executive summary of the Solvency and Financial Condition Report ("Report") of "ETHNIKI" Hellenic General Insurance Company Group ("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, impact of Covid-19 outbreak, sale process 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 2020 and 2019.

Solvency II Key Figures	31.12.2020	31.12.2019
(€ in thousands)		
Group eligible own funds		
Tier 1	597.456	592.661
Tier 2	-	-
Tier 3	57.093	53.753
Total Group eligible own funds	**654.549**	**646.414**
Capital Requirement		
Group Solvency Capital Requirement (SCR)	401.979	378.952
Group Solvency Ratio[1]	163%	171%

As indicated in the above Table, as at 31.12.2020, the Group's eligible own funds exceed the Solvency Capital Requirement (SCR).

For 2020, 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 2020, the Group maintained strong levels of profitability, remaining a financially sound and robust beacon of stability for its policyholders.

The results of 2020 confirmed the Group's positive performance which, despite the effects of the Covid-19 pandemic worldwide, continues its healthy profitability with Profit before Tax ("PBT") amounting to €87.9m compared to €82.3m in 2019. Gross Written Premiums ("GWP") for 2020 amount to €710.7m (2019: €781.1m)[2], down 9.0% compared to 2019. Out of the total GWP of 2020, €508.3m is attributed to the Life business (2019: €585.2m) and €202.4m to the Non-Life

[1] Group Solvency Ratio (to meet SCR) = Total eligible own funds to meet Group SCR / Group Solvency Capital Requirement (SCR)

[2] Including GWP €182.7m (2019: €275.5m) relating to contracts classified as investment products according to the provisions of International Financial Reporting Standards.

business. (2019: €195.9m). The decrease is mainly attributable to single premium products of which production decreased by 47.3% in 2020, following the Participant's Management decision for gradual transition to new Unit-Linked products without guarantees. GWP for the Group in 2020 (excluding single premium products) is up 5.9% compared to 2019.

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

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, the supervision and oversight of management, the adequate control of the Group, aiming at the maximization of its long term value, and the advancement of Group corporate interests within the current legal and regulatory framework.

The System of Corporate Governance of the Group includes:

1. Policies and procedures, authorized by the BoD of the Participant (and all related undertakings), such as Corporate Governance Code, Fit and proper Policy, Remuneration and Outsourcing policy.
2. Internal Control system which secures to the highest possible extent that Internal controls operate properly as designed, are adequate and promote consistent implementation of business strategy, that risks undertaken are recognized and effectively managed, and that financial information provided is reliable. Herein, the Internal Financial Control System contains– inter alia- allocation of responsibilities to personnel, establishment and documentation of procedures and safety mechanisms, and the conduct of regular and extraordinary audits by the competent Corporate Units.
3. Risk management, which aims at the timely identification, adequate assessment and effective monitoring, management and reporting of risks, existing and emerging, throughout the range of business activities. For the effective operation of the risk management system, Risk Management Strategies and Policies are developed and the Own Risks & Solvency Assessment ("ORSA") is undertaken.
4. Four key functions: Internal Audit, Actuarial, Risk Management and Regulatory Compliance Function, which operate on the basis of approved Group-wide Regulations. Their independence and effectiveness are ensured by the BoD.

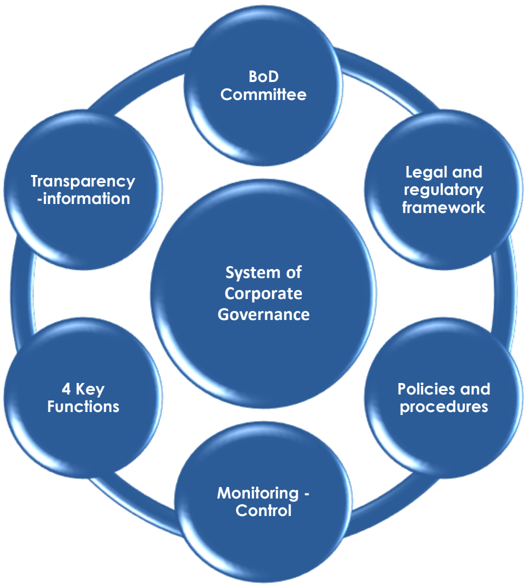

Diagram: Illustration of a System of Governance

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:

2020 was characterized by increased uncertainty, both in Greece and worldwide. The Covid-19 pandemic has led to a global economic slowdown. In order to limit its spread, the authorities imposed a number of restrictive measures on business activity. The progression of the disease and its financial consequences remain extremely uncertain. The low interest rate environment observed in the previous period is expected to persist in the coming years, with the consequent increase in pressures on the Group's insurance portfolio. At the same time, in 2020 the Group took measures for its adequate harmonization with the requirements of the regulatory framework, by drawing up a roadmap of actions that provide for the establishment of new policies and procedures, as well as the reorganization of internal operations.

Due to the current conditions in Greece and globally, the main strategic risks that affected the Group activities in 2020, 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.

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 undertaken risks is performed with the use of the standard approach. The suitability of this method, in relation to the Group's risk profile, has been evaluated within the framework of the ORSA of the Group.

The Group solvency capital requirement at 31.12.2020, 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 €402.0m as opposed to €379.0m as at 31.12.2019 at Group level.

The solvency capital requirements of the Participant as well as of its affiliated companies, as calculated for 31.12.2020 and 31.12.2019 are presented in the following tables:

A. 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**

B. Solvency capital requirements for 31.12.2019

Solvency Capital Requirements (amounts in € thousands) 31.12.2019	Participant	Ethniki Cyprus Life Insurance	Ethniki Cyprus Non-Life Insurance	Garanta
Market risk	178.989	3.960	1.794	3.384
Credit risk	23.095	2.360	2.216	1.729
Insurance risk Life	139.018	4.487	0	626
Insurance risk Health	91.035	476	2.007	526
Insurance risk Non - Life	81.578	0	2.763	4.253
Diversification	*(185.594)*	*(3.343)*	*(2.914)*	*(3.184)*
BSCR	**328.121**	**7.940**	**5.866**	**7.334**
Operational risk	29.600	456	584	293
LAC	0	0	0	(903)
Solvency Capital Requirement	**357.721**	**8.396**	**6.450**	**6.723**

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 31.12.2020. 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%	36.908	172%
Change in interest rates	-0,50%	(40.505)	153%
Change in bonds credit spreads	50 bps	(121.372)	133%
Change in bonds credit spreads	-50 bps	131.018	195%
Change in equity prices	25%	40.768	173%
Change in equity prices	-25%	(40.768)	153%
Change in property values	25%	58.413	177%
Change in property values	-25%	(58.647)	148%

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 ("CIIC"), 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, 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, capital adequacy limits on the capital adequacy ratio of the Group are set in the Policy.

The Participant, with decision No 184/6/25.04.2016 of the CIIC of BoG, has received an approval for using the transitional measure on technical provisions amounting to €238.3 m., on which it applies a linear amortization for 16 years.

According to the decision No. 269/5/09.05.2018 of the CIIC 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 31.12.2020 the unamortized value of the transitional measure on technical provisions amounting to €154.3m (12/16 of the initial amount of the transitional measure of €205.8m) and for 2021 will amount to €141.4m (11/16 of €205.8m).

The Group Solvency Capital Requirement ratio with the use of the volatility adjustment on the relevant risk free interest rate term structure and transitional measures reached 162.8% at 31.12.2020 compared to 170.6% at 31.12.2019.

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 124.4% as at 31.12.2020 compared to 126.5% as at 31.12.2019.

The Group, as at 31.12.2020 exceeds the solvency capital requirement target set in its Own Funds' Management Policy. The total eligible own funds at Group level with the aggregation and deduction method amount to €654.5m as at 31.12.2020, and the Group solvency capital requirement stands at €402.0m.

Taking into account the above, the Group Solvency capital adequacy ratio reached 163%, with the use of transitional measures, decreasing by 8 percentage units compared with last year's ratio.

The decrease in the ratio is mainly due to the increase of the Group capital requirement by €23.0m in 2020. Eligible own funds, increased by €8.1m in the same period.

The increase of capital requirements is attributed mainly to the increase of capital requirements for Insurance risk, more specifically from life insurance risk (increase of €16.2m) and health insurance risk (increase of €13.2m). In addition, capital requirements showed a significant increase of €12.5m attributable to market risk.

The increase of eligible own funds by €8.1m, in 2020 compared to 2019, is mainly driven by:

- The continuous profitability of the Participant (€85.7m in 2020, the same as in 2019)
- The increase of the Participant's investment portfolio market value by €131.3m., mainly due to the increase in evaluation of Greek, Italian and Spanish government bonds.

The above are offset by the increase in technical provisions by €193.3m. The technical provisions increased due to the decrease in the interest rate curve and the increase in medical inflation while the future management expenses have been decreased. On 1 January 2020 the transitional measure of the technical provisions for the Participant was amortized by €12.9m.

Impact of Covid-19

The spread of the Covid-19 pandemic has negatively affected the global economy, with the Greek economy facing continuing challenges which are exacerbated by its significant dependence on services and tourism.

In the light of the developments caused by the pandemic, the Group recognize the challenges associated with the economic recession, closely monitor the evolution of key financial figures and reassess the potential impact on its risk profile, strategy and business plan.

In particular for the Group, the impact of Covid-19 pandemic is focused on the following areas:

i. Premiums and profitability
ii. Insurance claims
iii. Value of investment portfolio
iv. Regulatory own funds and Solvency
v. Liquidity
vi. Business continuity

The Group successfully deals with the above risks.

Sale process of the Participant

On March 26, 2021, National Bank of Greece ("NBG") announced that it has entered into a definitive agreement for the divestment of 90.01% of the Participant to CVC Capital Partners' Fund VII.

The equivalent nominal consideration corresponding to 100% of the Participant would be €505m, including an "earn-out" payment of up to €120m, which will be subject to meeting agreed upon performance targets for the bancassurance channel of NBG by 2026. The transaction includes a 15-year Bancassurance partnership.

The closing of the transaction is subject to standard conditions precedent, the approval by the antitrust and regulatory authorities. The consent of the Hellenic Financial Stability Fund was granted, as stipulated in the Relationship Framework Agreement, while the Extraordinary General Meeting of the NBG shareholders on April 21, 2021 approved the transaction at a rate of 97.86% of the total votes.

Prospects for the Future

The Group adapted quickly to the logistical challenges posed by the Covid-19 pandemic, revising its business operating model by applying a secure teleworking environment and constantly modifying its workflow to make communication with policyholders and associates more efficient.

Today the Group proceeds to the renewal of its products offering more options to its policyholders both in Life as well as Non-Life business. As of December 2020, the Participant offers a new regular premium Unit-Linked product (without guarantee), both through its tied-agents and Bancassurance distribution channel, while as of the first quarter of 2021, offers a corresponding single premium Unit-Linked product. Moreover, the Participant is going to offer new products for the Fire insurance of small enterprises, through the Bancassurance distribution channel. As regards the modernization of its processes, the implementation of Robotic Process Automations (RPAs) in Group Life and Motor lines of business of the Participant, has already achieved a significant improvement in the effectiveness of claims management and has reduced the time to service the policyholders, while the implementation in other lines of business is in progress.

The primary target of the Group is the full, high-quality and immediate coverage of its policyholders, as well as the health and safety of its human resources and associates.

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