ETHNIKI
FIRST IN INSURANCE

Solvency & Financial Condition Report Group – Executive Summary

2018

Executive Summary

Set out below is the executive summary of the Solvency and Financial Condition Report of the "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 and its future prospects:

Key Figures

The following table depicts the Group key figures for the financial years 2018 and 2017.

Solvency II Key Figures	31.12.2018	31.12.2017
(€ in thousands)		
Group eligible own funds		
Tier 1	577.489	621.460
Tier 2	-	-
Tier 3	48.398	50.501
Total Group eligible own funds	**625.887**	**671.961**
Capital Requirement		
Group Solvency Capital Requirement (SCR)	341.267	353.489
Group Solvency Ratio	183%	190%

As indicated in the above Table, as at 31.12.2018, the Group's eligible own funds to cover the SCR exceed the Group Solvency Capital Requirement (SCR).

For 2018, no dividend will be distributed by any of the Group's Companies.

Business and Performance

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

In 2018, the Group maintained robust levels of profitability, remaining a financially sound and robust beacon of stability for its policyholders.

Financial year 2018 confirmed the Group's positive performance and continuing healthy profitability with Profit before Tax ("PBT") amounting to €62.8m compared to €72.1m in 2017, as the prior year had benefited from profitable one-off events. Gross Written Premiums ("GWP") for 2018 amount to €638.0m (2017: €622.2m), including GWP of investment products amounting to €29.0m (2017: €27.0m), increased by 2.5% compared to 2017. Out of the total GWP of 2018, €442.0m is attributed to the Life business (2017: €435.6m.) and €196.0m to the Non-Life business. (2017: €186.6m).

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 BoD of the Participant and its related undertakings (supported by the Participant's BoD Committees) is responsible for 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 Financial 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 and policies/ procedures, 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 for the Group and the Own Risks & Solvency Assessment 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.

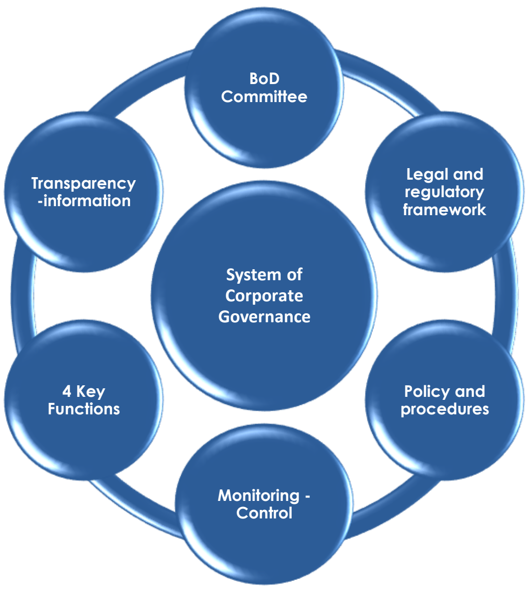

Diagram: Illustration of a System of Governance

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 and with the participation of all business units.

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

Financial year 2018 was characterized by an increased level of uncertainty geopolitically as well as financially especially for the countries of Southern Europe. At the same time, the adoption, as well as the expected import of new regulations, that affect the operation of the insurance market, render compliance risk one of the major risks that the Group faces. Due to the current macroeconomic conditions in Greece and globally, the main strategic risks that affected the Group in 2018 and are still affecting its activities, are those stemming from the unstable financial and operating business environment in general.

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

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 annual own risks and solvency assessment (ORSA) of the Group.

The solvency capital requirement at 31.12.2018, with the use of the volatility adjustment to the relevant risk free interest rate term structure ("adjusted curve") and the transitional measures for technical provisions and for the subcategory of equity risk ("transitional measures"), amounts to €341.3m as opposed to €353.5m as at 31.12.2017 at Group level.

The solvency capital requirements of the Participant as well as of its affiliated companies, as calculated for 31.12.2018 and 31.12.2017 are presented in the following tables:

A. Solvency capital requirements for 31.12.2018

Solvency Capital Requirements (amounts in € thousands) 31.12.2018	Participant	Ethniki Cyprus Life Insurance	Ethniki Cyprus Non-Life Insurance	Garanta
Market risk	168.775	3.681	2.006	3.397
Credit risk	31.638	2.115	2.183	1.814
Insurance risk Life	110.874	3.568	0	864
Insurance risk Health	79.094	415	1.958	451
Insurance risk Non - Life	80.593	0	2.612	2.838
Diversification	(171.021)	(2.916)	(2.923)	(2.999)
BSCR	**299.953**	**6.863**	**5.836**	**6.365**
Operational risk	*22.290*	*353*	*576*	*258*
LAC	*0*	*0*	*(86)*	*(850)*
Solvency Capital Requirement	**322.243**	**7.216**	**6.326**	**5.773**

B. Solvency capital requirements for 31.12.2017

Solvency Capital Requirements (amounts in € thousands) 31.12.2017	Participant	Ethniki Cyprus Life Insurance	Ethniki Cyprus Non-Life Insurance	Garanta
Market risk	169.835	3.698	2.185	3.175
Credit risk	38.174	1.075	2.860	2.023
Insurance risk Life	125.105	3.162	0	811
Insurance risk Health	75.126	410	1.819	548
Insurance risk Non - Life	88.067	0	2.486	2.803
Diversification	(181.731)	(2.332)	(3.027)	(3.030)
BSCR	**314.576**	**6.013**	**6.323**	**6.331**
Operational risk	*21.910*	*320*	*567*	*251*
LAC	*0*	*0*	*(136)*	*(955)*
Solvency Capital Requirement	**336.486**	**6.333**	**6.754**	**5.626**

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 and on its solvency capital requirement as at 31.12.2018. The sensitivity analysis was performed with:

a. The use of transitional measures and volatility adjustment to the relevant risk free interest rate term structure for the Participant.
b. The use of volatility adjustment to the relevant risk free rate term structure for 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	Change (amounts in € thousands):		
	Own capital	Solvency capital Requirement	Capital Adequacy ratio
Increase of interest rates	64.970	(10.307)	209&
Decrease of interest rates	(87.966)	6.518	155%
Decrease of equity prices	(46.785)	(9.702)	175%
Decrease in property value	(12.766)	(1.874)	181&
Decrease of spreads (scen. 1)	(222.892)	895	118%
Increase of spreads (scen. 2)	(174.506)	27	132%
Deterioration of the main Reinsurer's Credit Rating	278	1.850	182%

A description of the results and parameters of the sensitivity analyses is set out in Chapter 3. "Risk Profile".

Valuation for Solvency Purposes

Group undertakings evaluate assets and liabilities and calculate technical provisions in accordance with 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 Accounting 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 the existing legislative and regulatory framework.

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, with the decision No. 184/4/25-04-2016 of its Committee of Credit and Insurance Issues, approved the use of method 2 for the calculation of the Group's Solvency, 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 are set on the capital adequacy ratio of the Group.

The Participant, with decision No 184/25.04.2016 of the Committee of Credit and Insurance issues of the Bank of Greece, 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.

As at 31.12.2017 the unamortized portion of the transitional measure on technical provisions amounting to €223.4m (15/16 of the initial amount of the transitional measure of €238.3m). At the end of 2017 the Participant, according to L.4364/16 re-estimated the total amount of technical provisions under the scope of the transitional measure at €205.8 m, out of which 14/16 of the above amount, i.e. €180.1m, is the unamortized cost of the transitional measure as at 31.12.2018.

The amount of the transitional adjustment on technical provisions as at 01.01.2019, will amount to €167.2m, i.e. at 13/16 of the €205.8 m.

The Group Solvency Capital Requirement ratio with the use of the volatility adjustment to the relevant risk free interest rate term structure and transitional measures reached 183.4% at 31.12.2018, as opposed to 190.1% at 31.12.2017. The decrease in the ratio is mainly due to the recalculation of the total technical provisions under the scope of the transitional measure and its depreciation for the Participant.

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 amounts to 130.6% as at 31.12.2018 as opposed to 126.8% as at 31.12.2017.

The Group, as at 31.12.2018 covers 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 €625.9m as at 31.12.2018, while the total of solvency capital requirement is €341.3m.

Taking into account the above, the Group Solvency II ratio reached 183.4%, with the use of transitional measures, decreasing by 7 percentage units compared with last year's ratio.

The decrease in the Group SCR ratio is mainly due to the decrease of eligible own funds, which was mitigated by the profitability of the Participant, as PBT for 2018 amounted to €63.1m and by the decrease in the Group SCR by €12.2m.

The decrease of the eligible own funds by €46.1m and is mainly driven by:

- The increase of adjustment in technical provisions of the Participant by €63.9m, mainly due to the:
    - re-estimation of the total technical provisions under the scope of the transitional measure and the amortization of the transitional measure by €43.3m.,
    - increase in GWP and revision of actuarial assumptions.
- The decrease of the Participant's investment portfolio current value (including real estate property) by €43.9m.

Prospects for the Future

For 2019, the Group continues to make a significant contribution to the improvement of the quality of life of policyholders, through its customer oriented approach, offering security and peace of mind.

The main objectives of the Group for 2019 are to maintain its leading position in the Greek insurance market and further establishing its presence in the markets of Romania and Cyprus, while at the same time offering innovative solutions for its policyholders in line with their requirements, providing high quality services, advancing further operational development and effectively utilizing its human resources.

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