

# **Ethniki Holdings S.à r.l.**

## **Group Solvency & Financial Condition Report**

### **2023**

## Executive Summary

Set out below is the executive summary of the Solvency & Financial Condition Report ("Report") of Ethniki Holdings S.à r.l. Group (the "Group"), headed by Ethniki Holdings S.à r.l. (the "Participant").

The following companies are each individually defined as the "related undertakings":

- "THE ETHNIKI" Hellenic General Insurance Company S.A., (hereinafter: "Ethniki Insurance" or "the Company") with its registered seat in Greece
- Garanta Asigurari S.A. ( hereinafter: "Garanta"), with its registered seat in Romania,
- Ethniki Insurance (Cyprus) Ltd. (hereinafter: "Ethniki Cyprus Life Insurance"), with its registered seat in Cyprus,
- Ethniki General Insurance (Cyprus) Ltd. (hereinafter: "Ethniki Cyprus Non-Life Insurance"), with its registered seat in Cyprus.

Set out below is the executive summary of the Group's Report, which includes key figures and information on the Business and Performance, System of Governance, Risk Profile, Valuation for solvency purposes, Capital Management, and Voluntary Exit Scheme (VES).

## Key Figures

The following table depicts the key figures of the Group for the financial years 2023:

Solvency II Key Figures	31.12.2023	31.12.2022
<b>(€ in thousands)</b>		
Investments	3.428.041	3.303.762
Other Assets	556.857	437.476
<b>Total Assets</b>	<b>3.984.897</b>	<b>3.741.238</b>
Technical provisions	2.960.049	2.685.175
Other liabilities	481.841	487.760
<b>Excess of assets over liabilities</b>	<b>543.007</b>	<b>568.303</b>
<b>Subordinated liabilities</b>	<b>177.171</b>	<b>175.000</b>
<b>Total Own Funds</b>	<b>720.179</b>	<b>743.303</b>
<b>Eligible own funds to meet SCR</b>		
Tier 1	447.753	494.837
Tier 2	129.147	127.025
Tier 3	23.009	37.305
<b>Total Eligible Own Funds to meet SCR</b>	<b>599.909</b>	<b>659.167</b>
<b>Capital Requirement</b>		
<b>Solvency Capital Requirement (SCR)</b>	304.312	328.660
<b>Solvency Ratio (SCR Coverage Ratio)[1]</b>	197%	201%
<b>Minimum Capital Requirement (MCR)</b>		
	107.966	98.878
<b>Eligible own funds to meet MCR</b>		
Tier 1	447.753	494.837
Tier 2	21.593	19.776
<b>Total eligible own funds to meet MCR</b>	<b>469.346</b>	<b>514.613</b>
<b>Solvency Ratio (MCR Coverage Ratio)[2]</b>	<b>435%</b>	<b>520%</b>

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

[2] Solvency Ratio (to meet MCR) = Total eligible own funds to meet MCR / Minimum Capital Requirement (MCR)

As indicated in the above Table, on 31.12.2023 the Group's eligible own funds exceed both the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR").

## Business and Performance

The Group, apart from Luxembourg, is also present in Greece through Ethniki Insurance, in Cyprus through Ethniki Cyprus Life Insurance, Ethniki Cyprus Non-Life Insurance, and in Romania through Garanta.

In light of the above, the analysis of the business performance includes results of the Participant for the full financial year 2023. In 2023, the Group's Net Insurance Service Result (adjusted for non-recurring items) amounted to €55,5m 2023, stemming from Life business €3,2m, as well as Non-Life €52,3m. Total production for 2023 in terms of GWP and related income reached €773,2m, stemming mainly from Life business €547,8m, followed by strong performance in Property €99,6m, Motor €75,2m and Other Non-Life €50,5m.

The Group maintains a strong capital base that allows insurance participating undertakings to offer efficient services and a wide product base to their policyholders.

## System of Governance

The Group has an effective System of Governance, which ensures sound and prudent management and fosters continuity, consistency and proper operation.

For the purposes of chapter 2 only, Ethniki Insurance, Ethniki Cyprus Life Insurance, Ethniki Cyprus Non-Life Insurance and Garanta are defined as the "Ethniki Insurance" sub-Group or the "Sub-Group".

The BoD of Ethniki Insurance and its related undertakings, supported by the BoD Committees, is responsible for setting the strategic direction, supervising the senior management and exercising adequate control of the Sub-Group, aiming at the maximization of its long-term value, the advocacy of general corporate and Sub-Group interest and the promotion of internal affairs, in accordance with the legal and regulatory framework.

The Sub-Group's System of Governance includes:

1. Policies and Procedures, approved by the BoDs of Ethniki Insurance and its related undertakings, such as the Corporate Governance Code, the Fit & Proper Policy, the Remuneration Policy and the Outsourcing Policy.
2. An Internal Control System ("ICS") aiming at ensuring, to the extent possible, 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, ICS includes, inter alia, allocating responsibilities to Staff, establishing and recording procedures and safeguards, carrying out regular and ad hoc audits by the competent Units,
3. A 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 the Sub-Group 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 Compliance function, which operate on the basis of approved Charters are supervised by the Committees of the BoD or / and directly by the BoD.

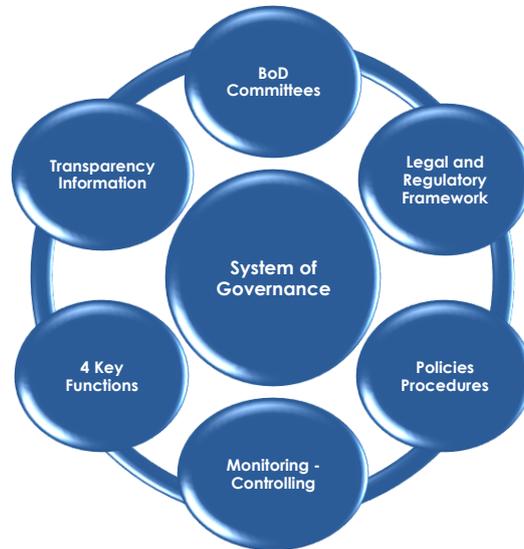


Diagram: Illustration of System of Governance

The participation of four members of the BoD of Ethniki Insurance in the BoD of the Participant, ensures the governance is applied consistently, not only at the sub-Group, but also at the entire Group level.

### Risk Profile

The risk profile is monitored through coordinated procedures for the identification, evaluation, management and reporting of the risks undertaken.

In this framework, the following risks have been identified and managed through the development of policies and respective procedures at Ethniki Insurance sub-Group level:



The macroeconomic landscape is characterized by fragile macroeconomic conditions, led by geopolitical tensions, inflationary pressures and tightened monetary policies.

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 Global, European and Greek level).

For the calculation of Group Solvency, for Ethniki Insurance the full consolidation method is followed and for the Ethniki Cyprus Life Insurance, Ethniki Cyprus Non-Life Insurance and Garanta

the alternative method 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 ("adjusted curve") for Ethniki Insurance
- ii. The use of risk free curve for Ethniki Cyprus Life Insurance
- iii. The use of risk free curve for Ethniki Cyprus Non-Life Insurance
- iv. The use of risk free curve for Garanta

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.

The Solvency Capital Requirement as at 31.12.2023, with the use of the volatility adjustment on the relevant risk free interest rate term structure and the transitional measures on technical provisions ("transitional measures"), amounts to €304,3m.

The solvency capital requirements of the Participant as well as its related undertakings are presented in the following tables:

#### Solvency Capital Requirements as at 31.12.2023:

Solvency Capital Requirements (€ in thousands) 31.12.2023	Companies consolidated under method 1 <sup>(1)</sup>	Ethniki Cyprus Life Insurance <sup>(2)</sup>	Ethniki Cyprus Non-Life Insurance <sup>(2)</sup>	Garanta <sup>(2)</sup>
Market Risk	148.574	5.425	2.424	1.611
Credit Risk	24.129	613	1.668	2.477
Life underwriting risk	71.095	7.230	-	451
Health underwriting risk	84.542	1.201	1.653	478
Non-Life underwriting risk	69.927	-	3.155	4.230
Diversification	-143.577	-3.746	-2.914	-2.543
<b>BSCR</b>	<b>254.691</b>	<b>10.723</b>	<b>5.986</b>	<b>6.704</b>
Operational Risk	24.983	605	632	324
LAC	-	-	-	-336
<b>Solvency Capital Requirements (method 1)</b>	<b>279.674</b>	<b>11.329</b>	<b>6.617</b>	<b>6.692</b>
<b>Solvency Capital Requirements (method 2)</b>	<b>24.638</b>			
<b>Group Solvency Capital Requirements</b>	<b>304.312</b>			

(1): The Participant and Ethniki Insurance

(2): Consolidated under method 2

For related undertakings consolidated under method 2, the SCR and individual risks correspond to the indirect stake of the Participant in each related undertaking.

The Solvency Capital Requirement as at 31.12.2023, with the use of the volatility adjustment on the relevant risk free interest rate term structure ("adjusted curve") and the transitional measures on technical provisions ("transitional measures"), amounts to €304,3m as opposed to €328,7m as at 31.12.2022.

There was change to the Group's Risk Profile, compared to the previous reporting period. Total capital requirements decreased by 7,4%. The decrease came mainly from market risk and life insurance risk (by 17%, and 23% respectively). As an offset, Health insurance risk was increased by 64%.

The Group has performed a sensitivity analysis, in order to estimate the effect of changes in risk factors on its own funds as at 31.12.2023. The sensitivity analysis was performed with:

- a. The use of transitional measures and adjusted curve for Ethniki Insurance.
- b. The use of risk free curve of the part of Ethniki Cyprus Life Insurance.
- c. The use of risk free curve of the part of Ethniki Cyprus Non-Life Insurance.
- d. The use of risk free curve of the part of Garanta.

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

Scenarios	Value	Change (amounts in € thousands):	Capital Adequacy ratio
Change in interest rates	0.50%	1.004	197%
Change in interest rates	-0.50%	-3.954	196%
Change in bonds credit spreads	50 bps	-82.263	170%
Change in bonds credit spreads	-50 bps	89.563	227%
Change in equity prices	25%	22.285	204%
Change in equity prices	-25%	-22.251	190%
Change in property values	25%	69.084	220%
Change in property values	-25%	-68.819	175%

A description of the results and parameters of the sensitivity analysis is set out in [Chapter 3. "Risk Profile"](#).

## Valuation for Solvency Purposes

The Group measures 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 the calculation of Group Solvency, the Participant consolidates Ethniki Insurance by applying method 1 ("full consolidation method").

The Participant consolidates Garanta, Ethniki Cyprus Life and Ethniki Cyprus Non-Life by applying method 2 ("deduction and aggregation method"), which is stipulated in Article 191 of Law 4364/2016, in accordance with the decision No. 184/4/25.04.2016 of the Credit and Insurance Committee ("CIC") of the BoG.

## 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.

Ethniki Insurance, as the main driving undertaking of capital and solvency capital requirements of the Group, has established a Capital Management Policy, which is in line with the risk appetite and strategy.

Capital position and capital adequacy limits on the Solvency ratio are set out in this policy.

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 on technical provisions for Ethniki Insurance 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 31.12.2023 the unamortized value of the transitional measure on technical provisions amounting to €115,7m (i.e. 9/16 of the initial amount of the transitional measure of €205,8m) and for 2024 will amount to €102,9m (i.e. 8/16 of €205,8m).

The Solvency Capital Requirement coverage ratio with the use of the volatility adjustment on the relevant risk free interest rate term structure and transitional measures reached 197% as at

31.12.2023, compared to 201% as at 31.12.2022 and the eligible own funds to cover the SCR reached €599,9m as opposed to €659,2m as at 31.12.2022.

The Solvency Capital Requirement coverage ratio excluding the use of the transitional measure but using the volatility adjustment amounts to 159% as at 31.12.2023, compared to 161% as at 31.12.2022 and the eligible own funds to cover SCR reached €484,2m as opposed to €530,6m as at 31.12.2022.

The Solvency Capital Requirement coverage ratio with the use of the risk free yield curve, amounts to 146% as at 31.12.2023, compared to 150% as at 31.12.2022 and the eligible own funds to cover SCR reached €450,5m as opposed to €530,6m as at 31.12.2022.

Solvency Ratio (€ thousands)	With VA and using transitional measures on technical provisions		With VA and excluding transitional measures on technical provisions		With Risk Free Rate	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Eligible own funds to cover the SCR	599.909	659.167	484.166	530.565	450.544	493.373
SCR	304.312	328.660	304.312	328.660	308.497	329.571
Solvency Ratio	197%	201%	159%	161%	146%	150%

On 1 January 2023 the transitional measure on technical provisions was amortized by €12,9m.

### Voluntary Exit Scheme (VES)

The Board of Directors of Ethniki Insurance, in its meeting on 4 April 2023, approved a Voluntary Exit Scheme for the employees and salaried lawyers of the Company, provided that they have a minimum of 30 years of age and at least 7 full years of service in the Company.

Compensation was calculated based on the participant's age and years of service in the Company.

The number of participants reached 90 persons.

The VES will offer development opportunities for the remaining personnel and further enhance the competitiveness of Ethniki Insurance through the rationalization of its cost base.

