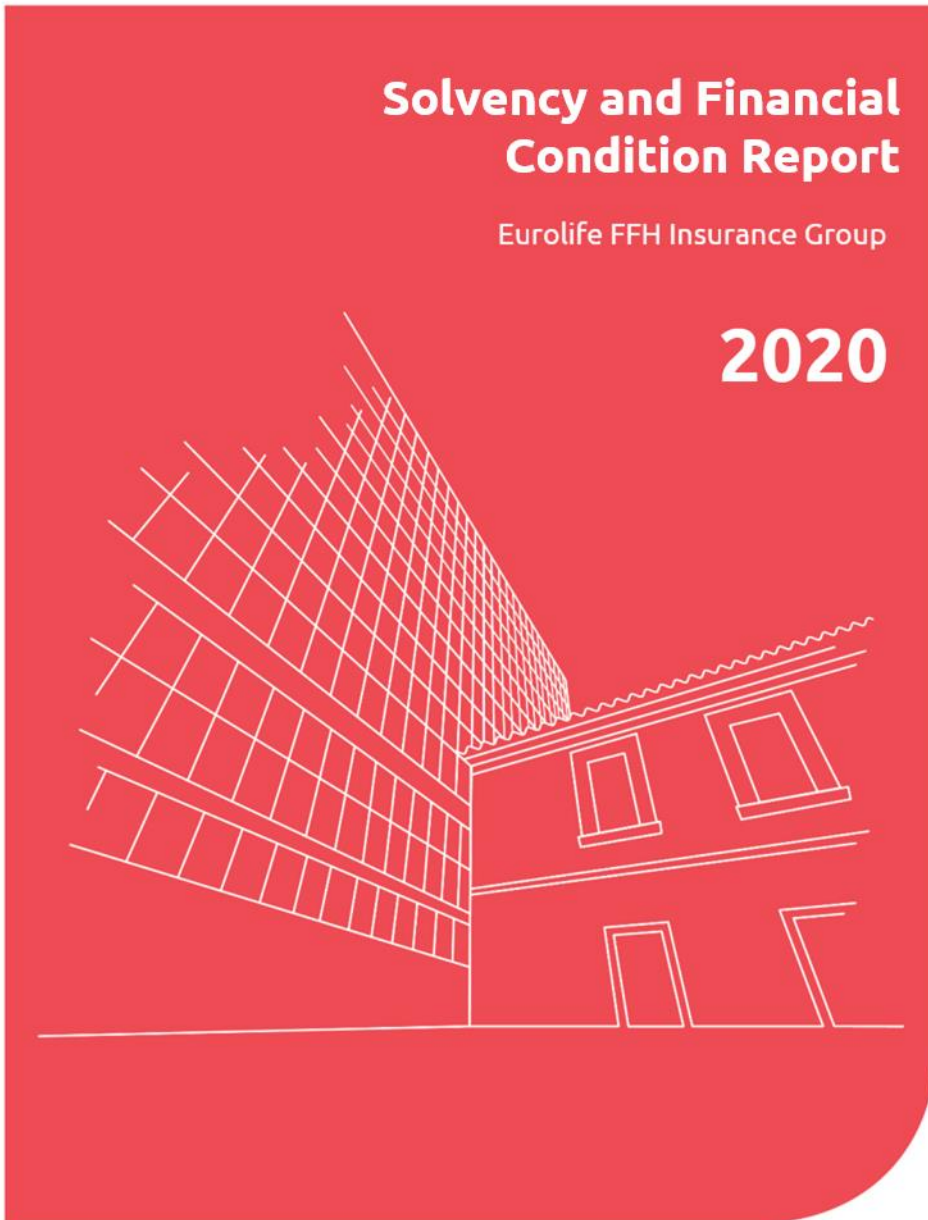


# Solvency and Financial Condition Report

Eurolife FFH Insurance Group

## 2020



**Eurolife FFH** Insurance Group

A FAIRFAX Company

## Introduction

This Report on Solvency and Financial Condition ("Report") has been prepared in accordance with the Solvency II Framework and on the basis of the Annex XX of the European Commission's Delegated Regulation (EU) 2015/35, the Law n. 4364/2016 and the Decision of the Executive Committee of the Bank of Greece No. 77/12.02.2016.

The Solvency II Framework purpose is to protect the capital held by the insurance undertakings and Groups, through updated valuation principles which are based in adverse scenarios so that the probability of ruin over the following 12 months, should be no more than 0,5%.

The structure of the Report complies with articles 51 to 56 of European Directive 2009/138/EC on Solvency II, Articles 290 to 298 and 359 to 364 of the Regulation (EU) 2015/35 of the European Commission, as well as the requirements of the Law 4364/2016 and the Decision of the Executive Committee of the Bank of Greece No 77/12.02.2016.

The quantitative information included in the Report is in accordance with the relevant information provided to the Greek Supervisory Authority, as part of the Quantitative Reports submission.

The Report refers to the financial year ended at 31 December 2020 and it is approved by the Board of Directors of the Eurolife FFH Insurance Group. Its purpose is to present the Group's activities, its results, as well as the basic components of the financial condition and corporate governance. Also, the risk profile, the qualitative composition of own funds, the capital requirements of the Group, and finally the coverage ratios are described.

The Bank of Greece, as supervisory authority, may request modification or rewriting of the report, or publication of additional information or actions to be taken by the Group.

The Eurolife FFH Insurance Group has developed a Public Disclosure Information policy, which was approved by the Board of Directors on 8 May 2017, and the Report implements the policy's requirements.

The summary contains key figures and information from the Report, indicating also the main changes occurred compared to last year's Report.

Unless otherwise stated, the figures mentioned in the Report are presented in thousands euros (in th. €), which is the functional currency of the Group.

The Group operates in life insurance and general insurance sector in Greece and Romania, offering products for all main insurance classes.

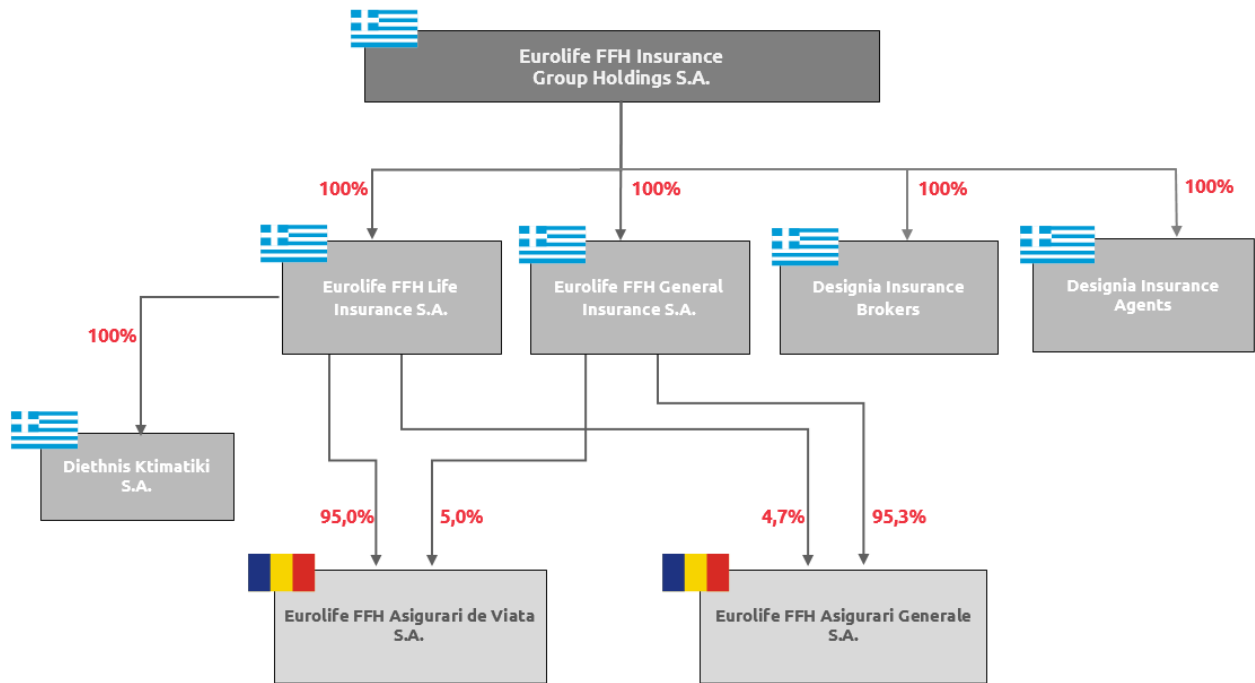
The responsibility for drafting the Report lies exclusively in the Management of the Group. The Board of Directors approved the Report, to be publicly disclosed, on May 17, 2021.

# Summary

The following paragraphs present a summary of Group's Solvency and Financial Condition Report.

## Group Structure

The following chart presents the composition of the Group as at 31 December 2020:



**Main Shareholders- Share Capital-Equity**

The initial share capital of the Holding Company amounted to €350.000 thousand, divided into 100.000.000 registered ordinary shares of a nominal value of €3,50 each. Following Extraordinary Shareholder's Meeting of 24.10.2018 the share capital decreased by €125,0 mil, through decrease in the nominal value of each share at €2,25. The total number of common shares issued are fully paid. As at 31 December 2020 and 2019 the share capital of the Company amounted to €225.000 thousands, divided into 100.000.000 ordinary shares of nominal value of €2,25 each.

The Holding Company is a subsidiary of the company Costa Luxembourg Holding S.a r.l. ("Costa"), which holds 80% of its share capital. Costa is domiciled in Luxembourg and is jointly controlled by Colonnade Finance S.à r.l., member of the Fairfax Financial Holding Limited Group, and OPG Commercial Holdings (Lux) S.à r.l. The remaining 20% of the share capital was held by Eurobank Ergasias S.A. until the 20th of March 2020. On the 20th of March 2020, the Ministry of Development and Investments approved the demerger of Eurobank Ergasias S.A. ("Demerged Entity" or "Eurobank Ergasias"), through sector's hive down and the establishment of a new company-credit institution under the corporate name "Eurobank S.A." (the "Beneficiary"). According to the Demerger Deed, the participation of the Demerged Entity in the Company is included in the transferred assets of the Beneficiary.

The Holding's Company Equity as at December 31 2020, under IFRS amounted to € 350,4 million, increased by 0,5% (2019: € 348,5 million), whereas Group's Equity amounted to € 738,3 million , increased by 2,9% (2019: € 717,1 million).

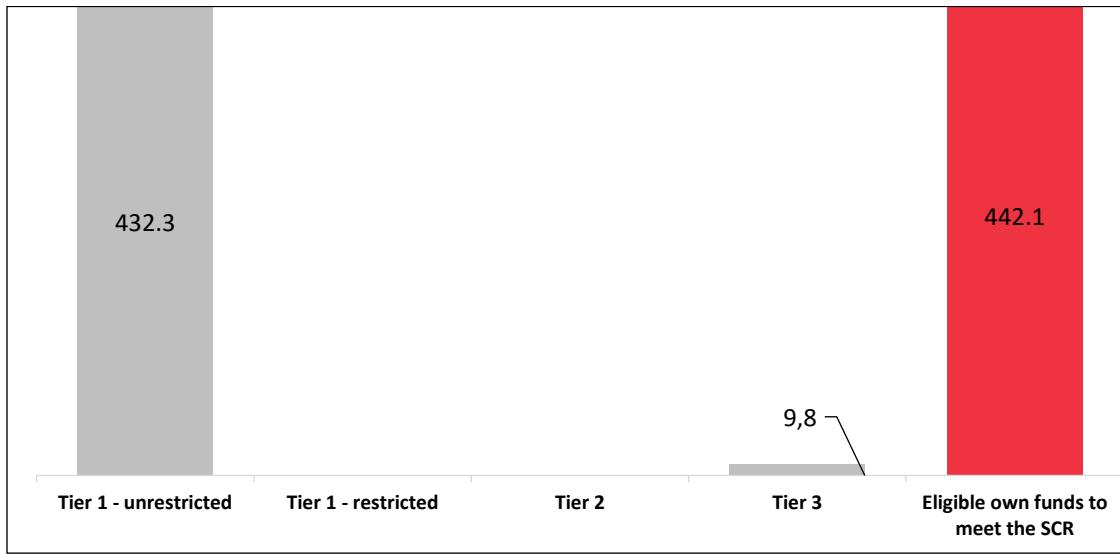
**Analysis of Solvency position as at 31 December 2020**

The Solvency II ratio as at 31 December 2020, calculated based on the standard formula, was 182% (2019: 169%), derived as the ratio of Eligible Own Funds ("EOF"): € 442,1 mio divided by the Solvency Capital Requirement ("SCR"): € 242,5 mio. In the calculation of the Solvency II ratio a foreseeable dividend distribution amounting to € 5,2 mio, was taken into account. The Group does not take advantage of any transitional measures referred to in the Articles 274 and 275 respectively of Law 4364/2016. The Group used volatility adjustment for the Solvency II calculations of Article 56 of Law 4364/2016.

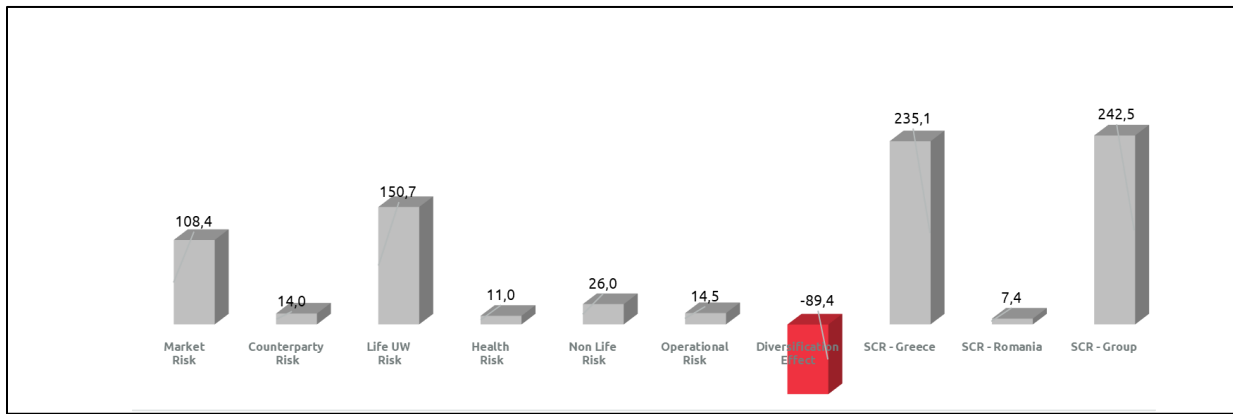
The appropriateness of standard formula, taking into account Group's risk profile, has been assessed under the annual own risk and solvency assessment exercise (ORSA) which was conducted within 2020.

The below charts present the Group's Capital Requirements, the classification of EOF according to the regulatory framework, the decomposition of SCR per risk type and the reconciliation of IFRS Net Asset Value with EOF.

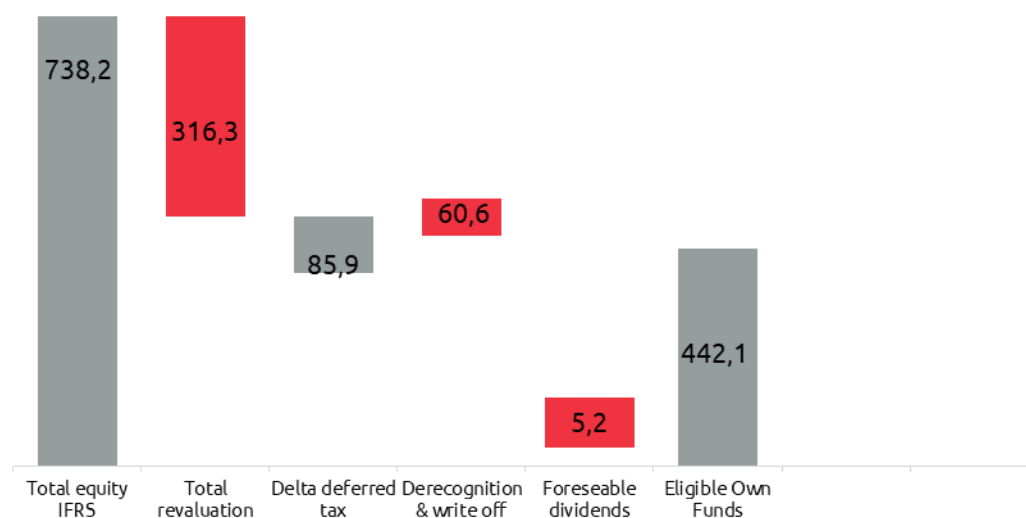
**Analysis of EOF to cover SCR as at 31 December 2020 (in mio €)**



**Analysis of SCR as at 31 December 2020 by risk type (in mio €)**



**Reconciliation of IFRS Net Asset Value with EOF as at 31 December 2020 (in mio €)**



**Operations & Results**

2020 was a historic year, with the developments following the coronavirus pandemic playing a decisive role in the economic and social life of Greece. The particularly strong implications of the coronavirus pandemic negatively affected the global and Greek economies, leading economic activity in Greece to a major recession and deflation. According to the available data from the Hellenic Statistical Authority (ELSTAT), the first estimate of the recession's impact on the Gross Domestic Product (GDP) is 8,2%. Furthermore, the effects of the pandemic and restrictions imposed in order to control its spread have led to an increase in credit risk and government deficit, while an increase in non-performing loans is also expected. The mandatory cessation of economic activity in many sectors of the economy both last spring and last November, created the need to support both companies and their employees. At the same time, a large number of other economic activities were secondarily affected. Important activities, such as tourism, were severely affected during the year.

The Greek insurance market was affected, as anticipated, however it managed to limit its losses in terms of gross written premiums. The production of insurance premiums, amounted to € 3, 9 billion, reduced by 3, 7% compared to 2019. This fact proves that citizens understand the value of insurance and maintain their insurance policies despite the adverse circumstances.

In the Greek insurance market, according to available data, total insurance premium production amounted to €3.924,3 million in 2020 (2019: €4.073,0 mil.), out of which €2.105,9 million is attributed to general insurance business and €1.818,3 million to life insurance business. Compared to 2019, insurance premium production decreased by approximately -3,7% in 2020 (2019: +8,7%) and, more specifically, the non-life insurance premiums increased by 0,4% (2019: +2,0%) while life insurance premiums decreased by 8,0% (2019: +16,9%). Regarding the non-life insurance business, the non-motor lines of business recorded an increase of 3,9% compared to 2019, while the motor insurance business, recorded decrease of 5,7%. Regarding life insurance lines of business, life insurance policies linked with investments (unit-linked products) grew by 55,3%, while deposit administration funds products decreased by 17,5% and the traditional life insurance products decreased by 17,5%.

## Summary of Solvency and Financial Condition Report 2020

For yet another year, the Greek insurance market strengthened its capital adequacy. Equity of Greek insurance entities has more than doubled since 2012, overcoming €3,4 billion.

Despite the pandemic's effects on the Greek economy, 2020 was another successful year for Eurolife FFH Insurance Group ("Group" or "Eurolife FFH Group"), during which high levels of profitability were maintained for another year and further strengthening of the capital position was accomplished. The Group's profit before tax amounted to € 151,9 million in 2020 compared to € 134,7 million in 2019. The increase is mainly driven by higher investment income caused by increased by 83,1 million realized gains occurred in 2020 vs 2019.

During 2020, the Group gross written premiums amounted to € 448.7 million, decreased by 12% compared to 2019. The sales on Greek Insurance market amounted at € 444,1 million whereas on Romanian market, sales amounted at € 4,5 million.

On May 18th, 2020 the Commercial and Industrial Chamber of Athens, based on its decision 5257/18-05-2020, approved the amendment of article 1 of the Company's Articles of Association of "Eurolife ERB Insurance Group Holding Societe Anonyme" (or "Eurolife ERB Insurance Group ") and specifically the change of its name and distinctive title to "Eurolife FFH Insurance Group Holding S.A." and "Eurolife FFH Insurance Group" respectively. The amendment of the Articles of Association was decided by the Extraordinary General Meeting of the Company's shareholders, on May 12th, 2020.

Then on 22nd May 2020, the amendment of the name of the subsidiaries "Eurolife ERB Life Insurance S.A" and "Eurolife ERB General Insurance S.A." to "Eurolife FFH Life Insurance Single Member Société Anonyme" and "Eurolife FFH General Insurance Single Member Société Anonyme" respectively, was completed. The new distinctive title of the subsidiaries are: "Eurolife FFH Life Insurance SA" and "Eurolife FFH General Insurance SA", respectively.

In addition, on July 9th, 2020, it was completed, the amendment of the name of "ERB Insurance Services S.A." and "ERB Insurance Agents" to " Designia Single Member Société Anonyme of Insurance Brokerage" and " Designia Single Member Société Anonyme of Insurance Agents" respectively. The new distinctive titles are "Designia Insurance Brokers" and "Designia Insurance Agents", respectively.

Finally on May 29th, 2020, it was completed the amendment of the name of the Romanian subsidiaries "Eurolife ERB Asigurari de Viata S.A." and "Eurolife ERB Asigurari Generale S.A." to "Eurolife FFH Asigurari de Viata S.A." and "Eurolife FFH Asigurari Generale S.A.", respectively.

The Group is convinced that it can achieve its vision as a "first choice insurance Group" for its customers, considering their interests in the center of its activities. This is the target that employees of the Group are trying to achieve through the performance of their daily business.

No dividend distributed for the year 2020, by the Holding Company.

### Solvency Capital Requirements & Capital Adequacy

The below tables present a summary of capital adequacy and Solvency Capital Requirements of the Group on 2020 compared to previous year end.

## Summary of Solvency and Financial Condition Report 2020

### Group's Solvency Capital Requirements (in mio €)

Risk Module	31.12.2020	31.12.2019	Difference%
Market Risk	108,4	90,9	19%
Counterparty Default Risk	14,0	8,6	63%
Life Underwriting Risk	150,7	152,8	-1%
Health Risk	11,0	10,5	5%
Non-Life Underwriting Risk	26,0	24,3	7%
<b>Total</b>	<b>309,9</b>	<b>287,1</b>	<b>8%</b>
Diversification Effect	-89,4	-79,7	12%
Operational Risk	14,5	16,0	-9%
Loss absorbing capacity	-	-0,7	-
<b>Solvency Capital Requirements for Greece</b>	<b>235,1</b>	<b>222,6</b>	<b>6%</b>
Solvency Capital Requirements for Romania	7,4	7,4	0%
<b>Solvency Capital Requirements for Group</b>	<b>242,5</b>	<b>230,0</b>	<b>5%</b>

### Group's Capital Adequacy (in mio €)

Required Capital & Coverage ratios	31.12.2020	31.12.2019	Difference (%)
Basic Own Funds	430,6	388,9	11%
Tier 1 Capital	420,9	388,9	8%
Tier 2 Capital	-	-	
Tier 3 Capital	9,7	-	
Solvency Capital Requirement (SCR)	242,5	230,0	5%
Eligible Own Funds to cover SCR	442,1	388,9	14%
<b>SCR Coverage ratio</b>	<b>182%</b>	<b>169%</b>	<b>8%</b>
Minimum Capital Requirement(MCR)*	92,2	90,6	2%
Eligible Own Funds to cover MCR	432,4	388,9	11%
<b>MCR Coverage ratio</b>	<b>469%</b>	<b>417%</b>	<b>12%</b>

\*For Companies combined under Method 1



**System of Governance**

The Group has developed an effective system of governance which ensures the sound and prudent management and promotes the continuance, the consistency and the proper operations of the Group.

**Corporate Goal**

The Group operates with responsibility, in order to meet at all times its policyholders' requirements.

**Corporate Vision**

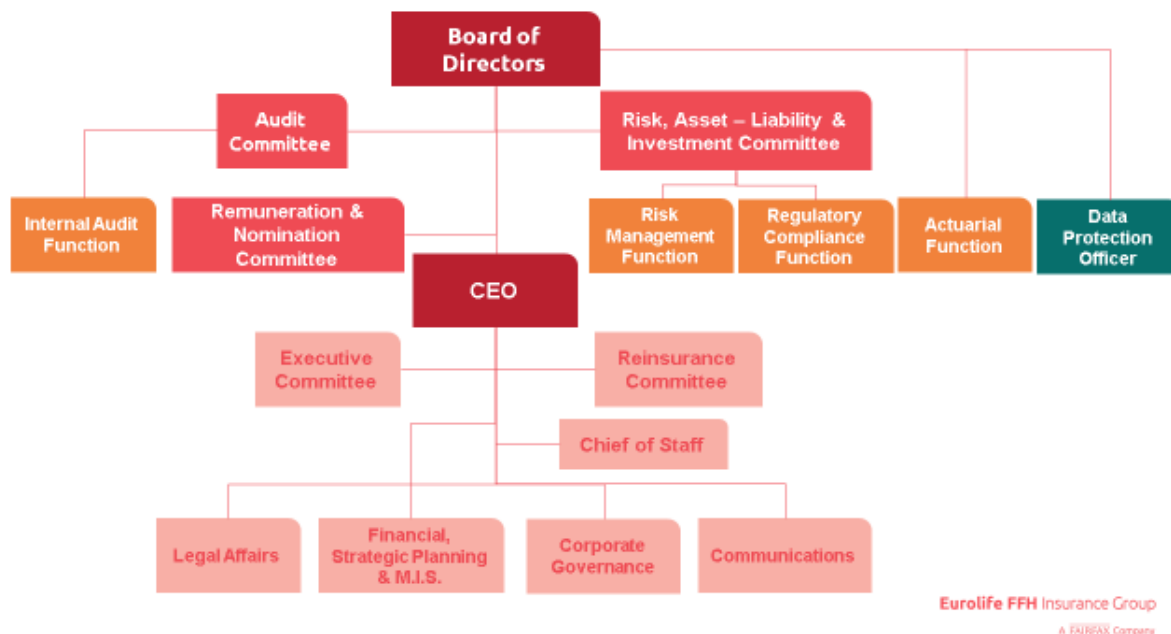
To be the Group of first choice, through creating new standards in Private Insurance, respecting at any time, its customers' needs.

**Corporate Philosophy**

- Be close to every phase of their customers' lives.
- To design its products so that they are simple and understandable. To offer complete protection, through the insurance solutions provided. Customers can choose the coverage that best meets their needs and financial capacity.
- Ensure that the application for insurance, the issuance of a contract and the payment of compensation are made with simple and quick procedures.
- To provide a wide channel of insurance partners, which responds immediately to every request of its clients.

**Organizational structure**

The organizational structure of the Holding is presented below:



The Board of Directors is supported in its activity by the following Committees:

- Audit Committee
- Remuneration & Nomination Committee
- Risk, Asset-Liability & Investment Committee

The system of Governance includes:

- Approved policies and procedures
- An internal audit system
- A risk management system
- The four key functions: Internal Audit, Actuarial, Risk Management and Compliance

**Risk profile**

Risk management is an integral part of the Group's day-to-day business operations. The Group subsidiaries' promote an integrated risk management approach to ensure that their strategic objectives are met. This approach ensures an added value by identifying the optimal balance between the assumed risk and the expected return, ensuring at the same time the fulfillment of the assumed obligations towards all involved parties.

Risk management supports the Organization in identifying, measurement, management, monitoring and reporting risks, in order to ensure that the appropriate actions/ decisions are immediately taken, when changes occur in the Group's risk profile. In this context, the following risks have been identified and managed through the established risk management policies and procedures:

## Summary of Solvency and Financial Condition Report 2020

- Underwriting and reserving risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Asset-Liability mismatch risk (ALM Risk)
- Concentration risk
- Reputational risk
- Strategic risk