FIDELIDADE

SEGUROS DESDE 1808

Solvency and Financial Condition Report

Summary Translation

2021

Certified by the Statutory Auditor and Responsible Actuary

The Regime Jurídico de Acesso e Exercício da Atividade Seguradora e Resseguradora [legal framework on the taking-up and pursuit of the business of insurance and reinsurance] approved by Law No. 147/2015, of 9 September, requires insurance undertakings to disclose publicly, on an annual basis, a report on their solvency and financial condition.

The qualitative information that insurance undertakings are required to disclose is set out in Chapter XII of Title I of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014.

The quantitative information[1] to be disclosed together with this report is laid down in Articles 4 and 5 of Commission Implementing Regulation (EU) No. 2015/2452, of 2 December 2015, amended and rectified by Commission Implementing Regulation (EU) No. 2017/2190, of 24 November 2017.

In line with the description contained in Article 292 of the Delegated Regulation, a "clear and concise" summary of the items detailed in this report will be presented below.

BUSINESS AND PERFORMANCE

The Fidelidade Group operates in the Portuguese insurance market through five companies: Fidelidade, Multicare, Fidelidade Assistência, Via Directa and Companhia Portuguesa de Resseguros. In the international market, it operates through its branches – in Spain, France, Luxembourg, and Mozambique – and through its subsidiaries - Fidelidade Angola, Garantia Cabo Verde, Fidelidade Macau, La Positiva (Peru), Alianza (Bolivia), Alianza Garantia (Paraguay) and Fid Chile.

The Fidelidade Group also has subsidiaries and strategic shareholdings in companies that provide services that are complementary to insurance (e.g., the Luz Saúde Group, CETRA, EAPS, Fidelidade Property, Tenax, etc.), which fit within the strategy of guaranteeing operational excellence and service quality throughout the value chain, enabling the Fidelidade Group to position itself as a global service provider of people protection.

Through the Group companies, services are also provided in other areas such as Health (Luz Saúde – leading healthcare provider in Portugal), Assistance, Real Estate, Asset Management, Loss Adjusting and Motor Vehicle Repairs.

Fidelidade - Companhia de Seguros, S.A. is the leading company of the Fidelidade Group, dedicated to the exercise of insurance and reinsurance activities in all technical fields. In order to carry out its activity, Fidelidade has a network of branches throughout the national territory, intermediary centres and customer agencies. Abroad, the Company is present in Spain, France, Luxembourg, China and Mozambique.

Fidelidade's Consolidated performance

In 2021, the Fidelidade Group attained total consolidated premiums written of EUR 4,911.6 million, registering an overall increase of 38% in its business, mainly influenced by the Life segment in Portugal.

The Fidelidade Group maintained its leading position in the Portuguese market, recording an overall market share of 29.1%, which corresponded to an increase of 1.9 pp compared to the previous year, largely driven by the performance recorded in the Life segment.

In 2021, the Fidelidade Group consolidated its position in the Latin American insurance market, and also in Africa. International premiums reached EUR 1,029.4 million in 2021, like Portugal recording an increase compared to the previous year, related to the evolution of both the Life segment and the Non-Life segment. In 2021, the Latin America business represented 75% of Fidelidade's international business, while Europe accounted for 12%, Africa 7% and Asia 6%.

Fidelidade's consolidated combined ratio stood at 93.4%, having increased by 3.7 pp compared to the previous year, reflecting, above all, the return to normal of claims rates in most lines of business, but with greater emphasis in the Health line of business.

[1] Quantitative information on monetary amounts is presented in thousands of euros, and in some circumstances the tables and graphs may present totals which do not correspond precisely to the sum of the parts, due to rounding up or down of those parts.

The combined ratio increased in both the Portugal business (+2.7 pp. compared to 2020, to 93.0%), and the international business, which saw an increase of 8.4 pp compared to 2020, to 96.6%, mainly reflecting the evolution of the loss rate in the Latin America business.

Net income evolved positively in 2021, explained by the contribution of the investment income and the non-technical result, reflecting, respectively, the contribution from the gains realised on investments and the improvement in the hospital operation results.

In 2021, Fidelidade had assets under management of EUR 18.1 billion, an increase of 3.6% compared to 2020, mainly reflecting the effect of the issue of subordinated debt, with the average annualised return on the investment portfolio reaching 3.5%, in a context of very low interest rates.

Fidelidade has a prudent investment strategy, with 79% of its portfolio being composed of debt and treasury securities, and the remaining part divided between real estate (16%) and equities (5%). In 2021, the policy of diversifying by class of asset and geography was continued, as a means of maximising yield with an appropriate level of risk given the climate of low interest rates, and considering the optimisation of the capital structure within the scope of the Solvency II rules.

In 2021, Technical provisions amounted to EUR 14.1 billion, increasing slightly by 0.3% compared to 2020, influenced by the increase in provisions in the Non-Life segment, more than offsetting the decrease in provisions in the Life segment.

In 2021, Shareholders' Equity, excluding Minority Interests, amounted to EUR 3,054.7 million, with a return on equity (ROE) of 8.8%.

In 2021, Fidelidade issued subordinated debt in the financial markets for the first time, allowing for optimisation of the company's capital structure. At the end of 2021, the subordinated debt to total assets ratio was 2.5%.

Fidelidade's Individual Performance

In individual terms, Fidelidade's total premiums in 2021 were EUR 3,959.1 million, recording an increase of 43.6% compared to the previous year, mainly propelled by the evolution in the Life segment.

The Life business recorded premiums of EUR 2,312.0 million, increasing 90.9% compared to the previous year, following the market trend. In the Non-Life segment, Fidelidade grew 6.6% in 2021, benefiting from positive performance in all lines of business.

Fidelidade's individual combined ratio was 93.7%, an increase of 3.7 pp compared to the previous year, reflecting the return to pre-pandemic claims rates. The Health and Workers' Compensation lines of business recorded the greatest increase, reflecting the return of medical treatments postponed in 2020 and less severe lockdowns.

The significant improvement in investment income contributed to an increase in net income in 2021 of 40.7% compared to the previous year.

In 2021 Fidelidade Individual had Assets of EUR 16.7 billion and Technical Provisions of EUR 12.3 billion, the latter falling 1.8%, reflecting the evolution in Life Financial products.

Shareholders' Equity totalled EUR 2.8 billion, a fall of 4.4% compared to the previous year, reflecting the return of EUR 150 million in supplementary capital payments to the majority shareholder.

SYSTEM OF GOVERNANCE

The Company has well-defined corporate governance and internal governance structures which are appropriate to its business strategy and operations. There is clear delegation of responsibilities, reporting lines and allocation of functions.

Key functions of risk management, internal audit, actuarial and compliance are defined as part of the risk management and internal control systems.

The Remuneration Policy applicable to Fidelidade's corporate bodies is based on principles which promote the Company's long-term sustainability, effective management and control of the risks it has assumed, and alignment with the Company's own interests and those of its shareholders, policyholders, insured persons, participants and beneficiaries.

The Company has processes to assess the fit and proper requirements of the people who effectively run the company, supervise it, are its managers or perform key functions within it.

The Company has implemented processes and procedures for managing risk by type of risk – strategic risk, underwriting risk (product design and pricing; underwriting; reserving; claims management processes; reinsurance and alternative risk transfer), market risk, counterparty default risk, concentration risk, liquidity risk and reputational risk.

Operational risk management and internal control processes are implemented to ensure that operations are managed and controlled in a sound and prudent manner.

The Company's ORSA Policy aims to establish general principles for the own risk and solvency assessment. The ORSA plays a critical role in company management, and the results obtained from it are taken into consideration in the company's Risk Management, in Capital Management and in Decision Making.

The rules and principles that the Company's internal audit function must comply with are established in the Internal Audit Policy.

The internal audit function is performed with independence, impartiality and objectivity, and mechanisms have been set up to preserve these principles.

Due to the nature, complexity and scale of the Company's portfolios, the actuarial function is subdivided into life actuarial and non-life and health actuarial. These actuarial functions are independent in functional terms and report directly to the Company's Executive Committee.

The Company has an Assets and Liabilities Management Committee (ALCO). The main objectives of this Committee are to supervise the asset / liability situation, the investments portfolio and market risks.

There were no material changes in the Company's governance during the period covered by this report.

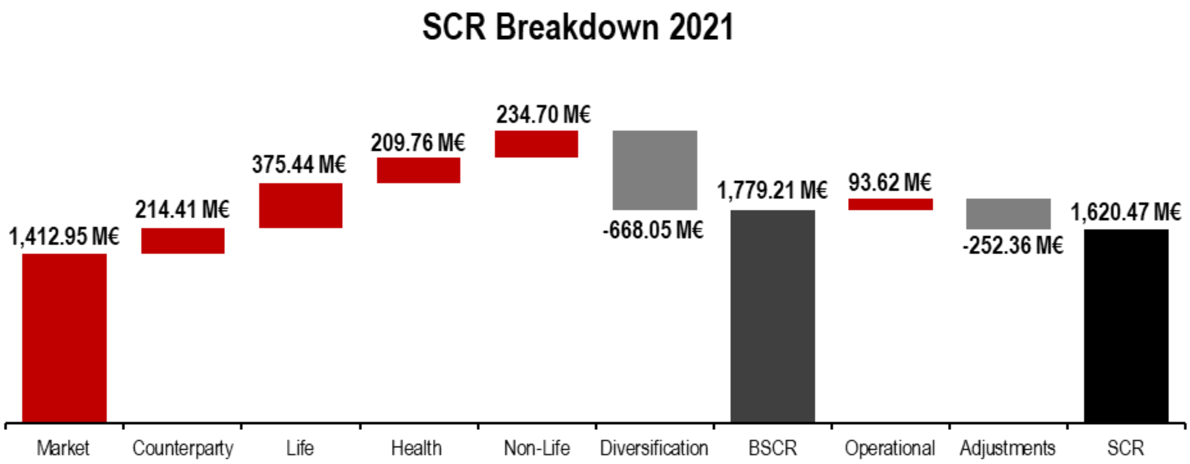
RISK PROFILE

Risk management assists the Company in identifying, assessing, managing and monitoring risks, in order to ensure that adequate and immediate measures are adopted in the event of material changes in the Company's risk profile.

Accordingly, to outline its risk profile, the Company identifies the various risks to which it is exposed and then assesses these.

The risk assessment is based on the standard formula used to calculate the solvency capital requirement. For other risks, not included in that formula, the Company has opted to use a qualitative analysis to classify the foreseeable impact on its capital needs.

Hence, the calculation of the Company's solvency capital requirement (SCR) as at 31 December 2021 was as follows:



The market risk is clearly prominent in this requirement, followed by the Life and Non-Life underwriting risks and counterparty default risk, which are much lower.

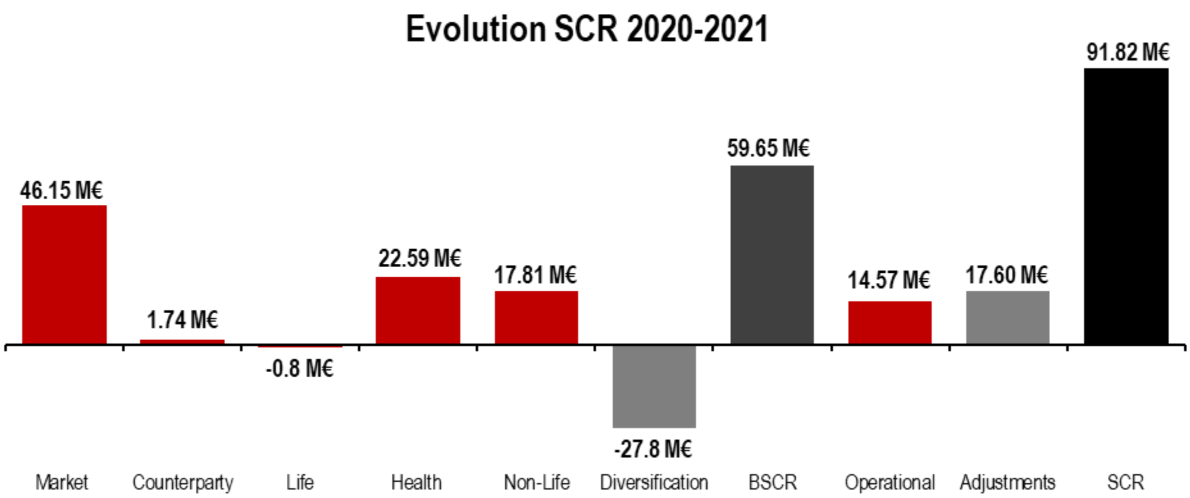
Risks that do not fall within the standard formula are identified as part of the ORSA process.

The Company recognises the following risks as potentially material risks: reputational risk, strategic risk, business (continuity) risk and legal risk.

Since 2018, the Company has recognised adjustment for the loss-absorbing capacity of deferred taxes not only relating to the impact on deferred tax liabilities, but also the impact on deferred tax assets, in this case using exclusively the effect deriving from temporary differences and not the recovery of tax losses.

The Company also decided to limit the impact of the adjustment for the loss-absorbing capacity of deferred taxes, in the component that would imply an increase in deferred tax assets, as follows: the sum of the net current deferred tax asset and the adjustment cannot be greater than 15% of the SCR, considering that, in event of the underlying scenario occurring, this would be the eligibility limit since it corresponds to Tier 3 own funds.

During the period covered by this report, there was an increase in the solvency capital requirement (SCR) of around EUR 91.82 million, when compared with the figure at 31 December 2020.



This increase resulted, to a large extent, from the evolution of market risk, due to the increase in property risk, explained by the increase in exposure to real estate assets, the increase in interest rate risk, justified by the change in both the portfolio and the duration of the contracts and the interest rate curve, but also by the reduction in the best estimate of the liabilities of the life segment, together with the annual update of the assumptions based on the historical analysis of the same in the Company's portfolio, and the shareholder risk, justified by the significant increase in the symmetric adjustment, and the end of the application of the transitional measure on shareholder risk.

It is also worth noting the increase in the health underwriting risk, which essentially arises from the Company's activity and the catastrophic risk derived from the significant increase in persons exposed to risk and their respective average salaries considered in the scenario established for calculating concentration risk.

The increase in the non-life underwriting risk resulted from the Company's activity, with an increase in the volume of premiums and reserves of contracts in the motor and fire lines, and the increase in catastrophic risk, which was impacted by the increase in business in the third party liability line of business.

Finally, there was an increase in operational risk, reflecting the evolution of the Company's activity in the life business and the increase in unit-linked expenses.

VALUATION FOR SOLVENCY PURPOSES

A description is provided of the bases, methods and main assumptions used for the valuation of assets for solvency purposes, and how these compare with those used in the financial statements. This information is divided into financial assets, real estate assets and other assets.

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference	Solvency II previous year
Financial assets	15,048,369	15,162,373	**-114,004**	**14,776,942**
Real estate assets	334,563	326,559	**8,004**	**454,841**
Other assets	870,675	893,594	**-22,919**	**773,688**
Reinsurance recoverables	276,074	401,908	**-125,834**	**180,542**
Total	**16,529,681**	**16,784,434**	**-254,753**	**16,186,013**

The main differences, by class of asset, are as follows:

Holdings in related undertakings, including participations

This results from the valuation, for solvency purposes, of unlisted subsidiaries using the Adjusted Equity Method (AEM) (net, the total value of these holdings for solvency purposes fell by m€ 122,806).

The total difference includes, among others, the impacts of the valuation of Luz Saúde S.A. (reduction in the value of the participation by m€ 173,466), FID Peru, S.A. (reduction of m€ 137,216) and Fidelidade Property Europe, S.A. (increase of m€ 215,310).

Deferred tax assets

The difference results from the application of the tax rate to losses with taxable temporary differences implicit in the balance sheet for solvency purposes, that is, after adjustments with a negative impact on own funds.

Reinsurance and special purpose vehicles recoverables

The differences result from the method applied to calculate the best estimate, which uses assumptions that are not considered in the financial statements.

The differences between the amounts for solvency purposes in 2020 and those in 2021 reflect the evolution of the Company's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of the assets for solvency purposes.

A description is provided of the bases, methods and main assumptions used for the valuation of technical provisions for solvency purposes, and how these compare with those used in the financial statements. This information is segmented into Life, Non-Life, Health – SLT (Similar to Life Techniques) and Health – NSLT (Not Similar to Life Techniques).

The Company applied the transitional measure, set out in Article 25 of Law No. 147/2015, of 9 September, on technical provisions for liabilities similar to life regarding the homogeneous risk groups "Capital redemption products", with and without profit-sharing, and "Health – SLT", related with liabilities with workers' compensation contracts.

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference	Solvency II previous year
Life	9,614,017	10,036,489	**-422,472**	**10,212,907**
Non-Life	819,565	1,123,621	**-304,056**	**676,040**
Health – SLT	1,151,547	991,589	**159,958**	**1,155,039**
Health – NSLT	222,405	257,622	**-35,217**	**199,065**
Total	**11,807,534**	**12,409,321**	**-601,787**	**12,243,051**

The main differences result, on the one hand, from the use of different bases, methods and main assumptions for the valuation of the technical provisions for solvency purposes and in the financial statements, and, on the other, from the application of the transitional measure mentioned above.

The differences between the amounts for solvency purposes in 2020 and those in 2021 reflect the evolution of the Company's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of the technical provisions for solvency purposes.

Pursuant to Article 25 of Law No. 147/2015, of 9 September, the Company applied the transitional deduction to technical provisions on the first day of 2021. The table below shows the amount of that deduction at 31 December 2021.

Amounts in thousand euros

Lines of Business / Homogeneous Risk Groups		Transitional Deduction		
		Recalculation 1/1/2019	Decrease anual	Amount at 31/12/2021
29 and 33	Life insurance liabilities - Health – SLT	256,882	-19,760	**217,362**
30	Life insurance liabilities - Insurance with profit sharing - Capital redemption products	137,145	-10,550	**116,046**
32	Life insurance liabilities - Other liabilities similar to life - Capital redemption products	192,764	-14,828	**163,108**
Total		**586,791**	**-45,138**	**496,516**

A comparison is also provided between the valuation of other liabilities for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

Liabilities	Solvency II	Financial statements	Difference	Solvency II previous year
Contingent liabilities	0	0	**0**	**0**
Provisions other than technical provisions	67,560	67,560	**0**	**55,500**

Pension benefit obligations	88	88	0	86
Deposits from reinsurers	130,147	130,147	0	108,430
Deferred tax liabilities	326,019	87,375	238,644	376,744
Derivatives	312,627	312,639	-12	43,470
Debts owed to credit institutions	0	0	0	26,226
Financial liabilities other than debts owed to credit institutions	26,756	26,756	0	30,011
Insurance and intermediaries payables	98,251	105,557	-7,306	65,355
Reinsurance payables	78,713	85,916	-7,203	102,555
Payables (trade, not insurance)	111,469	111,469	0	94,415
Subordinated liabilities	515,360	501,054	14,306	0
Any other liabilities, not elsewhere shown	142,367	134,321	8,046	133,862
Total	**1,809,357**	**1,562,882**	**246,475**	**1,036,654**

The main difference, by class of liabilities, is:

Deferred tax liabilities

The difference results from the application of the tax rate to gains with taxable temporary differences implicit in the balance sheet for solvency purposes, that is, after adjustments with a positive impact on own funds.

The differences between the amounts for solvency purposes in 2020 and those in 2021 reflect the evolution of the Company's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of other liabilities for solvency purposes.

CAPITAL MANAGEMENT

The table below presents a comparison of the own funds as set out in the Company's financial statements and the excess of assets over liabilities calculated for solvency purposes.

Amounts in thousand euros

	Solvency II	Financial statements	Difference	Solvency II previous year
Assets	16,529,681	16,784,434	-254,753	16,186,013
Technical Provisions	11,807,534	12,409,321	-601,787	12,243,051
Other liabilities	1,809,357	1,562,882	246,475	1,036,654
Excess of assets over liabilities	**2,912,790**	**2,812,231**	**100,559**	**2,906,308**

Regarding the structure, amount and tiering of basic own funds, the Company does not have any ancillary own funds and most of the basic own funds are classified as Tier 1, while the other basic own funds are Tier 2 and relate to subordinated liabilities.

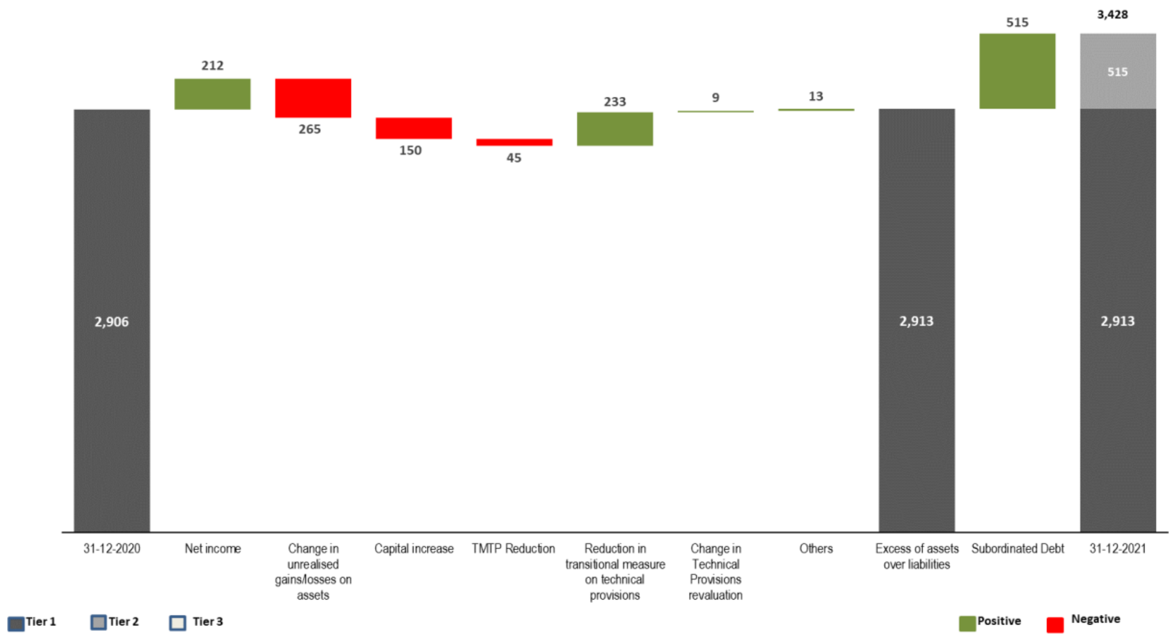
The table below shows the amounts of own funds available and eligible to meet the solvency capital requirement (SCR) and the minimum capital requirement (MCR), classified by tier, relating to 31 December 2021 and 31 December 2020.

Amounts in thousand euros

	Available own funds to meet				Eligible own funds to meet			
	SCR	SCR previous year	MCR	MCR previous year	SCR	SCR previous year	MCR	MCR previous year
Tier1	2,912,641	2,906,159	2,912,641	2,906,159	2,912,641	2,906,159	2,912,641	2,906,159

Tier 2	515,360	0	515,360	0	515,360	0	83,557	0
Tier 3	0	0	0	0	0	0	0	0
Total	3,428,001	2,906,159	3,428,001	2,906,159	3,428,001	2,906,159	2,996,198	2,906,159

The graph below shows the main changes to the Company's available own funds during the period covered by this report.



When calculating the Solvency Capital Requirement (SCR), the Company uses the standard formula and does not apply any internal model.

Calculation of capital requirements of the currency risk sub-module includes the effect of hedging of exchange rate exposure of assets held in portfolio denominated in American dollars (USD), Hong Kong dollars (HKD) and Pounds sterling (GBP), via the use of futures and foreign exchange forwards and swaps, and of assets denominated in Yen (JPY), via the use of foreign exchange forwards.

The counterparty default risk module also takes into account exposure to counterparties with which the above-mentioned hedging is performed.

When calculating the Solvency Capital Requirement (SCR), the Company uses the standard formula set out in Articles 119 to 129 of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance, approved by Law No. 147/2015, of 9 September, and does not use simplified calculations or undertaking specific parameters.

The minimum capital requirement was calculated in line with that set out in Article 147 of the above Framework.

The solvency capital requirement (SCR) and the minimum capital requirement (MCR), and the respective coverage ratios, relating to 31 December 2021 and 31 December 2020 were as follows:

Amounts in thousand euros

	Capital Requirements	Capital Requirements previous year	Coverage Ratio	Coverage Ratio previous year
SCR	1,620,470	1,528,650	211.54%	190.11%
MCR	417,785	439,136	717.16%	661.79%

The SCR coverage ratio increased significantly as a result of the growth in available own funds to meet the SCR, greater in proportion to the increase in capital requirements.

Lastly, it should be stressed that if the Company did not apply the transitional deduction to technical provisions, the solvency capital requirement (SCR) and the minimum capital requirement (MCR) would be 176.20% and 581.65%, respectively.

Fidelidade has been following the effect of the Coronavirus / COVID-19 pandemic on its solvency ratio, and the most recent analyses indicate that the Company has Eligible Own Funds comfortably above the Solvency Capital Requirement.

The Company has implemented and will continue to strictly implement the requirements and guidelines of the General Directorate of Health and all indications of the state and regulatory authorities and will increase its support for the prevention and control of epidemics.