

FIDELIDADE

SEGUROS DESDE 1808

2021 Annual Results

Lisbon, March 15, 2022

Audited figures

Fidelidade gross written premiums (GWP) reached 4.912 M€, a 38,0% YoY rise, explained by the solid growth in Life and Non-Life businesses, both in Portugal and in the international operations. Net income improved to 270 M€ in 2021, a 21,6% increase compared to the previous year's result. RoAE was 8,8%, a 1,3 percentage point improvement compared to 2020.

Key Figures (€ Mn, otherwise noted)	2020	2021	Change YoY
Gross Written Premiums	3.558,1	4.911,6	38,0%
Net Income	222,3	270,2	21,6%
Shareholder's Equity	3.111,0	3.054,7	-1,8%
Fidelidade Group's SCR Coverage Ratio ¹	144%	180%	36 p.p.

¹ September 2021 non-audited estimation

Rogério Henriques, Chief Executive Officer of Fidelidade, commented on the results:

“2021 figures reflect two key components of Fidelidade’s strategy. The first is becoming a key retirement and savings market player by growing our non-guaranteed Life products business with a value proposition that combines a strong product lineup and client-friendly distribution channels. The second is taking advantage of opportunities on international markets to lever existing operations and share best practices across geographies.”

“The commercial innovation effort during the year centered in our clients’ needs and the use of technology and automation. These initiatives included launching several apps, developing a new retail channel, and creating new products aimed at specific client groups.”

“In 2021 we continued our strategy of optimizing our balance sheet with the inaugural issuance of subordinated Tier 2 debt. The investment grade ratings Fitch Ratings assigned Fidelidade in December, A in Insurance Financial Strength and A- in as long-term issuer, confirms the financial strength of the company.”

“I would like to thank our clients for their continued confidence on Fidelidade, as well as our agents, partners and employees for their hard work in finding innovative solutions for our clients.”

Fidelidade Group’s 2021 Key Highlights

Gross Written Premiums

Total Gross Written Premiums (€ Mn)	2020	2021	Change YoY
Portugal	2.695,2	3.882,2	44,0%
International	862,9	1.029,4	19,3%
Total Premiums Management Accounts	3.558,1	4.911,6	38,0%

Fidelidade delivered a strong performance in 2021. The main drivers behind the 38% GWP growth were the Life business in Portugal, which grew 95% from 1.169 M€ in 2020 to 2.278 M€ last year, propelled by the shift to non-guaranteed products, and the international business, which surpassed the 1.000 M€ mark for the first time with a 19,3% increase.

In the domestic front, this is the result from the combination of both a solid commercial performance from the different channels, leveraging the omnichannel approach, and a permanent quest for product innovation. Fidelidade product offer continues evolving to combine a solid core offer, with innovative value propositions centred in the clients’ needs and the use of technology and automation. Examples of this effort in 2021 were the rollout of the senior’s solution Alô, the home service’s app Fixo and the savings platform My Savings.

Fidelidade total market share in Portugal increased 1,9 percentage points to 29.1%. In the Life market the expansion was 3,8 percentage points to 29,5% on the back of the non-guaranteed business growth (its share increased from 20,1% to 27,2%). The Non-Life business achieved a steady 28,5% market share, a 0,3 percentage point rise YoY.

In the international front, Fidelidade kept growing organically in most of its operations, leveraging the economic recovery of its different markets, and the improved capabilities of its operations. The international governance model implemented recently enabled the different operations to further leverage synergies with headquarters.

Total Gross Written Premiums (€ Mn)	2020	2021	Change YoY
Non-Life	2.132,7	2.283,1	7,1%
Life – Risk & Annuities	370,3	443,1	19,7%
Life Financial - Insurance Contracts	74,6	89,6	20,0%
Total Premiums P&L	2.577,6	2.815,7	9,2%
Life Financial - Investment Contracts	980,5	2.095,9	113,8%
Total Premiums Management Accounts	3.558,1	4.911,6	38,0%

Life Gross Premiums Written per LoB (€ Mn)	2020	2021	Change YoY
Life Financial guaranteed products	669,8	913,2	36,3%
Life Financial non-guaranteed products	385,4	1.272,2	230,1%
Life Financial	1.055,1	2.185,4	107,1%
Life - Risk & Annuities	370,3	443,1	19,7%
Total Life Premiums	1.425,4	2.628,5	84,4%

The 230% expansion in the non-guaranteed Life products to 1.272 M€ in 2021 GWP is the result of Fidelidade's strategic decision to become a key retirement and savings market player and simultaneously optimize its capital structure. This view has been implemented with a value proposition that puts together a sound product lineup designed to satisfy clients' needs through the life cycle and a strong array of distribution channels, headed by the bancassurance relationship with the Caixa Geral de Depósitos. On the back of these efforts, non-guaranteed Life premiums have experienced a more than 12-fold upsurge since 2019.

The Life business has gone through an important transformation throughout 2021. Especially in the Portuguese front, 2021 was very successful regarding the reshape of the Life business, namely with the strong commercial push in non-guaranteed products, which accounted for more than 55% of overall Portuguese Life premiums by year end. This was part of the predefined strategy to reduce capital intensity of the Portuguese business, and it also required the active engagement with the most relevant Life distribution channels, including the banking channel Caixa Geral de Depósitos, and the development of several non-guaranteed product series.

Non-Life Gross Written Premiums per LoB (€ Mn)	2020	2021	Change YoY
Motor	659,6	668,2	1,3%
Health	435,3	467,0	7,3%
Fire and other damage	432,6	477,6	10,4%
Workers' compensation	291,4	312,1	7,1%
Other ¹	313,8	358,2	14,2%
Total Non-Life Premiums	2.132,7	2.283,1	7,1%

¹ Includes Motor insurance assistance and legal protection

The Non-Life business benefited also from the performance both in Portugal and abroad. The Portuguese Non-Life business provided a solid 5.2% rise in GWP. All the main Non-Life businesses contributed to the positive performance YoY (Motor +0,8%, Health +5,9%, Fire +8,8% and Workers Compensation +4,1%). On the other hand, Non-Life business from international operations increased 12,1% YoY, building on the solid growth, especially in the Latin American operations.

Profitability

Net income reached 270,2 M€, a 21,6% growth compared to the previous year. The two main drivers underpinning this increase were the resilient Non-Life underwriting results, despite the normalization of claims post COVID-19, and a strong investment result.

Non-Life Technical Ratios (%)	2020	2021	Change YoY
Consolidated Combined Ratio	89,8%	93,4%	3,7 p.p.
<i>Net Loss Ratio</i>	61,9%	64,9%	3,0 p.p.
<i>Net Expense Ratio</i>	27,9%	28,5%	0,6 p.p.
Combined Ratio – Portugal	90,3%	93,0%	2,7 p.p.
Combined Ratio – International	88,2%	96,6%	8,4 p.p.

Non-Life combined ratio increased 3,6 percentage points from 89,9% to 93,4%. The rise was mainly the result of a 2,9 percentage point increase in the loss ratio. The two businesses with more noteworthy loss ratio upsurges were Health and Motor, with claims frequency returning to more normal levels.

Underwriting Result (€ Mn)	2020	2021	Change YoY
Non-Life	180,0	113,5	-36,9%
Life Risk	39,0	4,2	-89,3%
Life Financial Underwriting Costs	-68,3	-72,4	6,0%
Total Underwriting Result	150,7	45,3	-69,9%

The total underwriting result was 45,3 M€, a 69,9% reduction compared to 2020, resulting from a combination of both the normalization of claims post COVID-19 stated above, and the extraordinary impacts felt in Life Risk business in Peru related with abnormally high pandemic mortality.

Profitability	2020	2021	Change YoY
Investment income (M€) *	399,9	567,3	41,9%
Investment yield (%) *	2,4%	3,6%	1,2 p.p.
Investment result (M€)	198,6	330,4	66,4%
Net income (M€)	222,3	270,2	21,6%

* Excludes unit link portfolios

The investment result was 330,4 M€, 66,4% higher YoY. The average yield increased from 2.4% in 2020 to 3.6%, influenced by the stability of recurrent income and the materialization of capital gains, both in financial assets and real estate.

Balance Sheet

Assets under management increased 2% to 17,8 Bn€ and shareholders equity closed the year at 3,1 Bn€, down 1,8% from December 2020. The RoAE reached 8,8% and the RoTA 10,9%. Fidelidade's latest consolidated Solvency II ratio estimate, from September 2020, is 180%. The end of the year estimate will be published in April and audited figures will be available in May.

In 2021 Fidelidade continued its strategy of managing the balance sheet and using capital more efficiently. This effort materialized through the year in several initiatives: the continuing reshaping of the Life business towards non-guaranteed products, actively incorporating capital usage in the investment portfolio decision process, among others.

Additionally, Fidelidade optimized the structure of its Balance Sheet by promoting an inaugural issuance of subordinated Tier 2 debt, therefore strengthening the capital position with an additional 500 M€.

Balance sheet	2020	2021	Change
Assets Under Management (M€)*	17.432	17.784	2,0%
Shareholders' Equity (M€)	3.111	3.055	-1,8%
RoAE (%)	7,5%	8,8%	1,3 p.p.
RoTE (%)	9,3%	10,9%	1,6 p.p.

* Includes own use properties and is net of Investment related liabilities

The strength of Fidelidade financial profile and balance sheet was further confirmed by Fitch in the second half of 2021, with the validation of an investment grade rating A (Insurance Financial Strength) and A- (Long-Term Issuer Default Rating).

Recent Developments

Two recent developments occurred regarding Fidelidade's international expansion:

- In December 2021, Fidelidade acquired 70% of SIM-Seguradora Internacional de Moçambique (main brand being Impar). This transaction allows Fidelidade to consolidate its market position in Mozambique, where it already operates since 2014.

Impar operates in the Life and Non-Life businesses through traditional as well as the banking channels, the latter through Millennium Seguros, in Mozambique. Fidelidade gains access to a strong bancassurance platform and, in conjunction with its existing business in the country, places the new combined operation as the third largest player in the market. In 2020 SIM achieved GWP of 21 M€ (2021 SIM result is not part of Fidelidade's consolidated figures).

- In February 2022, Fidelidade acquired 70% of the share capital of The Prosperity Company (TPC). It is an insurtech, whose main activity is the development of long-term savings products based on innovative technological solutions. Company is based in Liechtenstein, although 98% of its customers are Swiss and German. TPC provides

Fidelidade with further capabilities in the Life savings space, especially in the non-guaranteed one. TPC 2021 GWP reached 208,3 M€ (this result is not included in Fidelidade's 2021 consolidated figures).

Definitions

Total Premiums Management Accounts: total of the insurance premiums as defined by IFRS 4 (“Total Premiums P&L”) plus the investment contracts, as defined by IFRS 4 which refers the related discipline to IAS 39.

Underwriting Result: measures the pure underwriting performance of the insurance business (without considering the investment performance and non-technical income/ costs). It results from the sum of i) earned premiums net of reinsurance, plus ii) the fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts, minus iii) claims costs net of reinsurance (excluding claims costs related to workers compensation technical interest), plus/ minus iv) other technical provisions, net of reinsurance, plus/ minus v) mathematical provision for Life insurance, net of reinsurance (adjusted by excluding extraordinary costs related to the change in workers compensation pensions discount rate, profit sharing provisioning and provision for rate commitment), plus/ minus vi) profit sharing, net of reinsurance, minus vii) operating costs and expenses, net, plus/minus viii) other technical income/expenses, net of reinsurance (including Luz Saúde positive impact).

RoAE: measure of a company’s overall profitability. It is calculated by dividing the fiscal year’s net income by an average of the fiscal year’s beginning and end shareholders’ equity figures.

RoTE: measure of a company’s overall profitability. It is calculated by dividing the fiscal year’s net income by an average of the fiscal year’s beginning and end tangible shareholders’ equity figures. Tangible shareholder’s equity is calculated by subtracting intangible assets (including goodwill) and preferred equity to total shareholder’s equity.

Investment Income: Income that comes from interest payments, dividends, capital gains collected upon the sale of Financial assets, and any other profit made through an investment vehicle of any kind, excluding unrealized gains that are recognized through other comprehensive income.

Investment Yield: Return earned on the company’s Assets under Management. It is obtained by dividing investment income before income taxes by the average Assets Under Management (i.e., average Assets Under Management at the beginning and at the end of the fiscal year).

Assets Under Management: (i) in 2020 (IFRS 9) corresponds to the sum of the following balance sheet items: cash and cash equivalents, investments in associates and joint ventures, financial assets and liabilities at fair value through profit or loss, hedge derivatives, financial assets designated at fair value through other comprehensive income, financial assets at amortized cost, investment properties and non-current assets held for sale and (ii) in 2019 (IAS 39) corresponds to the sum of the following balance sheet items: cash and cash equivalents, investments in associates and joint ventures, financial assets and liabilities held for trading, financial assets initially recognized at fair value through profit or loss, hedge derivatives,

available-for-sale investments, loans and accounts receivable, held-to-maturity investments, investment properties and non-current assets held for sale.

SCR Coverage Ratio: computed as defined in the Solvency II Directive.