Fidelidade

Consolidated

Solvency and Financial Condition Report

Summary Translation

2021

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 and insurance groups to disclose publicly, on an annual basis, a report on their solvency and financial condition.

The qualitative information that insurance groups are required to disclose is set out in Chapter V of Title II 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, 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.

A. BUSINESS AND PERFORMANCE

The Fidelidade Group operates in the Portuguese insurance market, selling products across all lines of business, as part of a multi-brand strategy using a vast and diversified distribution network. The Fidelidade Group's products reach customers through three different brands, Fidelidade, Multicare and OK!Teleseguros, all of which are leaders in their segments.

The Fidelidade Group has a wide range of products and services available to its customers, resulting from its solid experience and the constant focus on diversification and innovation. The Group has been developing a comprehensive offer in the insurance business and reaffirming its aim of positioning itself more as a partner for its customers in the provision of protection and assistance services.

Within the scope of the insurance business, the Fidelidade Group has a wide range of products, which cover most Life and Non-Life lines of business.

Through the Group companies, services are also provided in other areas such as Health, Assistance, Real Estate, Asset Management, Loss Adjusting and Motor Vehicle Repairs.

Throughout 2021, the Fidelidade Group continued to invest in the launch of innovative products to meet customers' needs.

International Presence

Beyond the operation in Portugal, the Fidelidade Group´s international insurance business is an important means of sustained growth and pursuit of its medium and long-term goals. The Group currently operates in four continents and twelve countries.

The Group regards international expansion as a strategic priority to diversify its business, create synergies and transfer innovation between companies and, above all, between markets. The Group is also committed to developing the markets where it chooses to operate, in terms of both developing people and creating infrastructures or providing services and solutions for the people, while always keeping in mind the importance of guaranteeing that every operation is financially and operationally sustainable.

Until 2019, Fidelidade's internationalisation strategy had been focused on Portuguese-speaking markets. That year marked a turning point when the Group entered Latin America. It acquired a majority share in the La Positiva Insurance Group, a leading company in the Peruvian market, set up a new insurer in Chile, and gained access to the Bolivia and Paraguay market. Currently, with the inclusion of these companies in the Fidelidade Group, the number of Spanish-speaking employees and customers in the Group is similar to that of their Portuguese-speaking counterparts.

[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.

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, a success that reflects the restructuring of the Life Financial line of business. On the other hand, the Non-Life segment proved resilient during the pandemic, and Fidelidade increased its share compared to the previous year, reflecting the contribution of most lines of business.

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 was 93.4%, increasing 3.7 pp compared to the previous year, reflecting the return to normal of claims rates in most lines of business. This had a negative impact on the technical income, which totalled EUR 45.3 million this year.

Investment income saw an increase of 66.4% reaching EUR 330.4 million, influenced by capital gains on investments in both financial and real estate assets.

The positive evolution of investment income more than compensated for the drop in technical income, enabling net income to increase by EUR 47.9 million compared to 2020, to EUR 270.2 million.

At the end of 2021, the Fidelidade Group 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, and the annualised average yield from the investment portfolio was 3.5%, in a climate of very low interest rates.

Fidelidade has a prudent investment strategy, with 79% of its portfolio being composed of debt securities and treasury, 16% real estate and 5% equities. In 2021, the policy of diversifying by class of asset and geographies was continued, as a means of maximising yield with an appropriate level of risk given the climate of low interest rates, and taking into account capital optimisation under the Solvency II rules.

In 2021, Technical Provisions stood at EUR 14.1 billion, displaying a slight increase of 0.3% compared to 2020, influenced by the increase in provisions in the Non-Life segment, more than compensating the decrease in provisions in the Life business.

Shareholders' Equity, excluding Minority Interests, was EUR 3,054.7 million, and the average return on shareholders' equity (ROE) was 8.8%.

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

B. SYSTEM OF GOVERNANCE

Since Fidelidade – Companhia de Seguros, SA, is the most representative company of the Group, the governance requirements applied to the insurance Group are defined therein. Accordingly, the relevant body to which the Group's governance requirements apply is the Executive Committee of Fidelidade – Companhia de Seguros, S.A.

Fidelidade 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 remuneration policy applicable to the management body and the way the practices in it are established promote sound and effective risk management and do not encourage excessive risk-taking.

Since 2019, following the expansion of the Fidelidade Group's international insurance business, and the approval of the international governance model, the risk management and internal control systems are managed by bodies within Fidelidade structure which perform functions across the Fidelidade Group's insurance business in Portugal and perform a supervisory role internationally.

Likewise, key functions of risk management, internal audit, actuarial and compliance, within the risk management and internal control systems, are carried out by Fidelidade bodies which perform functions across the Fidelidade Group's insurance business in Portugal and perform a supervisory role internationally.

The Fidelidade Group's insurance business 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.

The aim of Fidelidade's ORSA Policy is to establish general principles for the own risk and solvency assessment. The ORSA plays a critical role in the management of the Fidelidade Group's insurance companies, and the results obtained from it are taken into consideration in Risk Management, in Capital Management and in Decision Making.

The rules and principles that the 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 portfolios of the Fidelidade Group's insurance companies, the actuarial function is subdivided into life actuarial and non-life and health actuarial, which are independent in functional terms.

A series of objective and transparent rules, which are subject to specific approval mechanisms, are applicable to transactions with related parties.

The operational risk and internal control management processes described in this report enable the dissemination, to all the Group Companies, of a culture of risk management, thereby strengthening the protection of their stakeholders, in particular, the policyholders and beneficiaries.

Lastly, there were no material changes in the governance either of Fidelidade or of the Companies held by it during the period covered by this report.

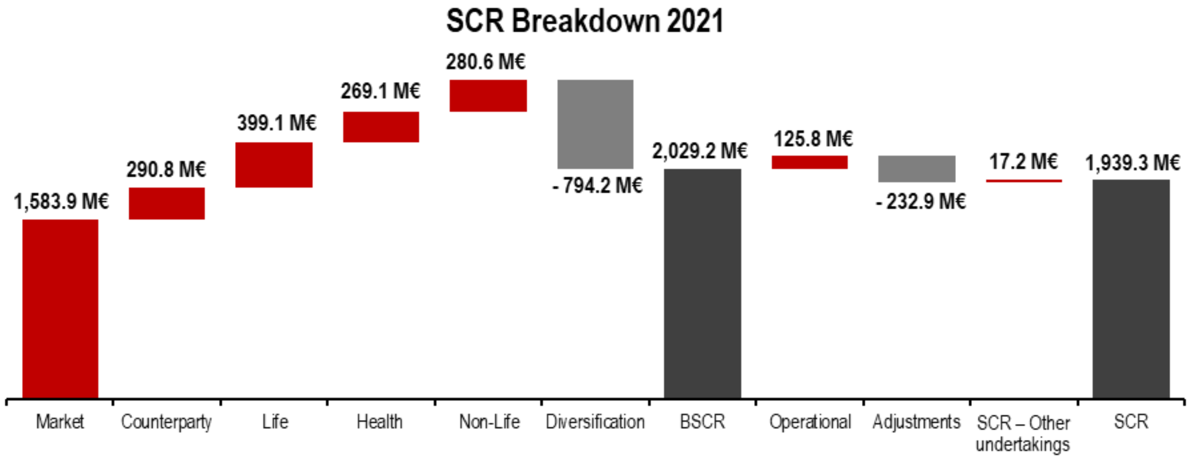
C. RISK PROFILE

Risk management is an integral part of the daily activities of the Fidelidade Group's insurance companies. An integrated approach is applied to ensure that the group companies' strategic objectives (customers' interests, financial strength and efficiency of processes) are maintained.

Accordingly, to outline Fidelidade's consolidated risk profile, the various risks to which the Group is exposed are identified and then assessed.

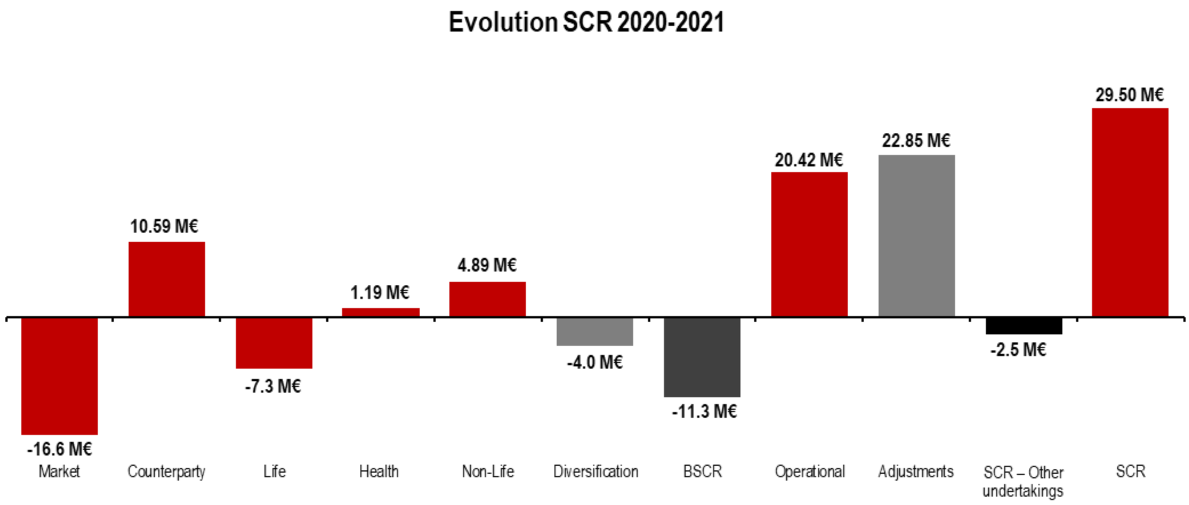
The risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks, not included in that formula, the Group has opted to use a qualitative analysis to classify the foreseeable impact on its capital needs.

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



The market risk is clearly prominent in this requirement, followed by the much lower underwriting risks (of which the Life underwriting risk is more significant) and counterparty default risk. Operational risk is the lowest of the risk modules that make up the SCR calculated on the basis of consolidated data in line with Article 336 a) of Delegated Regulation (EU) 2015/35.

During the period covered by this report, there was an increase in the solvency capital requirement (SCR) of around EUR 29.50 million, when compared with the figure at 31 December 2020.



The following elements can be highlighted in this evolution:

- the decrease in market risk;
- the increase in operational risk,
- the increase in counterparty default risk, and
- the decrease in the life underwriting insurance.

Various risk mitigation techniques are in use, or are being studied, at Fidelidade, for a set of risks to which the Fidelidade Group is exposed.

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

D. VALUATION FOR SOLVENCY PURPOSES

Assets

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. Recoverable amounts from reinsurance contracts and special purpose vehicles are also presented. The following table summarises the comparison.

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference	Solvency II previous year
Financial assets	16,357,262	16,349,577	**7,685**	**16,100,371**
Real estate assets	589,043	580,316	**8,727**	**695,794**
Other assets	1,327,146	1,485,698	**-158,552**	**1,187,317**
Reinsurance recoverables	467,145	576,104	**-108,959**	**315,391**
Total	**18,740,596**	**18,991,695**	**-251,099**	**18,298,873**

Financial Assets

The following table presents a comparison of the valuation of financial assets for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference
Holdings in related undertakings, including participations	2,261,233	2,262,630	**-1,397**
Equities — listed	545,193	545,210	**-17**
Equities — unlisted	28,363	28,837	**-474**
Government bonds	4,059,356	4,038,786	**20,570**
Corporate bonds	6,186,733	6,186,697	**36**
Structured notes	205,494	205,494	**0**
Collateralised securities	0	0	**0**
Collective investment undertakings	907,766	918,707	**-10,941**
Derivatives	28,076	28,076	**0**
Deposits other than cash equivalents	375,123	374,870	**253**
Other investments	0	0	**0**
Assets held for index-linked and unit-linked contracts	1,759,925	1,760,270	**-345**
Total	**16,357,262**	**16,349,577**	**7,685**

The differences, by class of asset, are:

<u>Holdings in related undertakings, including participations</u>

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 EUR 1,397 thousand*)*.

The total difference includes (among other less relevant impacts) the impact of the valuation of Luz Saúde using the Adjusted Equity Method (AEM) (the value of this holding for solvency purposes decreased by EUR 173,466 thousand) and of the valuation of Fidelidade Property Europe (increase of EUR 215,310 thousand in the solvency valuation).

Equities – listed

This results from valuation adjustments to standardise prices of assets held in more than one geography, specifically in the case of Macau Vida.

Equities - unlisted

This results from the valuation, for solvency purposes, of unlisted securities using the Adjusted Equity Method (AEM).

Government bonds

The difference corresponds to potential gains from the portfolio of financial assets valued at amortised cost recognised in Solvency II.

Corporate bonds

This results from valuation adjustments to standardise exchange rates on assets held outside the Euro area and the price of an asset held in several locations.

Collective investment undertakings

This results from funds valuation adjustments where the look-through approach was applied. In the statutory financial statements, the available valuation at the close of accounts date was considered. In some funds this did not correspond to the year-end valuation. For Solvency II purposes, it was possible to consider the year-end valuation that was made available in the meantime by the collective investment undertakings.

Deposits other than cash equivalents

This results from the difference, when negative, between the balances of current accounts related with futures contracts and the components relating either to the valuation of unmatured contracts (recorded under the heading “Derivatives”) or to the initial margin (collateral), which was considered in the valuation for solvency purposes under the heading “Any other liabilities, not elsewhere shown” in other liabilities.

A less material part of this difference is explained by exchange rate differences in deposits of non-European companies, since the solvency valuation always starts from the values in the source currency rather than in the local currency, which generates small exchange rate differences.

Assets held for index-linked and unit-linked contracts

This results from the closing quoted prices at 31 December 2021 being obtained at different times. In the financial statements the valuation at 31 December 2021 was made some hours before the close of some financial markets which have an extended or continuous operation. For Solvency II it was possible to consider the final value after the close of all financial markets.

At the same time, this difference also results from adjustments to the valuation of funds in unit-linked portfolios for which the look-through approach was applied. In the statutory financial statements, the available valuation at the close of accounts date was considered. In some funds this did not correspond to the year-end valuation. For Solvency II purposes, it was possible to consider the year-end valuation that was made available in the meantime by the collective investment undertakings.

Real estate assets

The following table presents a comparison of the valuation of real estate assets for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference
Property, plant and equipment held for own use	153,939	132,499	**21,440**
Property (other than for own use)	229,196	241,951	**-12,755**
Collective investment undertakings	205,908	205,866	**42**
Total	**589,043**	**580,316**	**8,727**

The differences, by class of asset, are:

Property, plant and equipment held for own use

In the financial statements, the valuation at cost was considered, so the difference is due to the fact that in Solvency II the properties are being valued at fair value, as required by the Supervisory Authorities.

Property (other than for own use)

This results from the revaluation at fair value of property held in the Fid Perú perimeter.

Collective investment undertakings

This results from funds valuation adjustments where the look-through approach was applied. In the statutory financial statements, the available valuation at the close of accounts date was considered. In some funds this did not correspond to the year-end valuation. For Solvency II purposes, it was possible to consider the year-end valuation that was made available in the meantime by the collective investment undertakings.

Other Assets

The following table presents a comparison of the valuation of other assets for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference
Goodwill	0	43,441	**-43,441**
Deferred acquisition costs	0	80,436	**-80,436**
Intangible assets	0	141,237	**-141,237**
Deferred tax assets	303,667	162,622	**141,045**
Pension benefit surplus	12,247	12,247	**0**
Loans and mortgages to individuals	0	0	**0**
Other loans and mortgages	0	0	**0**
Loans on policies	1,204	1,202	**2**
Deposits to cedants	948	948	**0**
Insurance and intermediaries receivables	330,148	364,142	**-33,994**

Reinsurance recoverables	84,922	84,924	**-2**
Receivables (trade, not insurance)	27,400	27,400	**0**
Own shares (held directly)	149	149	**0**
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	**0**
Cash and cash equivalents	542,011	542,500	**-489**
Any other assets, not elsewhere shown	24,450	24,450	**0**
Total	**1,327,146**	**1,485,698**	**-158,552**

The differences, by class of asset, are:

Goodwill and Deferred acquisition costs

The value of these assets for solvency purposes is zero, in accordance with the Delegated Regulation.

Intangible assets

In order for these assets to have a value in the balance sheet for solvency purposes, they must be able to be sold separately and, moreover, it would be necessary to demonstrate that there is an active market in which similar intangible assets are traded. Given that the group's assets considered in this class do not meet these requirements, their value for solvency purposes is zero.

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.

Loans on insurance policies

The difference is due to an unnatural loan, which by imposition of the Solvency Rules II is represented in Liabilities under the heading " Any other liabilities, not elsewhere shown ".

Insurance and intermediaries' receivables

The difference relates to receivables for reimbursement of amounts paid out in claims. This amount is considered in the Non-Life technical provisions, given that its valuation for solvency purposes is net of these receivables.

Reinsurance recoverables

The difference relates to receivables for reimbursement of amounts paid out in claims. This amount is considered in the Non-Life technical provisions, given that its valuation for solvency purposes is net of these receivables.

Cash and cash equivalents

This results from the difference, when negative, between the balances of current accounts related with futures contracts and the components relating either to the valuation of unmatured contracts (recorded under the heading "Derivatives") or to the initial margin (collateral), which was considered in the valuation for solvency purposes under the heading "Any other liabilities, not elsewhere shown" in other liabilities.

Part of the difference is explained by of the different methods used in the integration of the accounts of non-European companies, since the valuation for solvency purposes always starts from the values in the source currency, while in the statements the starting point is the valuation in local currency, which generates some exchange rate differences.

Reinsurance and special purpose vehicles recoverables

The following table shows the amounts recoverable from reinsurance contracts and special purpose vehicles, by line of business.

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference
Life and health similar to life, excluding health insurance and index-linked and unit-linked	86,929	102,981	-16,052
Life, index-linked and unit-linked	0	0	0
Non-life, excluding health insurance	354,206	439,641	-85,435
Accidents and Health similar to life	0	0	0
Accidents and Health similar to non-life	26,010	33,482	-7,472
Total	**467,145**	**576,104**	**-108,959**

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

- Probability of counterparty default;
- Consideration of the effects of inflation;
- Discounting of estimated liabilities;
- Method for calculating the provision for premiums

Technical provisions

The valuation of technical provisions for solvency purposes and a comparison with that used in the financial statements is presented in this report, segmented into:

- Life;
- Non-Life;
- Health:
  - SLT (Similar to Life Techniques);
  - NSLT (Not Similar to Life Techniques).

The following table summarises the comparison.

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference	Solvency II previous year
Life	10,900,341	11,225,593	-325,252	11,609,455
Non-Life	1,203,541	1,550,200	-346,659	974,890
Health – SLT	1,214,551	1,036,193	178,358	1,240,097
Health – NSLT	348,445	379,943	-31,498	313,475
Total	**13,666,878**	**14,191,929**	**-525,051**	**14,137,917**

Life

For risk products the differences are basically justified by the different contract boundaries used for the technical provisions in the financial statements for a series of temporary annual renewable (TAR) group life insurance contracts. This change to the contract boundaries has a positive impact on the Company's solvency capital requirement coverage ratio of around 17 pp.

For annuities products, the differences are essentially the result of applying the risk-free interest rate term structure.

The differences in the index-linked and unit-linked classes arise from the current value of the difference between the estimated technical management costs and the future management costs.

For capital redemption products, with and without profit sharing, the differences result, on the one hand, from the application of the transitional measure on technical provisions and, on the other, from the difference between the rates guaranteed to clients and the rates contained in the reference interest rates curve.

Non-Life

The main differences identified result from:

- The provisions calculated on the basis of economic principles include the associated estimate of reimbursements, while the accounting provisions presented are gross of reimbursements;
- A prudent reserving policy, associated with good claims management and follow-up;
- The statutory provisions reflect:
  - Provision for premiums and provision for unexpired risks calculated using a different method to that applied to obtain the provision for premiums under Solvency II;
  - The estimate of payables not discounted.

The heading "Other technical provisions", which only appears in the financial statements with the value of EUR 33.357 thousand, mostly corresponds to amounts allocated to the equalisation provision.

Health-SLT

Considering the adjustment of the transitional measure on technical provisions, the impact of revaluing the provisions results fundamentally from the evolution of the interest rates term structure.

Health-NSLT

The main differences identified between the figures for the accounting provisions and the provisions calculated based on economic principles result from:

- The provisions calculated based on economic principles include the associated estimate of reimbursements, while the accounting provisions presented are gross of reimbursements;
- A prudent reserving policy, associated with good claims management and follow-up;
- The statutory provisions reflect:
  - Provision for premiums and provision for unexpired risks calculated using a different method to that applied to obtain the provision for premiums under Solvency II;
  - The estimate of payables not discounted.

Pursuant to Article 25 of Law No. 147/2015, of 9 September, the Group 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 Annual	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**

Other Liabilities

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	73,694	73,694	**0**	**58,514**
Pension benefit obligations	313	313	**0**	**341**
Deposits from reinsurers	81,278	81,278	**0**	**36,295**
Deferred tax liabilities	356,377	98,075	**258,302**	**414,672**
Derivatives	320,964	320,975	**-11**	**44,461**
Debts owed to credit institutions	0	0	**0**	**40,896**
Financial liabilities other than debts owed to credit institutions	102,776	101,471	**1,305**	**109,460**
Insurance and intermediaries payables	145,731	153,037	**-7,306**	**98,663**
Reinsurance payables	208,792	209,010	**-218**	**183,471**
Payables (trade, not insurance)	162,820	162,820	**0**	**259,031**
Subordinated liabilities	515,360	501,054	**14,306**	**0**
Any other liabilities, not elsewhere shown	172,906	170,631	**2,275**	**160,804**
Total	**2,141,011**	**1,872,358**	**268,653**	**1,406,608**

The differences, by class of liabilities, are:

<u>Deferred tax liabilities</u>

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.

<u>Derivatives</u>

This is largely the result of splitting the heading into assets balance and liabilities balance. The level of detail in Solvency II was greater than that in the financial statements. This effect is also reflected in the corresponding account in assets.

Financial liabilities other than debts owed to credit institutions

The difference corresponds partly to the La Positiva PUT Option of EUR 70,400 thousand, which is valued at EUR 71,706 thousand under SII.

Insurance and intermediaries' payables

The difference relates to payables for reimbursement of amounts paid out in claims. This amount is considered in the Non-Life technical provisions, given that its valuation for solvency purposes is net of these payables.

Reinsurance payables

The difference relates to reinsurance ceded payables for reimbursement of amounts paid out in direct insurance claims. For solvency purposes these payables are included in the Non-Life and Health – SLT technical provisions, the valuation of which was net of these.

Subordinated liabilities

The difference is due to the fact that in Solvency II subordinated liabilities are valued at fair value (strong impact of market data: risk-free interest rate curves and forward rates on the indexing associated with the issue), while in the financial statements, they were initially recognised at fair value (less directly related transaction costs) and subsequently measured at amortised cost.

Any other liabilities, not elsewhere shown

The difference between the Solvency II values and the Financial Statement values results from the reclassification of assets, which, because they are unnatural, cannot be represented in the balance sheet in the area reserved for assets. Thus, the difference observed is decomposed as follows: cash and sight deposits and term deposits, totalling EUR 2,245 thousand, Holdings in related undertakings, including participations, totalling EUR 28 thousand, and Loans on policies, totalling EUR 2 thousand.

E. CAPITAL MANAGEMENT

Method 1 (accounting consolidation-based method) described in Article 270 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, was used to calculate the Group's solvency, using the net data of any intra-group transactions.

The table below presents a comparison between the own funds, as these are set out in Fidelidade's Consolidated financial statements, and the excess of assets over liabilities calculated for the purposes of solvency:

Amounts in thousand euros

	Solvency II	Financial statements	Difference	Solvency II previous year
Assets	18,740,596	18,991,695	**-251,099**	**18,298,873**
Technical Provisions	13,666,878	14,191,929	**-525,051**	**14,137,917**
Other liabilities	2,141,011	1,872,358	**268,653**	**1,406,608**
Excess assets over liabilities	**2,932,707**	**2,927,408**	**5,299**	**2,754,348**

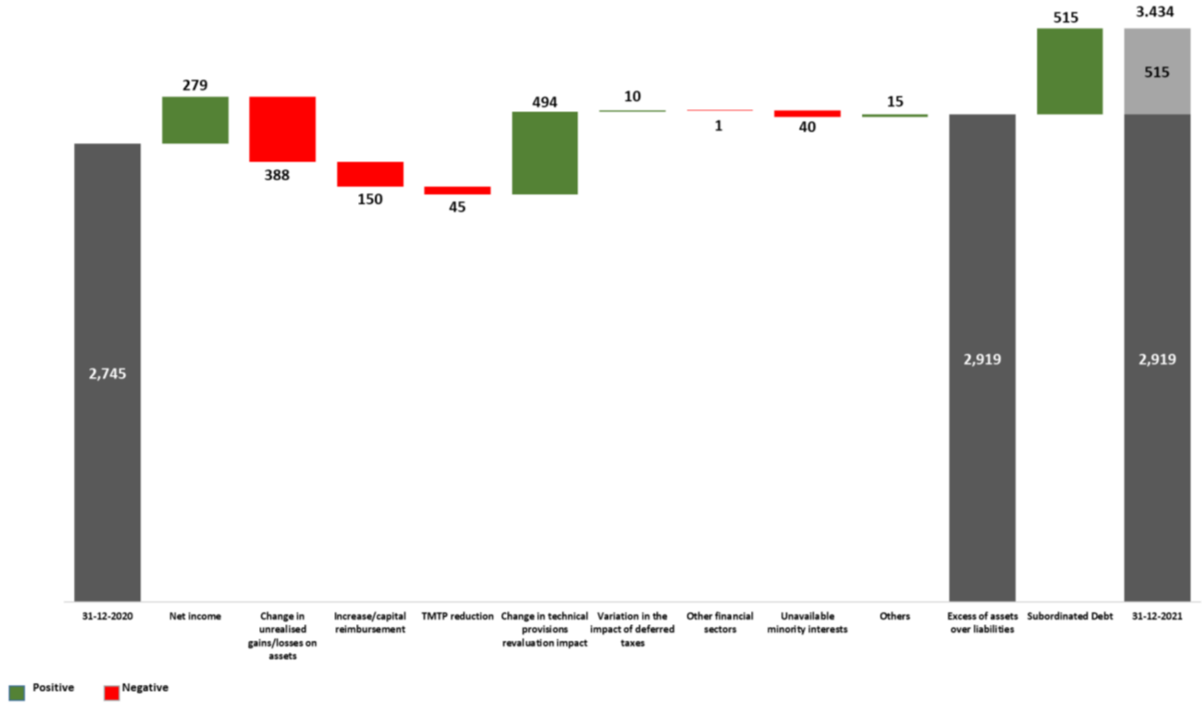
Regarding the structure, amount and tiering of basic own funds, the Fidelidade Group does not have any ancillary own funds and all the basic own funds are classified as Tier 1 or Tier 2.

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

	Eligible own funds to meet					
	SCR				MCR	previous year
	with financial sector	previous year	without financial sector	previous year		
Tier 1	2,919,226	2,745,095	2,917,576	2,744,169	2,917,576	2,744,169
Tier 2	515,360	0	515,360	0	124,074	0
Tier 3	0	0	0	0	0	0
Total	3,434,586	2,745,095	3,432,936	2,744,169	3,041,650	2,744,169

The graph below shows the main changes to the Group's available own funds during the period covered by this report (amounts in million euros).



When calculating the Solvency Capital Requirement (SCR), the Fidelidade Group's insurance companies use the standard formula and do 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.

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	1,939,314	1,909,812	177.10%	143.74%
SCR without financial sector	1,939,314	1,909,812	177.02%	143.69%
MCR	620,369	647,026	490.30%	424.12%

Lastly, it should be stressed that if the Fidelidade Group did not apply the transitional deduction to technical provisions, the consolidated group solvency capital requirement (SCR) coverage ratio would be 150.93%.