

# FIDELIDADE

SEGUROS DESDE 1808

## 2021 Half-Year Results

Lisbon, September 15<sup>th</sup>, 2021

*Non-Audited figures*

Fidelidade achieved a solid performance in the first half of 2021, with 50.6% premium growth YoY reaching 2,331.9M€ and improved profitability by delivering a Net Income of 120.5M€. From a capital perspective, Fidelidade achieved a more robust capital structure with Solvency II ratio improving by 33p.p. since December 2020, to a ratio of 177%.

Rogério Henriques, Chief Executive Officer of Fidelidade mentioned that “Despite the challenging first half of 2021, still severely impacted by the pandemic, Fidelidade delivered a strong performance, both in terms of growth and profitability. On the capital side, Fidelidade accelerated the transition in the profile of the Life Financial activity towards a non-guaranteed offer, thus reducing capital requirements. In addition, the issuance of 500M€ of Tier II debt enabled for a strong improvement of Solvency II ratio, converging to levels aligned with public peers. We are very pleased to have strengthened our solvency position significantly and remain committed to maintain a robust capital level going forward, which we believe is critical to absorb any unexpected volatility and to support our growth ambition also.”

“These excellent results reflect the efforts of all our employees, agents and partners. I would like to thank them for their relentless engagement, as well as our clients for their continued trust.”

Key Figures (€ Mn, otherwise noted)	Dec-20/ Jun-20 <sup>1</sup>	Jun-21	Change YoY
Gross Written Premiums	1,548.5	2,331.9	50.6%
Net Income	57.3	120.5	110.1%
Shareholder's Equity	3,111.0	3,130.2	0.6%
Fidelidade Group's SCR Coverage Ratio <sup>2</sup>	144%	177%	33 p.p.

<sup>1</sup> For comparison purposes, June 2020 was considered for Gross Written Premiums and Net Income and December 2020 for Shareholder's Equity and SCR Coverage Ratio; <sup>2</sup> Jun'21 ratio corresponds to a preliminary estimation

## Fidelidade Group's 2021 Half-Year Key Highlights

### Premiums Written

Total premiums increased by 50.6% YoY, reflecting growth in Non-Life and Life activity. Non-Life premiums (+6.7%) with positive growth across all business lines, Life Risk & Annuities premiums (+17.3%) with strong contribution from international operations and Life Financial premiums (+217.2%) mainly driven by strong success of Unit-Linked offer in Portugal.

Total Gross Premiums Written (€ Mn)	Jun-20	Jun-21	Change YoY
Non-Life	1,059.1	1,129.8	6.7%
Life Risk & Annuities	175.3	205.5	17.3%
Life Financial - Insurance Contracts	39.1	39.1	0.1%
<b>Total Premiums P&amp;L</b>	<b>1,273.4</b>	<b>1,374.4</b>	<b>7.9%</b>
Life Financial - Investment Contracts	275.1	957.5	248.0%
<b>Total Premiums Management Accounts</b>	<b>1,548.5</b>	<b>2,331.9</b>	<b>50.6%</b>

Total Gross Premiums Written (€ Mn)	jun-20	jun-21	Change YoY
Portugal	1,161.2	1,874.5	61.4%
International	387.3	457.5	18.1%
<b>Total Premiums Management Accounts</b>	<b>1,548.5</b>	<b>2,331.9</b>	<b>50.6%</b>

Non-Life Gross Premiums Written per LoB (€ Mn)	Jun-20	Jun-21	Change YoY
Motor	309.7	323.2	4.4%
Health	232.5	250.0	7.6%
Fire and other damage	216.0	228.0	5.6%
Workers' compensation	149.8	157.4	5.1%
Others	151.2	171.2	13.2%
<b>Total Non-Life Premiums</b>	<b>1,059.1</b>	<b>1,129.8</b>	<b>6.7%</b>

Life Gross Premiums Written per LoB (€ Mn)	Jun-20	Jun-21	Change YoY
Guaranteed Life Financial	265.8	334.9	26.0%
Unit-Linked	48.3	661.7	1,269.3%
<b>Life Financial Premiums</b>	<b>314.2</b>	<b>996.6</b>	<b>217.2%</b>
Life Risk & Annuities	175.3	205.5	17.3%
<b>Total Life Premiums</b>	<b>489.4</b>	<b>1,202.1</b>	<b>145.6%</b>

## Profitability

Fidelidade's Net Income increased by 110% YoY to 120.5M€, an improvement supported by the strong improvement of Investment Result.

The Non-life Combined Ratio was 91.5% at 30 June 2021, increasing 2.5 p.p. YoY mostly due to progressive normalization of claims behavior to normal levels as activities recover from the pandemic impact. This effect is more notorious in the Health line of business.

Underwriting Result decreasing 64.4% YoY to 24.1M€. This evolution is mostly explained by the abnormal deterioration of Life Risk profitability in the Peruvian operation. Peru has been one of the countries which is facing abnormal mortality increase due to the pandemic.

Non-Life Combined Ratio (%)	Jun-20	Jun-21	Change YoY
Consolidated Combined Ratio	89.0%	91.5%	2.5 p.p.
<i>Net Loss Ratio</i>	61.1%	64.1%	3.1 p.p.
<i>Net Expense Ratio</i>	28.0%	27.4%	-0.5 p.p.
Combined Ratio – Portugal	89.0%	91.1%	2.1 p.p.
Combined Ratio – International	87.8%	93.7%	5.9 p.p.

Overall Profitability (€ Mn)	Jun-20	Jun-21	Change YoY
Underwriting Result	67.6	24.1	-64.4%
<i>Non-Life</i>	69.8	63.7	-8.7%
<i>Life Risk</i>	33.9	-3.4	-110.1%
<i>Life Financial</i>	-36.2	-36.2	0.2%
Investment Result	37.2	159.4	328.5%
<i>Investment Income *</i>	160.7	265.0	64.9%
<i>Investment yield (%)</i>	1.9%	3.3%	1.4 p.p.
<b>Net Income</b>	<b>57.3</b>	<b>120.5</b>	<b>110.1%</b>

\* Excludes Unit Linked portfolios

## Balance Sheet

Assets under Management totaled 17.7B€ and Shareholders' Equity totaled €3.1B€. The underlying Return on Equity was at 7.7% and Return on Tangible Equity was 9.5%.

Fidelidade's Life Financial Back-Book in Portugal decreased 2.8% since December 2020. Unit-Linked provisions, however, increased 127%, exhibiting the company's effort on focusing on non-guaranteed capital products (Unit-Linked) and capitalizing the potential that this line of business presents in the Portuguese market.

Fidelidade Group's Solvency II ratio was 177%, an increase of 33p.p. since 31 December 2021, reflecting mainly the issuance of 500M€ subordinated debt (Tier II capital) and the de-risking of balance sheet, namely in the Life Financial activity that is transitioning towards Unit-Link offer.

Balance Sheet	Dec-20	Jun-21	Change
Assets Under Management (€ Mn)*	17,432.8	17,718.6	+1.6%
Shareholders' Equity (€ Mn)	3,111.0	3,130.2	+0.6%
RoAE (%)	7.3%	7.7%	+0.4 p.p.
RoTE (%)	9.1%	9.5%	+0.5 p.p.
Life Financial Back-Book – Portugal (€ Mn)**	9,604	9,334	-2.8%
<i>Life Financial w/o Unit Linked</i>	9,086	8,158	-10.2%
<i>Unit-Linked</i>	518	1,176	127.1%

\* Includes Own Use properties

\*\* Value presented includes mathematical provisions and Financial Liabilities of the Deposit Component of Insurance Contracts and on Insurance Contracts and Operations Considered for Accounting Purposes as Investment Contracts (exclude risk & annuities)

Solvency Capital Ratio - including TMTP (%)	Dec-20	Jun-21	Change
Fidelidade Group's SCR Coverage Ratio <sup>1</sup>	144%	177%	33 p.p.

<sup>1</sup> Jun'21 ratio corresponds to a preliminary estimation

## Recent Developments

---

The main developments since January 1, 2021, were:

- Successful placement by Fidelidade of 500M€ of subordinated bonds (Tier II capital) due 2031, with an initial fixed coupon of 4.25% per annum (June 2021);
- Signed the agreement to acquire 70% of shares of the insurtech The Prosperity Company, a Life Financial company based in Liechtenstein, selling mainly Unit-Link products in Switzerland and Germany, two of the most sophisticated and mature markets within Europe in this line of business. This acquisition intends to strengthen Fidelidade's know-how and expand its business by improving the offering in savings insurance products, contributing with more flexible and innovative solutions to Fidelidade's distribution partners and solutions.
- Revised Risk Appetite Framework, including Group's Solvency SCR Coverage Ratio in the 150% to 180% range (September 2021).

## 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.