

FIDELIDADE

SEGUROS DESDE 1808

1H2023 Results

Lisbon, October 2nd, 2023

Fidelidade Group's 1H2023 Gross Written Premiums (GWP) were essentially unchanged (-0.3%) YoY, reaching 2,552M€. This result combines two offsetting trends: on the one hand, Portugal Life business decreased due to unfavorable unit-linked market conditions; on the other, Portugal Non-Life and total International businesses exhibited sound growth.

Despite technical margin pressure, Fidelidade reported 1H2023 Net Income of 101M€ under IFRS 17. Improved financial returns and the Group's diversification – international operations and non-insurance businesses – contributed to this result.

Rogério Henriques, Fidelidade's Chief Executive Officer, commented on the main highlights of 1H2023:

"During the last 6 months, Fidelidade's main focus has been on nimble execution to deliver results in a fast-changing business environment."

"A data-driven repricing effort has been key to manage cost pressures. In addition, we have reviewed our Life-Financial offer to tactically address tough conditions in the unit-linked market while simultaneously reshaping this particular line of business. This initiative has allowed us to compete effectively without losing capital efficiency. Also, we continue implementing several balance sheet optimization measures, taking advantage of the current opportunities to improve the risk-return trade-off in our investment portfolio and implement capital optimization initiatives at our subsidiaries."

"Looking forward, Fidelidade's Executive Committee, recently reappointed to a new 3-year term, will remain focused on improving profitability, maintaining sound technical margins, optimizing capital and consolidating our diversification strategy through the international operations and non-insurance subsidiaries."

Fidelidade Group's 1H2023 Key Highlights

Gross Written Premiums

The Group's 1H2023 GWP were essentially unchanged YoY. Total GWP were 2,552M€, a slight -0.3% decline compared to 1H2022. This outcome includes two offsetting results: the Non-Life GWP increased 11.6% and reached 1,409M€, while the Life business decreased -11.9%, to 1,143M€ due to unfavorable conditions in the Portuguese unit-linked market.

During 1H2023, this market suffered a significant contraction. In the last months of 2022 and during most of 1H2023, the Portuguese Government offered retail saving instruments paying remarkably high rates, which crowded out the demand for Life Financial products. Between October 2022 and June 2023, the stock of Public Saving Certificates increased more than 2B€ per month, compared to about 100M€ during 1H2022. In addition, capital market volatility during 2022 created a tough environment to market retail unit-linked products.

Total Gross Premiums Written (M€)	1H2022	1H2023	Change YoY
Non-Life	1,262	1,409	11.6%
Life – Risk & Annuities	227	251	10.4%
Life Financial - Insurance Contracts	56	53	-5.8%
Total Premiums P&L	1,545	1,713	10.8%
Life Financial - Investment Contracts	1,014	840	-17.2%
Total Premiums Management Accounts	2,559	2,552	-0.3%

The latter development also explains the performance difference between the Portuguese and the International businesses. The former reported GWP of 1,821M€, a -5.8% reduction YoY, while the latter grew 16.8% to 731M€.

Total Gross Premiums Written (M€)	1H2022	1H2023	Change YoY
Portugal	1,933	1,821	-5.8%
Non-Life	896	988	10.2%
Life	1,037	833	-19.6%
International	626	731	16.8%
Non-Life	366	422	15.2%
Life	260	310	19.0%
Total Premiums Management Accounts	2,559	2,552	-0.3%

Fidelidade maintained its leadership position in the Portuguese market. During the first semester of 2023, total market share was 30.1%, a 0.5 pp increase compared to FY2022, a reflection of its strong commercial execution that resulted on solid Non-Life growth.

The dynamics in the Portuguese unit-linked business markedly influenced Life business performance. The Portuguese Life GWP was 833M€, a -19.6% decrease, while the international business grew 19% to 310M€.

Life Gross Premiums Written per LoB (M€)	1H2022	1H2023	Change YoY
Life Financial guaranteed products	383	518	35.2%
Life Financial non-guaranteed products	687	375	-45.5%
Life Financial	1,070	892	-16.6%
Life - Risk & Annuities	227	251	10.4%
Total Life Premiums Management Accounts	1,297	1,143	-11.9%

Fidelidade underwent a product offering adjustment in Life Financial business to preserve competitiveness while fulfilling risk-adjusted return thresholds in a challenging market environment. The initiative combined unit-linked marketing efforts across all distribution channels and placing hybrid or limited guaranteed products.

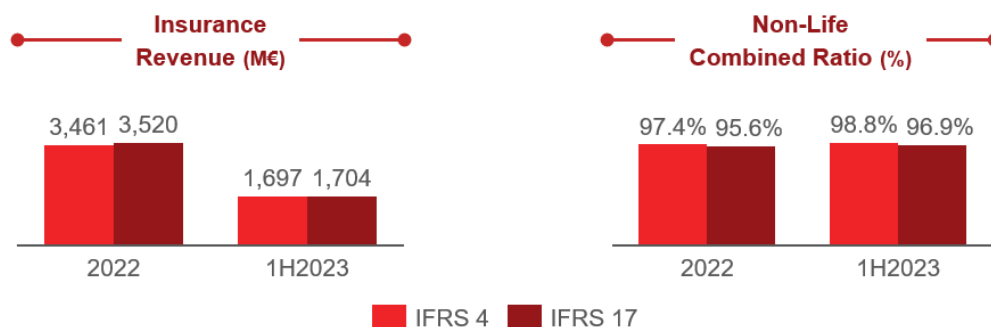
In contrast, Non-Life business achieved sound growth across all LoB. Consolidated Non-Life GWP reached 1,409M€, reporting a 11.6% expansion. GWP in Portugal reached 985M€ (a 10.2% rise) and in international operations 422M€ (+15.2%).

Non-Life Gross Premiums Written per LoB (€ Mn)	1H2022	1H2023	Change YoY
Motor	345	384	11.1%
Health	278	319	14.9%
Fire and other damage	263	291	10.7%
Workers' compensation	185	222	19.5%
Other*	191	194	1.5%
Total Non-Life Premiums Management Accounts	1,262	1,409	11.6%

* Includes Motor insurance assistance and legal protection

Profitability

Consolidated Combined Ratio (CoR), under IFRS 17, was 96.9% in 1H2023. Insurance Revenue reached 1,704M€. Several active measures were taken to protect the CoR, including a “war room” approach to pricing decisions which balances current profitability, price elasticity, adjustments to the underwriting process and long-term competitive dynamics.

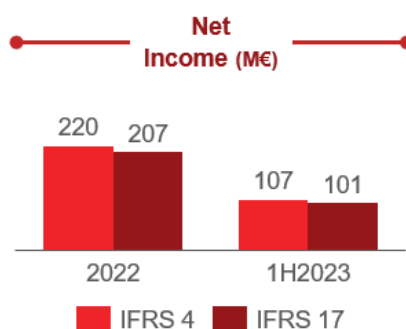


The investment result was 109M€, 53.5% higher than in the 1H2022, mainly supported by better capital market performance, as reflected on the annualized investment yield of 3.2%, a 0.9 pp increase compared to 1H2022.

Profitability	1H2022	1H2023	Change YoY
Investment Yield (%) *	2.3%	3.2%	0.9 pp
Investment Result (M€)	71	109	53.5%

* Excluding unit-linked portfolios

As a result of the above mentioned dynamics, Net Income (under the IFRS 17) reached 101M € in 1H2023.



Recent Developments

In May 2023, Fidelidade disbursed a 119M€ dividend, its first dividend since its 2014 privatization. It represents a payout ratio of about 54% and is part of Fidelidade's decision to pay regular, annual dividends approximately equivalent to a 50% payout ratio, subject to a previously established

governance process which requires that the Solvency II ratio exceeds the lower-bound of the 150-180% range and the two main shareholders' joint approval.

Information release

This report includes IFRS 17 figures. The final fine tuning of the standard implementation is currently underway. Thus, the indicators presented in this report are preliminary and unaudited.

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).

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.