

FIDELIDADE

SEGUROS DESDE 1808

2022 Annual Results

Lisbon, March 16th, 2023

2022 Gross Written Premiums (GWP) reached 5.118M€, a 4,2% increase YoY, with solid commercial performance in Portugal and a strong growth of the International business, combining both organic growth and acquisitions. Despite a challenging year for underwriting and investment results in the industry, Fidelidade reported 220M€ in annual Net Income, an 18,4% decline compared to 2021. Business diversification offset the above mentioned technical and investment pressures and was a key driver behind the resilient performance. RoTE for the year was 10,4%, a 0,5p.p. fall compared to 2021.

Key Figures (M€, otherwise noted)	Dec-2021	Dec-2022	Change YoY
Gross Written Premiums	4.911,6	5.118,1	4,2%
Net Income	270,2	220,5	-18,4%
Shareholder's Equity	3.054,7	2.553,6	-16,4%

Rogério Henriques, Fidelidade's Chief Executive Officer, commented on the annual results:

“Fidelidade’s clear and effective strategy has been instrumental in navigating the structurally challenging business environment during 2022. Last year uncertainties hit the insurance industry from multiple sources: uncertain recovery post-Covid, geopolitical conflict, inflationary pressures, fears of economic slowdown and financial markets turmoil. This combination resulted in significant pressure for investment and underwriting results across the industry.”

“Our strategy has been key to achieve solid results in 2022 in spite of the unfavorable conditions. Strategic agility has allowed Fidelidade to launch an active portfolio repricing effort and protect underwriting profitability, while simultaneously reinforcing its market leading position in Portugal by increasing total market share to c. 30%. Moreover, the diversification strategy has been crucial

for 2022 results: the international business delivered a solid performance both in terms of growth and profit contribution; additionally, the business model demonstrated its resilience with an outstanding contribution from the healthcare business, with Luz Saúde achieving its best results ever.”

“Looking forward, Fidelidade management team will remain focused in the rollout of the company’s strategy, aiming at protecting domestic leadership, consolidating international presence, while optimizing the capital structure of the company, and therefore optimizing profitability”.

Fidelidade Group’s FY 2022 Key Highlights

Gross Written Premiums

The Group recorded a solid commercial performance in 2022. Total GWP grew 4,2%, fueled by a strong International GWP expansion (+49,6%), while Portuguese operations reported a dual reality. The Portuguese Non-Life business delivered a solid performance (+8,7%), whereas the Portuguese Life business registered a top line reduction (-19,6%), mainly driven by a generalized market decline of unit-linked sales, a consequence of financial markets’ instability.

Total Gross Written Premiums (M€)	Dec-2021	Dec-2022	Change YoY
Portugal	3.882,2	3.577,9	-7,8%
International	1.029,4	1.540,2	49,6%
Total Premiums Management Accounts	4.911,6	5.118,1	4,2%

Fidelidade strengthened its leadership position in the Portuguese market last year. Its share increased 0,5pp to 29,6% in 2022, a reflection of its continued strong commercial execution which resulted from solid performances on new business as well as renewals. In the last 4 years Fidelidade has outperformed its competitors in the Portuguese market, raising its overall market share on average 1pp per year.

Even during a year characterized by generalized, unfavorable market conditions for Life Financial products, particularly unit-linked, Fidelidade’s Life business market share rose 0,8pp to 30,3%. Non-Life business achieved a market share of 28,8%, a 0,3pp gain compared to 2021. In particular, Non-life share gains have taken place in a backdrop of ongoing repricing strategy to preserve underwriting profitability in the main lines of business.

International operations exhibited remarkable growth in both Life and Non-Life segments in 2022. Overseas GWP grew 49,6% to 1.540,2M€ and accounted for 30% of total Fidelidade's premiums during the period. The acquisitions of Seguradora Internacional de Moçambique (SIM), in Mozambique, and The Prosperity Company (TPC), in Liechtenstein, partially explain Fidelidade's overseas GWP expansion. However, even excluding the effect of these two companies, international top line growth would have been +23%. The latter result is closely linked to the combination of robust organic expansion in the markets where Fidelidade already has operations, and the favorable impact related with the appreciation of some of those country's currencies.

Total Gross Premiums Written (M€)	Dec-2021	Dec-2022	Change YoY
Non-Life	2.283,1	2.626,1	15,0%
Life - Risk & Annuities	443,1	522,8	18,0%
Life Financial - Insurance Contracts	89,6	96,8	8,1%
Total Premiums P&L	2.815,7	3.245,8	15,3%
Life Financial - Investment Contracts	2.095,9	1.872,3	-10,7%
Total Premiums Management Accounts	4.911,6	5.118,1	4,2%

Life Gross Written Premiums per LoB (M€)	Dec-2021	Dec-2022	Change YoY
Life Financial Guaranteed Products*	913,2	662,9	-27,4%
Life Financial Non-Guaranteed Products	1.272,2	1.306,2	2,7%
Life Financial	2.185,4	1.969,1	-9,9%
Life - Risk & Annuities	443,1	522,8	18,0%
Total Life Premiums	2.628,5	2.492,0	-5,2%

* The Life Financial Guaranteed segment includes fixed rate and profit sharing products

Life Financial business decreased 9,9% compared to 2021. This result was mainly driven by a 2,7% increase in the unit-linked business and a -27,4% decline in guaranteed products.

The unit-linked business experienced two offsetting effects. First, in Portugal, GWP declined 15,5% because of unfavorable market conditions that resulted in the postponement of investment decisions. Second, the international unit-linked business experienced a significant upsurge with the acquisition of TPC, which more than compensated the drop in Portuguese sales.

The guaranteed products GWP declined 27,4%, mainly a result of the reduction of the Portuguese sales, that accounts for 85% of total consolidated guaranteed products top line. This reduction is the result of the strategy to reshape Life Financial business. Even more so, the commercial effort that has complemented this strategy has solidly positioned Fidelidade to expand its unit-linked business when market conditions return, as evidenced by its market share improvement in the unit linked business.

In addition, the Life Risk & Annuities business grew a solid 18% to 522,8M€ mainly on the back of international growth.

Non-Life Gross Premiums Written per LoB (M€)	Dec-2021	Dec-2022	Change YoY
Motor	668,2	747,7	11,9%
Health	467,0	541,7	16,0%
Fire and Other Damage	477,6	560,2	17,3%
Workers' Compensation	312,1	375,5	20,3%
Others *	358,2	401,0	12,0%
Total Non-Life Premiums	2.283,1	2.626,1	15,0%

*Includes Motor insurance assistance and legal protection

Main Non-Life lines of business delivered a solid 15% consolidated growth. Non-Life segments increased 8,7% in Portugal and a noteworthy 29,7% abroad.

The Portuguese Non-Life business experienced growth across all lines of business. A key component of this result has been leveraging the commercial execution on Fidelidade's strong brand, a competitive advantage that has strengthened continuously over the last years, and the ongoing digitalization of the company's value proposition. Currently, 1,3 million Fidelidade clients use its digital platforms, a 27% increase compared to December 2021 and 40% of current total clients. Additionally, the ongoing repricing effort across the different lines of business to cope with inflationary pressures has also helped the upsurge in Non-Life GWP. This initiative will continue in 2023.

The Non-Life international GWP rise was boosted by a combination of organic economic growth in the foreign countries where Fidelidade has operations and appreciation of their currencies, a benefit of a diversification strategy that is complemented with the synergies of implementing Fidelidade's business practices in these markets. The acquisition of SIM in Mozambique also helped International GWP growth.

Profitability

The technical result remained resilient despite the complex context of underwriting margin compression. Indeed, a generalized pressure on technical margins hit the business with increasing frequencies, inflation and rising costs. Portfolio repricing gradually offset this trend as this process followed the annual renewal cycle. The insurance business underwriting result was 125,5M€ for the year, 6,6% higher than the 117,7M€ achieved in 2021.

While the Life Risk component of this result benefited from the sharp reduction in Covid-related mortality in Peru, the Non-Life result reflected the previously mentioned lag in the effect of the rate adjustments.

Underwriting Result (M€)	Dec-2021	Dec-2022	Change YoY
Non-Life	113,5	61,7	-45,7%
Life Risk	4,2	63,8	1422,4%
Insurance Business Underwriting Result	117,7	125,5	6,6%
Life Financial Underwriting Costs	-72,4	-54,2	-25,2%
Total Underwriting Result	45,3	71,3	57,3%

Non-Life Combined Ratio (CoR) increased 4,0p.p. from 93,4% to 97,4% YoY, the result of a 3,2p.p. upsurge in the Loss Ratio and a 0,8p.p. rise in the Expense Ratio.

In Portugal, claims cost pressures resulted in a CoR of 95,3%, a 2,4pp increase. However, the continuing repricing initiative and the full annual effect of last year's rate increases will help underwriting profitability going forward.

The International CoR of 105,4%, an 8,7pp rise compared to 2021, includes the effect of a one-off Workers Compensation provision at La Positiva. The reinforcement of an IBNR reserve released in 2021 as part of a regulator guidance to strengthen the industry balance sheets, and the reinforcement of mining-related workers compensation business provisioning explained this extraordinary adjustment. This impact alone accounted for 6,8p.p. of the International CoR.

Non-Life Technical Ratios (%)	Dec-2021	Dec-2022	Change YoY
Consolidated Combined Ratio	93,4%	97,4%	4,0p.p.
<i>Net Loss Ratio</i>	64,9%	68,1%	3,2p.p.
<i>Net Expense Ratio</i>	28,5%	29,3%	0,8p.p.
Combined Ratio – Portugal	93,0%	95,3%	2,4p.p.
Combined Ratio – International	96,6%	105,4%	8,7p.p.

Net Income reached 220M€ in 2022, 18,4% lower than in the previous year. The investment result was 158,1M€, 52,2% lower than in 2021. Investment Income for the period was down with annualized investment yield at 2,0%, a 1,6p.p. decrease compared to the previous year. The abnormal financial markets performance in 2022 with all asset classes depreciating has negatively impacted asset valuations and returns.

Profitability	Dec-2021	Dec-2022	Change YoY
Investment Income (M€) *	567,3	287,5	-49,3%
Investment Yield (%) *	3,6%	2,0%	-1,6p.p.
Investment Result (M€)	330,4	158,1	-52,2%
Net Income (M€)	270,2	220,5	-18,4%

* Excludes unit-linked portfolios

Balance Sheet

Net Assets under Management reached 16,9B€, a 5,0% decrease compared to 2021. Main factors driving the reduction were the generalized assets devaluation consequence of the financial market downturn, the acquisition of additional equity stakes in La Positiva (43% of total shares) and Luz Saúde (49% of total shares). The decline was partially offset by the consolidation of TPC's asset portfolio.

Shareholders' Equity closed the year at 2,5B€, down 17,9% from December 2021, mainly driven by the asset portfolio devaluation due to the factors mentioned above. An additional reason behind the decline was the scheduled final repayment of supplementary capital contributions in the amount of 165M€ last June.

Fidelidade's consolidated Solvency II Ratio (SCR) guidance for year-end 2022 is 162-168%, in line with the predefined risk appetite framework. The Luz Saúde acquisition at the end of the 3Q 2022 accounted for approximately an 11pp decline. Management is committed to maintain the SCR within the 150-180% range. Solid organic capital generation and the ongoing balance sheet optimization supports this strategic objective.

Balance sheet	Dec-2021	Dec-2022	Change
Assets Under Management (M€)*	17.776,7	16.882,2	-5,0%
Shareholders' Equity (M€)	3.054,7	2.553,6	-16,4%
RoAE (%)	8,8%	7,9%	-0,9p.p.
RoTE (%)	10,9%	10,4%	-0,5p.p.

* Includes own use properties. Net of investment related liabilities

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.