

2022 – 1H Results

Lisbon, August 5th, 2022

Unaudited figures

Gross Written Premiums (GWP) for the 1H 2022 reached 2.630 M€, a 12,8% increase compared to the first semester of 2021. This result was driven by both Portuguese business growth and a significant expansion of international operations premiums. Net income was 100 M€, 16,6% lower than in the 1H 2021, mainly due to the reduction of the investment result and a lower insurance business underwriting result. RoTE was 9,5%, a result like that of June 2021.

Key Figures (M€)	June-2021	June-2022	Change YoY
Gross Written Premiums	2.331,9	2.630,4	12,8%
Net Income	120,5	100,4	-16,6%
Shareholder's Equity	3.130,2	2.531,7	-19,1%

Fidelidade's Chief Executive Officer, Rogério Henriques, commented on the first half of 2022:

“During the first six months of this year, Fidelidade's strategy has been fundamental in allowing us to cope with market uncertainty and volatility. Performance kept resilient despite the pressures on both technical and investment fronts. We reach the end of the first half with confidence in our strategy, observing strong sales track record in the first six months and a sound technical performance; still, investment results were affected by the turmoil in financial markets.

Although the economic outlook for the rest of the year is still challenging, we are confident Fidelidade will remain on track to fulfill its profitability and growth targets, while at the same time deploy our strategy of strengthening the leadership in domestic market, while improving capital efficiency, and expanding international footprint”.

Fidelidade Group's 1H 2022 Key Highlights

Gross Written Premiums

Positive commercial momentum continued during the 1H 2022, with GWP growth of 12,8%, propelled by strong contributions from the international and the Non-Life Portuguese businesses.

Total Gross Premiums Written (M€)	June-2021	June-2022	Change YoY
Portugal	1.871,5	1.932,9	3,3%
International	460,4	697,4	51,5%
Total Premiums Management Accounts	2.331,9	2.630,4	12,8%

The Portuguese market GWP benefited from a solid Non-Life growth of 8,3%. This performance more than compensated the Portuguese Life business -0,7% decrease, mainly a consequence of a slowdown of unit-link sales. The combination of capital markets volatility with geopolitical tensions impacted investors' approach to capital markets and investment decisions, thus resulting in a deceleration of unit-link sales.

Fidelidade total market share in Portugal increased to reach 30,8% in the 1H 2022, a 1,4 p.p. increase compared to the 1H 2021. The share was 32,2% (2,2 p.p. higher YoY) in the Life market and 29,3% (0,5 p.p. higher YoY) in the Non-Life business.

The international business grew 51,5% to 697,4 M€. The expansion was the result of a combination of solid organic growth in the markets where the company operates, as well as the consolidation of the recently acquired SIM in Mozambique (Seguradora Internacional de Moçambique) and TPC in Liechtenstein (The Prosperity Company). Without these acquisitions, organic international growth would have been 29,7%. In addition, appreciation of local currencies against the Euro in Latam and Africa helped top line growth. International premiums represented 26,5% of total Fidelidade's business during the 1H 2022.

Total Gross Premiums Written (M€)	June-2021	June-2022	Change YoY
Non-Life	1.129,8	1.308,0	15,8%
Life – Risk & Annuities	205,5	250,6	21,9%
Life Financial - Insurance Contracts	39,1	55,8	42,6%
Total Premiums P&L	1.374,4	1.614,4	17,5%
Life Financial - Investment Contracts	957,5	1.016,0	6,1%
Total Premiums Management Accounts	2.331,9	2.630,4	12,8%

Life Gross Premiums Written per LoB (M€)	June-2021	June-2022	Change YoY
Life Financial guaranteed products	334,9	384,9	14,9%
Life Financial non-guaranteed products	661,7	686,9	3,8%
Life Financial	996,6	1.071,7	7,5%
Life - Risk & Annuities	205,5	250,6	21,9%
Total Life Premiums	1.202,1	1.322,4	10,0%

The Life Financial business in 1H 2022 grew 7,5%, reflecting a dual reality: in Portugal, the slowdown referred above in non-guaranteed product sales; in other countries, an interesting growth mainly explained by the consolidation of TPC business. In fact, non-guaranteed Life Financial premiums grew 3,8% during the semester with an increase from 661 M€ in the 1H 2021 to 687 M€ in the 1H 2022.

Still regarding Life business, Life Risk & Annuities business maintained a positive trend, with a 9% growth in the domestic market and a 32% growth in the international operations.

Non-Life Gross Premiums Written per LoB (M€)	June-2021	June-2022	Change YoY
Motor	323,2	356,3	10,2%
Health	250,0	285,9	14,4%
Fire and Other Damage	228,0	274,2	20,3%
Workers' Compensation	157,4	191,6	21,7%
Others ¹	171,2	200,0	16,8%
Total Non-Life Premiums	1.129,8	1.308,0	15,8%

1. Includes Motor insurance assistance and legal protection

The Non-Life business experienced growth in both Portugal (8,3%) and abroad (36,4%) in the 1H 2022 compared to the same period in 2021. The Portuguese Non-Life business expansion reflects the economic activity recovery after COVID-19 related restrictions in the 1Q 2021 and the continued commercial strategy to promote a client focused culture and digitally enabled ecosystems. The Non-Life international GWP growth was propelled by economic recovery, especially in Latin America, and was also supported by favorable currency evolution in foreign markets.

Profitability

1H 2022 net income was 100,4 M€, a 16,6% reduction compared to the first semester of 2021. One of the main drivers for the reduction was the decrease in investment result from 159,4 M€ to

96,5 M€. The combination of high interest rates, inflationary pressures, monetary policies tightening across most economies, and the economic repercussions of geopolitical tensions generated high volatility in the financial markets. This affected investment revenue in the period.

Profitability	June-2021	June-2022	Change YoY
Investment Income (M€) ¹	262,1	180,1	-31,3%
Investment Yield (%) ¹	3,2%	2,4%	-0,8 p.p.
Investment Result (M€)	159,4	96,5	-39,5%
Net Income (M€)	120,5	100,4	-16,6%

1. Excluding unit-link portfolios.

In addition, the insurance business underwriting result declined from 60,3 M€ to 51,3 M€ in the semester due to a combination of events both in Portugal and outside.

Underwriting Result (M€)	June-2021	June-2022	Change YoY
Non-Life	63,7	51,3	-19,6%
Life Risk	-3,4	-4,3	25,6%
Insurance Business Underwriting Result	60,3	47,0	-22,1%

Non-Life Combined Ratio (CoR) increased 4,2 p.p. from 91,5% to 95,8% YoY. It was the result of a 3,5p.p. upsurge in the loss ratio and a 0,7p.p. rise in the expense ratio. 1,5 p.p. of the former are directly linked to non-recurrent adjustments in Peruvian operation reserving related with IBNR reinforcement (compensating for the 2021 release in line with Peruvian regulator guidance), and a reserve reinforcement in SCTR line of business due to the increased exposure to corporate business. These effects will be partially diluted in the the 2H 2022. This also resulted in an abnormal increase in the International CoR. On the domestic front, the loss ratio rise was rather driven by the normalization of claims frequency post-Covid and the effect of inflationary pressures in claims costs. Management team is actively working on pricing reviews for the main lines of business in order to protect business margins.

Non-Life Technical Ratios (%)	June-2021	June-2022	Change YoY
Consolidated Combined Ratio	91,5%	95,8%	4,2 p.p.
<i>Net Loss Ratio</i>	64,1%	67,7%	3,5 p.p.
<i>Net Expense Ratio</i>	27,4%	28,1%	0,7 p.p.
Combined Ratio - Portugal	91,3%	95,0%	3,6 p.p.
Combined Ratio - International	93,4%	99,3%	5,9 p.p.

Balance Sheet

Net assets under management reached 17,9 Bn€, a 0,7% increase compared to June 2022, with the consolidation of newly acquired companies compensating for the asset portfolio devaluation. Shareholders' equity closed the quarter at 2,5 Bn€, down 19,1% from June 2021. Besides the asset portfolio devaluation due to the unfavorable performance of the financial markets, Fidelidade repaid in full the outstanding supplementary capital contributions from shareholders, and thus the 165 M€ paid back in June implied a reduction of the Eligible Own Funds (EOF).

Fidelidade's latest consolidated Solvency II ratio guidance, from March 2022, is 177%. In any case, despite the above mentioned reduction of EOF, solvency as of June will be comfortably within the predefined risk appetite for the company.

Balance Sheet	June-2021	June-2022	Change
Assets Under Management (M€)*	17.783,8	17.912,7	0,7%
Shareholders' Equity (M€)	3.130,2	2.531,7	-19,1%
RoAE (%)	7,7%	7,2%	-0,5 p.p.
RoTE (%)	9,5%	9,5%	-0,1 p.p.

* Includes Own use properties. Net of Investment related liabilities.

In June Fidelidade announced the acquisition of at least an additional 40.5% of La Positiva, a further step in its strategy of managing the Group's balance sheet and optimizing its capital. The transaction is expected to have a negligible impact in the consolidated Solvency II ratio (following Solvency II standards, Fidelidade calculations already assume a 91% stake in the Peruvian insurer), and it will enable the implementation of measures to minimize the impact of La Positiva business in the Group's solvency ratio.

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.