Offering Circular dated 27 May 2024

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers (as defined in "*Subscription and Sale*" below) to subscribe or purchase, any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of Notes. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and the Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C).

Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Joint Lead Managers that any recipient of this Offering Circular or any other financial statements should purchase the Notes.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the Notes; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. The Notes are not a suitable or appropriate investment for all potential investors. Investing in the Notes involves risks. A potential investor should not invest in the Notes in the primary or secondary markets unless it is a professional investor, understand the risks involved and has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. The Notes are not suitable for retail investors. There are risks inherent in the holding of the Notes, including the risks in relation to their subordination and the circumstances in which noteholders may suffer loss as a result of holding the Notes should the Issuer become subject to any resolution procedure or insolvent.

Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Notes are legal investments for it; (2) the Notes can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Certain financial and statistical information in this Offering Circular has been subject to rounding adjustments. Accordingly, certain data presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "**€**", "**EUR**", "**Euro**" and "**euros**" are to the single currency of those member states of the EU participating in the third stage of the European economic and monetary union from time to time as amended.

In connection with the issue of the Notes, Morgan Stanley Europe SE (in such capacity, the "Stabilising Manager") (or any person acting on behalf of any Stabilising Manager) may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager or person acting on behalf of any Stabilising Manager in accordance with all applicable laws and rules.

This Offering Circular contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as "*anticipate*", "*believe*", "*could*", "*estimate*", "*expect*", "*intend*", "may", "*plan*", "*predict*", "*project*", "*will*" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Offering Circular containing information on future earning capacity,

plans and expectations regarding the Fidelidade Group's business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Offering Circular are based on current estimates and assumptions that Fidelidade makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Fidelidade Group's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Fidelidade Group's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Offering Circular to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Offering Circular: "*Risk Factors*" and "*Description of the Issuer*". These sections include more detailed descriptions of factors that might have an impact on the Fidelidade Group's business and the markets in which it operates. In light of these risks, uncertainties and assumptions, future events described in this Offering Circular may not occur.

In addition, neither the Issuer nor the Joint Lead Managers assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; and (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK

has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PROHIBITION OF SALES AND DISTRIBUTIONS TO HONG KONG RETAIL INVESTORS - The Notes are intended to be offered, sold, distributed or otherwise made available in Hong Kong to Professional Investors only in the primary and secondary markets and are generally not suitable for retail investors.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS - The securities described in the Offering Circular are complex financial instruments with high risk and are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of certain securities with characteristics similar to the securities described in the Offering Circular. Potential investors in the securities described in the Offering Circular should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the securities described in the Offering Circular (or any beneficial interests therein).

In the UK, the Financial Conduct Authority ("**FCA**") Conduct of Business Sourcebook ("**COBS**") requires, in summary, that certain securities with characteristics similar to securities described in the Offering Circular should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK.

In addition, in October 2018, the Hong Kong Monetary Authority issued guidance on enhanced investor protection measures on the sale and distribution of debt instruments with loss-absorption features (such as the Notes) and related products (the "**HKMA Circular**"). Under the HKMA Circular, debt instruments with loss absorption features, being subject to the risk of being written-down or converted to ordinary shares, and investment products that invest mainly in, or whose returns are closely linked to the performance of such instruments, are to be targeted in Hong Kong at professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any subsidiary legislations or rules made under the SFO, "**Professional Investors**") only and are generally not suitable for retail investors in either the primary or secondary markets.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the securities described in the Offering Circular (or any beneficial interests therein), including the COBS and the HKMA Circular.

Investors in Hong Kong should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are generally not suitable for retail investors.

The Issuer and the Joint Lead Managers are each required to comply with some or all of the COBS and/or the HKMA Circular. By purchasing, or making or accepting an offer to purchase, any securities described in the Offering Circular (or a beneficial interest in such securities) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Joint Lead Managers that:

(i) it is not a retail client in the UK;

(ii) if it is in Hong Kong, it is a Professional Investor;

(iii) whether or not it is subject to the COBS or the HKMA Circular, it will not:

> (a) sell or offer the securities described in the Offering Circular (or any beneficial interest therein) to retail clients in the UK or retail investors in Hong Kong; or

(b) communicate (including the distribution of the Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite the securities described in the Offering Circular (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK or any customer in Hong Kong who is not a Professional Investor,

and in selling or offering the securities described in the Offering Circular or making or approving communications relating to the securities described in the Offering Circular, it may not rely on the limited exemptions set out in the COBS.

The obligations above are in addition to the need to comply at all times with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA, the UK or Hong Kong) relating to the promotion, offering, distribution and/or sale of the securities described in the Offering Circular (or any beneficial interests therein), including (without limitation) any requirements under MiFID II, the UK FCA Handbook, the HKMA Circular and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the securities described in the Offering Circular (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, the securities described in the Offering Circular (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "SFA") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Neither the Issuer nor any Joint Lead Manager nor any of their respective affiliates make any representation as to the suitability of the Notes to fulfil any environmental criteria required by any prospective investors. None of the Joint Lead Managers nor any of their respective affiliates have undertaken, nor are they responsible for, any assessment of the Issuer's Green Financing Framework (as defined below) or the monitoring of the use of proceeds (or amounts equal thereto), including without limitation in connection with any Eligible Green Projects and Assets (as defined under the Issuer's Green Financing Framework), or the allocation of the proceeds to any Eligible Green Projects and Assets. Neither the Issuer nor any Joint Lead Manager nor any of their respective affiliates makes any representation as to the suitability of the Issuer's Green Financing Framework and none of the Joint Lead Manager nor any of their respective affiliates makes any representation as to the content of the Issuer's Green Financing Framework or any opinion or certification of any third party (whether or not solicited by the Issuer) (including, without limitation, the Opinion (as defined below)) which may or may not be made available in connection with the issue of the Notes. For the avoidance of doubt, the Issuer's Green Financing Framework and the Opinion are not, nor shall they be deemed to be, incorporated in and/or form part of this Offering Circular.

Alternative Performance Measures

This Offering Circular includes certain financial metrics which the Fidelidade Group considers to constitute alternative performance measures ("**APMs**") and which are provided in addition to the PCES[1] financial indicators obtained directly from the consolidated financial statements of the Fidelidade Group for the years ended 31 December 2022 and 31 December 2023. The Fidelidade Group considers that these APMs provide useful information for investors in order to better understand the underlying business, the financial position, cash flows and results of the operation of the Fidelidade Group.

The list below presents APMs contained in the Offering Circular, along with an explanation of the criteria used to construct them:

- "**Total Premiums Management Accounts**": total of the insurance contract premiums ("**Total Premiums P&L**") plus the investment contracts' premiums, as defined by IFRS 9;
- "**Net Combined Ratio**" (or **"Non-Life Combined Ratio"**): measure of non-life underwriting profitability calculated by dividing the total non-life insurance service expense net of reinsurance by the total non-life insurance contract revenues net of reinsurance;
- "**Insurance Result**": presents in profit or loss insurance revenue, insurance service expenses including incurred claims and other incurred insurance service expenses as well as the reinsurance service result;
- "**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;
- "**Leverage Ratio**": balance sheet ratio between total debt and comprehensive shareholders' capital and total debt;
- "**Average Comprehensive Return**": measures investment income (P&L), realized and unrealized gains relatively the average Assets Under Management base at the beginning and at the end of the last fiscal year. It can be used for the total Assets Under Management or only to a certain asset class;
- "**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 income from unit-linked assets and 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**": in 2022 and 2023 corresponds to the sum of the following balance sheet items, excluding unit-linked assets: cash and cash equivalents and sight deposits, 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;

[1] PCES stands for "Plano de Contas para as Empresas de Seguros" and is the GAAP followed by Fidelidade which is IFRS based

- "**Compounded Annual Growth Rate**" / "**CAGR**": average annual growth rate of over a specified period of time longer than one year. It is computed by dividing the value at the end of the period in question by its value at the beginning of that period, raising the result to the power of one divided by the period length, and subtracting one from the subsequent result;
- "**Total Comprehensive Return**": sum of unrealised capital gains and Investment Yield;
- "**Liability Coverage Ratio**": indicates the ratio between total assets and total liabilities;
- "**Available Distributable Items**": indicates the non-consolidated profits and distributable reserves of the Issuer (net of undistributed balances related to research and development expenses) as calculated pursuant to the principles applicable to the Issuer's non-consolidated financial statements;
- "**Debt Ratio**": indicates the ratio between subordinated debt and total assets; and
- "**Comprehensive Shareholders' Capital**": the comprehensive shareholders' capital includes Shareholders' equity and the contractual service margin.

Investors should not consider these APMs in isolation, as alternative to the information prepared in accordance with PCES, as indications of operating performance or as measures of the Fidelidade Group's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for, or superior to, financial information prepared in accordance with PCES and investors are advised to review these APMs in conjunction with the consolidated financial statements of the Fidelidade Group contained in this Offering Circular.

Furthermore, these APMs are not indicative of the historical operating results of the Fidelidade Group, nor are they meant to be predictive of future results. Since all companies do not calculate these measures in an identical manner, the Fidelidade Group's presentation may not be consistent with similar measures used by other companies. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Presentation of Financial Information

The consolidated financial statements of Fidelidade for the years ended 31 December 2023 and 31 December 2022 were prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies ("**PCES**"), Portuguese local GAAP, approved by Standard No. 9/2022-R, of 2 November, of Autoridade de Supervisão de Seguros e Fundos de Pensões (the "**ASF**"), and the remaining regulatory standards issued by the ASF. The standards set out in the PCES correspond in general terms to International Financial Reporting Standards ("**IAS/IFRS**") as adopted by the EU in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into the Portuguese legal order by Decree-Law No. 35/2005, of 17 February, with the amendments introduced by Law No. 53-A/2006, of 29 December, and Decree-Law No. 237/2008, of 15 December.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the material risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on the information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision and consult with their own professional advisors.

The term the "Fidelidade Group" refers to Fidelidade - Companhia de Seguros, S.A. and its subsidiaries from time to time.

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in "Terms and Conditions of the Notes" below.

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes

Financial and Economic risks

The level of and volatility in interest rates may adversely affect the Issuer and the Fidelidade Group's businesses.

To be able to meet their future liabilities, insurers invest in a variety of assets that typically include a large portfolio of fixed income securities. Interest rate volatility can adversely affect insurance businesses by reducing the returns earned and by reducing the market value of such portfolios. Interest rates are sensitive to many factors, including governmental, monetary and tax policies, domestic and internal economic and political considerations, inflation, governmental debt, the regulatory environment and any other factors that are beyond the Fidelidade Group's control.

In particular, the insurance sector can be adversely impacted by sustained low interest rates. In times of low interest rates – as experienced between 2008 and 2022 – yields typically decrease. Consequently, when the bonds mature, the sums realised are reinvested in bonds with lower yields, which in turn decreases the investment income of the insurer. A protracted period of low interest rates has a negative impact, especially on life insurers with substantial interest rate guarantees on a traditional book of business where the portfolio yield approximates the guaranteed interest rate on the policies written. Persistently low interest rates not only render delivering the necessary return for clients or offering competitive profit sharing more difficult, but also hamper efforts to maintain the required profitability to remunerate shareholders. Low interest rates also make it difficult to continue to offer clients attractive life investment and savings insurance products, which may lead to a reduction in new business and hence have a negative impact on the Fidelidade Group's results of operations. Additionally, if interest rates decrease, life and non-life reserve liabilities (particularly the long-tail) may experience significant fair value increases, potentially leading to negative solvency impacts (i.e. in case of positive interest rate gap).

Contrarily, as interest rates rise, the value of fixed income investments held by Fidelidade Group may decline, leading to a reduction in investment returns. This scenario could put pressure on Fidelidade's investment results, affecting its ability to generate adequate returns on its investment portfolio.

Moreover, in periods of rising interest rates, there is a heightened risk of policy lapses and withdrawals within Fidelidade's insurance policies. Policyholders may be inclined to seek higher returns available in the market, leading to increased surrender rates. This trend could result in liquidity challenges for Fidelidade, as it would need to fulfil cash payment obligations to policyholders seeking to withdraw funds. To meet these obligations, Fidelidade may be compelled to sell its investment assets at discounted prices, thereby incurring investment losses.

Additionally, rising interest rates may trigger increased collateral requirements under Fidelidade's hedging derivatives. The escalation in collateral obligations could strain Fidelidade's liquidity position and financial resources, potentially impacting its solvency and financial condition.

The prevailing environment of rising interest rates since 2022 underscores the relevance of this risk. Further increases in interest rates remain a possibility, given the dynamic nature of economic conditions. Such an increase could further challenge Fidelidade's premiums, investment income, and overall financial outlook.

Although to a lesser extent, the Fidelidade Group’s non-life insurance business is also impacted by interest rate volatility, as its long tail business is heavily dependent on investment returns, thereby displaying direct sensitivity to interest rate movements.

To reduce the interest rate sensitivity of its business, the Fidelidade Group attempts to match its liabilities with assets whose sensitivity to interest rates is the same as, or similar to, that of the liabilities, thereby compensating the interest rate risk. However, to the extent that such asset liability matching is not practicable or fully achieved, there still may be fluctuations in the value of assets and liabilities as interest rates change, which may have a negative effect on the Fidelidade Group’s financial condition or results of operations.

The Fidelidade Group is vulnerable to spread risk with respect to its fixed income portfolio.

Like most insurance companies, the Fidelidade Group has a significant fixed income portfolio in which assets are typically matched against its insurance liabilities. The exposure to (credit) spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. A spread widening will reduce the value of fixed income securities held and, conversely, spread tightening will generally increase the value of fixed income securities in the portfolio. A number of factors can cause an individual asset or a whole class of assets to decrease in market value, including a perception or fear in the market that there is an increase in the likelihood of defaults.

Although the Fidelidade Group has developed the necessary tools to closely monitor and manage its credit spread risk, a residual risk may still exist and spread widening could have a material adverse effect on its results and financial condition.

The Fidelidade Group is exposed to counterparty default risk, which could have a material adverse effect on its results and financial condition.

The Fidelidade Group is exposed to default risk, which is the risk that third parties owing money, securities or other assets to the Fidelidade Group do not pay or fulfil their obligations when due. These parties include trading counterparties, counterparties under credit and derivative contracts, clearing agents, exchanges, clearing houses, reinsurers, bond issuers, banks, insurance clients, ceding companies and financial intermediaries. Third parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, fraud or other reasons.

Although the Fidelidade Group has the necessary tools in place to closely monitor default risk, a residual risk exists and could negatively impact the Fidelidade Group's results and financial condition.

The Fidelidade Group is subject to the risk of potential sovereign debt credit deterioration because of its substantial exposure to sovereign debt obligations in its investment portfolio.

The Fidelidade Group holds a large proportion of sovereign bonds in its investment portfolio. As at 31 December 2023, the exposure of the Fidelidade Group to sovereign bonds (including bonds issued by public sectors and guaranteed by the Portuguese State) represents 22 per cent. (see "*Description of the Issuer – Investment Portfolio*") of its total investment portfolio, excluding unit-linked assets. As a consequence, the Fidelidade Group is subject to the risk of potential sovereign debt credit deterioration and default. Investing in such instruments creates exposure to the direct or indirect consequences of political, social or economic changes (including changes in governments) and to the creditworthiness of the sovereign. The risk exists that the debt issuer may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt and the Fidelidade Group may have limited recourse to enforce payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by different factors (such as the relative size of the debt service burden to the economy as a whole) that are beyond the Fidelidade Group's control. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issues. If a sovereign were to default on its obligations, this could have a material adverse impact on the Fidelidade Group's financial condition and results.

Uncertainty over the fiscal policies of some European governments (especially following potential escalations of the military conflict between the Russian Federation and Ukraine and the recent war in the Middle East which provoked volatility in financial markets globally), their consequences, and the response of the EU may trigger a re-emergence of a sovereign debt crisis in highly-indebted EU member states. A default or debt restructuring by a sovereign issuer, with possible "knock-on" effects on other sovereign issuers and on the financial markets in general, could still have a potentially material adverse effect on the Fidelidade Group's results or financial condition.

As the Fidelidade Group mainly operates its insurance activities and business in Europe, it has a substantial exposure towards Italy, Spain, and Portugal in its government bonds portfolio (7 per cent., 6 per cent., and 4 per cent., respectively as at 31 December 2023). Hence, the Fidelidade Group is largely exposed to the risks associated with the Eurozone political and economic situation, which could have a significant impact on the value of the Fidelidade Group's investment portfolio. A sovereign debt default or restructuring by a government (or government-backed) issuer in the Eurozone or elsewhere could have potentially significant negative consequences both for the holders of such debt and for the stability of the broader financial markets and the insurance sector. Although the Fidelidade Group monitors its sovereign debt exposure closely, any of these events, depending on their specific nature and magnitude, could have a material adverse effect on the results and financial condition of the Fidelidade Group.

Stock market volatility or downturns can adversely affect the activities of the Issuer and the Fidelidade Group.

Stock market volatility and overall declines in stock market indices can negatively affect the Fidelidade Group's activities. Volatility and declines in market indices can impact Fidelidade's solvency position. Volatility can also negatively affect the demand for certain insurance products such as unit-linked products. Stock market downturns and high volatility can occur not only as a result of the economic cycle, but also as a result of war, acts of terrorism, natural disasters or other similar events outside the Fidelidade Group's control.

While the Fidelidade Group has the necessary tools and risk management strategies in place to closely monitor and manage its share portfolio, residual risks persist and a durable decline in the market values of its share portfolio could have a material adverse effect on the Fidelidade Group's results and financial condition.

Fluctuations in currency exchange rates may affect the Fidelidade Group's results of operations and solvency.

The Fidelidade Group is exposed to foreign currency fluctuations through its investments. While the Fidelidade Group aims to manage almost all of its exposure to foreign currency fluctuations through hedging instruments, fluctuations in exchange rates may still have a significant impact on the Fidelidade Group's results of operations and cash flows. For example, a strengthening or weakening of the euro against the emerging market currencies like Angolan kwanza, Peruvian sol, Mozambican metical or Bolivian boliviano may adversely affect the Fidelidade Group's results of operations. While the Fidelidade Group uses a range of instruments and strategies to hedge against currency risk, these instruments and strategies may prove ineffective or only partially effective and as a result the Fidelidade Group may suffer losses.

The Fidelidade Group's exposure to fluctuations in the property markets could adversely affect its returns on invested assets, the value of its investment portfolio or its solvency position.

The Fidelidade Group has real estate holdings in its investment portfolio and hence it is exposed to property risk.

The value of the property portfolio of the Fidelidade Group is subject to risks related to, amongst others, rent levels, property prices, occupancy levels, consumer spending, interest rates and the volatility of lease laws.

Although the Fidelidade Group has the necessary tools in place to closely monitor the real estate risk to which it is exposed, risks exist and a durable decline in the market values of its property investments could have a material adverse effect on its business, revenues, results and financial condition.

Asset illiquidity can adversely affect the Issuer and the Fidelidade Group's businesses.

Market liquidity risk in the Fidelidade Group's business stems from the liquidity characteristics of the assets purchased and the liabilities sold. Non-life liabilities are considered to be illiquid by nature. Some liabilities arising from life insurance products can be surrendered while others, such as liabilities arising from pension insurance, term insurance and annuities, are highly illiquid. The illiquidity of some life insurance products is strengthened by tax regulation and built-in penalties in case of surrender.

Assets are characterised by a different degree of liquidity, going from a highly liquid (cash) to a low degree of liquidity (real estate and strategic investments). Additionally, protracted market declines can reduce the liquidity of markets that are typically liquid.

Funding liquidity risk is the inability to meet the expected and unexpected cash demands of policyholders or other contract holders without suffering unacceptable losses.

While the Fidelidade Group has the necessary tools and risk management strategies in place to closely monitor and manage its liquidity risk, the risk that it would not be able to fund its liabilities could have a material adverse effect on the Fidelidade Group's results and financial condition.

A sustained increase in inflation rates may negatively affect the Fidelidade Group's business, solvency position and results of operations.

Inflation, as measured by consumer price indices or other means, is a continuing risk. The military conflict between Russia and Ukraine that started in 2022 led to severe economic impacts for the global economy. Russia and Ukraine are important suppliers of raw materials such as energy, metals, and agricultural products. Consequently, the war has generated a shortage of these resources and accelerated price increases. The recent war in the Middle East may also lead to relevant economic impacts, including the rise of oil and gas prices

worldwide. There are concerns that a further increase in the price of these input factors could translate into higher operating and manufacturing costs, which in turn translates into higher prices and permanently higher inflation expectations. A sustained increase in the inflation rate in the markets where the Fidelidade Group or its subsidiaries operate would have multiple impacts on the Fidelidade Group and may negatively affect its business, solvency position and results of operations. For example, a further sustained increase in the inflation rate may result in an increase in market interest rates which may in turn (i) decrease the estimated fair value of certain fixed income securities the Fidelidade Group holds in its investment portfolio, resulting in reduced levels of unrealised capital gains available to the Fidelidade Group and which could negatively impact its solvency position and net income, and (ii) result in increased surrenders of certain life and savings products, particularly those with fixed rates below market rates. This may also require the Fidelidade Group to pay higher interest rates on debt securities that it might issue in the financial markets from time to time.

The inflationary environment perceived over the last 18 months has had a negative impact on equity markets generally. A sustained decline in equity markets may (i) result in impairment charges to equity securities that the Fidelidade Group holds in its investment portfolio and reduce levels of unrealised capital gains available to the Fidelidade Group, which would in turn reduce net income and negatively impact the Fidelidade Group's solvency position and (ii) negatively impact performance, future sales and surrenders of unit-linked products where the underlying investments are often allocated to equity funds, both of which may have a negative impact on the Fidelidade Group's results of operations. In addition, in the context of certain property and casualty risks underwritten by the Issuer (particularly long-tail risks), a sustained increase in inflation may result in (i) claims inflation (i.e. an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (ii) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (iii) actual claims payments significantly exceeding associated insurance reserves. In addition, a failure to accurately anticipate higher inflation and factor it into the product pricing assumptions may result in a systemic mispricing of products, resulting in underwriting losses which would negatively impact the Fidelidade Group's results of operations.

A sustained deflationary environment may affect the Fidelidade Group's business in different ways.

In a deflation period, consumption delays (resulting from consumption postponement due to price decreases) will cause a drop in the level of aggregate demand which may lead to a drop in the level of inflows, a slack in capacity if the economy is in recession and higher profits pressure as selling prices would drop below costs. As far as non-life insurance business is concerned, a protracted period of deflation can have a positive impact through lower claim severity and margins may be higher. Claims reserves may develop beneficially and may show higher prudence. The life insurance industry may be negatively affected by sustained deflationary pressures. Since many products provide for a minimum rate of return guarantee, any scenario that leads to deflation or sustained periods of very low inflation, may make it difficult for the Fidelidade Group to earn at least the promised rate guarantees, especially in respect of long-tail life insurance products.

The Issuer's performance is dependent on macroeconomic conditions in the countries where it operates, particularly in Portugal and Latin America.

The level of income the Issuer is able to obtain from its products and services, depends to a large extent on the strength of the economy and prevailing market trends in the countries where it operates. Even though the Issuer has recently expanded internationally having grown significantly in premiums written, in Latin America in particular, and the majority of its business is performed in Portugal, which accounted for 67 per cent. of total premiums written by the Issuer in 2023. Therefore, the Issuer's performance is still dependent on the level and cyclical nature of business activity in Portugal, which in turn is affected by both domestic and international economic and political events. In a second layer, the Fidelidade Group already has a reasonable amount of exposure to Latin America (Peru, Bolivia, Paraguay and Chile), as total premiums written by the Issuer in this

region have increased to €1,023 million in 2023, representing 20 per cent. of total premiums written by the Fidelidade Group.

Portugal

In 2011 the Economic Adjustment Programme (the "**Financial Assistance Programme**") was created by a memorandum of understanding on financial assistance with the International Monetary Fund ("**IMF**"), the EC and the ECB to address deteriorating economic conditions in Portugal stemming from the global financial crisis of 2007/2008. The performance of the Portuguese economy between 2011 and 2014 was highly dependent on the implementation of the Financial Assistance Programme. The need to reduce the public deficit was addressed by the adoption of very restrictive budgetary policies, with negative impacts on economic activity in the near term. After having contracted from 2011 to 2013, the Portuguese economy returned to growth in 2014. Economic conditions in Portugal have since then improved and the Portuguese real GDP has grown 2.5 per cent., on average, between 2015 and 2019 (according to IMF data), mainly driven by an acceleration of exports of goods and services (with a particularly strong growth of the services' component) and, in particular, tourism. However, the economic situation changed dramatically in March 2020, when the COVID-19 pandemic hit. Authorities announced containment measures on 12 March 2020 and a state of emergency was declared on 18 March 2020, with further restrictions on mobility. As a result, in 2020, Portuguese GDP contracted 7.6 per cent., reflecting strong contractions in most economic sectors, particularly tourism and those sectors closely linked to it. Throughout the year 2023, economic growth in Portugal gradually lost momentum due to the cumulative effects of inflation, a slowdown in the activity of key trading partners, and tighter monetary policies, resulting in worsened financial conditions within the euro area and Portugal.

In this context, the Portuguese GDP recorded growth of only 2.3 per cent. in 2023, falling below the pace of 6.7 per cent. observed in 2022. Conversely, inflation decreased compared to the previous year, declining from 8.1 per cent. in 2022 to 5.3 per cent. in 2023, stemming from the moderation of international prices and reduced demand due to rising interest rates. Additionally, the unemployment rate saw an increase of 0.5 percentage points from 2022, reaching 6.6 per cent. in 2023. These economic indicators underscore a more challenging economic environment in Portugal during 2023, characterised by slower growth, moderated inflationary pressures, and a tightening labour market. For 2024 and 2025, the IMF expects that Portugal's GDP will grow 1.5 per cent. and 2.1 per cent., respectively.

Despite economic recovery expected for the next years, the Portuguese economy continues to be characterised by high levels of public and private debt and thus remains vulnerable to negative external shocks. A deterioration of investor sentiment associated with political and financial market uncertainty, such as increased inflation rates, geopolitical tensions, and unstable oil prices, could increase volatility in global financial markets and have a negative impact on financing conditions. External risks also include changes in the EU's framework, or uncertainties or consequences arising from the United Kingdom's ("**UK**") exit from the EU, including the possibility that other Member States may seek to leave the EU in the future, or any other significant changes to the structure of the EU and/or European Monetary Union.

Concerns relating to macroeconomic conditions in Portugal, including regarding Portuguese public finances and political and social stability, have affected and may continue to affect the business and results of operations of insurance companies in Portugal, including the Issuer.

Portugal's fragile demographics and low productivity growth exacerbate the growth challenges of the Portuguese economy. Low productivity growth would likely stifle the economy's growth potential, without further improvements in the efficiency of the public administration, judiciary, and the business environment, including with respect to barriers in services markets.

These concerns may result in, among other things, lower market values for Portuguese sovereign debt, limited liquidity in the Portuguese banking system, decreased demand for insurance products and increased

competition. Macroeconomic conditions may also adversely affect the behaviour and financial condition of the Issuer's customers and, consequently, impact the supply and demand for the products and services that the Issuer offers. In particular, further economic impacts from the recent military conflicts, a peak in unemployment rates, the low profitability and the high level of indebtedness of many companies, will likely continue to have a negative influence on the ability of the Issuer's customers to pay their premiums, which could cause an increase in overdue premiums.

These macroeconomic factors, and their impact on the insurance sector in Portugal, could have a material adverse effect on the business, financial condition and results of operations of the Issuer.

The below table shows Portugal's key macroeconomic indicators for the years 2018 to 2023:

Portugal Key Macroeconomic Indicators	2018	2019	2020	2021	2022	2023
			(%)			
Real GDP Growth	2.8	2.7	(8.3)	5.5	6.7	2.3
Unemployment Rate	7.2	6.7	7.1	6.6	6.1	6.6
General government gross debt (% of GDP)	121.5	116.6	134.9	124.5	112.4	98.7

Source: IMF

Latin America

The economies of some of the countries where the Issuer operates, particularly in Latin America, have historically experienced significant volatility. This volatility results in fluctuations in the relative economic strength of various segments of the economies in which the Issuer operates. In addition, some of the countries where Fidelidade Group operates are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. Negative and fluctuating economic conditions, such as slowing or negative growth and a changing interest rate environment, could impact the profitability of the Issuer by causing its margins to decrease and decreased demand for higher margin products and services. In particular, the recent political and social instability in Chile or potential political instability in Peru could have a negative impact on the economy of these countries and may have a material adverse effect on the Issuer.

The structural reform programmes introduced or to be implemented in Portugal, such as the Recovery and Resilience Plan, in the coming years may not achieve their goals or produce the desired effect.

The Portuguese Government has prepared and submitted the Recovery and Resilience Plan ("**PRR**") to the European Commission. The PRR is an extensive strategic plan, based on three main pillars (resilience, digital transition and energy transition), setting out a number of planned structural reforms that are intended to enhance the Portuguese economy out of the pandemic economic crisis and to guarantee a more resilient future for the Portuguese economy. With this PRR, the EU shall provide Portugal (and other member states) with significant financial support to back these expected structural reforms. The structural changes to be implemented in Portugal may not be sufficient and the reforms contemplated by the PRR or any other reform programmes may not be sustained or, if sustained, may not result in the desired impact on the Portuguese economy. Any failure to implement or complete the recovery reform programmes may have a material adverse effect on the Portuguese economy and, as a consequence the Fidelidade Group's business, financial condition and results of operations.

The Fidelidade Group's business is dependent on the conditions of foreign economies, particularly those that are significant markets for Portuguese businesses.

The Issuer's performance has been, and will continue to be in the foreseeable future, dependent on the condition of Portugal's trading relationships. In light of relatively slow growth in the Portuguese economy and the

subsequent constraints on domestic demand, economic activity in the countries receiving Portuguese exports or international markets where Portuguese companies invest are very important to the Portuguese economy.

A decrease in external demand or the deterioration of economic activity in countries where Portuguese companies have substantial investments may particularly impact the businesses of the Issuer's customers. Such decrease in external demand or weakening of foreign economies may be derived from a multitude of macroeconomic factors impacting Portugal's trading partners, including excessive levels of sovereign debt, ineffective government regulation, increased competition, protectionist policies, a rise in prices of essential commodities such as oil and other raw materials for trading partners which import these or other such commodities, or a fall in prices of essential commodities for trading partners which export these or other such commodities, as well as from a recession in the EU or other significant deterioration in global economic conditions. If sufficiently severe, a decrease in external demand or weakened foreign economies may significantly and adversely impact the Portuguese economy, the business of Portuguese companies generally, including the Issuer's customers, which could ultimately result in a material adverse effect on the Fidelidade Group's business, financial condition or results of operations.

Any deterioration of economic activity in the main trading partners of Portugal (namely Spain, France, Germany, the UK, the United States, the Netherlands, Italy, Angola, Belgium and Poland) could negatively impact the recovery of the Portuguese economy and lead to economic and financial difficulties and affect the achievement of budgetary and structural targets required by the European authorities under the reinforced rules on macroeconomic stability. The Issuer's customers that operate or are otherwise exposed to economic conditions in Portugal's main trading partners may be adversely affected by the economic conditions therein.

Political and macroeconomic environment in the EU can adversely affect the Issuer's operations, business and financial conditions.

Sustainable economic growth in the Eurozone continues to be a challenge in certain countries of the Eurozone, including Portugal. Slow economic growth or recession in major EU economies, the restructuring or default by an EU Member State on its sovereign debt obligations or withdrawal from the Eurozone, could significantly increase volatility and uncertainty on financial and currency markets. Rising populism and anti-integration movements in Europe, increasing levels of government debt issued to stimulate the European economy during and post pandemic, external geopolitical tensions such as a potential global trade war, and further deterioration of the economic conditions in Europe and/or financial market volatility could be reflected in a deterioration of market sentiment towards EU Member states and particularly towards Portugal.

In Europe, the UK voted on 23 June 2016 in a national referendum to withdraw from the EU ("**Brexit**") and gave formal notice to the European Council under Article 50 of the Treaty on European Union of its intention to withdraw on 29 March 2017. Following the approval of the withdrawal agreement by the UK and the EU in January 2020, on 31 January 2020 the UK officially ceased to be an EU member state, on withdrawal terms which established a transition period until 31 December 2020, during which the UK continued to be treated as an EU member state and applicable EU legislation continued to be in force. A trade deal was agreed between the UK and the EU prior to the end of the transition period and the new regulations came into force on 1 January 2021. Even though the so called "Hard Brexit" was avoided, the trade deal did not include agreements on certain areas, such as financial services and data adequacy, although a further transitional period was agreed with respect to rules on the transfer of personal data between the EU and the UK until the end of June 2021. The wider impact of the UK's withdrawal from the EU on financial markets through market fragmentation, reduced access to finance and funding, and lack of access to certain financial market infrastructure, may affect the operations, financial condition and prospects of the Fidelidade Group and those of its customers. The effect of the additional non-tariff trade barriers imposed on products between both parties is equally unknown. It is likely that growth will initially be disrupted as businesses adapt to the new cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers and suppliers. While the longer-term

effects of the UK's withdrawal from the EU are difficult to predict, there is ongoing political and economic uncertainty, which is likely to continue in the medium term and which could negatively impact the UK and EU member states, particularly Portugal, which has had historically significant political and economic ties with the UK (being a main client of Portugal in terms of tourism).

The war conflict between Ukraine and the Russian Federation will have significant economic policy consequences for the EU member states, arising from the adverse supply shock triggered by the rise in oil and gas prices, energy independence measures, the inflow of refugees and boosted defence spending. This war has boosted concerns of a sharp global slowdown, surging inflation and debt, and a possible spike in poverty levels. The negative economic impact may be felt through multiple channels, including commodity and financial markets, international trade, and adverse impact on overall markets' confidence.

Should any or all these risks materialise, the consequences for the underlying economic and financial environment could be adverse and have a material adverse effect on the Fidelidade Group's business, financial condition or results of operations.

Portugal may be subject to rating downgrades.

Rating agencies S&P, Moody's, Fitch and DBRS have downgraded the long- and short-term ratings and outlook of Portugal on several occasions since 2010 due to the uncertainties and risks of a prolonged recession, the outlook for modest GDP growth, high levels of unemployment, limited fiscal flexibility, the high leverage of the private sector and the level of sustainability of Portugal's public debt. Since July 2014, however, each of these rating agencies has raised its long-term ratings or outlook for Portugal. The current long-term ratings of the Portuguese Republic are as follows: S&P: A- (positive); Fitch: A- (stable); Moody's: A3 (stable) and DBRS: A (stable).

The ability to use Portuguese public debt as an asset eligible for collateral for financing with the ECB will depend on the maintenance of an "investment grade" rating by at least one rating agency recognised by the ECB. A downgrade to "non-investment grade" of Portugal's credit rating by each of the three rating agencies recognised by the ECB would result, amongst others, in the exclusion of Portugal from the ECB's bond-buying programme, which plays an important role in reducing the country's borrowing costs.

A credit rating downgrade may occur in the future due to a number of factors, such as lower than expected tax revenue arising from weaker than expected economic growth, increased public debt as a percentage of GDP, slowdown in corporate sector deleveraging, failure to reduce general public debt, failure to increase GDP ratios, limited access to international financial markets or the failure of structural reforms. Any downgrade in the ratings of Portugal's sovereign debt or other negative statements regarding its credit ratings could negatively impact financial institutions in Portugal and in particular funding conditions for the Issuer. Furthermore, it could also impact sovereign debt portfolios held by Fidelidade Group and also Fidelidade's shareholder and bancassurance partner Caixa Geral de Depósitos, S.A. ("**CGD**"), a State-owned bank. As a result, a potential credit downgrade could materially and adversely affect the Fidelidade Group's business, financial condition and results of operations.

Exposure to impairment in goodwill and intangible assets.

The accounts of the Fidelidade Group include amounts reflecting goodwill and other intangible assets primarily generated through acquisitions and business combinations. Adverse developments in business performance, as well as changes in financial markets and interest rates, may require the recognition of accounting impairment of such assets, which could have a material adverse effect on the operating results and financial position of the Fidelidade Group, as well as its reputation.

No impairment losses were recognised by the Fidelidade Group in 2023.

Risks related to deferred tax assets.

The recognition of deferred tax assets is determined by reference to the likelihood of recognising sufficient profits in the future to offset losses. This in turn depends on the performance of each entity concerned as well as applicable tax laws, regulatory requirements and accounting methods. The occurrence of certain events, such as operational earnings being lower than those currently projected or losses continuing over a longer period than originally planned or changes in tax legislation, regulatory requirements, or accounting methods could lead to the derecognition of part of the deferred tax assets for accounting and/or prudential regulatory purposes.

Additionally, other events such as realising potential gains (i.e. converting unrealised (untaxed) gains into taxable gains), or a drop in prices which reduces unrealised gains or increases unrealised losses may cause an increase of deferred tax assets or a decrease of deferred tax liabilities. Considering that an amount equal to the net deferred tax assets (if positive) is deducted from Tier 1 Capital and classified as Tier 3 Capital, the above described evolution of deferred taxes may cause a deterioration in overall capital quality, which would cause a reduction in the Minimum Capital Requirement ("**MCR**") coverage ratio because Tier 3 Capital is not eligible to cover it, and in more severe circumstances may cause a reduction in the Solvency Capital Requirement ("**SCR**") coverage ratio because Tier 3 Capital eligible to cover the SCR is limited to 15 per cent. of SCR.

Insurance liability risks

Experience in the Issuer's life and non-life businesses could be inconsistent with the assumptions the Issuer and the Fidelidade Group use to price their products, which could adversely affect their results.

The results of the Fidelidade Group's non-life and life businesses depend significantly upon the extent to which its actual claim experience remains consistent with the assumptions used in the pricing of its products. In non-life insurance, claim frequency, claim severity and expense assumptions are used to set prices. Life insurance premiums and Workers Compensation long-term liabilities are calculated using assumptions as to mortality, interest rates and expenses used to project future liabilities. Although experience (i.e. the claims and expenses as actually experienced) is closely monitored, there is no guarantee that actual experience will match the assumptions that were used in initially establishing the future policyholder benefits and related premium levels. To the extent that actual experience differs significantly from the assumptions used, the Fidelidade Group may be faced with unforeseen losses that negatively impact its results.

Furthermore, among the life products marketed by the Fidelidade Group, a subset of these products is related to contracts with guaranteed investment returns (life insurance products). If interest rates remain at high levels, and despite discontinuation of underwriting of certain products with guaranteed rates, the Fidelidade Group could potentially be required to provide additional funds to its life business to support its obligations in respect of products with higher guaranteed returns or increase reserves in respect of products with higher guaranteed returns, which could in turn have a material adverse effect on the Fidelidade Group's financial condition and results of operations.

The Issuer and the Fidelidade Group are subject to risks concerning the adequacy of the Issuer's technical provisions, which could have a negative impact on the Issuer and the Fidelidade Group's results in case these provisions prove to be insufficient.

The technical provisions of the Issuer serve to cover the current and the present value of the net future liabilities towards its policyholders added by a risk adjustment and by the future service margin of the Issuer. Technical provisions are established with respect to both the Issuer's non-life and life businesses and include, *inter alia*, mathematical provisions, liability for incurred claims (for reported and unreported claims), and liability for remaining coverage. These technical provisions and the assets backing them represent the major part of the Issuer's and the Fidelidade Group's balance sheet. Depending on the actual realisation of the future liabilities (i.e. the claims as actually experienced), the current technical provisions may prove to be inadequate. For example, the Issuer's property-casualty reserves are based on estimates of future payments that will be made in

respect of claims, including expenses relating to such claims. Such estimates are made both on a case-by-case basis, as well as based on actuarial models, considering- facts and circumstances available at the time the reserves are established. These reserves represent the estimated ultimate cost necessary to bring all occurred claims, pending reported and not reported to final settlement.

Reserves, including claims incurred but not reported, are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, changes in medical costs and costs of repairs. Reserving inadequacy can also occur due to other factors that are beyond the control of insurers, such as unexpected legal developments, advances in medicine and changes in social attitudes. The Fidelidade Group's results of operations depend significantly upon the extent to which its actual claims experience is consistent with the assumptions it uses in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in current results of operations. For insurance contracts, IFRS 17 requires a loss component to be set up in subsequent measurement when there are unfavourable changes in fulfillment cash flows arising from changes in estimate of future cash flows relating to future service exceeding the carrying amount of the contractual service margin. Although the Fidelidade Group has the necessary actuarial tools in place to closely monitor and manage reserve risk, a residual risk still exists and to the extent that technical provisions are insufficient to cover the Fidelidade Group's actual insurance losses, expenses or future policy benefits, the Fidelidade Group would have to add to these technical provisions and incur a charge to its earnings, which could adversely impact its results and financial condition.

The Issuer and the Fidelidade Group's operating results may be materially adversely affected by the occurrence of natural or man-made disasters and by the consequences of emerging risks that are unpredictable by nature.

Natural catastrophic events (such as hurricanes, windstorms, hailstorms and earthquakes) and man-made disasters such as acts of terrorism each have the potential to affect the operating results of the Fidelidade Group adversely. In particular, assessing weather-related risk in a rapidly changing environment has become increasingly difficult, with knowledge of past weather events becoming an unreliable guide for future weather events as a result of climate change. While the Fidelidade Group generally seeks to manage its exposure to any of these risks through reinsurance and through limiting total risk accumulation and even though the Fidelidade Group has not incurred any meaningful losses arising from disasters in the past, it cannot be excluded that the Fidelidade Group could experience material losses from these types of risks in the future. Losses caused by the occurrence of such risks could have a material adverse effect on its results or financial position.

Reinsurance may not be adequate to protect the Issuer against losses and it may incur losses due to the inability of its reinsurers to meet their obligations.

In the normal course of its business, the Issuer transfers exposure to certain risks in its non-life and life insurance business to others through reinsurance arrangements. Under these arrangements, reinsurers assume a portion of the Issuer's losses and expenses associated with reported and unreported losses in exchange for a portion of the premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. If reinsurance is not available at commercially attractive rates and if the resulting additional costs are not offset by premiums paid to the Issuer, this could adversely affect the Issuer and the Fidelidade Group's results. Also, increasing concentration in the reinsurance market reduces the number of major reinsurance providers and therefore could hamper the Fidelidade Group's efforts to diversify its reinsurance risk.

Any decrease in the amount of the Issuer's reinsurance cover relative to its primary insurance liability could increase its risk of loss. Reinsurance arrangements do not eliminate the Issuer's obligation to pay claims and introduce credit risk with respect to the Issuer's ability to recover amounts due from the reinsurers. While the

Issuer monitors the solvency of its reinsurers through a periodic review of their financial statements and reputation and by requiring letters of credit, deposits or other financial measures, as appropriate, the risk of default by a reinsurer cannot be excluded. Any inability of its reinsurers to meet their financial obligations could materially adversely affect the Issuer's and the Fidelidade Group's results and financial condition.

Fidelidade Group has some degree of exposure to annuity business.

It is likely that uncertainty will remain in the development of future longevity that cannot be mitigated.

A strengthening in the longevity assumption, either to reflect changes in the underlying life expectancy (for example, as a result of healthier lifestyles, improved screening programmes or increased availability or effectiveness of medical treatments) of the population or of the Fidelidade Group's particular portfolio used to calculate the Fidelidade Group's long-term business liabilities, would result in an increase in these reserves which could materially adversely affect the Fidelidade Group's financial condition.

Climate change may increase the frequency and/or severity of general insurance claims and make it more difficult to provide insurance cover at prices customers can afford.

Climate change may result in the Fidelidade Group's pricing being based on inadequate or inaccurate data or inappropriate assumptions and may cause the Fidelidade Group to incorrectly estimate future increases in the frequency and severity of claims.

As a result, the Fidelidade Group could under-price risks, which could negatively affect its loss ratio for general insurance business, or the Fidelidade Group could overprice risks, which could reduce its business volume and competitiveness. Climate change may also mean that it is no longer commercially viable for the Fidelidade Group and its competitors to provide flood and windstorm insurance cover at an affordable price to an increasing proportion of the population in the markets in which it operates and it is unclear what future governmental and regulatory policy response to this market failure would be.

The impacts of transition risks associated with climate change could adversely affect the Issuer's results of operations and its long-term strategy.

The Issuer faces potentially significant risks related to the transition to a lower-carbon economy as climate change continues to move up the agenda of many regulators, governments, non-governmental organizations and investors.

Governmental and corporate efforts to transition to a low carbon economy in the coming decades could have an adverse impact on global investment assets. In particular, there is a risk that this transition including the related changes to technology, law and policies and the speed of their implementation, could result in some sectors (such as, but not limited to, the fossil fuel industry) facing significantly higher costs and a disorderly adjustment to their asset values.

There is also the potential that certain climate change risk factors have not yet been fully priced in by financial markets, with the risk that sudden late government policy action in response to a failure to achieve emission goals could lead to unanticipated and potentially large shifts in asset valuations for industries required to rapidly move to a net zero emissions position. If climate considerations are not effectively integrated into the Issuer's investment decisions and fiduciary and stewardship duties this could adversely impact the value and the future performance of its investment assets. The Issuer's business could be adversely affected by this, because where the Issuer's investment horizons are long-term, the relevant assets are potentially more exposed to the long-term impact of climate change and any future changes in policy.

Operational risks

While the Fidelidade Group manages its operational risks, these risks remain an inherent part of its business.

The Fidelidade Group's business is dependent on the processing of a large number of complex transactions across numerous and diverse products, and is subject to a complex and changing legal and regulatory regime. Additionally, because of the long-term nature of much of the business, accurate records have to be maintained for significant periods. This inherently generates operational risks which relate to the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud and cybercrime. These events can potentially result in the irrecoverable loss of essential data, financial loss and harm to the Fidelidade Group's reputation.

While the Fidelidade Group attempts to keep operational risks at appropriate levels by maintaining a sound and well-controlled environment in light of the characteristics of its business, the markets and the regulatory environment in which it operates, these control measures may not mitigate operational risks sufficiently and cannot eliminate them.

Insurance fraud may adversely affect the Issuer's financial results.

Fraudulent insurance claims may be made from time to time which the Issuer is unable to detect, despite having fraud prevention systems and processes in place.

The Issuer is at risk from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased and from policyholders who fabricate claims and/or inflate the value of their claims. The Issuer is also at risk from members of its staff who undertake, or fail to follow procedures to prevent, fraudulent activities.

In order to mitigate the risk of fraudulent practice, the Issuer continues to make material investments in staff and systems to work on the identification and prevention of claims fraud and these measures are regularly reviewed.

The volume, value and frequency of fraudulent claims may increase from time to time for various reasons and if not detected and inadvertently paid, can impact on anticipated claims volumes and matching reserves resulting in adverse effects on the profits and results of operations of the Issuer.

The risk management framework in place may leave the Issuer exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.

The Issuer devotes significant resources to the development and implementation of an effective risk management framework consisting of policies, procedures and assessment methods appropriate to its risk profile and risk appetite. To this effect, the governance structure of the Issuer includes several independent control functions such as Internal Audit, Compliance, Risk Management and Actuarial. Risk modelling, duration analysis, and stress testing as well as other risk assessment methods are in place. Nonetheless, these risk management techniques and strategies may not be fully effective in mitigating the Issuer's risk exposure in all economic market environments or against all types of risk, including the risks that the risk management fails to identify or anticipate. The Issuer applies statistical and other tools to arrive at quantifications of risk exposures. These tools and metrics may fail to quantify future risk exposures adequately. In addition, the quantified modelling does not take all risks into account and although it is complemented by a more qualitative approach that takes into account a broader set of risks, this could prove to be insufficient. Unanticipated or incorrectly assessed risk exposures could result in material losses in the Fidelidade Group's business.

The Issuer and the Fidelidade Group may be unable to attract or retain key qualified personnel.

The Issuer and the Fidelidade Group depend on the availability of highly qualified staff in order to be able to carry out their activities appropriately and duly implement its business strategy. In some cases, as a result of the

intense competition for certain professional profiles (e.g. actuaries), there may be a risk of not being able to attract or retain key professional profiles, which could have a material adverse effect on the Fidelidade Group's business, operating results and financial position, as well as their reputation.

The Issuer and the Fidelidade Group are also at risk from members of its staff who undertake, or fail to follow procedures to prevent, fraudulent activities. In order to mitigate the risk of fraudulent practice, the Issuer and the Fidelidade Group continue to make material investments in staff and systems to work on the identification and prevention of claims fraud and these measures are regularly reviewed.

The Issuer and the Fidelidade Group depend on advanced information technology systems.

The integrity, reliability and operational performance of the Fidelidade Group's IT systems are critical to its operations. The Fidelidade Group relies on IT systems, in particular for purposes of servicing customers, handling claims, control and quality assurance of its distribution network, recording new business, sales volumes and distribution, monitoring the Fidelidade Group's investment activities, maintaining its accounting systems and for risk management purposes.

As an insurance group, the Fidelidade Group collects and processes significant amounts of sensitive personal data (including name, address, age, medical details and other personal data) from its customers, business contacts and employees. Despite the controls put in place, there remains a risk that this data could be stolen, lost, corrupted and/or misused as a result of an intentional or unintentional act by parties internal or external to the Fidelidade Group, including through the hacking of its IT systems. This could result in fines, the need to compensate customers, the cost of remediation and a negative impact on the Fidelidade Group's reputation with the consequential impact on sales volumes and hence adversely impact its results of operations. The Fidelidade Group is required to comply with data protection and privacy laws and industry standards in Portugal and the countries of residence of the Fidelidade Group's customers. This includes compliance with the General Data Protection Regulation (EU) 2016/679) ("**GDPR**") in addition to local regulations. There is a risk that data collected by the Fidelidade Group and its third-party service providers is not processed in accordance with notifications made to, or obligations imposed by, data subjects, regulators, or other counterparties or applicable law. Failure to operate effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs as well as result in potential inaccurate rating of risks or overpayment of claims.

Large organizations, such as the Fidelidade Group, are increasingly becoming targets for cyber-crime, particularly if those organizations retain personal information about many people and migrate some of their operations on to digital platforms. The Fidelidade Group is exposed to the risk that the personal data it controls could be wrongfully accessed and/or used, whether by employees or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulations. If the Fidelidade Group or any of the third-party service providers on which it relies fails to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Fidelidade Group could face liability under data protection laws.

Failure of the Fidelidade Group's IT systems, including the unsuccessful implementation of standardized processes, inadequate data protection, loss of data and hard or software malfunction, could also lead to difficulties in efficient customer service and claims processing, less effective controlling of distribution partners, and accounting or risk management failures. Business continuity procedures, disaster recovery systems and security measures in the event of network or IT failure or disruption, protective measures to detect intrusion or other security breaches (such as sabotage, hackers, viruses, cyber-crime and fraudulent activities on the Fidelidade Group's systems) may not ensure that the Fidelidade Group is able to carry on its business if its IT systems fail or are disrupted.

Any failure of the Fidelidade Group's IT infrastructure, systems or protections may require the Issuer and the Fidelidade Group to divert substantial engineering, financial and marketing resources from other areas to rectify

such problems. Deficiencies in the Fidelidade Group's IT systems may further cause direct or indirect damages or losses and may lead to significant costs and disruptions that may harm the quality of the Issuer and the Fidelidade Group's products and services and its brand and reputation. All of these factors may have a material adverse effect on its business, financial condition and results of operations.

In answer to the above-mentioned risks, the Fidelidade Group continuously monitors and assesses the investment requirements in the renewal of its IT infrastructure and systems. In order to maintain the proper operation of its business and in response to changing customer and market expectations, the Fidelidade Group is periodically faced in numerous instances with the transition to the next generation of IT systems. If the Fidelidade Group fails to adapt its IT infrastructure and systems to respond to the rapidly changing industry needs in due time, this could have material adverse effects on its business, financial condition and results of operations.

Operating in developing economies carries a series of risks.

Developing economies where the Fidelidade Group currently operates or is planning to enter, are subject to greater risks than more mature markets, including, in some cases, significant legal, economic and political risks. These geographies can also require more vigilance in terms of anti-money laundering laws.

In 2023, the Fidelidade Group's premiums from developing economies, namely in Latin America, Africa and Asia, represented 24 per cent. of total gross premiums written (including investment contracts).

The performance of the Fidelidade Group's operations in emerging markets may be affected by certain uncertainties which may have a material adverse effect on the Fidelidade Group's financial condition, results of operations and business.

Strategic risks

The Issuer may be unable to maintain a competitive distribution network which could adversely impact its future business and results.

The Issuer relies on a number of distribution channels for the marketing and offering of its products and services both in Portugal and abroad. Intermediaries, namely agents, brokers and banks, are important distribution channels that are independent of the Issuer. The Issuer does not have, in all cases, exclusivity agreements in place with its intermediaries so they are free to offer products and services from other insurance companies and there is no obligation on them to favour the products offered by the Issuer.

In 2023, in Portugal, the bancassurance channel represented 37 per cent. of the Fidelidade Group's total domestic gross premiums written (including investment contracts), 74 per cent. of the Fidelidade Group's total Life segment premiums and 8 per cent. of the Fidelidade Group's total Non-life segment premiums. During 2022, the Fidelidade Group renegotiated its bancassurance agreement with Caixa Geral de Depósitos, S.A., maintaining its exclusivity for Portugal.

The successful distribution of the Issuer's products and services depends on the choices an intermediary makes as regards its preferred insurance company or companies, and as regards its preferred products and services. An intermediary may determine its preference as to an insurer on the basis of suitability of that insurer for its customers and for itself by considering a diverse number of factors. An unfavourable assessment by an intermediary of the Issuer and/or its product and services could result in the Issuer and/or its products and services not being marketed by intermediaries to their customers, which could have a material adverse effect on the Fidelidade Group's business, operating results and financial position, as well as reputation.

The Fidelidade Group's activities are still somewhat concentrated in its home country Portugal and hence vulnerable to Portuguese sovereign exposure.

A large part of the Fidelidade Group's insurance activities and business are carried out in Portugal. The Issuer is a general multi-product insurer providing insurance products to retail clients, public entities and corporates in Portugal. The Fidelidade Group is thus directly exposed to Portugal specific risks and its current international activities are only able to mitigate such concentration risk to a certain extent. Specific conditions in Portugal, including in relation to regulation, political stability, an act of God or any other negative event that could affect the country, may have a direct, and materially adverse impact on the Issuer's and the Fidelidade Group's activities and profitability.

Effects of recent and future acquisitions and strategic alliances.

Over the last few years, the Issuer has acquired minority or controlling stakes in various companies (see "*Description of the Issuer – Overview, incorporation and history – Legal form and group structure*" and "*Description of the Issuer – Recent Developments*"). New acquisitions or strategic agreements may also be executed in the future in both Portugal and abroad.

In relation to potential inorganic growth opportunities, the Fidelidade Group uses caution and professional criteria during the process of selection and analysis of targets. Initially, the Fidelidade Group assesses the strategic fit of any potential target and at a more advanced stage, in case the target is suitable following the preliminary assessment, the Issuer appoints advisors to support the Issuer across the acquisition stage. Notwithstanding the Fidelidade Group's approach to merger and acquisition opportunities, the risk of an unsuccessful or incomplete integration of the acquired business could result in an adverse impact on the Fidelidade Group's financial performance.

The Insurance sector is being challenged by disruptive technologies, 'insurtech' companies and new market trends.

The Fidelidade Group is actively fostering several initiatives to improve internal processes and increase operating efficiency. The Fidelidade Group actively seeks to support its clients in managing their risks by developing new product ranges integrated into the ecosystems in which it operates. These products and services go beyond its core business and increasingly focus on preventing and addressing the holistic needs of the client.

To realize this vision, the Fidelidade Group is developing new product ranges in areas such as Mobility, Investment, Health, and Assistance. Its approach includes the internalization of various services relevant to its operations, as well as the formation of strategic partnerships with important groups operating internationally. This strategy reflects the Fidelidade Group's commitment to offering comprehensive and innovative solutions that go beyond traditional insurance offerings. The Fidelidade Group is dedicated to being a reliable and proactive partner for its clients, assisting them in risk management and safeguarding their interests across all relevant areas of their lives.

Technology and innovation play a crucial role in promoting operational efficiency and risk mitigation. In 2023, there was notable progress in the development of various artificial intelligence tools, which present both significant benefits and important concerns, requiring a coordinated approach among policymakers, companies, and society at large.

These tools offer significant opportunities to boost efficiency and productivity by exploring new models of defence and security, innovation in healthcare, and combating climate change through resource optimization. However, they also bring intrinsic issues related to ethics, data protection, and cybersecurity, with a considerable risk of exacerbating social and economic disparities, especially where access to technology is unequal.

To strengthen support across various geographies and leverage internal expertise, the Fidelidade Group has launched specialized centres of excellence in areas such as advanced analytics, artificial intelligence, pricing,

and innovation. These exchange platforms have made it possible to share best practices among companies, serving as a key component in making them more robust and competitive in their respective markets. Consequently, this strengthens the Fidelidade Group's position in the global landscape.

If the Fidelidade Group fails to adapt its business strategy to the changing environment in an adequate way, this may have a material adverse effect on the Fidelidade Group's prospects, business, financial condition and results of operations.

The Issuer counts the dividends and other cash flows it obtains from certain subsidiaries.

Even though the Issuer is the holding company, it is also the most relevant operating company in the overall Fidelidade Group, being mostly independent in terms of cash supply. Notwithstanding this, the Issuer counts the dividends paid by its subsidiaries for its strategic decisions and operational actions.

If governments in the countries where the Issuer is present through its subsidiaries prohibit the repatriation of dividends, capital divestments or make any type of restrictive exchange control policies, this could negatively impact the Issuer's liquidity capacity to a certain extent.

Additionally, in the event of the insolvency of its subsidiaries, the Issuer's claims over their assets will rank junior to claims of other stakeholders.

The Issuer operates in several markets through arrangements with third parties, and this may expose it to additional risks.

The Issuer's ability to exercise management control or influence over its partnership operations, its joint ventures and its investment in them depends on the terms of the legal agreements. In particular, the relationships depend on the allocation of control among, and continued co-operation between, the participants.

The Issuer may also face financial or other exposure in the event that any of its partners fail to meet their obligations under their partnership agreements or encounter financial difficulty. Partnership agreements may also be terminated on certain dates or subject to certain conditions and could be subject to renewal on less favourable terms. In addition, a significant proportion of the Issuer's product distribution, such as bancassurance, is carried out through arrangements with third parties not controlled by the Issuer and is dependent upon the continuation of these relationships. A temporary or permanent disruption to these distribution arrangements could affect the Issuer's financial condition. Some of these arrangements require the Issuer's third-party partners to participate in and provide capital to its joint venture, associate and subsidiary undertakings. The Issuer's partners may change their strategic priorities or encounter financial difficulties preventing them from providing the necessary capital to promote future growth.

In addition, the Issuer outsources certain customer service, technology, Asset Management and other functions to third parties and may do so increasingly in the future. If the Issuer does not effectively develop, implement and maintain its outsourcing strategy, third-party providers do not perform as anticipated or the Issuer experiences technological or other problems with a transition to or between such providers, the Issuer may not realise the full extent of productivity improvements or administration and cost efficiencies and, as a result, may experience operational difficulties, increased costs and a loss of business. In particular, failings by the Issuer to outsource partners to perform outsourced functions, or to perform them to the required standards, may adversely affect the Issuer's reputation and lead to the loss of customers and operating profit or to regulatory fines.

The failure or inability to diversify sources for key services or the failure of any key partners to fulfil their obligations could lead to operational issues for the Issuer that could have a negative impact on the quality of service provided to the clients of the Issuer, negatively impact on operations and even result in financial losses for the Issuer.

Business risks

The Issuer's performance is subject to substantial competitive pressure that could adversely affect its results.

There is substantial competition in Portugal and in the other markets where the Issuer is present for the type of insurance products that the Issuer offers in both the non-life and life business.

In Portugal, the financial crisis and solvency capital requirements have strongly impacted the financial landscape as they put both non-life and life insurers under pressure to generate profitability in a mature environment. To avoid high capital requirements imposed by Solvency II rules, insurers have invested more in safe haven investments and tried to shift product offerings from high capital consuming savings products to unit-linked and risk offerings. This challenge led to guaranteed interest rate decreases in life insurance products, and tariff increases and adapted product features in non-life products.

In addition to consolidations and partnerships, insurers are also exploring different approaches in distribution as an alternative response to the challenges they have encountered or they expect to encounter in the future. Online aggregators have also introduced a new platform to consumers allowing them to compare insurance premiums.

Consumer demand and awareness also affect competition, in particular as a result of technological advances and the impact of (social) media. Consumers have become more knowledgeable, price conscious and risk averse, demanding more convenience and transparency.

Internationally, the Issuer competes with some of the largest insurance groups, banks, brokers, asset management and financial service companies, some of which hold far-reaching financial, technical and operational resources so are able to offer alternative products to those of the Issuer, or do so at more competitive prices.

The Fidelidade Group therefore operates in concentrated and highly competitive markets that are subject to continuing consolidation and that constantly seek to develop new products and distribution channels. If the Fidelidade Group is unable to offer competitive and attractive products profitably, it may lose market share and/or incur losses on some of its activities and/or in some of the markets where it operates. Competitive pressure could further result in increased pricing pressure, particularly as competitors seek to win market share, which may impair the ability of the Fidelidade Group to maintain or increase profitability.

Continuing difficult market conditions and business cycles in which the Fidelidade Group operates may adversely affect its business and its profitability.

The Fidelidade Group's business is affected by changing general market conditions, which can cause its results to fluctuate from year to year, as well as on a more long-term basis. These conditions include economic cycles such as insurance industry cycles and financial market cycles, including volatile movements in market prices for securities. In particular, cycles in the non-life insurance industry are characterised by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses. Fluctuations in interest rates, credit spreads, consumer and business spending, demographics and other factors also influence the performance of the Fidelidade Group's business.

Market conditions continue to be volatile and there can be no assurance as to the effect of this volatility, particularly if it is prolonged, on the results of the Issuer's and the Fidelidade Group's activities. Although the Issuer has a well-balanced business mix of life and non-life products allowing for a partial mitigation of such volatility, it may experience the negative effects of changing market conditions on its results and financial condition.

Fidelidade's Group structure Risks

The Issuer is the ultimate holding company of the Fidelidade Group and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer's subsidiaries.

The Issuer is the ultimate holding company of the Fidelidade Group, with certain of its operations being conducted by operating subsidiaries. Accordingly, in the event of a winding up or dissolution of the Issuer or a subsidiary, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary (i.e. the Issuer or a subsidiary of the Issuer) and so to Noteholders. The Conditions do not limit the amount of liabilities that the Issuer's subsidiaries may incur. In addition, the Issuer may not necessarily have access to the full amount of cash flows generated by its operating subsidiaries, due in particular to legal or tax constraints, contractual restrictions and the subsidiary's financial requirements and regulatory capital requirements.

Legal and Regulatory Risks

There are continuing changes to the implementing measures under the Solvency II regime that could have potentially adverse impacts on the insurance sector as a whole and on the Issuer in particular.

The EU has developed a new solvency framework for insurance and reinsurance companies operating in the EU, referred to as "**Solvency II**". The adoption of European Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance of 25 November 2009 (the "**Solvency II Directive**") marked an important step in this major reform. The Solvency II Directive entered into force on 1 January 2016. However, a number of changes have already subsequently been implemented or are proposed to be implemented.

The new approach to solvency is based on the concept of three pillars:

- Pillar 1 – eligible funds and capital requirements;
- Pillar 2 – supervisory review of the company's assessment of risk; and
- Pillar 3 – enhanced disclosure requirements.

A key aspect of Solvency II is that capital requirements are risk-based assessed.

On 10 October 2014, the European Commission adopted Commission Delegated Regulation (EU) 2015/35 (the "**Solvency II Delegated Regulation**") supplementing Directive 2009/138/EC on valuation and risk-based capital requirements (pillar I), enhanced governance (pillar II) and increased transparency (pillar III).

After implementation of the Solvency II regime some changes to the rules have been introduced and additionally EIOPA has already issued two sets of advice to the European Commission on specific items in the Solvency II Delegated Regulation.

Changes to the Relevant Rules (as defined in the Conditions) may impact adversely the Issuer's solvency ratio, which could potentially entail an increase in the capital that the Issuer is required to hold to support its business or some of its business lines. Moreover, the Issuer has applied the transitional measure, set out in Article 25 of Law No. 147/2015 of 9 September, on technical provisions for liabilities similar to life regarding the homogeneous risk groups "Capital redemption products", with and without profit sharing, and "Health – SLT", related to liabilities with workers' compensation contracts. Any changes or a potential release in these transitional measures may also negatively impact the Issuer's solvency ratio.

In the event that regulatory capital requirements are, or may be, breached, the ASF, in the interests of policyholder security, is likely to require the Issuer to take remedial action, which could possibly include measures to restore the Issuer's capital and solvency position to acceptable levels, for the purposes of ensuring that the financial resources necessary to meet obligations to policyholders are maintained.

Furthermore, prospective investors should note that changes in Relevant Rules (as defined in the Conditions) may result in the Notes not qualifying as at least Tier 1 Capital (See "*Terms and conditions of the Notes — Definitions — Capital Disqualification Event*"). In such case, the Issuer may elect to redeem the Notes due to the occurrence of a Capital Disqualification Event (See "*Risks relating to the Notes — Risks relating to the structure of the Notes — The Issuer may redeem the Notes at the Issuer's option or in certain circumstances, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes.*") or to substitute the Notes or modify the Conditions (See "*Risks relating to the Notes — Risks relating to the structure of the Notes — The terms of the Notes may be modified, or the Notes may be substituted, by the Issuer without the consent of the Noteholders in certain circumstances, subject to certain restrictions.*"). Furthermore, all redemption rights of the Issuer pursuant to the Conditions are exercisable at the Prevailing Principal Amount of the Notes at the time of redemption, which may be significantly below their nominal amount, thus Noteholders may not be entitled to repayment of the difference between Prevailing Principal Amount of the Notes at the time of redemption and the amount invested (See "*Risks relating to the Notes — Risks relating to the structure of the Notes — The principal amount of the Notes may be written down.*")

On 22 September 2021, the European Commission published its proposed directive on the recovery and resolution of insurance undertakings (proposal for a Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012) ("**IRRD**"). Having been approved by the European Parliament's Committee on Economic and Monetary Affairs (ECON) on 29 January 2024, the next steps include the adoption of the text by the Parliament's plenary and by the Council. Once adopted, it will be signed by the Council and the Parliament and published in the Official Journal. The proposed IRRD will provide for (i) a variety of preventive measures to reduce the likelihood of insurance undertakings requiring public financial support and (ii) the commencement of resolution procedures when insurance or reinsurance undertakings are failing or likely to fail, where there is no prospect that private sector alternatives or supervisory measures would prevent such failure. The proposed IRRD provides, in case of resolution, for the application of a number of resolution tools, such as write-down and conversion, which would allow resolution authorities to write down or convert capital instruments, debt instruments and other eligible liabilities of insurance undertakings, generally in inverse order of their ranking in liquidation, so that the tool would apply first to equity instruments, then tier 1 instruments (such as the Notes), then tier 2 instruments and then to other instruments with a higher ranking in liquidation. Upon the adoption of the resolution tools, including the bail-in tool, within the proposed IRRD in their current form, Noteholders could be affected and lose all or part of their investment in the Notes if the Issuer and/or the Fidelidade Group were to experience financial difficulty and be failing or likely to fail. In addition, if the Issuer's and/or the Fidelidade Group's financial condition deteriorates, or is perceived to deteriorate, the existence of these powers could cause the market value and/or the liquidity of the Notes to decline more rapidly than would be the case in the absence of such powers.

The business of the Issuer and the Fidelidade Group is subject to extensive laws and regulations and changes in the legal and/or regulatory environment may have an adverse effect on its business, financial condition, reputation or image in the market.

The Issuer and the Fidelidade Group conduct their business subject to ongoing regulation and associated regulation risks, including the effects of changes in the laws, regulations, policies and interpretation thereof in those jurisdictions in which the Issuer or its subsidiaries conduct business. The timing and form of future changes in regulation are unpredictable and beyond the Issuer's control. Changes made could materially and adversely affect the Fidelidade Group's business products, services offering, the value of its assets or the extent of its liabilities.

On 9 December 2014, the PRIIPS Regulation was published in the Official Journal of the EU and came into force on 31 December 2016.

On 20 January 2016, Directive (EU) 2016/97, the Insurance Distribution Directive ("**IDD**") was published in the Official Journal of the EU and came into force on 22 February 2016.

The IDD and the PRIIPs Regulation are closely linked. The IDD and the PRIIPs Regulation introduce rules aimed at levelling the playing field for the sale and disclosure of insurance and retail investment products to strengthen consumer protection. The IDD addresses sales and disclosure rules for insurance products, including additional sales rules for insurance investment products. The PRIIPs Regulation addresses disclosure rules for retail investment products and introduces a new standard for product information called a "Key Information Document" or "**KID**". The main issues for the Issuer are transparency of remuneration in life as well as in non-life insurance (with a transitional regime of five years for non-life), a ban on commissions on life insurance investment products sold on the basis of independent advice, the introduction of investment profiles and suitability/appropriateness tests in life investment products and the implementation of the KID.

The European Market Infrastructure Regulation ("**EMIR**") package including the original Regulation (EU) 648/2012 of the European Parliament and of the Council, of 4 July 2012, and the so-called EMIR Refit approved under Regulation (EU) 2019/834 of the European Parliament and of the Council, of 20 May 2019, addresses the risks involved in OTC trading by imposing new requirements on counterparties entering into OTC derivative contracts. In particular, it imposes (i) central clearing obligations (standardised derivative contracts entered into by financial counterparties such as insurance companies should be cleared through central counterparties in order to reduce the risk in the financial system), (ii) risk management obligations (counterparties entering into non-centrally cleared OTC derivative contracts must apply appropriate risk measures, including – as far as financial counterparties are concerned – the exchange of collateral), and (iii) reporting obligations (all OTC derivative contracts should be reported to trade repositories). Following the adoption of regulatory technical standards for the Regulation on OTC derivatives, central counterparties and trade repositories, all EU derivatives market participants are required to report data relating to OTC derivatives and their counterparties to a trade repository. The introduction of EMIR has given rise to new challenges for the Issuer such as, amongst others, an adaptation of its collateral management infrastructure and organisation, the determination of OTC derivatives valuation methodologies and their documentation, and an update of existing processes and IT applications in order to correctly identify and provide required information and build a daily reporting file.

The EU introduced new obligations within its regulatory framework on sustainable finance, such as the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088, "**SFDR**") which introduced new obligations with regards to the disclosure of sustainability related information with respect to investment services provided and financial products offered to clients. Additionally, Regulation (EU) 2020/852 (the "**Taxonomy Regulation**") which also supplements the Non-Financial Reporting Directive also introduced changes by implementing additional disclosure obligations. On 21 April 2021, the European Commission adopted a package of measures and initiatives related to the EU Sustainable Finance Agenda with the aim of laying the ground for an EU framework prioritizing sustainability in the financial system and alignment with the European Green Deal objectives.

As part of this initiative, the European Commission also adopted Commission Delegated Regulation (EU) 2021/1256 amending the Solvency II Delegated Regulation in order to integrate sustainability risks in the governance of insurance and reinsurance undertakings. The amendments result in the system of governance of (re)insurance undertakings and the assessment of their overall solvency having to reflect the impacts of sustainability risks on the values of the investments or on the values of the (re)insurance liabilities. As an example, this measure has implications for the calculation of technical provisions and on the investment strategy. The IDD Delegated Regulations was amended by the Commission Delegated Regulation (EU) 2021/1257: integrating customer preferences in terms of sustainability as a complement to the suitability

assessment in particular with reference to insurance-based investment products as well as sustainability factors into insurance product oversight and governance requirements and conflict of interest rules. On 25 July 2022, Commission Delegated Regulation (EU) 2022/1288 which supplements the SFDR and the Taxonomy Regulation was published and became applicable from 1 January 2023. In it, the content, methodologies and presentation of information relating to sustainability indicators and adverse sustainability impacts are detailed as well as the principle of "do no significant harm", and the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

The SFDR and the Commission Delegated Regulation (EU) 2022/2288 are under constant review by the EU authorities and may be subject to significant changes in the future.

If the Issuer fails, or appears to fail, to address regulatory changes, the Fidelidade Group's reputation could be harmed and the Issuer could be subject to additional legal risk, including enforcement actions, fines and penalties. Despite its best efforts to comply with applicable regulations, there are a number of risks in areas where applicable regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings. As detailed above, the Fidelidade Group also faces increasing compliance costs in view of the continuously changing regulatory landscape in which it operates, which could impact its results and financial condition.

The Fidelidade Group could be adversely affected by changes to tax legislation.

The Fidelidade Group may be adversely affected by changes in the tax legislation applicable in Portugal, the EU or those countries in which it operates, or may operate in the future, as well as by changes in the interpretation by the competent tax authorities of legislation and regulation. The measures taken by the Portuguese Government to achieve fiscal consolidation and to stimulate the economy may result in higher taxes or lower tax benefits. Further changes or difficulties in the interpretation of or compliance with new tax laws and regulations might negatively affect the Issuer's business, financial condition and results of operations. Although according to the Portuguese Constitution legislative amendments which increase taxation cannot have retroactive or retrospective effect, there is no general legal prohibition on amendments with retrospective effect.

Regulatory Supervision Risk.

Insurance activities in Portugal and in the EU are subject to extensive and detailed regulation and supervision by supervisory authorities, which have broad administrative power over many aspects of the insurance services business, which include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices, among others, as well as those directly relating to insurance services, which include insurance, reinsurance, pension funds and their management companies and insurance mediation. The resources dedicated to ensure compliance with these various regulations can significantly increase the costs of the Fidelidade Group's structure and limit its possibilities for increasing its income.

The laws governing insurance activity may change at any time in ways which may have an adverse effect on the business of the Fidelidade Group. Furthermore, the Fidelidade Group cannot predict the timing or form of any future regulatory initiatives. Changes in existing laws may materially affect the way in which the Fidelidade Group conducts its business, the products and services it can offer and the value of its assets.

The prudential control of Portuguese insurance companies is the responsibility of the ASF.

As an insurance company, the Issuer is supervised by the ASF in relation to its capital, liquidity and solvency requirements, internal governance and organisation and fit and proper assessment of management and shareholders.

Supervision at group level (group supervision) is also performed by ASF at Longrun Portugal, SGPS, S.A. ("**Longrun**") level, as Longrun is the ultimate parent company of the Fidelidade Group within the EU.

The ASF has the power to suspend or prohibit the exercise of all or part of the activities or to wholly or partially suspend the performance of ongoing agreements of the companies and groups under its supervision.

This supervisory regime, its implementation and further interpretation by the regulatory bodies and the courts may have an adverse impact on the Issuer's functioning and operations and hence could adversely impact the Issuer's and the Fidelidade Group's results and financial position.

Additionally, non-compliance with rules and regulations enforced by the ASF may result in severe penalties and other sanctions such as bans, restrictions or activities and suspensions, which would directly impact the Fidelidade Group's ability to perform its activities.

In addition, the Fidelidade Group's operations are subject to regulation in each jurisdiction in which it operates. Often, these regulations are complex and costly to comply with in terms of time and other resources. Breach of applicable regulations may lead to penalties, fines, compliance costs, reputational harm and even loss of licences to operate.

Data protection and GDPR framework/regulations.

The Issuer and the Fidelidade Group are subject to the GDPR, which is directly effective in all Member States without the need for the implementation of additional national legislation, as from 25 May 2018. Under the GDPR, the processing of personal data should be processed lawfully and in transparent manner in relation to the data subject.

The regulatory risk arising from non-compliance with the personal data protection legislation increased significantly after 25 May 2018. The GDPR imposes stricter requirements for the processing of personal data (e.g., companies will have to provide exhaustive information to data subjects; and obtaining valid consent for the processing for personal data from data subjects will be more demanding). Furthermore, the GDPR establishes harsher sanctions in the case of infringement – companies may be sentenced to fines up to the greater of €20,000,000.00 or 4 per cent. of the company's global annual turnover.

The Fidelidade Group complies with the GDPR and with the local legislation on data protection, having implemented adequate measures and internal strategies to avoid breaches; however, the Fidelidade Group is still exposed to the risks arising from non-compliance with the GDPR.

Changes to IFRS which affect insurance companies may adversely affect the Fidelidade Group's financial results.

The Fidelidade Group's financial results may be adversely affected by changes to the International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") and adopted by the EU.

These standards are subject to interpretation and evolution on a continuing basis. The Issuer cannot predict with any certainty at this time the potential impact of any potential future modifications to the IFRS; however, any significant modifications to the IFRS may adversely impact its financial position and results.

IFRS 17 became effective from 1 January 2023 and the first external audited reporting under this basis is for year-end 2023, with restatement of 2022 comparatives. The new standard requires a fundamental change to accounting, presentation and disclosures for insurance contracts as well as the application of significant judgement and new estimation techniques. These changes mean that investors, rating agencies and other stakeholders may take time to gain familiarity with the new standard and to interpret the Fidelidade Group's business performance and dynamics. In addition, comparison with previous financial reporting periods will be more challenging in the short term. New systems, processes and controls have been developed to align with the

new IFRS17 basis, and are expected to mature over time. In the short term there may be increased operational risk associated with these new systems and processes. Apart from IFRS 17, any other changes or modification of IFRS accounting policies may also require a change in the way in which future results will be determined and/or a retrospective adjustment of reported results to ensure consistency.

The Fidelidade Group may also have to devote resources to adapt its organisation, processes and systems to reflect these changes. On the currently envisaged timetable, any changes may also need to be considered alongside other regulatory changes which may come into effect, and in particular Solvency II.

Reputational risks

Litigation or other proceedings or actions may adversely affect the Issuer's business and hence its financial condition and results of operations.

The Fidelidade Group's business is subject to the risk of litigation by customers, employees or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation (see "*Description of the Issuer – Legal Proceedings*"). The outcome of litigation or similar proceedings or actions is difficult to assess or quantify. Plaintiffs in these types of actions may seek recovery of large or indeterminate amounts or other remedies that may affect the Issuer's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. The cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Fidelidade Group ultimately is found liable. As a result, litigation may adversely affect the Issuer's and the Fidelidade Group's business, financial condition and results.

Risks relating to the Notes

Risks relating to the structure of the Notes

The Issuer may redeem the Notes at the Issuer's option or in certain circumstances, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes.

The Issuer has the right, in its sole and full discretion but subject to the satisfaction of the conditions to redemption as set out in Condition 9 (*Preconditions to Redemption, Substitution, Variation and Purchase*), to redeem the Notes in whole but not in part (i) on any Optional Redemption Date, (ii) if a Deductibility Event or a Gross-up Event has occurred and is continuing, (iii) if a Capital Disqualification Event has occurred and is continuing, (iv) if a Ratings Methodology Event has occurred and is continuing, (v) if an Accounting Event has occurred and is continuing or (vi) if 75 per cent. or more of the aggregate principal amount of the Notes originally issued have been purchased by the Issuer or by any other person beneficially for the Issuer's account and, in each case, cancelled pursuant to the Conditions, in each case at their Prevailing Principal Amount (which may be less than the Initial Principal Amount), together with (to the extent not previously cancelled in accordance with the Conditions) any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

During any period when the Issuer may elect, or is perceived to be able to elect, to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

The cash paid to Noteholders upon such a redemption may be less than the then current market value of the Notes or the price at which such Noteholders purchased the Notes. Subject to the contractual and regulatory restrictions on doing so set out in the Conditions, the Issuer might redeem the Notes when its cost of borrowing for an instrument with a comparable regulatory capital treatment at the time is lower than the interest payable on the Notes. At those times, an investor generally may not be able to reinvest the redemption proceeds at an effective interest rate which is as high as the interest rate on the Notes being redeemed and may only be able to

do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Please also refer to the risk factor entitled "*Redemption of the Notes must be deferred by the Issuer in certain circumstances*" below.

The Notes are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, if the Issuer's assets are insufficient to meet all its obligations to senior-ranking and pari passu creditors, investors in the Notes will lose all or some of their investment in the Notes.

The Notes constitute direct, unsecured and subordinated obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves. In the event of the Winding-Up or dissolution of the Issuer (other than in certain limited circumstances), the rights and claims of the Noteholders against the Issuer in respect of the payment obligations of the Issuer under or arising from the Notes, shall be subordinated to the claims of all Senior Creditors of the Issuer, but (subject to mandatory provisions of Portuguese law) shall rank: at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith; and in priority to the claims of holders of all classes of share capital of the Issuer. Accordingly, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would be made to holders of the Notes, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. A Noteholder may therefore recover a smaller proportion of its claim than the holders of unsubordinated liabilities or liabilities of the Issuer that are not as deeply subordinated as the Notes. If the Issuer's assets are insufficient to meet all its obligations to senior-ranking and *pari passu* creditors, the holders of the Notes will lose all or some of their investment in the Notes.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Notes and, accordingly, the Issuer may at any time incur further obligations (including by issue of further debt securities) which rank senior to, or *pari passu* with, the Notes. Consequently, there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Noteholders on a winding-up of the Issuer and/or may increase the likelihood of the cancellation of interest payments under the Notes.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or dissolved, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound-up or dissolved.

In addition, investors should be aware that, upon a Trigger Event occurring, following a Write Down of the Notes which is not followed by a Write Up, Noteholders will have a significantly reduced claim (which may effectively amount to zero) in the Winding-Up or dissolution of the Issuer. This may be the case even if other existing subordinated indebtedness or share capital remains outstanding and provable in full in the Winding-Up or dissolution, with the effect that any sums recovered in respect of the Notes (if any) may be substantially lower than the relative recovery made by holders of instruments which rank *pari passu* with the Notes. There is a risk that Noteholders will lose substantially the entire amount of their investment, regardless of whether the Issuer has sufficient assets available to settle what would have been the claims of Noteholders or of securities subordinated to the same or greater extent as the Notes, in a Winding-Up or dissolution or otherwise.

Furthermore, if the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be subject to a Winding-Up or dissolution or that a Trigger Event might occur, such circumstances can be

expected to have an adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. Investors who sell their Notes in such circumstances may lose some or substantially all of their investment in the Notes, whether or not the Issuer is subsequently subject to a Winding-Up or dissolution or if a Trigger Event occurs.

Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, an investor in the Notes will lose all or some of its investment should the Issuer become insolvent and its assets are insufficient to meet all its obligations to senior ranking and *pari passu* creditors.

The principal amount of the Notes may be written down.

The Notes are being issued for capital adequacy-related regulatory purposes with the intention and purpose of being available for inclusion in restricted Tier 1 Capital of the Issuer and the Group. Such availability depends upon a number of conditions being satisfied, which are reflected in the Conditions.
One of these conditions relates to the ability of the liability represented by the Notes to be written-down upon a Trigger Event occurring. Accordingly, if a Trigger Event occurs (subject as provided in Condition 5(a)), (i) the Prevailing Principal Amount of the Notes will be written down by the Write Down Amount determined pursuant to Condition 5(b) (*Write Down Amount*) and (ii) all accrued but unpaid interest up to (and including) the Write Down Date shall be cancelled, as further described in the Conditions.

Whilst the Write Down Amount will be determined in accordance with paragraphs (i), (ii)(a), (ii)(b) or (iii) of Condition 5(b) (*Write Down Amount*) (as applicable), it is expected that the circumstances in which the Write Down Amount would be determined pursuant to paragraph (ii)(a) of Condition 5(b) (*Write Down Amount*) would only apply where the Issuer and/or the Group (as applicable) had exceeded the regulatory limits for eligible own funds for both restricted Tier 1 Capital and Tier 2 Capital immediately prior to the Write Down Date such that a Write Down would not only improve the quality but also the quantum of own funds which are eligible to cover the relevant Solvency Capital Requirement and/or Minimum Capital Requirement. Furthermore, paragraph (ii)(a) of Condition 5(b) (*Write Down Amount*) will only apply where the Issuer is capable of determining the relevant amount prior to the relevant Write Down Date. In addition, the Relevant Regulator may not have any appropriate reason, discretion or sufficient information available to it prior to the Write Down Date to enable it to approve a different Write Down Amount under paragraph (iii) of Condition 5(b) (*Write Down Amount*) than that provided for in paragraphs (i) and (ii) of Condition 5(b) (*Write Down Amount*). Therefore, upon the occurrence of a Trigger Event, there is a material risk that the Notes will be written down to one cent per Note from their initial denomination of EUR 200,000, in accordance with paragraph (i) of Condition 5(b) (*Write Down Amount*), even where holders of the Issuer's share capital continue to receive dividends.

Although the Conditions grant the Issuer full discretion to reinstate Written Down principal amounts provided certain conditions are met, the Issuer is under no obligation to do so. Moreover, the Issuer's ability to Write Up the principal amount of the Notes depends on there being sufficient profits of the Issuer which contribute to its Available Distributable Items and which are made subsequent to the restoration of compliance with the Solvency Capital Requirement of both the Issuer and the Group and must not be made in a manner which undermines the loss absorbency of the Notes. It is possible that changes to the Relevant Rules may impose other limits on the Issuer's ability to Write Up the principal amount of the Notes from time to time. No assurance can be given that these conditions will ever be met. Furthermore, any Write Up is likely to occur only on a *pro rata* basis with any other Tier 1 instruments providing for a reinstatement of principal amount in similar circumstances.

Interest (if paid) will accrue only on the Prevailing Principal Amount of the Notes outstanding from time to time. Accordingly, any Write Down will (unless and until the amounts of principal Written Down have been

subsequently Written Up) affect the maximum amount of interest which may (subject to cancellation) be payable on the Notes. Furthermore, all redemption rights of the Issuer pursuant to the Conditions are exercisable at the Prevailing Principal Amount of the Notes at the time of redemption (together with accrued and unpaid interest to the redemption date, to the extent not otherwise cancelled) and, accordingly, if the Issuer were to redeem the Notes at a time when the Prevailing Principal Amount is less than the Initial Principal Amount, Noteholders will not be entitled at any time to repayment of the difference in such principal amounts, even if the Issuer subsequently writes up principal on other instruments which (until redemption of the Notes) ranked *pari passu* with, or junior to, the Notes.

If a Winding-Up or dissolution occurs prior to the Notes being Written Up in full, Noteholders' claims for principal will be based on the reduced Prevailing Principal Amount of the Notes. As a result, if a Trigger Event occurs, Noteholders may lose some or substantially all of their investment in the Notes. Any actual or anticipated indication that a Trigger Event is likely to occur may therefore have an adverse effect on the market price and liquidity of the Notes.

The occurrence of a Trigger Event may depend on factors outside of the Issuer's control.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control, including actions that the Issuer is required to take at the direction of the Relevant Regulator and regulatory changes. The Relevant Regulator could require the cover for any Solvency Capital Requirement or Minimum Capital Requirement to be calculated on or as of any date and so a Trigger Event could occur at any time on or following the Issue Date.

The ability to meet each applicable Solvency Capital Requirement and Minimum Capital Requirement could be affected by a wide range of factors, including, among other things, factors affecting the level of the Issuer's earnings or dividend payments, the mix of its businesses, its ability to effectively manage its assets and liabilities in both its ongoing businesses and those it may seek to exit, losses in its various businesses, or any of the factors described in the risk factors under "*Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes*" above. Prudential calculations may also be affected by changes in applicable accounting rules and the manner in which accounting policies are applied, including the manner in which permitted discretion under the applicable accounting rules is exercised.

Although the Issuer currently publicly reports the Solvency Capital Requirements of the Issuer and the Group at least annually, a Trigger Event could occur at any time. Thus, investors may receive only limited, if any, warning of any deterioration in the solvency ratios which are relevant to the occurrence of a Trigger Event. In addition, the Issuer's regulator may instruct the Issuer to calculate its solvency ratios or those of the Group as at any date or may itself determine that a Trigger Event has occurred. Moreover, any indication that the Issuer's solvency position or that of the Group is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes. A decline or perceived decline in the Issuer's solvency position or that of the Group may significantly affect the trading price of the Notes.

Due to the uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, the Prevailing Principal Amount of the Notes may be Written Down and the extent of any Write Down. Similarly, for the reasons given above, there is also uncertainty as to the likelihood that the Issuer will be required to cancel Interest Payments on the Notes. Please also refer to the risk factor entitled "*Interest Payments under the Notes may and, in certain circumstances, must be cancelled by the Issuer*" below.

Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Any indication that the Issuer or the Group may be at risk of failing to meet any Solvency Capital Requirement or Minimum Capital Requirement and so approaching a level that would or could in time result in a Trigger Event may have an

adverse effect on the market price and liquidity of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's other subordinated debt securities.

The Issuer's interests may not be aligned with those of investors in the Notes.

The availability of Available Distributable Items as well as there being no occurrence of a Trigger Event and/or a Regulatory Deficiency Event will depend in part on decisions made by the Issuer and other entities in the Group relating to their businesses and operations, as well as the management of their capital positions. The Issuer and other entities in the Group consider the interests of all their stakeholders in connection with their strategic decisions, including in respect of capital management and the relationship among the various entities in the Group and the Group's structure, but the interests of the Noteholders may be outweighed by those of other stakeholders in certain circumstances. The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event or a Regulatory Deficiency Event. It may decide not to propose to its shareholders to reallocate share premium to a distributable reserve account or to take other actions necessary in order for share premium or other reserves or earnings to be included in Available Distributable Items. Conversely, it may decide from time to time to take actions (for example share buybacks), which may themselves negatively impact its available distributable items and/or the solvency margin of the Issuer or the Group. Moreover, in order to avoid the use of public resources, the Relevant Regulator may decide that the Issuer should allow a Trigger Event or Regulatory Deficiency Event to occur or should cancel an Interest Payment at a time when it is feasible to avoid this. Noteholders will not have any claim against the Issuer or any other entity of the Group relating to decisions that affect the capital position of the Group, regardless of whether they result in the occurrence of a Trigger Event or a Regulatory Deficiency Event or a lack of Available Distributable Items. Such decisions could cause Noteholders to lose the amount of their investment in the Notes (or, in the case of a Regulatory Deficiency Event, defer repayment indefinitely).

Please also refer to the risk factor entitled "*Interest Payments under the Notes may and, in certain circumstances, must be cancelled by the Issuer*" below.

The Notes may not be a suitable investment for all investors seeking exposure to green assets.

It is the Issuer's intention to invest an amount equal to the net proceeds from the issue of the Notes into one or more Eligible Green Projects and Assets (as defined under the Issuer's green financing framework (the "**Green Financing Framework**")). For the avoidance of doubt, neither the proceeds of the Notes nor any amount equal to such proceeds will be segregated by the Issuer from its capital and other assets and there will be no direct or contractual link between the Notes and any Eligible Green Projects and Assets. Due to the envisaged use of the net proceeds from the issuance of the Notes in accordance with the Green Financing Framework, the Issuer refers to the Notes as green bonds.

In connection with the issue of the Notes, the Issuer has requested Morningstar Sustainalytics ("**Sustainalytics**") to issue an independent opinion ("**Opinion**") confirming that the Notes and Eligible Green Projects and Assets (as defined under "*Use of Proceeds*" below) are in compliance with the International Capital Market Association ("**ICMA**") 2021 Green Bond Principles , as supplemented by the June 2022 Appendix. The ICMA Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market. Sustainalytics' Opinion dated 17 May 2024 is available at www.fidelidade.pt.

Even though the Notes are not linked to specific assets or projects, in Sustainalytics' Opinion, they are consistent with the stated definition of green bonds within the Green Bond Principles.

Neither the Green Financing Framework nor the Opinion is incorporated into and forms part of this Offering Circular. The Opinion may not reflect the potential impact of all risks related to the structure, market, additional

risk factors discussed here and other factors that may affect the value of the Notes. The Opinion is not a recommendation to buy, sell or hold securities and is only current as of the date on which the Opinion was initially issued.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) (including, without limitation, the Opinion) which may be made available in connection with the issue of the Notes and in particular with any Eligible Green Projects and Assets to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Offering Circular. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any Notes. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In particular no assurance is given by the Issuer that the use of an amount equal to such proceeds for any Eligible Green Projects and Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects and Assets.

Furthermore, there is currently no clearly-defined definition (legal, regulatory or otherwise) or market consensus on what precise attributes are required for a particular project to be defined as '*green*' or '*sustainable*' or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance can be provided to investors that the Eligible Green Projects and Assets will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects and Assets. The Green Financing Framework and the use of proceeds of the Notes do not satisfy the requirements set out under Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 (the "**EU Green Bond Standard**").

Although the Eligible Green Projects and Assets have been selected in accordance with the categories recognised by the ICMA Green Bond Principles, and will be developed in accordance with the relevant legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and operation of the Eligible Green Projects and Assets. In addition, where negative impacts are insufficiently mitigated, the Eligible Green Projects and Assets may become controversial, and/or may be criticised by activist groups or other stakeholders.

In the event that the Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects and Assets.

Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained for so long as any Notes remain outstanding.

While it is the intention of the Issuer to invest an amount equal to the net proceeds from the issue of the Notes into Eligible Green Projects and Assets, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects and Assets will be capable of being implemented in, or substantially in, the intended manner and/or in accordance with any timing schedule and that accordingly such amount will be totally or partially disbursed for such Eligible Green Projects and Assets. Nor can there be any assurance that such Eligible Green Projects and Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an event of default under the Notes. The Joint Lead Managers will not assess, verify or monitor the application of an amount equal to such net proceeds to Eligible Green Projects and Assets.

Further, notwithstanding the stated use of proceeds of the Notes (see "*Use of Proceeds*") it would not be an event of default under the Notes if the Issuer failed to comply with such stated use, including if the Notes are written down or corrected to cover uses of the Issuer in relation to non-green assets. The examples of Eligible Green Projects and Assets in "*Use of Proceeds*" are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by the Issuer during the terms of the Notes. Any failure to use the net proceeds from the Notes on Eligible Green Projects and Assets or to meet or continue to meet the investment requirements of certain environmentally focussed investors with respect to such Notes may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. Any such event or failure by the Issuer to apply an amount equal to the net proceeds of the Notes to Eligible Green Projects and Assets and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on or failure to obtain and publish any such reports, assessments, opinions and certifications and/or any Notes no longer being listed or admitted to trading or displayed on any stock exchange or securities market as aforesaid, and/or the fact that the maturity of an Eligible Green Project or Asset may not match the minimum duration of the Notes and/or or the failure by the Issuer to meet any other environmental or sustainability targets, will not (i) give rise to any claim of a Noteholder against the Issuer (or any Joint Lead Manager); (ii) constitute an event of default under the Notes or a breach or violation of any term thereof, or constitute a default of the Issuer for any purpose; (iii) lead to a right or obligation of the Issuer to redeem the Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of the Notes or give any Noteholder the right to require redemption of its Notes; (iv) affect the qualification of the Notes as Tier 1 Capital; (v) lead to a Write Down of the Notes or lead to any cancellation of interest; (vi) otherwise affect or impede the ability of the Issuer to apply the proceeds of the Notes to cover losses in any part of the Group; or (vii) result in any step-up or increased payments of interest, principal or any other amounts in respect of the Notes, or otherwise affect the Conditions.

Any such event or failure to invest an amount equal to the net proceeds from the issue of the Notes into Eligible Green Projects and Assets as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or the Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Notes and also potentially the value of any other securities of the Issuer which are intended to finance