



2021 Annual Report

Nacional  Re

Nacional Re

Annual Report
2021

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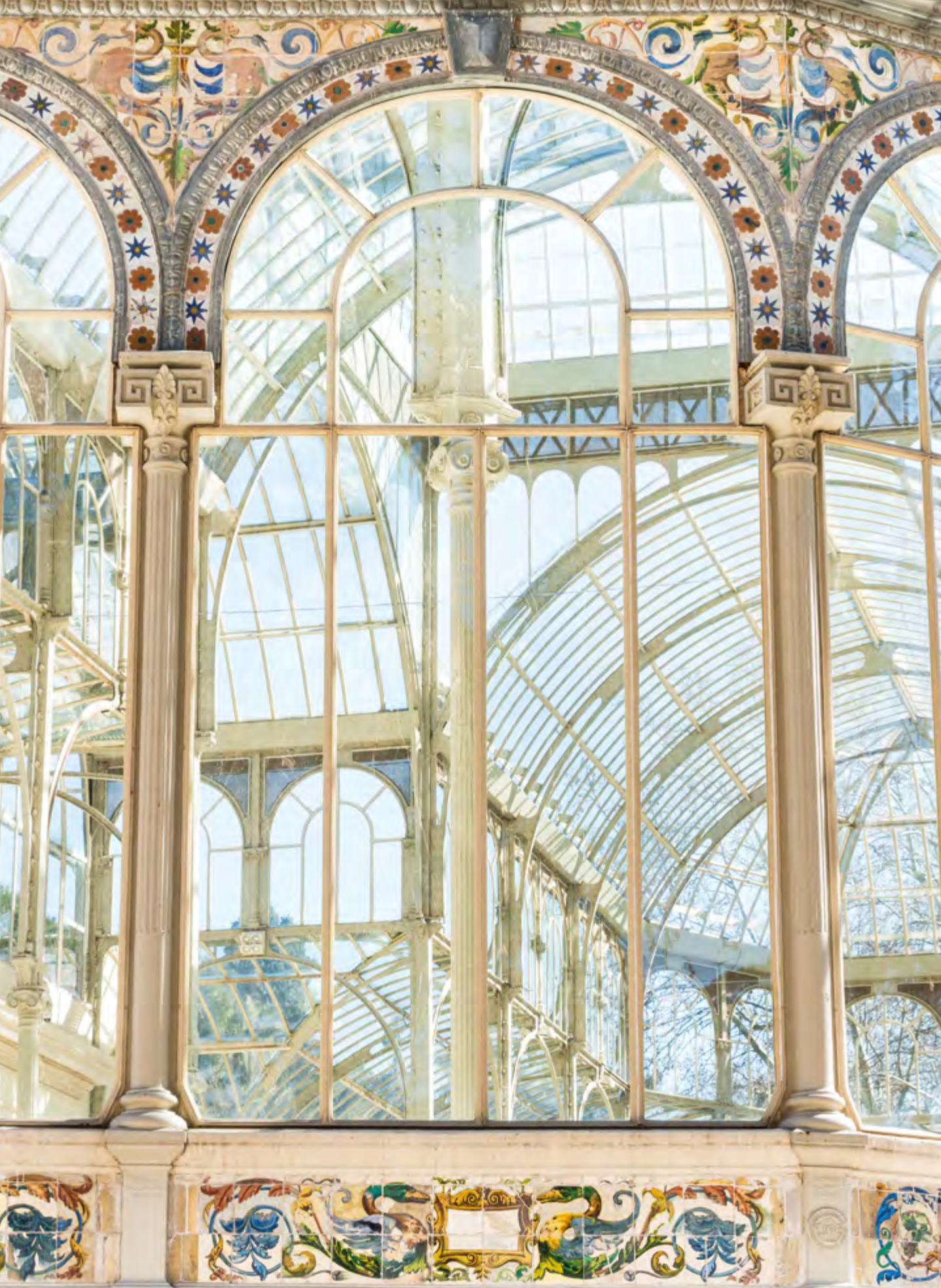




Board of Directors

		Management Committee	Audit and Control Committee	Nomination and Remuneration Committee	Market and Strategy Committee
Honorary Chairman	José María Sunyer Aldomá				
Chairman	José María Sunyer Sendra	●			
Deputy Chairman	José Ruiz Domínguez	●	●	●	
Members	Ignacio Eyries García de Vinuesa				●
	General de Análisis y Gestión, S.L. (representante permanente Borja García-Nieto Portabella)	●	●		
	Ignacio Izquierdo Saugar				●
	Diogo Moraes Sunyer	●			
	Heliodoro Sánchez Rus		●		●
	Lucía Sunyer Lachiondo	●	●	●	
	Isidoro Unda Urzáiz	●		●	
Secretary to the Board (not a member of the Board)	Juan Antonio Montoya Leal				

- Chairman Committee
- Member Committee



Steering Committee

Chief Executive Officer	Pedro Herrera Nogales
Chief Marketing Officer	David Santos Manzanares
Chief Underwriting & Actuarial Officer	Miguel Ángel Mora García
Chief Underwriting P&C	Unai Baquero García
Chief Financial & Operating Officer	Javier Melero Ameijide
Corporate Marketing Consultant	Joaquín Coll Pueyo





Management report

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Letter from the Chairman



Dear Shareholders

We are pleased to present our Management Report and Annual Accounts for 2021, the 82nd financial year of Nacional Re's operation.

After a complicated 2020, we once again encountered exceptional circumstances in 2021, a year in which successive waves of the pandemic prevented normal, continuous operations and caused a repeated cycle of advances and setbacks throughout the whole period. One notable feature was that the successful vaccination programme meant that the final part of the year could be approached with more hope, though this was cut short by the rapid increase in infections with the Omicron variant, which once again complicated business activities and dampened the expectations raised in previous months.

The Spanish economy grew by 5% in 2021, the highest rate in 21 years, though this was set against the collapse in 2020, when GDP shrank by 10.8%. Nevertheless, this figure was still a long way (one and a half points) below the Government's forecast of 6.5%, and it also fell behind the growth experienced by other European economies.

As from September, persistent inflation and problems with the supply chain reduced expectations, an evolution corroborated by the GDP data for the final quarter, with growth of 2%, six tenths lower than the figure achieved in the third quarter, thus slowing the upward trend.

Against this unstable background, the insurance sector closed the year with increased volumes of business activity, consolidating its position as one of the foundations for the country's economic and social activities, with good employment figures and with revenues from premiums in Spain that rose by 5% in 2021 to a total of 61,835 million euros. It should nevertheless be pointed

out that turnover has not returned to its pre Covid levels: the closing figure for the year was 3.65% lower than at the end of 2019.

In the reinsurance market, terms and conditions in many agreements were adjusted significantly for 2021, changes that were necessary as a result of the high level of claims during 2020. This was mainly seen in the Central European markets, due to certain types of cover for business closures following Covid-19, and in Spain as a result of the impact of storm Gloria. Overall, this renewal was very positive in terms of the Company's objectives, strengthening its positions in Spain and the main European markets.

We can therefore present figures for the 2021 financial year that we consider to be positive.

The main figures of the financial year are highlighted below:

- Premium income increased by 4% to 633.1 million euros, with growth achieved both in Spain (+3.1%) and the European markets, in which Nacional Re continued to consolidate its presence (+5.8%).
- The significant increase in claims (14.9%) was due to the powerful impact, mainly in Fire & Multirisk insurance, caused by a number of extraordinary events of an unusually strong magnitude, such as storm Filomena and the severe floods in Central Europe.
- There was a moderate increase of 0.7% in investment assets, along with an increase of 4.6% in investments, but there was a significant reduction in accepted reinsurance deposits, due to the performance of this category in the portfolio of proportional ceding agreements.
- The financial return achieved in 2021 was 25.3 million euros, 41% higher than in 2020, with a profitability ratio of 2.1% on the book value of investments.
- The traditional trend in equity was maintained, rising by 5.2% to 413.9 million euros.
- Net earnings totalled 30.0 million euros, an increase of 3.7% on 2020, which highlighted the effectiveness of the Company's risk management and its efficacy in the face of situations involving an extraordinary intensity of claims.

- These earnings allow for a distribution which, as usual, consists in a significant withholding of profits in form of reserves (18.8 million euros), following the payment of a dividend to our shareholders of 11.25 million euros (+3%).

Going beyond this brief summary, you are invited to analyse in depth all of the aspects set out in greater detail in the following pages.

For their part, the agencies S&P Global Ratings and AM Best confirmed Nacional Re's rating as "A" with a stable outlook, reflecting the Company's strength even at a difficult time for the reinsurance sector and with extraordinary impacts of claims concentrated in some of the Company's main markets.

We are aware that the uncertainties surrounding health have not entirely disappeared during these first months of 2022, and we are also conscious of the diverse and complex political and economic uncertainties that we will have to face this year. However, the performance of the Company's portfolio, the quality of its professional team and the highly positive renewal for the 2022 financial year give us reason to have confidence in our strategy and our ability to generate growth and satisfactory results.

At the close of this very singular year, we would like to thank our cedants once again for the trust and confidence placed in us, the commitment and efforts of the members of the Nacional Re team and the invaluable and crucial support provided by our shareholders.





Main figures

2021

Income	Euros	% Variation
Gross Written Premiums	633,143,817	4.0%
Investment result	25,333,176	41.0%
Total income	658,476,993	5.1%

Investments		
Investments and cash	1,105,361,351	4.6%
Reinsurance deposits	164,191,190	-19.3%
Total investments	1,269,552,541	0.7%

Equity		
Share capital	90,000,000	7.1%
Capital reserve (ex - dividend)	323,914,676	4.6%
Total equity	413,914,676	5.2%

Results		
Gross results	39,808,718	9.6%
Income tax	9,800,000	32.8%
Profit after tax	30,008,718	3.7%

Attributable to:		
Capital reserve	18,758,718	4.1%
Dividend	11,250,000	3.0%
% Dividend pay-out ratio	37,5%	

Rating	
A.M. Best	'A' stable outlook
S&P Global Ratings	'A' stable outlook

Solvency II	
Ratio of Admitted Equity over the Solvency Capital Required (*)	201,3%

* As of 31st of December 2021

Economic environment

Following the outbreak of coronavirus and its huge impact on 2020, the pandemic continued to shape events in 2021, which was thoroughly conditioned by the four waves of the pandemic which once again affected business activity, the way of working and the performance of the economy and business in general. With a variety of situations arising between January and December, the year began and ended with a very high number of infections and some worrying figures relating to deaths and those seriously affected.

However, it is true that the situation was very different by the end of 2021, thanks to the mass vaccination programme which by that time had extended to almost 90% of the Spanish population over the age of 12, but also due to the characteristics of the most recent dominant strain of the virus, known as Omicron, which was highly contagious but which generally led to less serious effects than earlier variants.

The eurozone economy recorded strong growth of 5.2% in 2021, following its historic fall of 6.4% in 2020. However, concerns persist in relation to the impact of the pandemic on the supply chain, and during the final part of the year the Omicron variant once again gave rise to a great deal of uncertainty about the European economy's capacity to maintain its level of growth.

Against this challenging and changing background, Nacional Re managed its business in a flexible way, maintaining the highest levels of quality in attending its cedants and generating value through its proposals and services.

Technical and commercial aspects

Reinsurance premiums

Total premiums amounted to 633.1 million euros, a year-on-year increase of 4.0%.

Turnover in Spain amounted to 413.3 million euros, a year-on-year increase of 3.1%. On the international markets, total premiums overall reached 219.8 million euros, representing growth of 5.8%.

The positive development of revenues from premiums came as a result of a satisfactory renewal of the portfolio for the year, which was sustained by an increase in premiums in the markets and business lines that were most affected by the high levels of claims registered in 2020 and further supported by the reactivation of the economy and growth in the sector.

Accepted reinsurance premiums	2021	2020	Growth %
Spain	413,308	400,687	3.1%
International	219,836	207,814	5.8%
TOTAL	633,144	608,501	4.0%

(Data in thousands of euros)

In 2021, Nacional Re maintained agreements with 386 cedants, up 2.1% on the previous year. Of these, 117 are based in Spain, while 269 are located in other countries, the majority in Europe (261). Particularly notable is the number of cedants from the Nordic Countries (51), France (48), Germany, Austria and Switzerland combined (45), Benelux (24), Italy (21) and Portugal (13).

Reinsurance premiums by segment

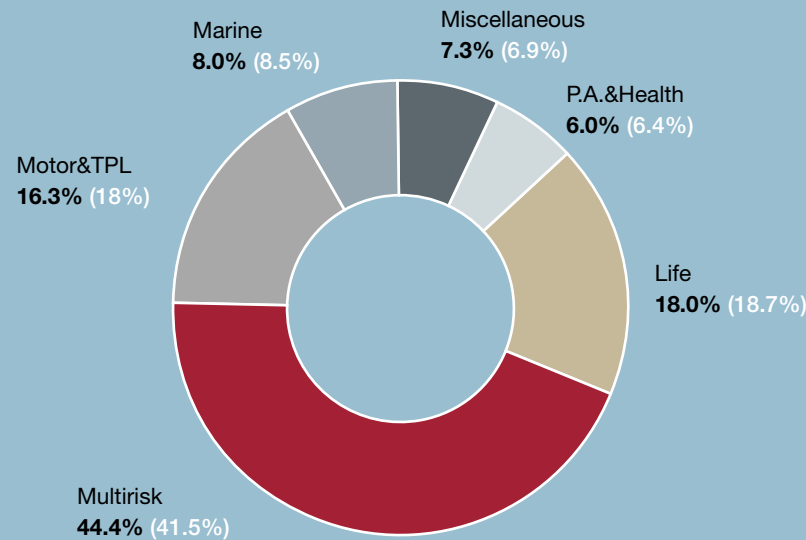
General insurance business grew by 4.8%, with a total of 519.0 million euros in premiums, while revenues in the Life Segment increased by 0.6% to 114.2 million euros. In terms of segments, particularly notable was the growth recorded in Fire & Multirisk (11.3%), which achieved a premium of 281.0 million euros.

Gross written premiums	2021	2020	Growth %
Fire & Multirisks	280,971	252,518	11.3%
Motor & TPL	103,254	109,365	-5.6%
Marine	50,406	51,951	-3.0%
Miscellaneous	46,140	42,103	9.6%
Personal Accidents & Health	38,215	39,057	-2.2%
Total Non Life	518,986	494,994	4.8%
Life	114,158	113,507	0.6%
TOTAL	633,144	608,501	4.0%

(Data in thousand euros)

Split by line of business 2021

633,144
Thousand Euros



(Year 2020: 608,501 thousand Euros)

Multirisk increased its relative weight in the portfolio and now accounts for 44.4% of total premiums, compared with 41.5% last year. Its growth was based on the increased prices of agreements covering risk located in the markets most affected by the claims arising from the pandemic in 2020 (countries in Central Europe) and from climate related events (Spain, due to storm Gloria).

This segment accounted for approximately 54% of all premiums in the General insurance segment, a percentage that was similar in both the Spanish and International businesses.

In **Motor**, total premiums fell by 5.3%. The Company maintained a leading position in Spain, with a share in practically all market programmes in this segment (34.6 million euros), and the European portfolio continues to grow (33.1 million euros), with the largest contributions coming from the DACH countries (Germany, Austria and Switzerland), France and the Nordic Countries.

In both Spain and the international area there was an overall drop in premiums, caused by the lower level of participation in proportional agreements, which was not fully offset by the notable increase in excess of loss treaties, which continued to be the most common form of reinsurance in this line across all markets.

After several years of uninterrupted growth, **Third-Party Liability** premiums fell (-6.1%), closing the year at 35.4 million euros. Some specific cancellations due to minimum margin and adequate balance requirements were responsible for this effect on overall premiums, though the majority of the portfolio was maintained, and some new business was underwritten, both in Spain and in the European markets.

Marine closed the financial year with 50.4 million euros, a figure that was 3% down on 2020. The contribution made by the portfolio for this segment in Spain increased by 2.4% to 35.4 million euros, while international business ended the year at 14.9 million euros, a fall of 13.9%, caused above all by the deferred effects of cancellations in recent years in the Italian market. Almost 50% of the international portfolio is concentrated in the French market, with 7.3 million euros in premiums and a rise of 1.1%.

Accident grew by 2% to a total of 23.9 million euros, driven by the growth of 9.4% in Spain, where revenues totalled 13.6 million euros. In the international business, portfolios in the different markets are still of a moderate size, with a total premium income of 10.3 million euros, coming mainly from Portugal (3.5 million euros), DACH (2.2 million) and the Nordic Countries (2.1 million).

Health business decreased by 8.4% and closed the year with a portfolio of 14.3 million euros, 55% of which relates to Spain and 45% to International business. Some new business was obtained in Spain, and this led to significant growth (more than 50%), though a drop in premium was recorded in France, as some treaties, which were part of Nacional Re's portfolio in previous years, were no longer placed in the market.

Under the heading of **Miscellaneous**, with a total of 46.1 million euros in premiums and saw growth of 9.6%, two lines stick out, Engineering, with 19.4 million euros, and Credit, with 25.6 million euros.

Engineering grew by 20.8% as a result of the boost from the reactivated economy, with similar levels of growth in both areas, Spain and the rest of the European market. Notable in the international area is the DACH portfolio, which totals 6.3 million euros and recorded annual growth in excess of 20%.

Credit insurance maintained a special position throughout 2021 as a result of the reduction in turnover caused by the different government agreements that remained in force for a large part of the year and that were designed to prevent any eventual systemic impacts from the effects of the Covid-19 pandemic. In the end, Nacional Re's portfolio amounted to 25.6 million euros, with growth of 2.8% from the previous year. Underwriting policy in this segment is focused on the acceptance of business in Spain, from where 94% of the portfolio originates.

Life business increased by 0.6%, reaching a total premium of 114.2 million euros. Despite the fact that the Company maintains a strong position in Spain, with a large number of leading shares and multiple collaboration projects with many of the cedants, this segment shrank by 5% due to the effects of the cancellation of some programmes that had been in place in previous years. In the international portfolio, France is particularly worthy of mention, given the size of its portfolio, which amounts to 14.9 million euros, with annual growth of 14.8%, along with the uptick in Benelux, which has grown to 3.4 million euros.

Reinsurance premiums by market

Spain remains Nacional Re's main market, recording a turnover of 413.3 million euros and growth of 3.1%, mainly driven by Accident and Health (+23.2%) and Fire & Multirisk (+9.5%), with significant advances in Engineering (+21.2%,) and Miscellaneous (+7.6%), while Marine performed modestly (+2.4%) and Motor and Third Party Liability (-8.6%) and Life (-5%) decreased.

In this market, the Company retains its consolidated leadership position in more than 50% of cedants, with whom it maintains traditionally direct business relations in more than 90% of the portfolio.

International business grew by 5.8% to 219.8 million euros. This area experienced unequal growth due to a number of different factors, of which the renewal conditions of the treaties negotiated during the year should be stressed once again. These were greatly influenced by the differing claims rates during the previous year (2020), differences that in some territories were closely linked to the impact of the Covid-19 pandemic and its consequences.

Following intense levels of business activity that have now continued for more than ten years, Nacional Re is beginning to make its own mark in the European markets.

35% of its turnover comes from the international area, through 269 cedants and more than 2,000 reinsurance agreements.

Over this period, Nacional Re has consolidated its reputation as an important player in the European reinsurance industry, and the Company has improved its knowledge of both the idiosyncrasies of the international business and the peculiarities of each individual market.

The actions that have characterised the most recent renewal campaigns have continued to give shape to a portfolio that is increasingly diversified and balanced, based on stronger and more consolidated relationships, offering a highly encouraging platform on which to promote profitable long-term growth over the coming years.

The **DACH** countries (Germany, Austria and Switzerland) became the area that brought in the highest volume of business for the first time: 55.7 million euros, a year-on-year increase of 24.7%. Fire & Multirisk accounted for more than two thirds of total premiums (67.4%), with year-on-year growth of 26.2%; this increase was greatly influenced not only by new relationships and greater market shares but also by the increased prices that resulted from the claim rates experienced in 2020 as a consequence of the pandemic and periods of lockdown.

In this market segment we should highlight the growing portfolio of Motor and Third Party Liability premiums, which reached a total of 8 million euros, along with the Engineering segment, which exceeded 6 million euros.

In **France**, despite the significant annual growth in the number of cedants (+5), turnover fell by 14.3%. The most influential factor in this fall was the cancellation of a Third Party Liability programme, a decision that fell within

the framework of the Company's policy for the strengthening of its strategic orientation, with certain minimum requirements with regard to margins and technical balance.

Notable in this market are the Life portfolio, with 14.9 million euros, Motor, with 11.2 million euros, and Fire & Multirisk, with 10.2 million euros.

Turnover in **Italy** fell by 26.8%, ending the year at 22.3 million euros. After several years of restructuring the portfolio in this market, 2021 saw a further stage in the measures taken to adjust exposure, mainly in the Marine and Motor lines. In addition, it was decided to cancel relationships with some cedants with whom it did not seem possible to achieve any real opportunity of establishing balanced relationships with margins that were consistent with the risk assumed.

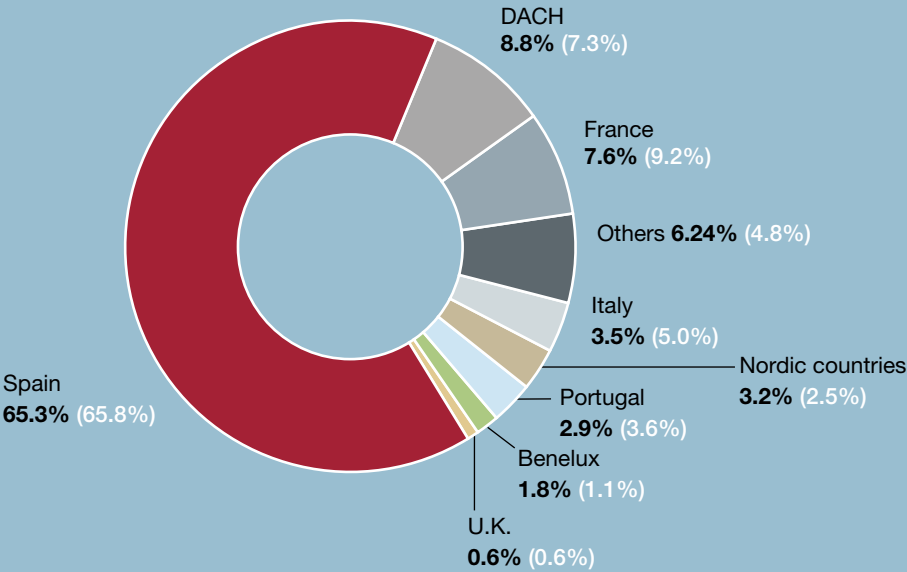
In this market, Multirisk accounted for 53% of the portfolio and Motor and Third Party Liability for 14%, while Marine's contribution fell to just 11%.

Turnover in the **Nordic Countries** grew significantly by 30.2%, ending the year at 20.2 million euros. The relative weight of Fire & Multirisk was reduced, though it still accounts for 50% of the portfolio in these countries, while diversification continued to grow in all other segments, particularly Motor (3.1 million euros), Accident (2.1 million) and Life (2 million).

The portfolio in **Portugal** suffered a drop of 15.7%, caused by the relocation of the programme of one of the most important cedants, which has recently been acquired by a multinational organisation. Total premiums amounted to 18.4 million euros, with decreases in all the most important segments except Marine, which grew by 10.2%.

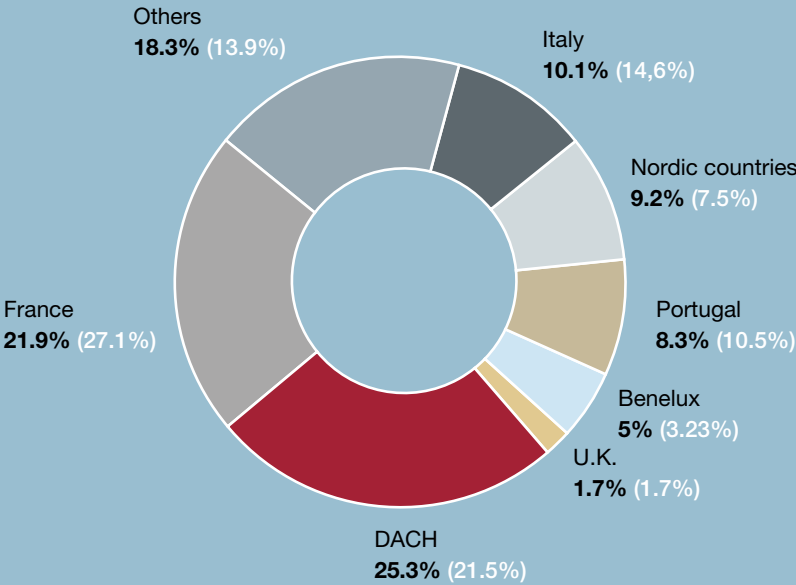
Geographical Split 2021

34.7%
International business



(Year 2020: 34.2% International business)

International Split 2021



As usual, given the characteristics of this market relating to the risk of earthquakes, the main contributor of the Portuguese portfolio is Fire & Multirisk (10.2 million euros). After this, the most important segments are Accident and Health (3.7 million euros) and Motor and Third Party Liability (1.3 million).

The **Benelux** countries have gradually acquired greater weight in the overall portfolio. Business grew by 65.1% and total premiums now exceed 11 million euros. Activity is notably diversified, with Life as the leading segment (3.4 million euros), followed by Fire & Multirisk (3.3 million), Motor & Third Party Liability (2.1 million) and combined Accident and Health (2 million).

Within the **Rest of Europe** group, we should highlight the importance of certain specific markets such as Andorra, the Czech Republic, Poland and Greece, along with the achievement of growth in almost all segments, with the highest share of the portfolio going to Multirisk (40%) and Motor & Third Party Liability (34%).

Business listed under **Others** brings together certain specific relationships with a small group of organisations from outside Europe. The most important segments here are Fire & Multirisk (48.5%) and Life (40%).

The following table shows the way in which the business portfolios are distributed both nationally and internationally, with a breakdown of the relative weight of each segment in each geographical area for the Company's entire portfolio.

Premiums accepted 2021	Spain	% o/total	International	% o/total	Total
Fire & Multirisks	178,758	28.2%	102,213	16.1%	280,971
Motor & TPL	61,248	9.7%	42,006	6.6%	103,254
Marine	35,455	5.6%	14,951	2.4%	50,406
Miscellaneous	34,067	5.4%	12,073	1.9%	46,140
Personal Accident & Health	21,461	3.4%	16,754	2.6%	38,215
Total Non Life	330,989	52.3%	187,997	29.7%	518,986
Life	82,319	13.0%	31,839	5.0%	114,158
TOTAL	413,308	65.3%	219,836	34.7%	633,144

(Data in thousands of euros)

Retention: Underwriting premiums and provisions

Nacional Re carries out a review of its retrocession protection on an annual basis with the aim of adjusting it to the development of the portfolio it has underwritten and achieving optimum mitigation against business volatility and the effects of large intensity or accumulation claims out of catastrophic events. In combination with this prudent risk management policy, its underwriting policy is directed unequivocally towards the achievement of overall profitability and technical rigour in every acceptance, working always from the premise of a moderate risk appetite.

The figures relating to retention reflect the nature and performance of the risk effectively taken on by the Company using its own equity, after deducting the impact of the claims transferred to the reinsurers who make up the retrocession panel, combined with the costs associated with the arrangement of protection coverage.

We are pleased to confirm that the retrocession structure has worked effectively in a situation in which claims have been as extraordinarily intense as they were in 2021, thus complying with the aim of stabilising the Company's results. This year, retention stood at 81.4% of accepted premiums (79.0% in 2020). The retained premiums amount totalled 515.5 million euros, up 7.3% on retained premiums in 2020.

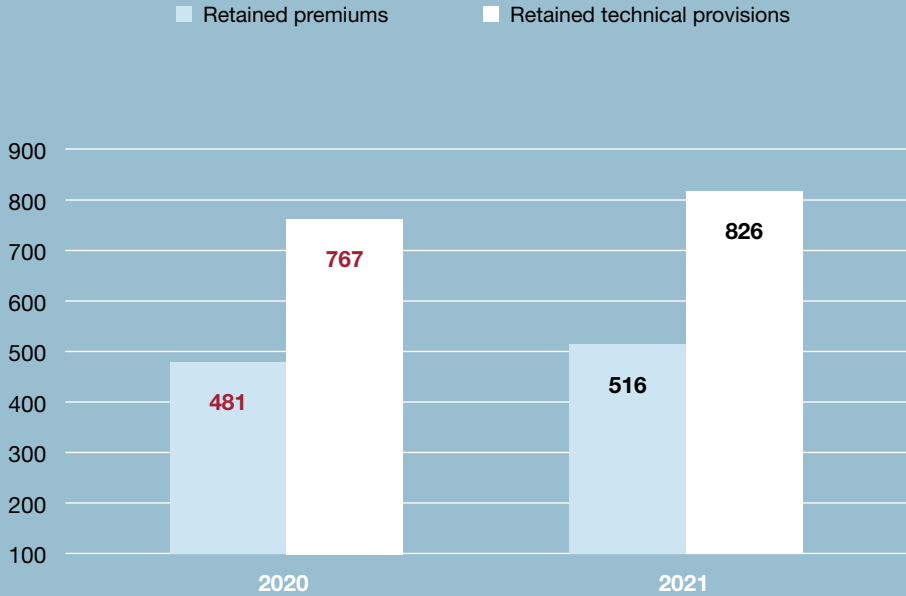
In accordance with the information provided by cedants, based on the characteristics of each business line, and taking account of the specifics of the risks, depending on its nature and location, the Company determines the amount of its underwriting provisions with the aim to meet all the obligations

assumed as the result of reinsurance business accepted. The corresponding calculation of these obligations, net of retrocession protection, comes to a total of 825.9 million euros (766.9 million euros in 2020), which breaks down into 687.8 million euros for General insurance segments (171.0% of retained premiums in these segments) and 138.1 million euros in the Life segment (122.0% of retained premiums).

In the same way as (and in addition to) the Company's own funds, underwriting provisions represent a guarantee against the liabilities assumed in the reinsurance business, and they therefore make an important contribution to the Company's solvency.

The following table shows the volumes of premiums and underwriting provisions retained during the last two financial years.

Premiums and Technical Provisions
(Data in Millions Euros)



Underwriting results

Net underwriting profit totalled 22.1 million euros, a figure that represents 4.3% of retained premiums. This return is lower than the figure achieved the previous year (5.4%).

Figures from the last two years, 2021 and 2020 reflect the excessive loss ratio resulting from the occurrence of claims of an extraordinary nature, most of which were caused by weather related events during both years, along with the claims resulting from the effects of the coronavirus pandemic, particularly in 2020.

In short, the portfolio showed a combined ratio of 95.7%, higher than the ratio recorded in the previous year (94.6%).

It is worth pointing out that the ratio for the reinsurance industry as a whole over recent years has remained on a higher level. Specifically, since 2016, the average combined ratio is estimated to be above 100%. Provisional data for 2021 suggest a ratio that is also close to this figure, some three points higher than NRe's definitive ratio.

Net Underwriting Results	2021	% retained premiums	2020	% retained premiums
Fire & Multiriks	-27,714	-14.1%	-29,264	-18.3%
Motor & TPL	23,460	24.1%	23,006	21.9%
Marine	4,610	12.8%	2,173	6.5%
Miscellaneous	23,684	61.3%	11,316	33.1%
Personal Accidents & Health	-5,173	-15.2%	7,469	21.3%
Total Non Life	18,867	4.7%	14,700	4.0%
Life	3,203	2.8%	11,369	10.1%
TOTAL	22,070	4.3%	26,069	5.4%

(Data in thousands of euros)

Underwriting results by business line

Profits from General insurance lines amounted to a total of 18.9 million euros, some 4.7% of total premiums. The highest contributions to this underwriting result for 2021 came from Miscellaneous and the Motor and Third Party Liability.

Particularly notable under the heading of Miscellaneous business was the positive performance of **Engineering**, which was influenced by the reactivation of the economy, along with profits from **Credit and Surety**, which overcame the uncertainties caused by the pandemic, thanks to the rapid adjustments of underwriting and renewal conditions. In total they brought in a profit of 23.7 million euros.

Marine also featured among the segments making a significant contribution to results in 2021. The strategy that the Company has determinedly pursued in its most recent renewal campaigns, which has involved being selective in its underwriting and cancelling accounts that have performed badly, is beginning to bear fruit. This segment ended the year with a result of 12.8% and a technical margin of 4.6 million euros.

Particularly significant among the segments that have suffered adverse results is the Fire & **Multirisk** segment, which held back overall results for the financial year with its 27.7 million euros of losses. 2021 was a singularly significant year in terms of the occurrence of events of an unusually severe magnitude in the markets in which Nacional Re engages in its reinsurance business.

In short, the Company's leading position in the Spanish market, combined with the penetration it has achieved in a number of European markets, as is the case with the DACH and Benelux countries, means that any events that affect these territories in any significant way will have an impact on Nacional Re, given its market share. These circumstances are naturally in line with the Company's solvency and its determined project for consolidation and growth in the markets to which it has decided to devote its strategy.

During the month of January, Spain was battered by storm Filomena, which caused an extremely intense snowstorm in a broad stretch ranging from the Southwest to the Northeast of the Iberian Peninsula. Its effects were most heavily felt in the centre of the country, including the city of Madrid and its surroundings. This phenomenon was further exacerbated by extremely cold temperatures which kept whole areas frozen for some time, causing continuous breakdowns in mobility and halting business activity for days at a time.

A snow related event like Filomena is not included among the definitions covered by Spain's Insurance Compensation Consortium, and its impact on the private insurance and reinsurance sector was therefore greater than would

be expected for other weather related events, with costs estimated at around 310 million euros. Nacional Re was affected to the tune of 13.7 million euros net through more than 30 cedants.

Later in the year, towards the end of June, storms Volker, Wolfgang and Xero battered Western and Central Europe. These storms, which included hail, heavy rain and tornadoes, caused significant damage in parts of France, Belgium, the Netherlands, Switzerland, Germany, the Czech Republic and other parts of Europe.

Shortly afterwards, over several days in July, storm Bernd behaved like a tropical storm, with torrential rain and unprecedented flooding causing a large number of deaths and serious material and financial damage in the West of Germany. Its effects were particularly felt in the federal states of North Rhine Westphalia, the country's most populous state, and Rhineland Palatinate. The effects of this storm also extended to some of the surrounding regions, with particular impact on Switzerland and the East of Belgium.

In total, the insurance and reinsurance bill resulting from all of these phenomena was estimated to exceed 12,000 million euros. Nacional Re received claims from more than 60 cedants in the various markets affected, with a net amount charged against the retention that exceeded 25 million euros.

In addition, mention should be made of the negative contribution (in the amount of 5.1 million euros) made by the Accident and Health segment, which was affected by high levels of claims in some markets like Spain and, to a lesser extent, the Nordic and Benelux Countries.

As regards **Life** business, this continued to make its traditionally positive contribution to the income statement, with profits of 3.2 million euros (2.8%).

Underwriting results by market

The Spanish business returned an underwriting result of 9.0%, up from 6.4% the previous year. Despite the number of claims caused by storm Filomena, we should remember the heavy impact of storm Gloria in 2020 (11.7 million euros net), combined with several intense claims that affected the local market during that financial year.

The combined International business, which was heavily affected by the huge number of claims resulting from the flooding suffered in Europe over

the summer, recorded a negative result of 5.6%, as compared with profits of 3.4% in 2020.

The markets in which extraordinary losses were experienced were:

- DACH, which closed the year with a negative result of 14.8 million euros (-38.3%), after recording a positive result in 2020 (3.3%).
- Benelux, which recorded a loss of 3.1 million euros (-33.1%) as a result of the significant effects of the flooding across a large area of Belgium.

A slight loss was also recorded in the Nordic Countries (-3.3%), where personal insurance business has not been performing well. This has therefore been placed on watch and earmarked for special action over the coming months.

We are nevertheless pleased to say that the majority of markets recorded positive results:

- Italy, which recorded profits for the second year running, on this occasion, 2.9 million euros (17.2%). We are confident of achieving the consolidation of a balanced portfolio, following several years of measures to reposition and reduce exposure in certain business lines.
- France obtained a result of 1 million euros (2.5%). This was rather more moderate than in 2020 (4.6%), also due to the effects of climate related events on some accounts.
- Portugal, which closed the year with profits of 1.2 million euros (15.3%).
- The rest of Europe combined, with particularly notable results in the Czech Republic, Poland, Greece and Andorra, which together brought in 2.1 million euros (11.5%), an increase on the previous year (4.2%).
- The UK and the areas referred to as “Others” also recorded profits of 0.3 million euros (10.6%) and 1.4 million euros (7.4%) respectively.

It can be concluded that 2021 has been an extraordinary year, given the characteristics and magnitude of the climate related claims that have affected the market. An advisable level of prudence in the management of reinsurance

would suggest paying continuing attention to all the issues resulting from climate change, which will unquestionably continue to affect business, even though experts in these kinds of phenomena are of the opinion that events of this magnitude should not reoccur in the short term.

We believe it important to look at the underlying behaviour of the portfolio, which is demonstrated by the results from the markets and business lines that have not been affected by these events and which reflects the balance that Nacional Re looks for when accepting business, with the application of rigorous technical criteria and the prudent management of risk that informs its business plans.

Net underwriting results	2021	2020
Spain	9.0%	6.4%
International	-5.6%	3.4%
Total	4.3%	5.4%

(% premium retained)

The recent renewal of agreements for 2022 has meant a further step forward in the Company’s strategy to improve conditions, helped on this occasion by a market trend that favours the adjustment of conditions as a consequence of the high claims levels seen in the reinsurance sector over recent years and the realisation that coverage conditions had not taken proper account of certain risks.

With the logical uncertainty that is inherent in the claims rate, especially with regard to catastrophic events, we trust in the effectiveness of this underwriting policy and the quality of our current portfolio which, in general terms, should favour the achievement of satisfactory results in the coming years.

Underwriting and financial results

In the income statement, the net underwriting result is combined with the financial profits and costs attributed to the various segments. The result obtained is 31.5 million euros, up 4.6% on the previous financial year.

The next table shows the data by insurance line.

Underwriting and Financial Result	2021	2020
Fire & Multirisks	-25,862	-28,994
Motor & TPL	27,557	25,704
Marine	5,179	2,438
Miscellaneous	24,900	12,179
Personal Accidents & Health	-4,807	7,674
Total Non Life	26,967	19,001
Life	4,510	11,080
TOTAL	31,477	30,081

(Data in thousands euros)

Financial aspects

In the global arena, the main central banks kept their expansionary monetary policies practically unchanged during 2021, though during the final months of the year they began to announce that they were beginning to withdraw these financial stimuli, each of them at its own pace. Given the strength of the labour market and the high rate of inflation, the Bank of England raised interest rates to 0.25%, while the Fed announced its intention to start raising rates no later than the middle of 2022. For its part, the ECB (which remains convinced that this inflation is temporary) limited the withdrawal of stimuli to the area of liquidity, leaving interest rates untouched and reducing its procurement programmes.

The main uncertainties of the current situation include the great increase in public borrowing and the sharp rise in inflation. Borrowing is reaching record levels in both the developed economies, where it exceeds 100% of GDP, and in the emerging economies, in which it is reaching similar levels.

Inflation has become the great obstacle to recovery, with the advanced economies seeing prices rise at rates not seen in decades: 7% in the USA, 5% in the Euro zone, and close to 6.5% in Spain.

Thanks to the widespread improvement in the results recorded by listed companies, the main indices on the variable income markets closed the year after recording significant rises over the previous twelve months. At a global

level, the MSCI World Index rose by 21.5% during the year. For its part, the European EuroSTOXX 50 index, which lists the 50 highest listed stocks on the continent, rose by 21% during the year. By country, the Italian FTSE MIB recorded a 23% rise, the German DAX saw an increase of 16% and the Spanish IBEX 35 was up by 7.9%.

Over in North America, the stock markets saw another year of more than double digit rises: The S&P 500 rose by 27.2%, the Dow Jones by 15.8% and the NASDAQ by 18.7%.

Over the course of the year, the behaviour of the government and corporate debt markets has reflected the continuation of measures for the acquisition of assets by central banks, the reactivation of the economy, and the fears that arose during the second half of 2021 about the high levels of inflation and uncertainty about how long they will last.

In Europe, the German 10 year bond has continued to maintain its status as a safe haven asset, and while it has shown negative returns over the whole of the financial year it has come close to positive levels at certain points. For its part, the risk premium on Spanish bonds remained within a narrow band of between 55 and 75 basis points.

Investment composition and strategy

At 31 December 2021, the Company's investments amounted to 1.269 million euros, The composition and trends in assets are shown in the following table:

	2021	2020
Long term fixed income	30,911	33,718
Short fixed income	526,269	542,584
Investment funds	453,360	384,833
Real Estate	38,939	39,624
Shares	55,882	55,866
Reinsurance Deposits	164,192	203,580
Total Investment portfolio	1,269,553	1,260,205

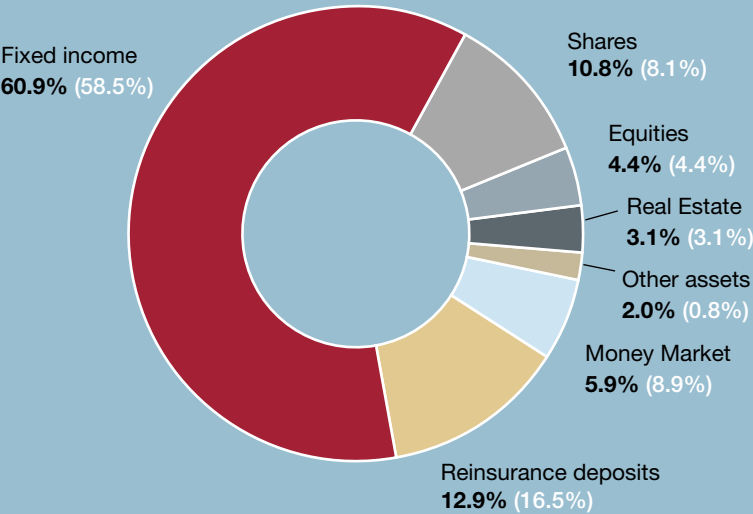
(Data in thousands of euros)

Once again this year, Nacional Re’s management of its investments was characterised by its focus on controlling risk, in accordance with the principles and rules contained in its Investments Policy, which set out a conservative appetite for risk.

The following graph shows the weighting of the different types of assets, following a breakdown and redistribution of the combined composition of its investment funds:

Investment Portfolio 2021

1,269.6
millions Euros



(Year 2020: 1,260.2 millions Euros)

In general terms, the Company’s assets structure did not undergo any significant changes in 2021 as compared with the previous year.

The most notable developments occurring in relation to asset classes were as follows:

- Fixed income assets remained the largest investment in the portfolio, accounting for 61% at the close of 2021.
- Following the termination of an accepted reinsurance treaty, the deposits put in place by our cedants showed a drop of more than six percentage points in 2021, falling to 13% of the portfolio.
- The variable income position rose by almost 2.7% on 2020 and now represents 10.8% of total investments. This increase was the result of a combination of new investment in these kinds of assets and the upward trend in the stock markets during 2021.
- The situation regarding interest rates and the lack of investment products in the money markets led to a reduction of 3 percentage points in this asset class, which now accounts for 5.9% of the total.
- The “other assets” category covers investments of a non traditional nature (infrastructure, venture capital, etc.). Throughout 2021, this group accounted for 2% of total investments.

The investment portfolio retains the following main characteristics:

- A high level of diversification in terms of issuers, both geographically and by sector, and in terms of fixed and variable income.
- The creditworthiness of the fixed income securities, which are classified as investment grade.
- A high level of liquidity and flexibility of management, which allows us to comply satisfactorily with the obligations arising from our reinsurance activities.
- Valuation of the portfolio on the basis of conservative criteria.
- Assets that are preferably quoted in euros.

This investment strategy is necessary in order to maintain the highest levels of both quality and security.

Financial returns

The net return on investments achieved in 2021 was 25.3 million euros, 41% higher than in 2020, with a profitability ratio of 2.1% on the book value of investments.

Income from financial investments rose by 47%, from 17.6 million euros to 25.9 million euros. Particularly notable was the income from returns on and sales of fixed income securities (5.1 million euros), investment fund realisation (14.5 million euros) and dividends received on shares and holdings in the stock of other companies (5.6 million euros).

Accounting income from properties fell from 1.4 million euros in 2020 to 0.7 million euros in 2021. This difference was the result of lower revenues from rents and a value correction in the amount of 0.35 million euros in the book value of the investment made in the property at Plaza de la Lealtad no. 2, Madrid, in order to bring this value into line with the latest appraisal.

The joint return on financial investments and real estate investments stood at 2.5% in 2021 (1.8% in 2020).

Other results that are also included in the net income from investments are as follows: interest on reinsurance deposits (0.09 million euros); and negative results due to exchange rate differences in the valuation of entries on the balance sheet (balances, deposits and bank transfers for reinsurance agreements) for which the original currency is not the euro (-1.4 million euros).

General expenses and human resources

During 2021, the Company's general expenses amounted to almost 7.5 million euros, and the ratio between expenses and premiums remained at a moderate level, standing at 1.19% for 2021. This figure once again demonstrates Nacional Re's status as a reinsurer with a very high level of efficiency.

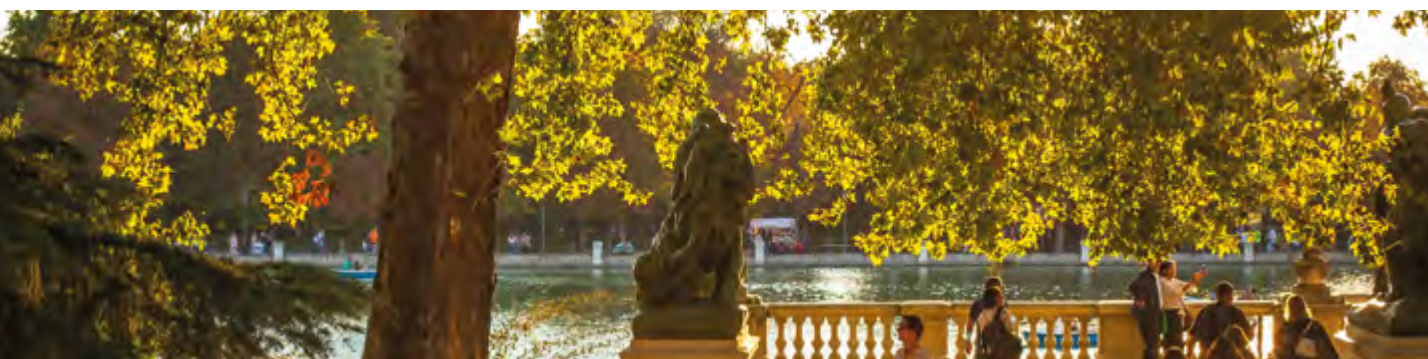
At the close of 2021, Nacional Re's workforce was made up of a total of 60 professional staff (30 women and 30 men), in line with the needs and requirements of its business. This human team retains the high level of professional qualification and commitment with which it has always been characterised.

We also strive to maintain an efficient, demanding and pleasant working environment, which reconciles the Company's corporate objectives with its employees' work life balance.

As one of its main lines of action, the Strategic Plan that was implemented in 2021 and will extend to 2024 covers all aspects relating to individuals and the organisation: corporate culture and values; adaptation of the Company's needs to the current characteristics of the labour market in both social and regulatory terms; ensuring that the organisation's size and know-how are in line with the way the business is evolving.

The quality and dedication of the workforce and the efficiency of its efforts have always deserved express recognition, but this recognition is even more necessary and special this year, as all of the duties required in the course of our business activities have been performed in the exceptional circumstances resulting from the Covid-19 pandemic.

In order to protect the health of the Company's employees while ensuring the continuity of the business, most activities have been carried out during 2021 in a mixed or hybrid environment, with the alternation of face-to-face and remote working in independent groups.



◀ Buen Retiro Park.

Solvency

As regards the Solvency II regulations, Nacional de Reaseguros applies the standard formula for calculating the solvency capital requirement in all risk modules and submodules.

In line with this standard formula, the ratio between eligible own funds and the solvency capital requirement as of 31 December 2021 was 201.3%, meaning that the capital requirements were easily met.

The Company constantly monitored the performance of the solvency ratio during 2021, confirming that the Company's solvency remained at a high level and did not show any signs of being compromised at any time.

The report on the Company's financial position and solvency will be issued within the period established in the regulations.

Rating

In 2021, the S&P Global Ratings y AM Best ratings agencies reaffirmed the "A" rating for Nacional de Reaseguros, with a stable outlook.

	Rating	Outlook
S&P Global Ratings		
17/12/2021	A	Stable
A.M. Best		
04/11/2021	A (Excellent)	Stable

Earnings and proposal for distribution

After the pretax profit of 39.8 million euros had been reduced by a provision of 9.8 million euros against Company Tax, the income statement showed a profit of 30.0 million euros, 3.7% higher than the previous year.

This profit represents 4.7% of premiums and 7.6% of equity.

We propose the following **distribution of earnings**:

To the legal reserve	1,200,000.00
To the capitalisation reserve	1,681,782.44
To unrestricted reserves	15,876,935.61
Total allocation to reserves	18,758,718.05
To shareholders (dividends)	11,250,000.00
To surplus	0.00
Total result available	30,008,718.05

Data in euros

The proposed **dividend** represents 37.5% of earnings and details are as follows:

- it applies to shares numbered from 1 to 15,000,000:
- it amounts to 0.75 euros per share, i.e. 12.5% of the par value of 6 euros;
- it represents a 3.0% increase on the previous year;
- it represents 2.9% of initial equity.

The Company is pleased to have obtained a positive result that allows us to reward our shareholders, strengthen the Company's solvency and increase its equity value.

Capital and reserves

As of 31 December 2021, paid-up share capital amounted to 90 million euros, following a share capital increase of 6 million euros charged to the reserves during June of that year.

No acquisitions or transactions relating to the Company's own shares were made during 2021.

The Company's policy of increasing its resources through self-financing has remained constant during Nacional Re's history. Over a period of ten years, the book value of the Company's equity, minus the dividend to be distributed among its shareholders, has increased from 207.7 million euros at the end of 2012 to 413.9 million at the close of 2021. This figure represents 80.3% of retained premiums.

The following chart shows the changes to this figure over the last ten years.

Corporate social responsibility

In 2021, in the area of social responsibility, Nacional de Reaseguros made a financial contribution to Fundación Carlos Sunyer. This Foundation organises Corporate Social Responsibility projects that are directed towards social improvements in the business environment, along with its own philanthropic projects, including volunteer activities.

Among these initiatives, Nacional Re participated in a project introduced in the 2021/2022 academic year, which consisted of a scholarship programme for students on the Master's Course in Actuarial and Financial Sciences at Carlos III University in Madrid.

Environmental policy

While we are aware that the reinsurance business is not a particularly polluting activity, we nevertheless strive as far as possible to conduct ourselves in a way that is actively conscious of our responsibility towards the environment, which is a common asset from which we all benefit.

For several years we have voluntarily submitted to an external assessment of the Company's environmental impact. Based on the conclusions of this assessment, we undertake to promote active management in support of energy savings and the conservation of scarce natural resources.

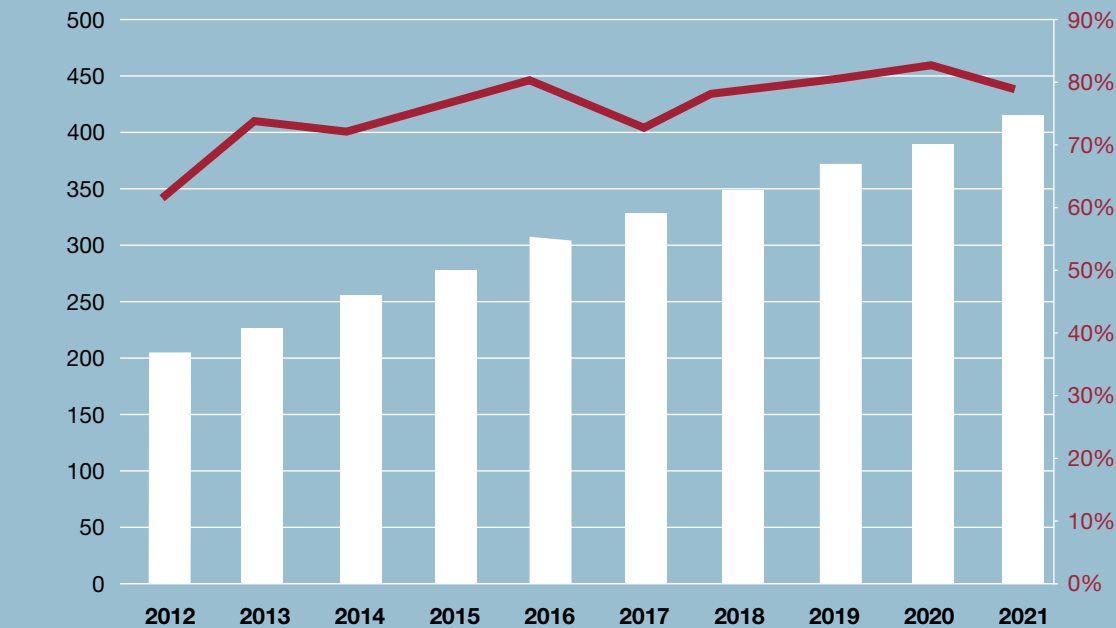
Strategic Plan

The profound changes that continue to occur following the outbreak of the pandemic at the beginning of 2020 made it advisable to review the Company's strategy. The aim was simply to take account of the important issues and factors that had emerged over the last two years and to attempt to anticipate both the way in which these factors were going to become consolidated in the near future and the impact that this would have on the Company's business activities.

Net Equity

Absolute values (L) / Relative values (R)

% Net equity /
Retained premiums



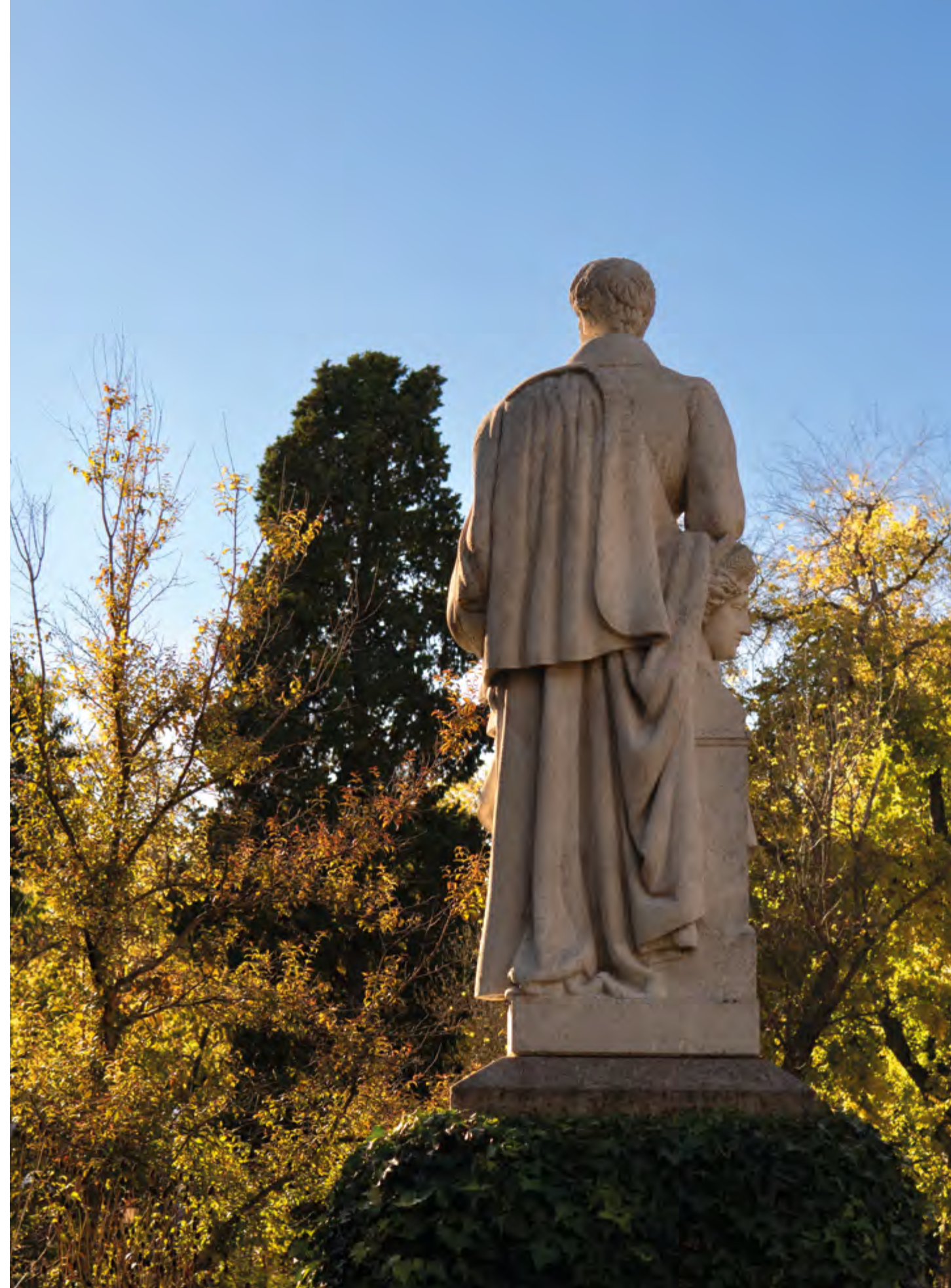
(millions of Euros)

On the basis of this review, a new Strategic Plan was prepared to take the Company through to 2024. The Plan is based on four key lines:

- Long-term portfolio through an Offer of Differential Value with the Focus on Spain and Selected European Markets.
- Increasing Profitability as the basis for growth and the development of net worth.
- Advancing the Organisation on the basis of its Corporate Culture and Values.
- Technology and data quality as a driving force for change.

Nacional Re's business is carried out in a rapidly changing environment, and our strategic management must provide space for change. Bearing this in mind, the Strategic Plan has been designed with the aim of conducting a regular review and measuring the degree to which the intended aims have been achieved, as well as allowing for the incorporation of any important situations or opportunities that may emerge.

With the aim of obtaining balanced growth that will foment the achievement of a rising trend in earnings over time, the Strategic Plan offers greater detail with regard to the rigorous management of risk, with particular emphasis on exposure to catastrophic events, a field in which the Company is making important investments in order to strengthen its specialist human and technological resources in this area.





◀ Detail of the glass roof of the greenhouse of the Royal Botanical Garden.

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The electronic version of this Annual Report
is available at the Company's website.

Graphic Illustration: Landscape of Light
World Heritage Site (UNESCO)

Graphic Design

www.taudeesign.com

Printing: Punto Verde

Legal Deposit: M-11308-2022

Printed on ecological and chlorine-free paper.

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