



Annual Report 2022

Nacional  Re

Nacional Re

Annual Report
2022

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▲ Joaquín Sorolla Bastida. *Sorolla house first garden*, 1918-1919. Sorolla Museum, nº inv. 01232.

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 Álvarez Juste	●			●
	Ignacio Eyries García de Vinuesa				●
	General de Análisis y Gestión, S.L. (representante permanente Borja García-Nieto Portabella)	●	●		
	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				

- Presidente Comisión
- Vocal Comisión



▲ Joaquín Sorolla Bastida. *Santa Cristina coast. Lloret de Mar*, 1915. Sorolla Museum, nº inv. 01122.



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 Amejjide



01.

Management report

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▲ Joaquín Sorolla Bastida. *Walk along the Seashore*, 1909. Fundación Sorolla Museum, nº inv. 00834.

Letter from the Chairman



Dear Shareholders

We are pleased to present our Management Report and Annual Accounts for 2022, the 83rd year of Nacional Re's operation.

The recovery of business activity which began during the summer of 2020 has been hindered by the successive waves of the pandemic, the emergence of interruptions in global supply chains, the sharp upturn in inflation and the invasion of Ukraine by the forces of the Russian Federation.

During the 2022 financial year, economic growth in Europe reached 3.5%, exceeding pre-pandemic levels. In Spain, Gross Domestic Product grew by 5.5%, the same figure that had been recorded in 2021. However, the Spanish economy has still not fully recovered from the contraction of 11.3% caused by the pandemic in 2020.

The rigour and effort applied by the Spanish insurance sector has helped it to overcome the crisis caused by the Coronavirus, and revenues from premiums are now up (albeit by a modest 0.77%) on the figures recorded in 2019, the year before the pandemic. During the last financial year the sector recorded a turnover of €64,673,000, 0.8% up on the €64,155,000 recorded before the pandemic and 4.65% up on 2021.

In the reinsurance market, particular mention should be made of the impact of the worldwide insured losses caused by natural disasters, which exceeded 120 billion euros in 2022. 50% of this figure resulted from hurricane Ian, which devastated the USA in September and caused the second most costly natural catastrophe of all time. However, Europe also suffered heavily from extreme climate events. During the month of February, three powerful storms, Dudley/Ylenia, Eunice/Zeynep and Franklin/Antonia resulted in overall losses to the insurance sector of more than €4Bn and subsequently,

towards the end of spring, severe electrical storms and hail affected a number of different parts of France, adding losses of around €5.5Bn from more than a million claims.

Nacional Re's performance has been greatly influenced by the circumstances and basic trends affecting the countries in which it operates and the markets in which it invests. This is basically due to its leading position in Spain and its European expansion.

The following is a list of the main figures for the financial year:

- Total premiums rose by 9% to €690M, with growth achieved both in Spain (+12.1%) and the European markets, territories in which the Company continued to consolidate its presence (+3.0%).
- Net claims increased by 13.3% to 69%, the result of the negative effects of climate-related claims from the preceding financial year which combined with further events of this nature during the current year and the impact of inflation on significant claims.
- Investment assets increased by 10.1% to a total of €1,397,200, benefiting from positive cash flow streams throughout the year.
- Investments brought in revenues of €20.7M, compared with the €25.3M recorded in the previous year, giving an average return of 1.8%.
- Net earnings amounted to €18,4M, as compared with €30M in 2021, a positive result which nevertheless reflects the difficulties mentioned above, which affected both the reinsurance business and the financial markets.
- These earnings allow for a distribution which, as usual, takes the form of a significant setting aside of profits (60%) in the form of reserves (€11.1M), following the payment of a dividend to our shareholders of €7.4M.
- Equity maintained its usual performance with an increase of 2.7%, reaching a total of €424.9M.
- For their part, the agencies S&P Global Ratings and AM Best confirmed Nacional Re's rating as "A" with a stable outlook, a rating that reflected the organisation's strength in being able to withstand a cycle in the reinsurance industry marked by the powerful impact of a number of extraordinary catastrophic events occurring against an economic backdrop plagued by uncertainty and volatility.

In addition, given its importance, we should mention the most recent renewal of agreements for 2023. Six consecutive years of claims for catastrophic events that have greatly exceeded the average levels seen in the past, coupled with an economic scenario marked by high inflation, have formed the main basis for some of the most difficult reforms in memory in a number of European markets, particularly those most exposed to natural phenomena. Pressures on the demand side coincided with a serious crisis of capacity, since there was less available capital and reinsurers were abandoning certain markets and business lines, while others preferred to restrict the levels of risk assumed. These circumstances resulted in changes to conditions and significant increases in the price of reinsurance.

Nacional Re has entered 2023 in a position of solvency and with a properly diversified portfolio that gives it a greater presence in strategic markets and is well balanced, thanks to the significant improvements achieved in the most recent renewal of 1 January.

As regards the future, the Company continues to develop its four strategic lines:

1. The offer of differential value with the focus on Spain and selected European markets.
2. An increase in profitability as a basis for growth and the development of equity, with an emphasis on projects focusing on containing volatility and optimising risk relating to natural disasters.
3. Managing talent and advancing the organisation on the basis of its corporate culture and values.
4. Technology and data quality as a driving force for change.

We are convinced that our current efforts will continue to advance the healthy development of Nacional Re over the coming years, and we would like to thank our team, our ceding companies and our shareholders for the trust that they place in us on a daily basis, and we wish to acknowledge the fundamental role that they play in allowing us to continue onwards with our mission to contribute to the advancement of society, people and businesses, through the protection of the insurance industry.





▲ Joaquín Sorolla Bastida. *La siesta*, 1911. Museo Sorolla, nº inv. 00985.

Highlights

2022

INCOME		Euros	% Change
Accepted reinsurance premiums		690,037,000	9.0%
Financial returns		20,662,561	-18.4%
Total revenues		710,699,561	7.9%
INVESTMENT ASSETS			
Investments and cash and banks		1,180,058,223	6.8%
Reinsurance deposits accepted		217,176,754	32.3%
Total investment assets		1,397,234,977	10.1 %
EQUITY			
Subscribed share capital		96,000,000	6.7%
Capital reserves (ex-dividends)		328,984,179	1.6%
Total equity		424,984,179	2.7%
RESULTS			
Gross income		23,543,434	-40.9%
Corporate income tax		5,130,000	-47.7%
Result for the year		18,413,434	-38.6%
APPLICATION OF THE RESULTS			
Allocation to capital reserves		11,053,434	-41.1%
Dividend		7,360,000	-34.6%
% of result		40.0%	
Credit rating			
A.M. Best		'A' stable outlook	
S&P Global Ratings		'A' stable outlook	
Solvency II			
Ratio between eligible own funds and SCR (*)		201.2%	

* As of 31 December 2022

Environment

Nacional Re's business activities in 2022 were marked by the highly complicated and uncertain environment created by the war in Ukraine which, in addition to causing terrible humanitarian consequences and worrying geopolitical tensions, gave rise to significant price increases, particularly in the areas of food and energy.

In order to combat this steep rise in prices, the main central banks have begun forcibly to apply restrictive monetary policies which entail constant rises in official interest rates. In Europe alone it is to be noted that the German 10-year bond began the year offering a negative rate (-0.12%), moving into positive numbers at the end of January and continuing to offer rising returns before ending the year at 2.6%.

In response to these developments in interest rates, valuations of fixed-income assets gradually fell, and significant depreciations were recorded in the value of these securities.

In addition, both macroeconomic and geopolitical factors have also seen their effects reflected in the share markets: the MSCI World index fell by more than 20% last years, while the American S&P 500 and Nasdaq technology sector indices fell by 19% and 33% respectively. Though losses were smaller, the European markets also slipped into red numbers: the EuroStoxx 50 fell by -1.7%, the German DAX by -12,6% and the Spanish IBEX by -5,6%.

In addition, the increase in natural disasters seen over the last five years has increased the claims burden for reinsurers as the result of its mitigating role in respect of insurance claims, which consists of absorbing a large part of the volatility and intensity that may suffer direct market entities in their portfolio.

The global disasters experienced around the world caused financial losses estimated to be worth more than €250Bn in 2022, of which approximately 44% was covered by the reinsurance industry, giving rise to a further year with losses that exceeded the average figure seen in recent years. The industry's accounting figures also suffered from significant deviations from the extraordinary events that occurred in 2021, storm Bernd being the most noteworthy example. The high number of claims caused by these events, combined with problems in the supply chain and the effects of inflation on the

cost of materials and repairs have resulted in delays and a notable increase in the indemnities originally forecasted.

As a consequence, accounts in the sector were once again hit in 2022 by the increased severity and, in some cases, frequency of climate events, including both those that actually occurred in 2022 and those that originated in 2021 but were still being settled in the following year.

As regards the characteristics of this sharp rise in claims, it became clear that there was a need to improve the appraisal and treatment of the growing levels of risk arising from the main perils, particularly those known as secondary perils, which are not normally covered by analyses of natural catastrophe models in the same way as primary perils.

Nacional Re, which has had important levels of international business since 2011, is not untouched by the effects of these adverse claims levels, which have especially affected Europe over the last two years but have also affected the insurance sector in Spain, particularly in 2020 and 2021, following the impact of storms Gloria and Filomena respectively.

Strategic Plan

In this challenging context and in an atmosphere weighed down by uncertainty, the current Strategic Plan that was initially drawn up in 2022 will guide Nacional Re's activities through to 2024. This Plan, which defines the direction to be taken by the company's management model, strengthening its capacity to ensure optimum compliance with its aims, is structured around four strategic lines:

- The offer of differential value with the focus on Spain and selected European markets: France and DACH (Germany, Austria and Switzerland).
- Increasing profitability as the basis for growth and the development of net worth.
- Managing talent and advancing the organisation on the basis of its corporate culture and values.
- Technology and data quality as a driving force for change.

Conceived as a way of successfully tackling the challenges and opportunities that arise in an environment that is permanently subject to rapid change, the Strategic Plan is founded on Nacional Re’s traditional market approach, which involves technical rigour and a permanent spirit of collaboration with both the market and the company’s clients through the formation of close, transparent and long-term relationships.

Throughout 2022, the company has worked intensely on a number of projects in order to develop these strategic lines in accordance with the following key principles:

- Nacional Re has managed its business portfolio with its characteristic flexibility, individually tailoring its approach to risk and its ceding companies as far as possible, with an approach that is committed to providing a quality service that offers both value and trust, based on rigorous underwriting aimed at creating profitability as a basis for achieving long-term stability, with an emphasis on risk control, particularly as regards the risks that arise from natural phenomena.
- The focus of its technical and commercial efforts is centred on selected markets in Spain, France and DACH, with particular attention paid to the segment involving institutions which, based on their size and business plans, qualify as strategic or of greater potential in the medium and long term.
- As regards people, a new Human Resources Unit has been created which will report to General Management and is charged with the recruitment and management of talent. The 2022 financial year saw the introduction of a Master Personnel Plan which comprises a number of tasks and objectives, notable among which are actions relating to the performance management model and the fostering of internal communications.
- As regards Technology, significant advances were made in the area of risk mitigation, with the approval of both an Information Security Policy and a Business Continuity Policy. A number of initiatives were also introduced for further development in 2023, when projects will be undertaken to enhance data quality and complete the necessary digital transformation required to increase efficiency, productivity and growth through the offer of differential value.

Commercial aspects

Reinsurance premiums

Total premiums amounted to €690M, a year-on-year increase of 9.0%.

Total premiums in Spain amounted to €463.5M, a year-on-year increase of 12.1%. On the combined international markets, total premiums amounted to €226.5M, representing growth of 3.0%.

Accepted reinsurance premiums	2022	2021	Growth %
Spain	463,507	413,308	12.1%
International	226,530	219,836	3.0%
TOTAL	690,037	633,144	9.0%

(Figures in thousands of euros)

The positive evolution of premium income 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 2021, further helped by the reactivation of the economy and growth in the sector.

In 2022, Nacional Re maintained agreements with 382 ceding companies, of which 114 are headquartered in Spain, while 268 are based in other countries, the majority being represented by European ceding companies (259). Particularly notable is the number of ceding companies from the Nordic Countries (50), France (50), Germany, Austria and Switzerland combined (45), Benelux (24), Italy (19) and Portugal (12).

Reinsurance premiums by segment

Total premiums in General Segments amounted to €580M, with €110M coming from the Life Segment.

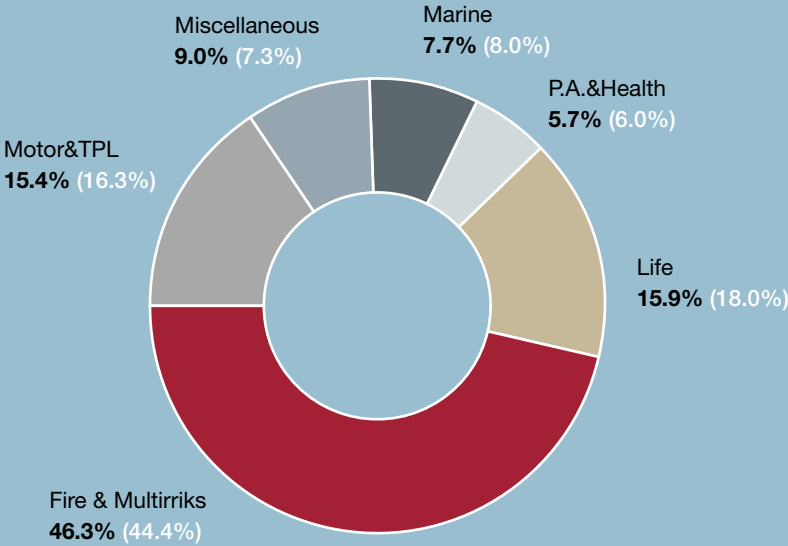
In terms of segments, particularly notable was the growth recorded in Multi-risk (13.8%), which achieved a total premium figure of €319.7M.

Accepted Premiums	2022	2021	Growth %
Fire & Multirriks	319,707	280,971	13.8%
Motor&TPL	106,388	103,254	3.0%
Miscellaneous	61,786	46,140	33.9%
Marine	53,041	50,406	5.2%
P.A.&Health	39,106	38,215	2.3 %
Total Non Life	580,028	518,986	11.8%
Life	110,009	114,158	-3.6%
Total	690,037	633,144	9.0%

(Figures in thousands of euros)

Split by line of business 2022

690,037
Thousand Euros



(Year 2021: 633.144 thousand euros)

Multi-risk insurance increased its relative weight in the portfolio and now accounts for 46.3% of total premiums, compared with 44.4% last year. Its growth was based on the increased prices of agreements covering risk placed in the markets most affected by the claims arising from climate-related events in 2021: Central Europe and the Benelux countries, following the impact of various storms such as Bernd, Volker and Xero, and Spain, which was hit by storm Filomena. This Segment accounted for approximately 55% of all premiums in the General Segment, a percentage that was similar in both the Spanish and international businesses.

In Motor, total premiums increased by 4%, exceeding €70M. The Company maintained a leading position in Spain, with a share in practically all market programmes in this segment (€35.7M), while at the same time the European portfolio continued to develop well (€34.8M), with the largest volumes of premiums coming from France, the DACH countries (Germany, Austria and Switzerland), and Eastern Europe.

Third Party Liability showed slight growth of 1.2%, closing with a figure of €35.8M. Particularly notable was the 10.2% increase in business in Spain. Next in line in terms of premium volumes were the DACH countries and Italy, at €3.6M and €1.5M respectively.

Marine closed the financial year with €53M, a figure that was 5.2% up on 2021. The contribution represented by the portfolio for this segment in Spain rose by 13.0% to €40.1M. In addition, international business ended the year with €13M. Almost 50% of the international portfolio remained concentrated in the French market, with €6.3M in premiums.

Under the heading of “Miscellaneous”, which received a total of €61.8M in premiums and saw growth of 33.9%, two notable performers were Engineering, with €21.5M, and Credit, with €38.9M.

Credit is the segment that has most contributed to growth under the “Miscellaneous” heading, the result of a greater assignment following the termination, in mid-2022, of almost all the government agreements that had been created by various countries in support of credit insurance in order to prevent any potential systemic impact from the effects of the Covid-19 pandemic.



Engineering saw another year of growth (10.8%) as a result of the continuing reactivation of the economy, with growth in Spain exceeding the average for the rest of the European market. Still notable in the international arena is the DACH portfolio, which is worth €6.5M, with annual growth of 4.0%.

Accident shrunk by 3.9% to a total of €22.9M, following a portfolio clean-up in the Nordic countries (-50%) and Spain (-6.9%). In the international arena, market portfolios are still of a moderate size, worth a total value of €10.3M, with particularly notable results in Portugal (€4M) and the DACH countries (€2M).

Health grew by 12.7% and closed the year with a portfolio of €16.1M, 41.3% of which relates to Spain and 58.7% to International business.

Life experienced a drop of 3.6%, falling to a total premium amount of €110M. In Spain, where the Company maintains a strong position, with a large number of leading shares and multiple collaboration projects with many of the ceding companies in the market, this segment grew by 2.8%, though there were significant cancellations of some programmes that had been in place in the international markets in previous years due to poor results, as efforts were made to achieve profitability targets at a global level.

In the international portfolio, France is particularly worthy of mention, given the size of its portfolio, which amounts to €15.3M, with annual growth of 2.6%, along with the improved position in Portugal, with €1.8M, and Italy, which has grown to €1.3M.

Reinsurance premiums by market

Nacional Re remains the benchmark reinsurer in Spain, its principal market, with a turnover of €463.5M and growth of 12.1%, the main drivers coming from the Credit and Engineering segments, included under the heading of “Miscellaneous” (+47.8%), along with Multi-risk (+14.1%) and Marine (+13%). Motor and Third Party Liability (+6.3%) and Life (+2.8%) performed positively, though Accidents (-10%) shrank.

In this market, the Company holds a consolidated leadership position with more than 50% of ceding companies, with whom it maintains traditionally direct relations in a percentage in excess of 90%.

Accepted premiums, Spain	2022	% of total Nre
Fire & Multirriks	204,023	29.6%
Motor&TPL	65,095	9.4%
Miscellaneous	50,365	7.3%
Marine	40,054	5.8%
P.A.&Health	19,317	2.8 %
Total Non Life	378,854	54.9%
Life	84,653	12.3%
TOTA	463,507	67.2%

(Figures in thousands of euros)

After more than 10 years of international activity, the Company finds itself in a position in which it is recognised and highly valued among ceding companies from other European markets. **International business** grew by 3.0% to €226.5M. This area experienced uneven growth that was affected by a number of different factors, of which particular mention should be made of the differing conditions for the renewal of agreements negotiated during the year. These were greatly influenced by the levels of impact suffered during the previous year (2021) in each territory as a consequence of the large number of severe catastrophic events.

Premiums accepted, International	2022	% of total Nre
Fire & Multirriks	115,684	16.8%
Motor&TPL	41,293	6.0 %
Miscellaneous	11,421	1.7%
Marine	12,987	1.9 %
P.A.&Health	19,789	2.9 %
Total Non Life	201,174	29.2%
Life	25,356	3.7%
TOTAL	226,530	32.8%

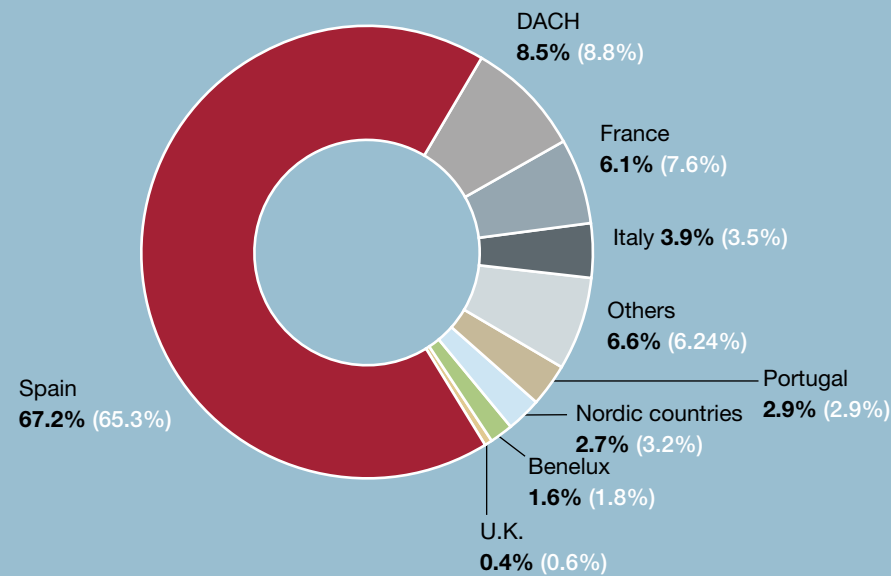
(Figures in thousands of euros)

67.2% of premium income originates in the local market, while 32.8% is obtained outside Spain, through 269 ceding companies and more than 2,100 reinsurance agreements.

Geographical Split 2022

32.8%

International business



(Year 2021: 34,7% International business)

The **DACH** countries have consolidated their position as the area from which the highest volume of premiums originate: €58.6M, a year-on-year increase of 5.3%. Multi-risk underlined its relative weight in this market, due to the increased price of coverage affected by claims resulting from natural phenomena, and it continues to account for more than two thirds of all premiums (69.6%), with year-on-year growth standing at 8.7%.

In this market segment we should highlight the growing portfolio of Motor and Third Party Liability premiums, which reached a total of €9M (+12.5%), along with the importance of the Engineering segment as part of the Miscellaneous group, which brought in €6.5M (+4.0%).

While continuing to grow in terms of the number of ceding companies, **France** saw a fall in total premiums, due to a reduction in the volume of some assigned Personal Insurance programmes and the cancellation by the Company of agreements that did not meet the necessary profitability requirements, particularly in the Third Party Liability segment.

After a number of years in which the selection of ceding companies and business has been prioritised and relationships with reduced profitability forecasts have been cancelled, **Italy** saw a rise in revenues to €26.8M (+20.5%).

Business in **Portugal** continued to grow, reaching €20.1M (+9.4%), with highly positive progress in the Life (+49.6%), Motor and Third Party Liability (+26.0%) and Accident and Health (+15.3%) segments. Multi-risk continued to account for more than 50% of the portfolio, with €11M and year-on-year growth of 7.2%.

The **Nordic Countries** experienced very high claims levels, which had a particularly notable effect on the Multi-risk segment. Following a period of developing and familiarising itself with these markets, the Company has begun a process of engaging with organisations that offer the possibility of maintaining stable and balanced relationships, thus focusing its efforts and reducing exposure to more volatile business lines.

Revenues from the **Benelux** countries totalled €11.3M (+1.9%), with a significant Personal Insurance portfolio (€4.8M), of which the Health business formed a substantial part.

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 Multi-risk (38.7%) and Vehicle and Civil Liability (32.2%).

The category headed **Others** brings together certain special relationships with a select group of organisations from outside Europe. The most important segments here are Multi-risk (60.7%) and Life (30.4%).

Renewal in 2023 and Outlook

Nacional Re’s portfolio is made up of agreements which, in the majority of cases, have a term that coincides with that of the calendar year. The satisfactory renewal of this portfolio for 2023 concluded with notable price increases, significant increases in retentions from ceding companies and amendments to conditions that represent a highly considerable set of improvements, particularly in the international sphere.

In the Spanish market, the company obtained price increases to offset the expected rise in compensation resulting from the Motor segment and to continue adjusting contractual conditions in line with the coverage required for risk from natural phenomena that is not covered by the *Consorcio de Compensación de Seguros*.

The Company has sought to make these changes, which are advisable in the context of the current tough market conditions, while maintaining its customary vocation of service towards its clients and positively reinforcing its position in strategic markets, thus affording continuity to the Company’s steady and regular growth.

Technical aspects

Retention: Premiums

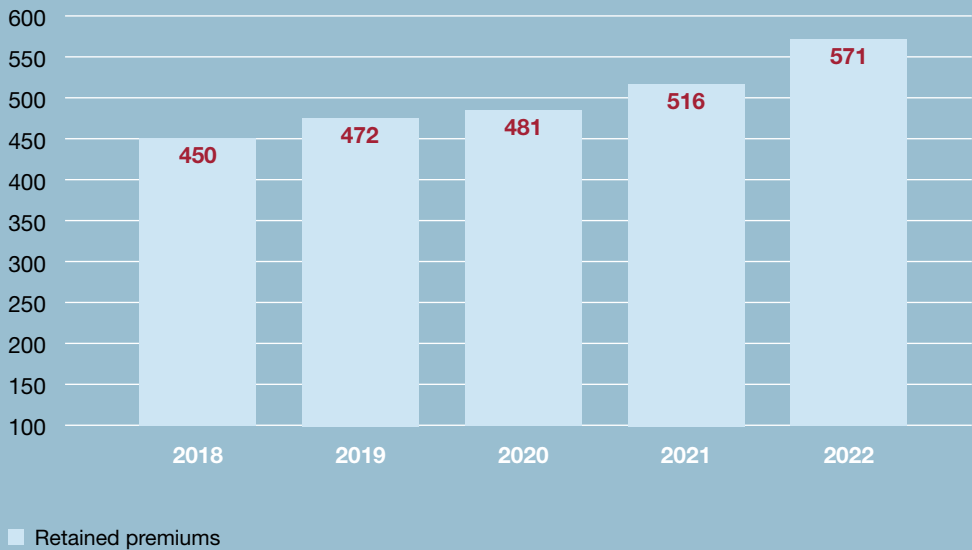
Nacional Re carries out a review of its retrocession protection on an annual basis with the aim of adjusting it to the performance of the portfolio of agreements it has signed and achieving optimum mitigation against market volatility and the effects of large or accumulated claims due to catastrophic 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 appetite for risk.

The figures relating to retention reflect the nature and behaviour of the risk effectively taken on by the Company using its own resources, after subtracting 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.

During the 2022 financial year, retention stood at 82.8% of accepted premiums (81.4% in 2021). The retained premiums amount totalled €571.1M, up 10.8% on retained premiums in 2021.

These figures reflect a number of adjustments that the Company has made to its programmes with a view to improving protection against its main risks, and these are founded on the conditions available in the current retrocession market situation, with prices rising due to high levels of sensitivity to claim events in the market.

Retained premiums
(Data in Millions Euros)



Technical Provisions

According to the information provided by ceding companies, based on the characteristics of each business line and taking account of the specific characteristics of the risk in question, depending on its nature and location, the Company determines the amount of its Technical Provisions with the aim

of covering all the obligations assumed as the result of its acceptance of reinsurance business.

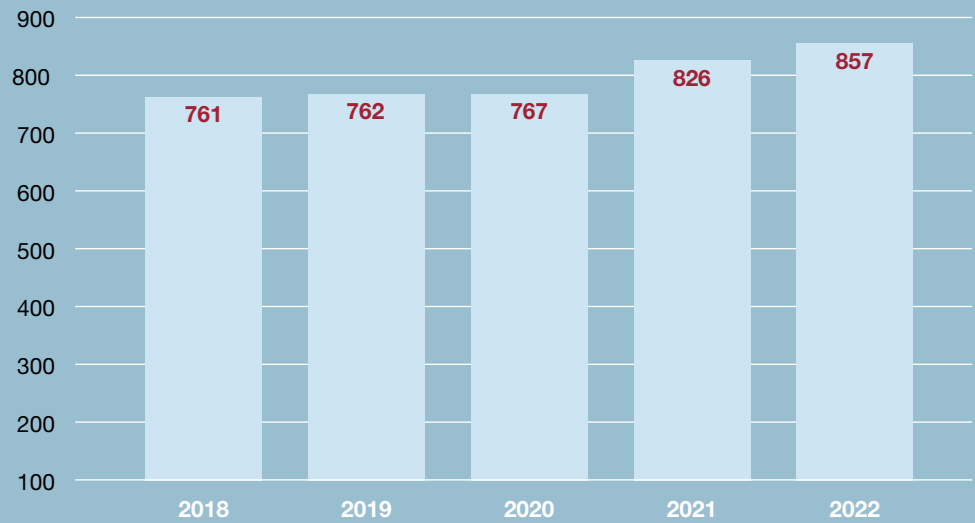
At 31 December 2022, technical provisions totalled €1,056.2M, €923.7M in the combined General segment and €132.6M in the Life segment.

The corresponding calculation of obligations, net of retrocession protection, comes to a total of €857.4M (€825.9M in 2021), which breaks down into €726M in the General segments (157.1% of retained premiums in these segments) and €131.4M in the Life segment (120.4% of retained premiums).

In the same way as (and in addition to) the Company's own funds, Technical 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 graph shows the volumes of technical provisions retained over the last five financial years.

Retained Technical Provisions (Data in Millions Euros)



■ Retained technical provisions



▲ Joaquín Sorolla Bastida. *Fisherwoman with her son, Valencia*, 1908. Sorolla Museum, n° inv. 00814.

Technical results

Despite the numerous difficulties affecting the 2022 financial year, net technical returns totalled €11.7M, a figure that represents 2.0% of retained premiums. This return is lower than the figure achieved the previous year (4.3%). It should be pointed out that although gross technical returns improved, rising to €25.7M (3.7% of gross premiums), a more favourable result in Retrocession (€13,9M against a loss of €36,8M in 2021), due to its higher cost and the lower impact of claims charged against it led to an adjustment of technical profits in terms of net figures.

In short, the portfolio showed a combined ratio of 97.9%, higher than the ratio recorded in the previous year (95.7%). Nacional Re has maintained a positive margin in this indicator when compared with the combined ratio for the reinsurance industry; from 2017 through to the end of 2022, it recorded an average of 94.1%, as compared with a sector ratio for this same period that would eventually stand at around 101%.

Technical results by segment

The **Life** segment continued to make its traditionally positive contribution to the income statement, with extraordinary profits of €23.4M (21.4%), due both to the moderate levels of claims during the year and good provisioning in previous years.

The combination of general segments produced negative results of €11.7M, a fall of -2.5% on total premiums.

Net Technical Results	2022	% premium retained	2021	% premium retained
Fire & Multirriks	-29,878	-12.6%	-27,714	-14.1%
Motor&TPL	-1,000	-1.1%	23,460	24.1%
Marine	-1,011	-2.5%	4,610	12.8%
Miscellaneous	11,719	22.1%	23,684	61.3%
P.A.&Health	8,485	22.8%	-5,173	-15.2%
Total Non Life	-11,685	-2.5%	18,867	4.7%
Life	23,390	21.4%	3,203	2.8 %
TOTAL	11,705	2.0 %	22,070	4.3%

(Figures in thousands of euros)

Particularly significant among the segments that have suffered adverse results is the **Multi-risk** segment, which held back overall results for the financial year with its €29.9M of losses.

In short, the penetration achieved in a number of European markets, as is the case with France and the DACH countries, means that any events that affect these territories in a significant way will have an impact on Nacional Re, given its market share.

During the month of February, a number of storms swept across northern Europe, while France suffered a series of hailstorms over the course of the summer which resulted in insured losses amounting to an estimated value of €5.3M. Nacional Re received claims notices relating to these events from more than 50 ceding companies in the various markets affected, with a net amount charged against the retention that exceeded €28M.

Motor recorded negative results -15,1%, marked by the high frequency of serious claims, while Civil Liability once again featured among the segments that made a significant contribution to revenues in 2022, ending the year with a technical margin of €8.2M.

Marine recorded a slightly negative result at -€1M, due to the effects of a number of specific claims, in addition to the negative impact of the deviation of some claims from portfolios cancelled in previous years.

Notable in the **Miscellaneous** group were the profits achieved in the Credit and Surety and Engineering segments, both of which performed highly positively and together added €11.1M to the income statement.

We should also mention the return to positive numbers (€8.5M) of the combined **Accident and Health** segments, which benefited from a significant fall in claims in the majority of markets as compared with 2021.

Technical results by market

The Spanish business returned a technical result of 8.3%, close to the 9.0% figure recorded the previous year. High claims levels in the Multi-risk segment was more than offset by the contribution made by Life, Miscellaneous (Credit & Engineering) and Marine.

Net Technical Results	2022	2021
Spain	8.3%	9.0%
International	-11.0%	-5.6%
Total	2.0%	4.3%

(% premium retained)

The combined international business, which was strongly affected by the claims resulting from a number of climate-related events, recorded a negative result of -11.0%, worse than the figure of -5.6% recorded in 2021, though this included some deviations of claims from the latter year, particularly as the result of storm Bernd, a natural phenomenon that caused tens of thousands of claims in a number of countries, the resolution of which was made worse in many cases by inflation and problems in the supply chain.

The markets in which extraordinary losses were experienced were:

- France, where the impact of hailstorms at the end of spring led to a negative result of -37.2%.
- Benelux and DACH, which recorded negative results of -19.2% and -5.7% respectively, as a consequence of deferred claims from Bernd and the storms that swept across northern Europe at the beginning of the year.
- The Nordic Countries, which were also affected by the high number of serious claims, recorded a result of -58%.

As regards markets that made a more positive contribution, we should mention:

- Portugal, with 14.3%. This is a market that has historically performed highly positively.
- Italy, which in another positive year (+6.9%) confirmed the effectiveness of the measures aimed at achieving a balanced portfolio and seeking profitability that were applied during the most recent renewals.
- The remaining markets, which include the UK, the rest of Europe and non-European countries, also achieved positive results totalling more than two million euros.

Technical-financial results

In the income statement, the net technical result is combined with the financial profits and costs attributed to the various segments. The result obtained is €16.7M, as compared with the €31.5M obtained in the previous financial year.

The following table breaks down this information by segment:

Technical-Financial Result	2022	2021
Fire & Multirisks	-29,252	-25,862
Motor&TPL	2,006	27,557
Marine	-670	5,179
Miscellaneous	12,323	24,900
P.A.&Health	8,847	-4,807
Total Non Life	-6,746	26,967
Life	23,450	4,510
TOTAL	16,704	31,477

(Figures in thousands of euros)

Renewal in 2023 and Outlook

The recent renewal of agreements for 2023 represented a milestone for the industry. The market has not seen such restricted levels of supply and such a rigid approach, at least since the consequences of the crisis of 2001 that was triggered by the 11 September attack in New York. This environment, coupled with Nacional Re's mission to achieve positive results both overall and in each of its markets and business lines, has meant that the current portfolio for 2023 has seen substantial improvements in both conditions and prices.

Following these significant changes, we retain a positive outlook for the forthcoming years, and while taking account of the uncertainty that is inherent in claim events and their causes, particularly with regard to disasters that result from natural phenomena, we are confident that the quality of our portfolio will form a basis on which we can consolidate a strong and stable stream of positive results.

Financial aspects

We see it as highly positive that in the complicated geopolitical, economic and market environment experienced in 2022, the Company was successfully able to develop its strategy and investment portfolio and achieve the returns shown below, which totalled in excess of €20M.

Composition of investments and investment strategy

At the close of 2022, the book value of Nacional Re’s assets stood at €1,397M (10.1% up on 2021). The composition of its assets is shown in the following table:

	2022	2021
Long term fixed income	44,585	30,911
Short fixed income	591,135	526,269
Investment funds	374,949	453,360
Real estate	37,229	38,939
Shares	132,160	55,882
Reinsurance Deposits	217,178	164,192
Total Investment portfolio	1,397,236	1,269,553

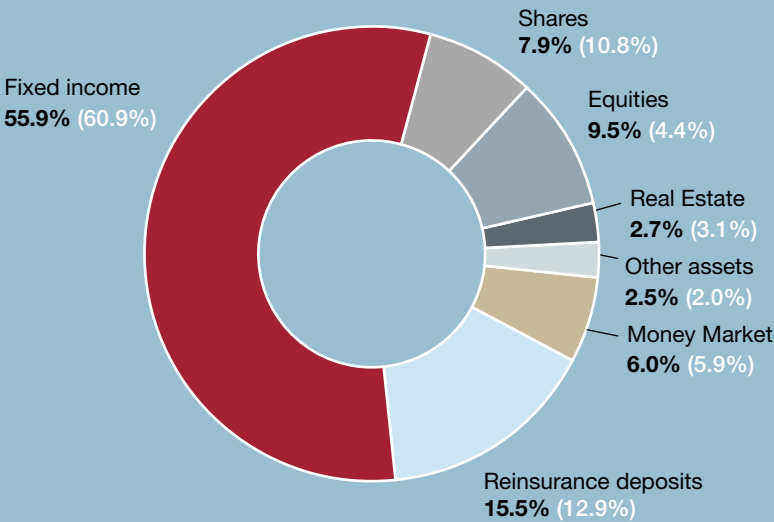
(Figures in thousands of euros)

Particularly in 2022, a year marked by the high volatility of financial assets, Nacional Re’s management of its investments was directed towards controlling risk, in line with the principles and rules contained in the Company’s 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 2022

1,397.2
millions Euros



(Year 2021: 1,269.6 millions Euros)

The changes occurring in relation to asset classes were as follows:

- Fixed income assets remained the largest investment in the portfolio, accounting for 55.9% at the close of 2022, down from 61% the previous year, mainly due the fall in bond valuations resulting from rises in interest rates.
- The deposits put in place by our ceding companies increased to 15.5% of the portfolio, in response to the natural evolution of the business over the last financial year.
- Investment in products on the money markets remained at stable levels over both years, accounting for around 6% of the total.

- The heading “other assets” covers investments of a non-traditional nature (infrastructure, venture capital, etc.). As of December 2022, investments paid up in this category accounted for 2.5% of the total.
- Equities showed significant growth, from 4.4% in 2021 to 9.5% in 2022. This increase of 5 percentage points resulted from the updating of the criteria used to evaluate the investment that Nacional Re maintains in Grupo Crédito y Caución, S.L, which was valued in 2022 at the amount that results from applying the Solvency II regulations, an amount which at the end of the year totalled €132.2M (€55.2M in 2021).
- Investment in Properties fell slightly (from 3.1% in 2021 to 2.7% in 2022), as a result of the sale of the properties that Nacional Re owned at Passeig de Gràcia 54 in Barcelona, the net book value of which amounted to €1.8M at the end of 2021.

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 2022 was €20.7M, 18% lower than in 2021, with a profitability ratio of 1.7% on the book value of investments.

Income from financial investments fell by 47%, from €25.9M to €13.6M, a reflection of the way in which the financial markets performed in 2022, as described above.

Particularly notable was the income from returns on and sales of fixed income securities (€3.8M) and dividends received on shares and holdings in the stock of other companies (€8.3M).

Accounting income from properties rose from €0.7M in 2021 to €7M in 2022. This increase resulted from the capital gain realised from the sale of the properties that Nacional Re owned in Passeig de Gràcia (Barcelona), and a small partial reversal in the corrective valuation of the property at Plaza de la Lealtad 2 in Madrid.

The joint return on financial investments and real estate investments stood at 1.8% in 2022 (2.5% in 2021).

Other results that are also included in the net income from investments are as follows: interest on reinsurance deposits (€0.1M); 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 (-€0.1M).

General expenses and human resources

During 2022, the Company's general expenses amounted to €8.7M, as compared with €7.5M in 2021. This increase was due to the recovery of a certain amount of commercial activity, following the varying degrees of total or partial restrictions caused by the Covid-19 pandemic, and also to the implementation of the Strategic Plan, with specific budgets relating principally to the Master Personnel Plan and Technology.

However, this expenses figure keeps the ratio between expenses and premiums at a moderate level, standing at 1.27% for 2022. This figure once again demonstrates Nacional Re's status as a reinsurer with a very high level of efficiency.

At the close of 2022, Nacional Re's workforce was made up of a total of 59 professional staff (29 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 but agreeable working environment, which reconciles the Company's corporate objectives with its employees' personal, family and professional lives.

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 sub-modules.

In line with this standard formula, the solvency 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 continuously monitored the performance of this ratio during 2022, confirming that the Company's solvency remained high 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 2022, 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		
22/12/2022	A	Stable
A.M. Best		
22/11/2022	A (Excellent)	Stable

Earnings and proposal for distribution

After the amount of €5.1M had been subtracted from the pre-tax profit figure of €23.5M, as a provision against Company Tax, the income statement showed a profit of €18.4M, 38.6% lower than the previous year.

This profit represents 2.7% of premiums and 4.4% of equity from the previous year.

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

To the legal reserve	1,200,000.00
To the capitalisation reserve	1,755,871.81
To unrestricted reserves	8,097,562.36
Total allocation to reserves	11,053,434.17
To shareholders (dividends)	7,360,000.00
To surplus	0.00
Total earningst available	18,413,434.17

Figures in euros

The proposed **dividend** represents 40% of earnings and is defined as follows:

- applies to shares numbered from 1 to 16,000,000;
- 0.46 euros per share, i.e. 7.7% of the par value of 6 euros;
- 34.6% less than the previous year; and
- 1.8% of initial equity.

Albeit in a lower amount, the Company has once again obtained a positive result that allows us to reward our shareholders, strengthen the Company’s solvency and increase its equity value.

Capital and reserves

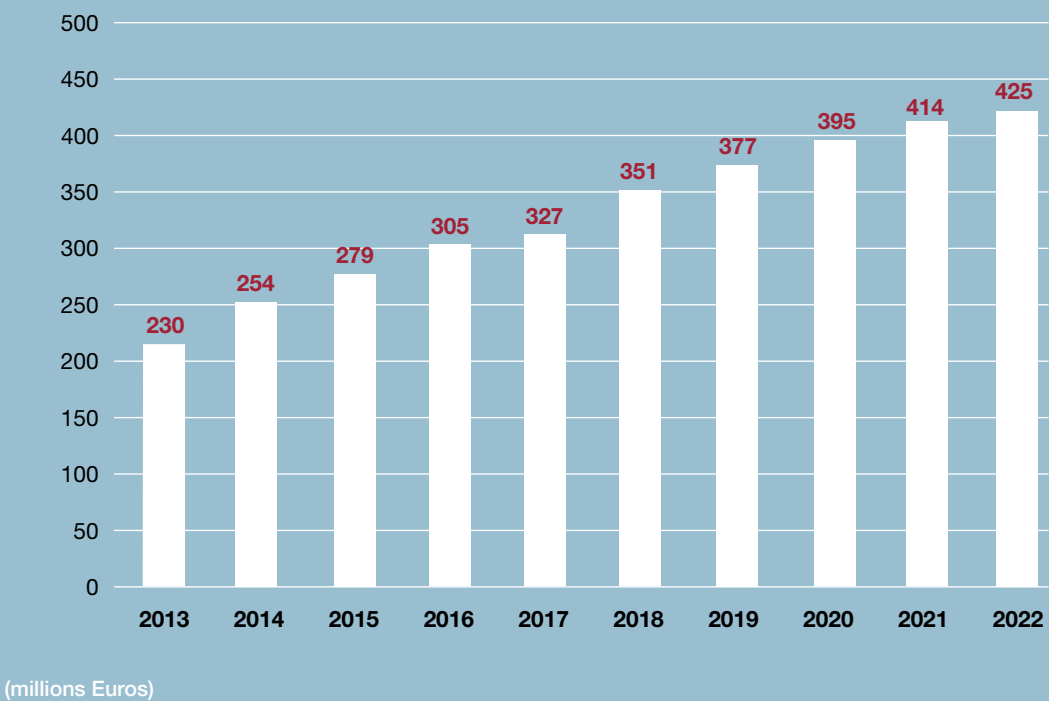
As of 31 December 2022, paid-up share capital amounted to €96M, following a share capital increase of €6M charged to the reserves during June of that year.

No acquisitions or transactions relating to the Company’s own shares were made during 2022.

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 €229.8M at the end of 2013 to €424.9M at the end of the year that has recently closed.

The attached graph shows the changes to this figure over the last ten years.

Net Equity



Corporate Social Responsibility

During 2022, in the area of social responsibility, Nacional de Reaseguros made a financial contribution to the Carlos Sunyer Foundation. 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 we would make particular mention of the collaboration with the Proyecto Persona, Gil Gayarre, También and Futumad Foundations, which focus on the development of people with disabilities, the Balia Foundation in Madrid and Seville, which works with young people who are at risk of

exclusion, and the Rementería Foundation, which provides ophthalmological assistance for adults who are also at risk of exclusion.

Nacional Re also participates in a grants programme for students on the Master’s Course in Actuarial and Financial Sciences at Carlos III University in Madrid. This programme has begun for the 2022/2023 academic year.

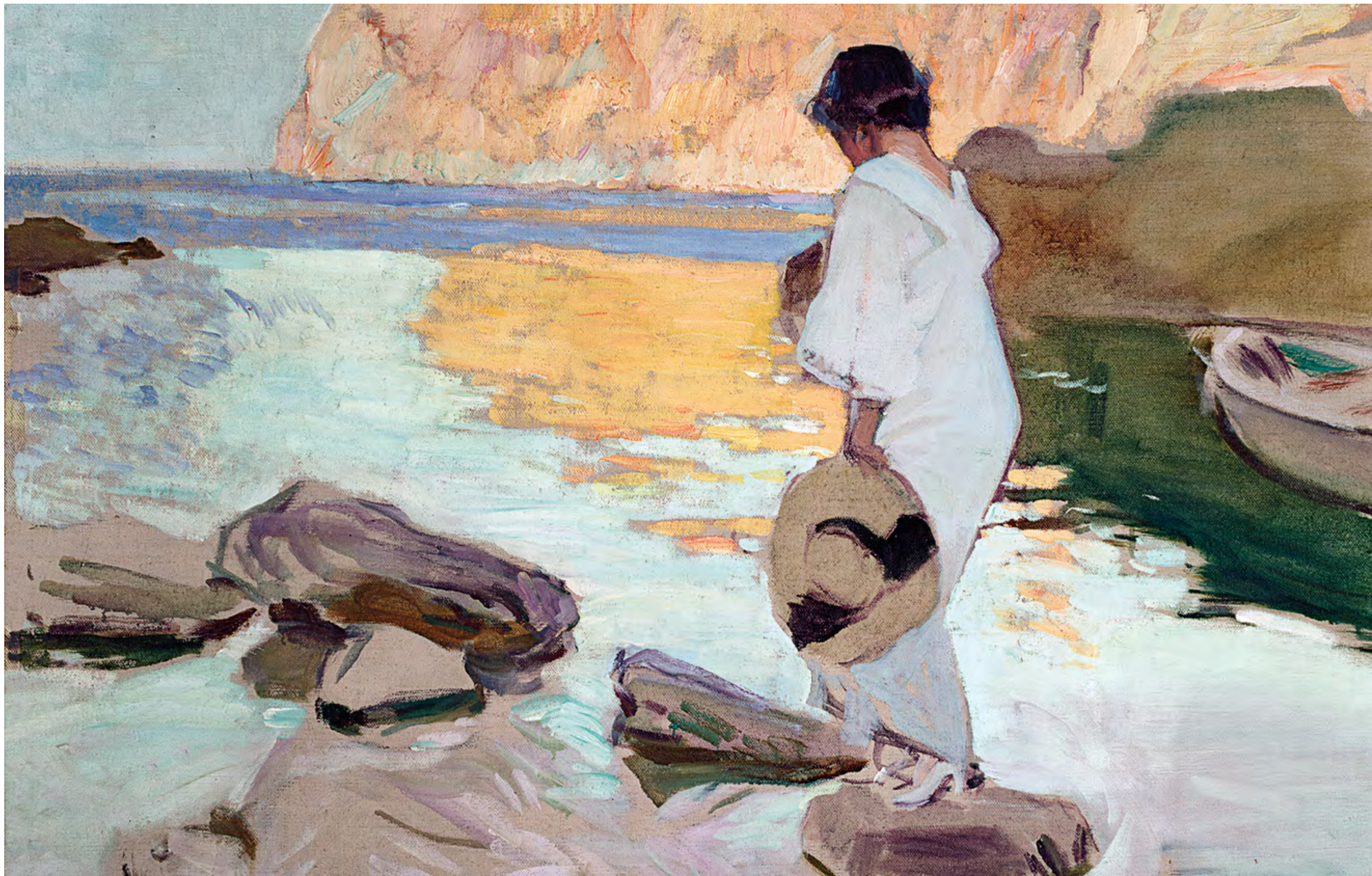
Over the course of last year, Nacional Re also collaborated financially with the Juan XXIII Foundation on the development of a series of actions aimed at assisting the training and employment of people with intellectual disabilities and/or mental health issues in normalised environments.

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.

In 2022, the results of this assessment have indicated that, after normal operations were resumed following the interruptions caused by Covid, the Company continued its trend of reducing the carbon footprint generated per employee.



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The electronic version of this Annual Report is available
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Sorolla Museum. Madrid.

**Nacional Re joins the Sorolla Year Celebration,
commemorating the centenary of his death.**

Cover: Joaquín Sorolla Bastida. *White figure. Biarritz*, 1906.
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