



Annual Report 2023

Nacional  Re

Nacional Re

Annual Report
2023

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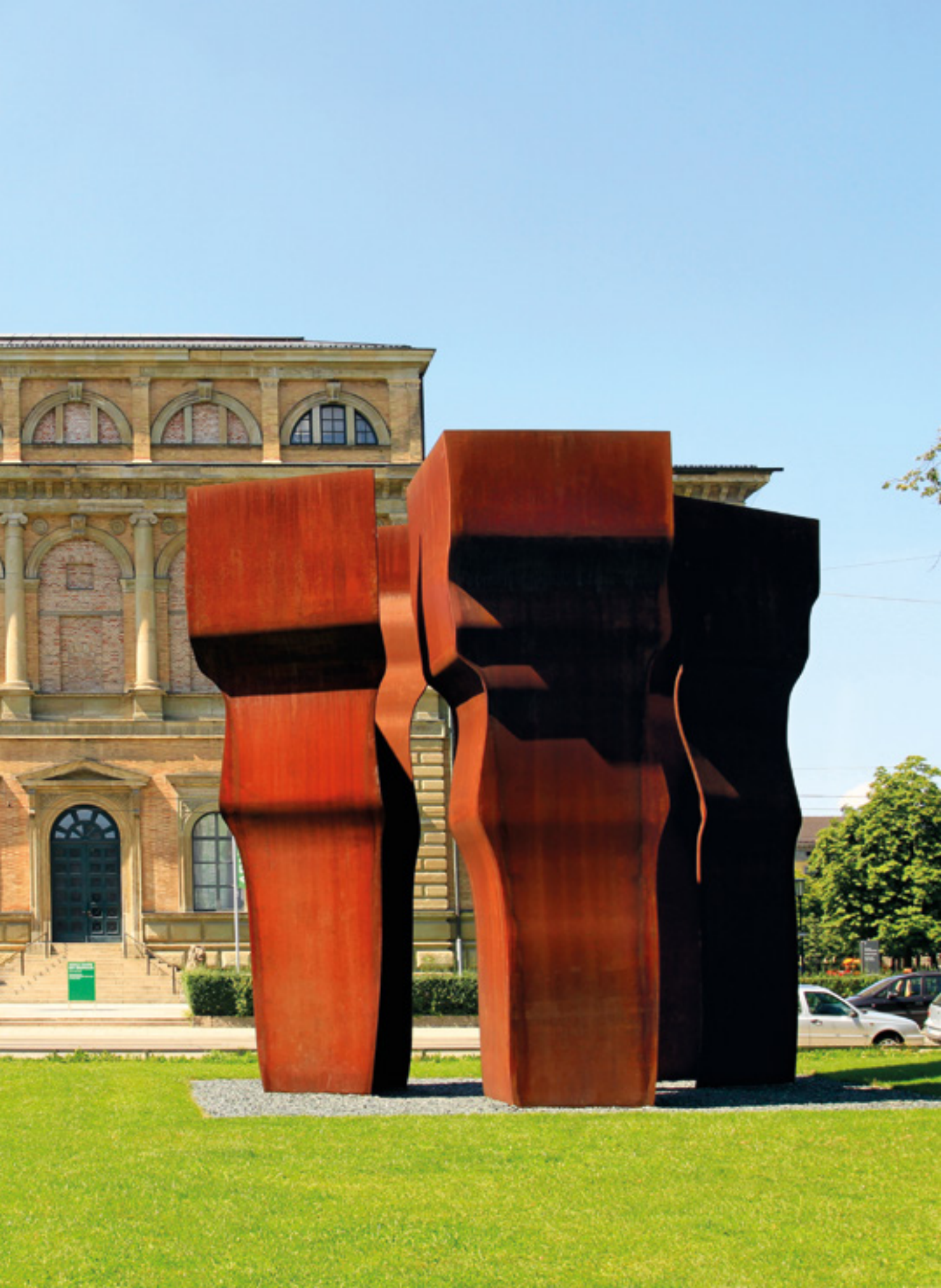


Board of Directors

		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 Álvarez Juste	●			●
	Ignacio Eyries García de Vinuesa				●
	General de Análisis y Gestión, S.L. (permanent representative 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				

● Chairman Committee

● Member Committee



Management Committee

CEO	Pedro Herrera Nogales
Chief Marketing Officer	David Santos Manzanares
Chief Underwriting and Actuarial Officer	Miguel Ángel Mora García
Chief Underwriting P&C	Unai Baquero García
Chief Financial & Operating Officer	Javier Melero Ameijide

◀ Eduardo Chillida. *Seeking the Light*, 1997.
In front of the Old Pinakothek in Munich, Germany.



01.

Management
Report

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◀ Eduardo Chillida. *Our Father's House* (detail).
Parks of the Peoples of Europe. Gernika-Lumo, Spain.



Letter from the Chairman

Dear Shareholders:

We are pleased to present our Management Report and Annual Accounts for 2023, the 84th year of Nacional Re's operation.

In 2023, the global economy showed remarkable resilience in the face of a large number of challenges, with falling inflation and economic growth remaining firm. The probability of a soft landing increased, albeit against a background of persistent risk and moderate rates of expansion.

The eurozone managed to avoid a technical recession at the end of 2023, despite the stagnation of Gross Domestic Product (GDP) during the fourth quarter. Economic growth for the whole year stood at just 0.5%, continuing the weak level of growth that has persisted since the end of 2022.

The performance of the Spanish economy in 2023 exceeded expectations and compared favourably with the eurozone as a whole, achieving 2.5% growth, which brought GDP to almost three percentage points higher than the figure recorded in 2019 prior to the crisis caused by the coronavirus pandemic. However, recovery has not occurred at the same speed across the whole of the country, and it should be noted that more than half of the autonomous communities are still performing at below pre-2020 levels.

In this context, turnover in the Spanish insurance sector increased by 18% in 2023, with a significant speeding-up of growth as compared with the 4.8% figure recorded in 2022. Performance was positive in almost all segments, with Life business performing particularly well (36.3%), though there was also highly significant growth in Non-Life business, which was up by 6.8% year-on-year, with growth of a similar magnitude in important segments such as Motor (6.6%) and Multi-risk (6.8%).

◀
Eduardo Chillida. Detail
of the mosaic on the exterior
wall of the MACBA building.
Barcelona, Spain.

2023 was characterised by the continuing high costs borne by the reinsurance sector due to claims resulting from natural disasters. Once again, despite the naturally varying number of claims resulting from this kind of incident, the global trend remained on an upward path this year, exceeding the average for the last ten years. Europe, which is no exception in this regard, has endured extreme and severe events with increasing frequency over recent years. In 2023, in addition to the storm events that proved highly important for the insurance sector in a number of countries, such as Greece, Spain and Germany, particular mention should be made of the storms that affected the North of Italy during the month of July, causing around 5 billion euros worth of insured losses.

Despite the very high incidence of these natural events, Nacional Re recorded improved results in 2023 as compared with 2022.

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

- Gross written premiums rose by 6.5% to € 735.1M.
- The figure for Spain shrank slightly (-2.2%), mostly due to decisions made in the search for more balanced margins in some business lines.
- European markets experienced strong growth (24.5%), spurred on by the increase in reinsurance prices in all the segments that suffer from greater exposure to climate events or that achieved poor results in previous years.
- Claims from accepted business fell by more than half a percentage point, thanks to improvement in contractual conditions.
- Consequently, net claims fell by more than two percentage points to 66.9%, a figure that was also helped by the mitigating role played by retrocession protection.
- Investment assets increased by 11.6% to a total of € 1,599.9M, benefiting from the positive cash flow streams generated throughout the year.
- Profitable investments brought in revenues of € 23.7M, compared with the € 20.7M recorded in the previous year, giving an average return of 1.7%. The financial results for the year also benefited from the sale of a property, the capital gain on which totalled € 4.5M.
- Net earnings amounted to € 27.4M, as compared with € 18.4M in 2022, a positive result which reflects the improvement in the reinsurance business and the profitability of the investment portfolio.

- 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 (€ 15.3M), following the payment of a dividend to our shareholders of € 11.1M, an increase of 50.1% on the previous year.
- Equity maintained its usual upward performance with an increase over the course of the year of 3.9%, reaching a total of € 441.5M.
- 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, the meeting of its expectations, and the advances achieved by the Company in line with its strategy and planning.

With the data acquired from this year, we are looking at 2024 from the perspective of a renewal of contracts in which the Company has achieved its principle aims. Forecast growth in premium incomes exceeds 4%, both in Spain and in the international business. This forecast is supported in part by the continuing rise in prices in a number of markets and business lines, a factor that offers favourable expectations with regard to margins. This positive outlook is reinforced by the strategy to contain exposure to natural events, combined with the rigorous corrective measures applied in the markets, ceding companies or businesses that have experienced negative results or have shown insufficient balance between risk and profitability.

We have begun work on the preparation of a new Strategic Plan which will set the parameters for Nacional Re's business activities over the coming years and focus on providing the Company with differential value in the reinsurance market, prioritising balanced, longterm relationships as the basis for consolidation and the development of a quality portfolio that will generate increasing profitability. One of our core strategies as we move forward is to strengthen the management and quality of our data, taking decisive action to adapt to technological advances and prioritise talent.

Motivated by a project that looks to the future with confidence, we thank our ceding companies, our team and our shareholders for their support and trust, and we acknowledge the essential contribution they have made towards the achievement of a Company that continues to grow in both strength and prestige and that plays an important protective role in the insurance sector, the economy and, as a consequence, society in general.



Highlights

2023

INCOME	Euros	% Change
Accepted reinsurance premiums	735,056,289	6.5%
Financial returns	23,684,699	14.6%
Total revenues	758,740,988	6.8%

INVESTMENT ASSETS		
Investments and cash and banks	1,312,695,040	11.2%
Reinsurance deposits accepted	247,225,814	13.8%
Total investment assets	1,559,920,854	11.6%

EQUITY		
Subscribed share capital	102,000,000	6.3%
Capital reserves (ex-dividends)	339,319,366	3.1%
Total equity	441,319,366	3.8%

RESULTS		
Gross income	36,945,188	56.9%
Corporate income tax	9,560,000	86.4%
Result for the year	27,385,188	48.7%

APPLICATION OF THE RESULTS		
Allocation to capital reserves	16,335,188	47.8%
Dividend	11,050,000	50.1%
% of result	40.4%	

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

Solvency II	
Ratio between eligible own funds and SCR *	203.8%

* As of 31 December 2023

Global growth proved to be resilient in 2023. However, in the latter part of the year, indicators pointed to some moderation in growth.

Climate

The global situation remained hugely complex throughout 2023, marked by an ever-faster hardening of monetary policy, serious conflicts such as the wars in Ukraine and the Gaza Strip, and crises in the banking sector in both the USA and Switzerland, which were ultimately contained.

The central banks were the main financial protagonists of the year, with monetary policies that continued to harden conditions for the financing of the economy.

During 2023, the North American Federal Reserve (FED) continued with its policy of raising interest rates, recording four consecutive rate rises that took the rate to 5.25%. In the eurozone, the ECB, which had opted to show more caution the previous year, acted very aggressively in 2023, applying six interest rate rises that took the rate to 4.5%.

These interest rate rises had a serious effect on the economy, worsening financing conditions and slowing domestic demand, which in turn helped to contain prices. Inflation ended the year at 2.9% in the eurozone (9.2% en 2022) and 3.4% in the USA (6.5% en 2022).

Although inflation has fallen in recent months, the experts expect it once again to rise temporarily in the short term, as domestic inflationary pressures remain intense, due mainly to the strong growth in labour costs.

The forecasts regarding economic activity have been revised slightly upwards in view of the fact that business data was better than expected and that inflation has entered a correctional phase. Among the advanced economies, the ones that have shown the greatest signs of strength have been the USA

(2.5%) and Japan (1.9%), while the eurozone as a whole has looked weak. GDP in the eurozone experienced a serious slowdown in 2023 with growth forecast to fall to 0.5%, a situation that is greatly influenced by the fall in the German economy (-0.3%).

Spain has been one of the eurozone economies that has made a more positive contribution to growth in the region (2.5% in 2023), driven by tourism, the strength of domestic demand and the arrival of NextGenerationEU funding.

The inflation figures have generally been positive in Spain, showing a considerable correction, falling from 5.7% to 3.1% by December 2023. The unemployment rate also fell to 11.7% in 2023, down from the 13.0% figure recorded in 2022. Public borrowing remained at levels in the region of 110% of GDP.

Throughout the year, the performance of the stock markets has been affected by the decisions taken by the central banks, inflation data and growth. However, despite the banking crises in the USA and Switzerland, gains have been recorded on the principal world markets: The S&P 500 rose by 23.9%; the EuroStoxx 50 gained 19.2%; and the Nikkei rose by 28.2%. The Spanish stock market recorded a rise of 22.8%, its best year since 2008. Only the Chinese stock market closed with negative figures (-1.4%).

For the greater part of 2023, fixed income continued to accumulate losses for the third year running as the main central banks raised interest rates. However, in November, the change in the message given out by the monetary authorities resulted in sovereign debt experiencing a revaluation of 10% from its lowest point. The *Bund* closed the year at 2%, with Italian bonds at 3.75% and the Spanish 10-year bond at 2.95%.

For 2024, all the signs would seem to indicate that global growth will slow for a third consecutive year, once again affected by a context in which monetary policy, though more moderate than in the recent past, will remain restrictive, in combination with a scenario in which world trade and investment remains slow. Geopolitical conflicts, financial tensions, more resilient inflation and climate-related disasters remain among the principal risks.

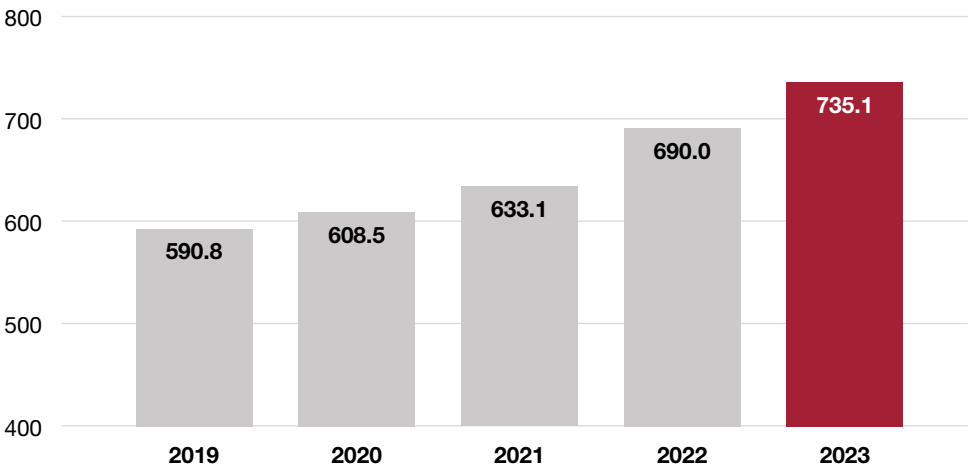
Commercial aspects

Premiums
▲ 6.5%
compared to the
previous year

Total premiums amounted to € 735.1M, a year-on-year increase of 6.5%.

Turnover from accepted reinsurance premiums continued its upward trend, with accumulated growth since 2019 of 24.4%. Growth has been constant over the last five years, with annual increases of between 3% and 9%.

Premiums
(Figures in millions of euros)



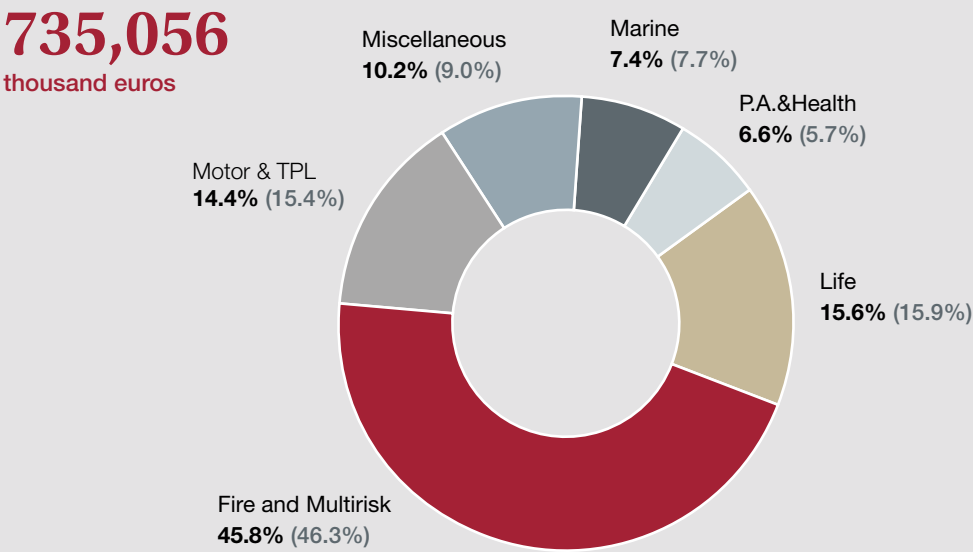
Reinsurance premiums by segment

General Segments business grew by 6.9%, with a total of € 620.1M in premiums, while turnover in the Life Segment increased by 4.5% to € 115.0M.

Accepted Premiums	2023	2022	Growth %
Fire and Multirisk	336,938	319,707	5.4%
Motor & TPL	105,752	106,388	-0.6%
Miscellaneous	74,695	61,786	20.9%
Marine	54,526	53,041	2.8%
P.A. and Health	48,159	39,106	23.1%
Total Non Life	620,069	580,028	6.9%
Live	114,987	110,009	4.5%
TOTAL	735,056	690,037	6.5%

Figures in thousands of euros

Split by line of business 2023



(Year 2022: 690,037 thousand euros)

General Lines premiums

▲ 6.9% compared to the previous year

The growth in the **Fire and Multi-risk segment**, which rose by 5.4% to € 336.9M, was achieved by maintaining discipline in underwriting programmes with a natural disaster component and, in particular, programmes that had been affected by serious claims during previous years.

A number of factors combined to ensure that prices and contractual conditions in the **Motor** segment experienced a significant improvement during 2023. A common element in all markets has been the impact of inflation on the average cost of claims.

In the Spanish market, this factor was substantially increased by the renewal of the bases for calculating compensation in the system used to evaluate damage and harm caused to people in traffic accidents, the Baremo.

Third Party Liability shrank slightly by 4.7%, closing with a figure of € 34.1M.

Under the heading of **“Miscellaneous”**, which received a total of € 74.7M in premiums and saw growth of 20.9%, two notable performers were Engineering, with € 21.1M, and Credit, with € 45.2M.

Legal Protection Insurance and **Credit** are the segments that have most contributed to the growth in Miscellaneous, the former as the result of the new business generated in Spain, and the latter as a consequence of greater business activity and consolidation of the portfolio structure without any dependence on the governmental agreements to support credit insurance in order to prevent potential systemic impacts of the effects of the Covid-19 pandemic. Underwriting policy in this segment is focused on the acceptance of business in Spain, the territory from which 96.2% of the portfolio originates.

Engineering fell back slightly (-1.9%) following the growth recorded in the previous year. The DACH region is now the number one market in this segment, worth € 8.6M with annual growth of 32.3%.

Marine closed the financial year at € 54.5M, a figure that was 2.8% up on 2022. The contribution represented by the portfolio for this segment in Spain rose to € 42.0M, caused by the natural growth of the underlying business from the company’s clients. On the other hand, international business recorded a slight fall of 3.7%, ending the year at € 12.5M. This portfolio continued to be mainly concentrated in the French market, which accounted for 45.2% of the business with € 5.7M in premiums, a fall of 9.8%.

Accident grew by 17.9% to a total of € 27.11M, benefiting from the positive effects of the underwriting of a number of multi-segment programmes, mainly in the international business.

Health grew by 30.6% and closed the year with a portfolio of 21.05 million euros, split almost 50/50 between Spain and International business. New proportional reinsurance business of a significant size is being taken on, and the portfolio is growing, driven by the trend in direct insurance market.

Life experienced growth of 4.5%, rising to a total premium amount of € 115M. Spain, where the Company maintains a strong position, has shown moderate growth, supported by a large number of leading shares and multiple collaboration projects with many of the ceding companies in the market. The main driver behind this growth is the expansion of the portfolio in France and the Benelux countries.

Reinsurance premiums by market

Total premiums in Spain amounted to € 453.0M, a year-on-year fall of -2.3%. On the combined international markets, total premiums amounted to € 282.0M, representing growth of 24.5%.

Accepted reinsurance premiums	2023	2022	Growth %
Spain	453,044	463,507	-2.3%
International	282,012	226,530	24.5%
TOTAL	735,056	690,037	6.5%

Figures in thousands of euros

Premiums fell by 2.3% in **Spain**, basically due to the failure to renew some proportional agreements with a high ceding volume that were converted to non-proportional agreements, resulting in the payment of much lower reinsurance premiums. These changes stemmed from the search for more adequate margins in agreements that have generated losses in recent years.

A number of circumstances, such as strengthening leadership in the number of ceding companies (115) and increased shares in various agreements helped to mitigate this specific impact.

In the **International** portfolio, growth was driven by the substantial increase in reinsurance prices, which reached previously unseen levels, particularly in the markets and programmes most affected by high levels of claims in recent years. Total premiums stood at € 282.0M (+24.5%).

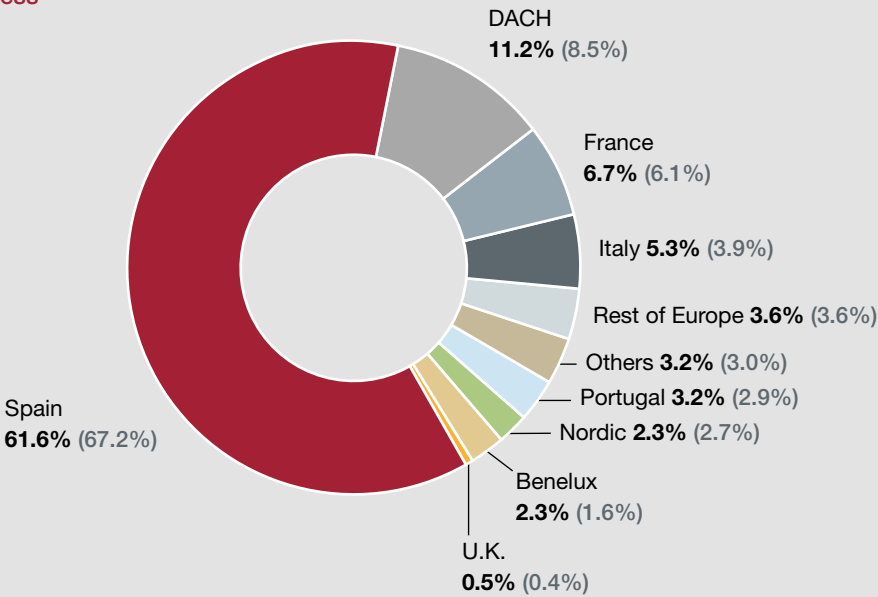
International Business	Premiums 2023	% increase
DACH	82,297	40.4%
France	49,136	15.8%
Italy	38,909	45.1%
Rest of Europe	26,310	37.2%
Others	23,855	-10.2%
Portugal	23,598	17.5%
Nordic	17,271	-7.5%
Benelux	17,127	51.5%
U.K.	3,509	22.6%
TOTAL	282,012	24.5%

Figures in thousands of euros

DACH, which comprises Germany, Austria and Switzerland, continued to be the second largest market in terms of business volumes across the Company's portfolio as a whole, with premiums growing by 40.4% to close the year at € 82.3M. This notable growth resulted from the marked improvement in the conditions in which agreements were negotiated in 2023, following the extraordinary number of climate-related claims in 2021, particularly as the result of storm Bernd. However, this effect also applied to other segments affected by the consequences of natural events, such as Motor, in which turnover increased by more than 100%, and Accident and Engineering, which also experienced very pronounced increases.

Geographical Split 2023

38.4%
International
Business



(Year 2022: 32.8% International Business)

France grew by 15.8%, recording total premiums of € 49.1M. It remains the second biggest market in the International business and, in that market, Life provides the largest turnover (€ 18.4M), recording annual growth of more than 20%.

The remaining markets recorded combined growth of 20%, with improved results in all of them except the **Nordic Countries**, where action to clean up the portfolio was intensified with the aim of achieving more balanced results than the negative returns seen in recent years.

Technical profitability remarkably improved compared to the previous year, reaching 22.6 million euros in net terms.

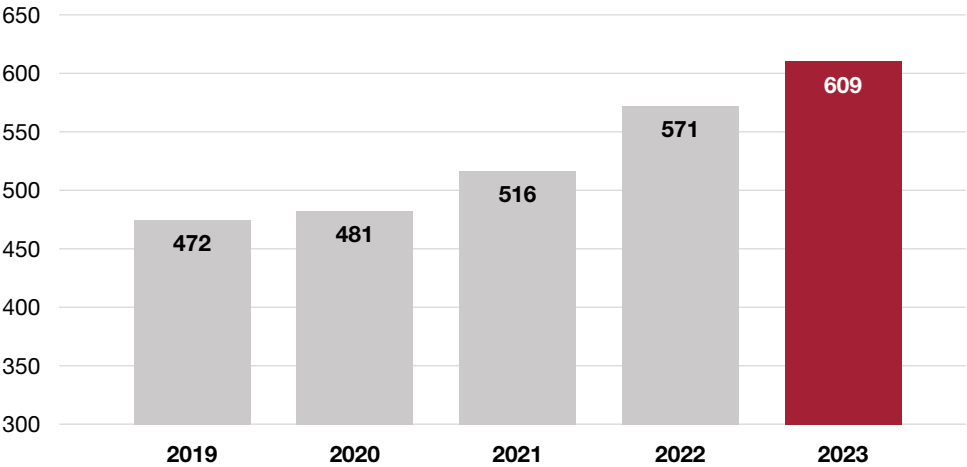
Retained premiums

During the 2023 financial year, retention stood at 82.9% of accepted premiums (82.8% in 2022). The retained premiums amount totalled € 609.3M, up 6.7% on retained premiums in 2022.

Non-Life retention stood at € 495.3M (+7.2%), while retention in the Life segment totalled € 114.0M (+4.5%).

It is important to mention the moderate leveraging of the Company's underwriting when setting retained premiums against capitalisation, as compared with the figures for the sector.

Retained Premiums
(Figures in millions of euros)



Technical aspects

Technical returns totalled 22.6 million euros in 2023, a figure that represents 3.7% of retained premiums and exceeds the technical result from the preceding year by more than 90%.

Gross technical returns, corresponding to accepted business, improved from € 25.7M in 2022 to € 32.0M, an increase of 24.5%

These figures are underpinned by a combined accepted business ratio of 95.6% (96.2% in 2022) and a combined net ratio of 96.2% (97.9%), figures which, following the absorption of high numbers of claims as a consequence of the natural disasters affecting a number of markets, reflect the improvements made in claims management as a result of the increased prices and the more favourable structuring of agreements, particularly following the most recent renewals.

Technical results by segment

This year, unfavourable results have once again been seen in the **Fire and Multi-Risk** segment, giving rise to losses of € 34.5M. The reason for this is linked to the unusual frequency of natural events, mainly in Italy, which endured several episodes of flooding and storms (the storms alone accounted for a net claim amount charged against retention in excess of € 20M). In addition, a number of moderate storm events were seen in Spain in the summer and autumn.

These combined with an increase in fire-related claims in comparison with the previous year, with fires occurring with greater frequency in both Spain and the DACH countries. All of these factors contributed to the negative results in the Multi-Risk segment over the year.

Third Party Liability once again featured among the segments that made a significant contribution to revenues in 2023, ending the year with a technical margin of € 7.0M.

Increased prices in the **Motor** segment combined with the clean-up of a number of proportional agreements to bring a considerable improvement in results as compared with the previous year.

Results were very positive in Life and in all General Lines of Business, except in Multirisk, impacted by an extraordinary natural events claims rate.

Despite the significant number of claims caused by climate phenomena and the severity of a small number of claim incidents, results were clearly positive.

Particularly notable in the **Miscellaneous** category was the benefit obtained in the Credit segment which, together with the contributions made by other business lines, brought a total profit of € 14.4M.

Claims were contained in the **Marine** segment, which once again recorded a highly positive result (up 17%), contributing revenues of € 7.3M.

Results were positive in the combined **P.A. and Health** segment, even though they experienced a fall from 2022 levels, due to a significant rise in Health claims and negative deviations in some P.A. agreements from previous years that had already been cancelled.

As regards the **Life** segment, this continued to make its traditionally positive contribution to the income statement, with profits of € 18.2M, due to the strong performance of the portfolio and a slight fall in claims that resulted from the cancellation of some loss-making businesses and the underwriting of new, more profitable businesses. These resulted in higher fees, however, which had the countering effect of causing a rise in the general level of costs in the segment.

Net Technical Results	2023	% of premium retained
Motor&TPL	15,463	17.1%
Miscellaneous	14,351	21.8%
Marine	7,303	17.0%
P.A.&Health	1,769	3.9%
Fire & Multiriks	-34,520	-13.7%
Total Non Life	4,366	0.9%
Total Life	18,153	15.9%
TOTAL NRe	22,519	3.7%

Figures in thousands of euros

Technical results by market

Spain recorded a result of more than € 39M in Acceptance (8.6% of premiums issued) and an equally positive net result of € 37.1M (9.6% on retained premiums). This strong performance resulted from the highly positive net results in the Credit (32.7%), Life (22.1%), Third Party Liability (11.8%) and Marine (8.9%) segments, and the combined Health and P.A. category (8.2%).

The negative result (-6.1%) recorded in Fire and Multi-Risk in Nacional Re's local market indicates the trend shown by claims in this business line and the need to continue adapting coverage and prices to the new realities of climate phenomena and their growing impact on the economy and insured value.

Results in the International category (-6.5%) though an improvement of 4.5 percentage points on the results recorded in the previous year, remain a long way off the targets pursued in terms of balance and profitability.

A number of markets are showing a profit, particularly notable among which are our strategic markets: **DACH** (7.6%), **France** (7.5%) and **Portugal** (9.5%). Results from the first two of these markets reflect the drastic changes in structure and conditions that were made in the last two sets of agreement renewals, following the serious events that occurred in 2021 and 2022.

The negative results recorded during the financial year were caused by two markets. Particularly notable were the extraordinary losses of more than € 23M in **Italy** (-79.1%), due to a series of storms during the summer months which led to insured losses arising from the most costly natural disasters ever recorded in the country, the overall value of which exceeded € 5 billion. This ended a sequence of three consecutive financial years (from 2020 to 2022) in which the portfolio in this market had recorded positive results, with average net profitability of 7.5%.

The **Nordic Countries** market was the second highest in terms of losses and was still suffering the negative effects of claims from business that has already been cancelled, though it was also affected by some highly extreme claim events. It is a market that is well on the way to recovery, and the results achieved confirm the suitability of the measures that have been applied during renewal of the business portfolio.

	Retained Premiums	Net Technical Results	%
Spain	385.4	37.1	9.6%
international	223.9	-14.6	-6.5%
DACH	63.8	4.8	7.6%
France	39.1	2.9	7.5%
Italy	29.3	-23.1	-79.1%
Others	23.0	1.6	6.7%
Rest of Europe	22.1	0.5	2.5%
Portugal	15.3	1.4	9.5%
Nordic	14.4	-4.6	-32.2%
BENELUX	13.8	2.1	15.4%
UK	3.2	-0.2	-7.3%
TOTAL NRe	609.3	22.6	3.7%

Figures in millions of euros

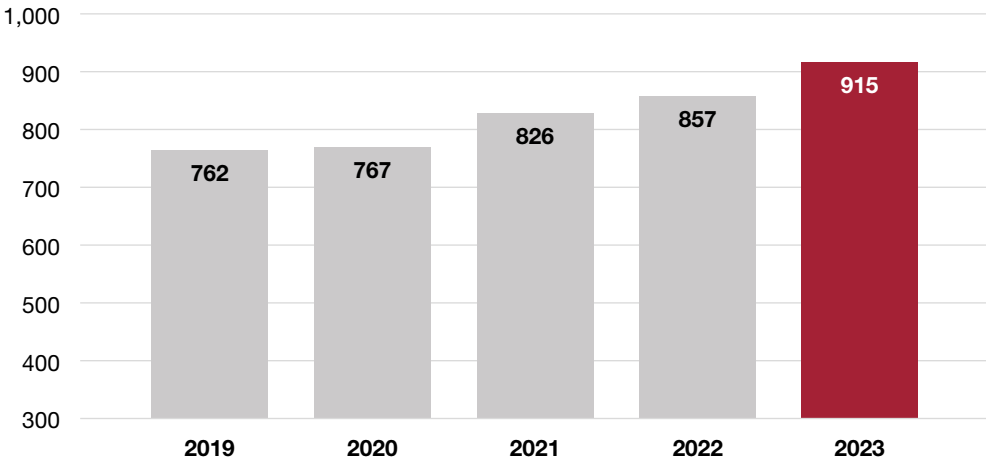
Technical Provisions

At 31 December 2023, technical provisions totalled € 1,132.2M, € 1,006.4M in the combined General segment and € 125.8M in the Life segment.

Net technical provisions, which represent obligations net of retrocession protection, come to a total of € 915.1M (€ 857.4M in 2022), which breaks down into € 790.6M in the General segments (159.6% of retained premiums) and € 124.5M in the Life segment (109.2%).

The following graph shows the volumes of technical provisions retained over the last five financial years.

Retained Technical Provisions
(Figures in millions of euros)



Financial aspects

In the economic and financial environment experienced in 2023, as described in the introduction to this Report, the Company’s management of the investment portfolio generated a financial profit of € 23.7M. The following section contains an analysis of the most notable highlights.

Composition of investments and investment strategy

At the close of 2023, the book value of Nacional Re’s assets stood at € 1,560M (11.6% up on 2022). The composition of its assets is shown in the following table:

	2023	2022
Long-term fixed income	30,921	44,585
Short-term fixed income	900,175	591,135
Investment funds	196,740	374,949
Real estate	34,687	37,229
Shares	150,172	132,160
Reinsurance Deposits	247,227	217,178
Total Investment Portfolio	1,559,922	1,397,236

Figures in thousands of euros

Management of the investment portfolio over the past twelve months was focused on monitoring and controlling any negative effects that the valuation of investment funds would have on the income statement, following application of accounting standard 2.6.2 of the Accounting Plan for Insurance Companies. This led to their impairment in the accounts due to their depreciation as a consequence of the interest rate rises that began in 2022 and continued throughout most of 2023.

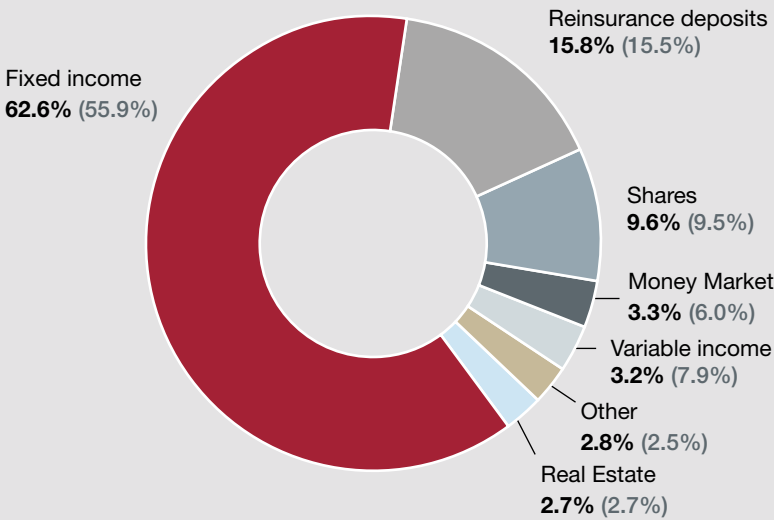
Divestments were made in investment funds over the course of the year, mainly in fixed income and mixed investment funds, in an amount totalling more than € 178M. This amount, combined with the new cash flows generated over the last year, led to the direct purchase of government and corporate bonds, in accordance with the requirements set out in the Company’s Investment Policy.

The upward movement in interest rates seen in 2023 meant that this new direct investment in bonds could be made at higher rates than in the past, thus reinforcing the high credit quality of the portfolio, with investments made for periods in the order of five years. This investment has made it possible to achieve strong financial returns over the coming years.

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

Investment Portfolio 2023

1,559.9
million euros



(Year 2022: 1,397.2 million euros)

Investment assets grew by 11.6% to 1.560 million euros. Financial returns amounted to 23.7 million euros, representing an annual growth of 14.6%.

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

- Investment in fixed income was strengthened during 2023 and accounted for almost 63% of investments at the close of 2023, representing an increase of almost seven percentage points on the previous year. This increase resulted from decisions to channel investment in funds towards direct fixed income investments, as explained above.
- Deposits made as the result of accepted reinsurance agreements with our ceding companies remained at around 15.5%.
- “Shares”, which, while remaining stable at 9.6%, recorded an increase in 2023 of € 18M, closing the year with a total valuation of € 150.2M. This increase was due mainly to the rise in the value of the investment made in Grupo Crédito y Caución, S.L., which at the end of the year stood at € 149.4M (€ 131.4M in 2022).
- The reduction in fund positions also had an effect on assets held in the money markets, which fell from 6% in 2022 to 3.3% in 2023.
- The heading “other assets” covers investments of a non-traditional nature (infrastructure, venture capital, etc.). As of December 2023, investments paid up in this category accounted for 2.8% of the total.
- Although the Company sold the offices that it owned at 164 Paseo de la Castellana in Madrid in 2023, a property that had a net book value of € 2.4M at the end of 2022, the percentage investment in real estate property remained at 2.7%, due to the reclassification of € 7.3M invested in real estate assets other than traditional offices (logistics, services, etc.) using collective special purpose vehicles.

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 average credit rating of the fixed-income portfolio is “A-”, and all the bonds have an investment grade rating.
- 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 based on conservative criteria.
- Assets that are preferably quoted in euros. At the close of the financial year, assets held in currencies other than the euro, including accepted reinsurance deposits, accounted for 3.5% of the total.

Financial returns

The net book result from tangible fixed assets and investments in 2023 showed a profit of € 23.7M, 14.6% higher than in 2022, with a profitability ratio of 1.7% on the book value of investments.

The following section contains more detailed information on the various items that make up this result.

Financial assets generated a profit of € 19.5M, 43.2% up on 2022. By asset type, notable revenues were generated by the direct fixed income and money markets portfolio, which contributed € 17.9M to the income statement (€ 4.2M in 2022), reflecting the increase in assets under management in this category. The profitability of the bonds purchased over the course of the year also increased.

Particular mention should also be made of the dividends received on shares and holdings in the stock of other companies (€ 9.7M).

On a more adverse note, the investment funds reduced revenues by € 8.1M, as a consequence of the sales carried out and the impairment caused in valuations by the rise in interest rates, as mentioned in previous sections.

The real estate portfolio generated a profit of € 5.8M, made up of the net income received from the property leasing business and the profit (€ 4.5M) obtained from the sale of the offices located at 164 Paseo de la Castellana in Madrid, along with a small partial reversal of the value adjustment made in relation to the property located at number 2 Plaza de la Lealtad in Madrid.

In addition to the book result obtained in the asset portfolio, during 2023 the investments classified as ‘available for sale’ experienced a revaluation of € 68M, which meant that the balance sheet entry headed “Adjustments due to the change in the value of financial assets available for sale” ended 2023 at € 57.8M, as compared with the € 6.8M figure for 2022, both of these figures being net of tax.

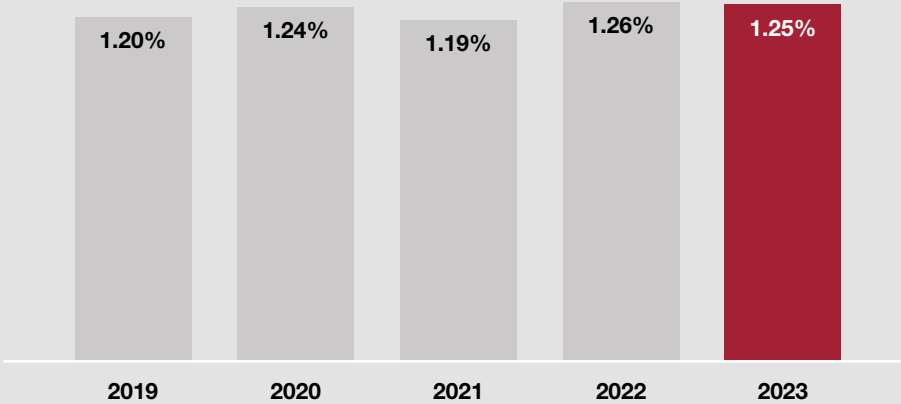
The financial returns are completed with results pertaining to other entries, as broken down below:

- Difference between revenues from deposits put in place and interest paid on deposits received: € 0.2M.
- Exchange rate differences in the valuation of entries on the balance sheet (balances, deposits and bank transfers) from reinsurance agreements for which the original currency is not the euro (-€ 1.9M).

General expenses

During 2023, the Company’s general costs amounted to € 9.2M, as compared with € 8.7M in 2022. This costs figure remains within the parameters for moderation that the Company habitually maintains in its ratio between costs and premiums, which stood at 1.25% in 2023 and at 1.26% in 2022. This figure once again demonstrates Nacional Re’s status as a reinsurer with very high levels of efficiency.

% Expenses / Premiums



Particularly representative among the Company’s general expenses as a whole are the costs recorded in the Human Resources category. Over the last five years, these have increased from € 3.8M in 2018 to € 4.5M in 2023, figures that reflect the increasing development of the human team at Nacional Re over the period and the implementation of the Personnel Master Plan introduced in 2022.

Particular mention should also be made of the investment that the Company has made in the development and acquisition of new IT tools, adapting to technological developments in order to meet the requirements arising from the growth and internationalisation of the reinsurance agreements portfolio. We would especially highlight the efforts devoted to media designed for the management and control of nature-related risk.

The expenses arising from sales activities in 2023, both in the local market and internationally, returned to the levels recorded before the Covid-19 pandemic.

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 2023 was 203.8%, meaning that the capital requirements were sufficiently met.

The Company continuously monitored the performance of this ratio during 2023, 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 2023, 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 14/11/2023	A	Stable
A.M. Best 04/12/2023	A (Excellent)	Stable

Earnings and proposal for distribution

After the amount of € 9.6M had been subtracted from the pre-tax profit figure of € 37M as a provision against Company Tax, the income statement showed a profit of € 27.4M, 48.7% higher than the previous year.

This profit represents 3.7% of premiums and 6.4% 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	985,343.42
To unrestricted reserves	14,149,844.13
Total allocation to reserves	16,335,187.55
To shareholders (dividends)	11,050,000.00
To surplus	0.00
Total earnings available	27,385,187.55

Figures in euros

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

- it applies to the shares numbered from 1 to 17,000,000;
- it amounts to 0.65 euros per share, i.e. 10.8% of the par value of 6 euros;
- it is 50.1% more than the previous year;
- and it represents 2.6% of initial equity.

Capital and reserves

As of 31 December 2023, paid-up share capital amounted to € 102M, following a share capital increase of € 6M charged to the reserves during June of that year.

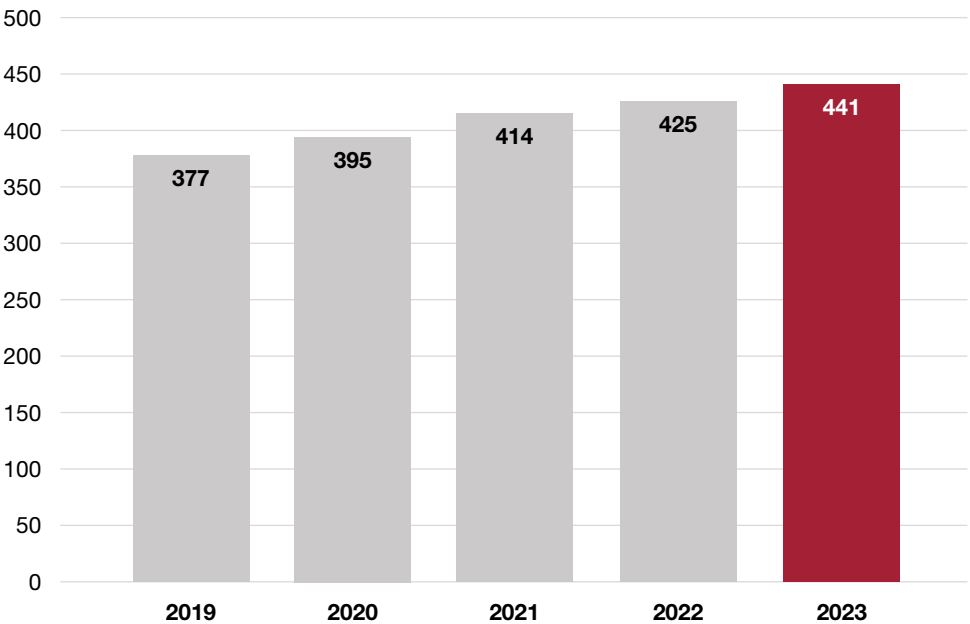
No acquisitions or transactions relating to the Company's own shares were made during 2023.

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 € 337.2M at the end of 2018 to € 441.3M at the end of the year that has recently closed.

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

Net Equity

(Figures in millions of euros)



Human Resources

At the close of 2023, Nacional Re's workforce was made up of a total of 68 professional staff (36 women and 32 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.

A flexible remuneration scheme was implemented during the course of 2023 which included childcare, transport and health insurance for anyone who requested it. The entire team was also offered the opportunity to take out home, car, pet, life and funeral insurance policies with significant discounts on premiums.

With regard to working hours, the Company has further increased the flexibility already enjoyed by workers with the broadening of arrival and departure times and the distribution of working hours, maintaining them in line with the organisation's needs while allowing for greater reconciliation between employees' family and professional lives.

Finally, although there was also a remote working system in place, its use was further promoted in 2023, particularly during the summer months.

Corporate Social Responsibility

Durante 2023, Nacional Re continued to pursue and strengthen its commitment to projects in the area of social responsibility.

It continued to make financial contributions to the Carlos Sunyer Foundation, which 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 Balía 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.

In September 2023, Nacional Re personnel had the opportunity to enjoy a volunteering day with the Gil Gayarre Foundation in Madrid.

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 was introduced in the 2022/2023 academic year and is still running.

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.

The policies that make up Nacional Re's governance system incorporate principles that encourage corporate social responsibility in all areas of the organisation's business activities. By way of an example we would mention the Investment Policy, which incorporates the positive differentiating factor of identifying investments in assets with an ESG rating.

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 2023, the results of this assessment have indicated that the Company continued its trend of reducing the carbon footprint generated per employee in the performance of its business activities.

Renewal in 2024 and Outlook

The recent renewal of agreements for 2024 has provided continuity for the exceptional renewal that preceded it, during which the market experienced more restricted supply, at least since the beginning of the 21st century.

Although there was a somewhat improved balance between ceding companies and reinsurers, negotiations still took place in a context of marked technical rigour and a need within the industry to improve business margins.

Nacional Re set out a series of clear objectives that were aimed at taking a further step forward in consolidating a balanced portfolio, in which the organisation sought to maintain and strengthen positions in strategic markets and with strategic clients, improve structures and prices in general terms and more particularly in agreements that were loss-making or that generated insufficient expectations of profitability, and terminate those relationships that did not offer the minimum conditions or prices required in accordance with our underwriting criteria.

Once again, particular attention was placed on containing and moderating exposure to risk from natural disasters, and priority was given to focusing on the Spanish market and the markets selected as strategic within Europe.

Having evaluated the resulting portfolio that is in place for 2024, we are confident that its quality will bring returns that are in line with Nacional Re's strategic objectives, while always taking account of the level of uncertainty that is inherent in the random nature of claims, particularly those that result from the catastrophic events caused by natural disasters.

Nacional Re's strategy is oriented towards consolidation and profitable growth, based on talent management, technological transformation and sound technical criteria in risk management.

Strategic Plan

The current Strategic Plan, which was drafted in 2022 and scheduled to run through to 2024, remained in place during 2023. Particular attention was paid over the course of the year to a small number of projects, based on their importance and impact, and this has allowed us to continue moving forwards in consolidating our efforts and following up the activities planned for the Plan's implementation, making any necessary adjustments.

Notable in this regard, given its significant cross-cutting effects, was the analysis and definition of the Information Management Project, which will be a key factor over the coming years in allowing Nacional Re to enjoy the most favourable conditions through the use of excellent data that will result in the generation of greater knowledge. This will ensure that it continues to offer differentiating value to the markets in a way that favours growth, with efficiency and the optimum control of the risk assumed.

With regard to technology, continuing advances were made in the strengthening of cybersecurity, an area that is regarded as a priority, given its critical nature and the growing impact of cybercrime associated with the development of artificial intelligence.

A number of projects were more directly related to the management of talent and organisational advances. These were aimed at achieving greater involvement in the Company's strategy from professionals who show potential, increased agility in the decision-making process, and broader participation in the direct management of both clients and the portfolio.

Specific projects of a technical nature were also undertaken.

Firstly, progress was made in the latest phase of controlling the risks resulting from catastrophic events caused by natural disasters, with the achievement of significant advances that will continue over the coming years. The main aim is to identify underwriting criteria and templates that will help to optimise the allocation of the available know-how and the improvements achieved in the financial results from this business line, which is not a priority area in terms of Nacional Re's appetite for risk but is highly valued by ceding companies.

Secondly, a profitability model was defined and this will provide a good basis for the harmonisation of underwriting and business renewal criteria that are aligned with the entire portfolio, based on the objectives established at any given moment and taking account of the peculiarities of each segment and market. This will provide a solid reference to complement the individual analyses of each ceding company and agreement.

Finally, particular effort was directed towards updating the Company's value proposition in the Spanish market, with intense technical and commercial activities, supported by the organisation of a number of training days focusing on both specific reinsurance matters and issues that are currently important in the market in relation to new risk or risk that is of special interest due to its dangerous or complex nature.

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

**Nacional Re joins the Eduardo Chillida
Year Celebration, commemorating
the centenary of this birth.
Photographs: Shutterstock and Alamy.**

Graphic design

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Nacional  Re

Eduardo Chillida. *Peine del viento* (detail), 1977. San Sebastián. Gipuzkoa (Spain).

