

Nat Re Receives Strong Credit Rating

National Reinsurance Corporation of the Philippines (Nat Re), the country's sole professional reinsurer, was assigned a financial strength rating of **PRS A**, with a **Stable Outlook**, by Philippine Rating Services Corporation (PhilRatings).

An insurer rated **PRS A** has **strong** financial security characteristics but is somewhat more likely to be affected by adverse business conditions compared to higher-rated insurance companies. A **Stable Outlook** indicates that the rating is likely to be maintained or to remain unchanged in the next 12 months.

The assigned financial strength rating and Outlook took into account Nat Re's: a) solid market franchise; b) shareholders of good standing; c) experienced management; d) sound investment portfolio; and e) more than ample capitalization.

PhilRatings based its assessment on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to Nat Re and may change the rating and Outlook at any time, should circumstances warrant a change.

Nat Re enjoys a solid market franchise, given its position as the only domestic professional reinsurance firm. As provided by law, it has the unique advantage of being entitled to take up at least 10% of all the domestic insurance companies' outward reinsurance business. This gives Nat Re significant access to the local reinsurance business, as well as a broader view of domestic insurers' reinsurance requirements.

The Government Service Insurance System (GSIS), a government-owned and controlled corporation mandated to provide and administer social security benefits for government employees, remains as Nat Re's largest shareholder. Its ownership stake stood at 25.8% as of end-September 2023. Mico Equities, Inc. (MEI) and Bank of the Philippine Islands (BPI) were Nat Re's other major shareholders, with ownership interests of 12.9% and 13.7%, respectively. MEI operates as a holding company for the Yuchengco Group's non-life business (Malayan Insurance), which was the largest domestic non-life insurance company in 2022 based on Gross Premiums Written (GPW). BPI, the banking arm of diversified conglomerate Ayala Corporation, is likewise one of the country's leading universal banks. As of June 30, 2023, it was the third biggest bank in terms of assets (P2.7 trillion) and deposits (P2.1 trillion), and second in terms of equity (P334.4 billion) and net loans and receivables (P1.7 trillion).

Nat Re's management team also boasts of extensive experience in and understanding of the insurance industry and financial markets, both domestic and global. Management continues to be led by Mr. Allan R. Santos, the Company's President and Chief Executive Officer (CEO) since 2018.

As of end-2022, Nat Re's total investment assets stood at P9.2 billion. Such further grew to P9.7 billion as of end-June 2023. Low-risk fixed income investments accounted for 92.4% of its total investment portfolio as of end-June 2023, while equities made up the remaining 7.6%. Government securities continued to dominate the Company's fixed income portfolio, accounting for more than half. Corporate bonds came in

second, comprising almost a quarter. For Nat Re's equity investments, companies listed in the Philippine Stock Exchange (PSE) accounted for 94%.

In September 2022, Nat Re adjusted its strategic asset allocation to 90% fixed income and 10% equities (from 85% and 15%, respectively). This is in line with the Company's long-term goal to further de-risk its investment portfolio.

With an equity of P5.8 billion as of end-September 2023, Nat Re was more than compliant with the minimum net worth requirement of P3.0 billion set by the Insurance Commission (IC). Similarly, the Company's risk-based capital (RBC) ratio far exceeded the minimum ratio of 100% required by the IC. Moving forward, Nat Re expects to remain more than compliant with regulatory capitalization requirements.