

30 NOV 2021

Fitch Upgrades Peña Verde to 'BBB+'

Fitch Ratings - Monterrey - 30 Nov 2021: Fitch Ratings has upgraded Peña Verde, S.A.B.'s (PV) Long-Term Local Currency Issuer Default Rating (IDR) to 'BBB+' from 'BBB'. The Rating Outlook is Stable.

Key Rating Drivers

The upgrade of PV's Local Currency IDR is based on a change in Fitch's view of the Mexican Insurance Regulatory Environment classification to "Group Solvency" from "Ring-Fencing" (for more information see "Fitch Ratings Reclassifies Regulatory Environment of Insurers in Mexico as "Group Solvency"" published today). PV's Local Currency IDR is derived by notching from subsidiary Reaseguradora Patria S.A.'s (Patria) Insurer Financial Strength (IFS) rating. Fitch rates Patria's international IFS 'A-' and its implied Local Currency IDR 'BBB+'. Under Fitch's criteria, the IDR of a holding company is set at the same level as that of the operating company in "Group Solvency" jurisdictions. This standard applies in investment grade countries like Mexico.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Given the company's current business profile, the rating would also be sensitive to an upgrade of Mexico's sovereign rating and country ceiling.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A downgrade could be driven by a downgrade of Patria's rating or by a deterioration of PV's intrinsic financial performance, or by debt issuance that results in financial leverage ratio higher than 30%.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
Pena Verde S.A.B.	LC LT IDR	BBB+ 	Upgrade	BBB 

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Insurance Rating Criteria \(pub.26 Nov 2021\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Pena Verde S.A.B. EU Endorsed, UK Endorsed

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