ANNUAL SUSTAINABILITY REPORT

2021

PEÑA VERDE

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LETTER FROM THE CHAIRMAN AND CEO

MESSAGE TO SHAREHOLDERS

This material references Disclosure 102-14 from GRI 102: General Disclosures 2016

Dear Investors:

We are pleased to share with you, for the second consecutive year, Grupo Peña Verde's Annual Report, with which we seek to let you know first-hand the different impacts that the Group has had on our stakeholders and our environment derived from the operational, financial, and strategic efforts we carried out in 2021.

First of all, we would like to highlight that, despite the challenging backdrop we continued to weather during a large part of the last year, resulting from the lingering effects of the health contingency, we achieved a positive performance, demonstrating once again: **together we deliver results!**

In this context, written premiums reached a new all-time high of Ps. 11,962.6 million in 2021, an annual growth of 17.0%, which was driven by the contribution of our insurance and reinsurance divisions, with Reaseguradora Patria and General de Seguros posting increases of 20.4% and 19.4%, respectively.

This, together with the solid operating performance, excluding the booking of technical reserves, and our equity investments, led to a net income of Ps. 429.5 million in 2021, which compares favorably with the Ps. 195.5 million net loss recorded in 2020.

Similarly, reflecting the Company's sound financial position, the rating agencies Fitch Ratings, HR Ratings, and AM Best issued positive evaluations of the Group's credit quality. In this regard:

- Fitch Ratings raised the credit rating of Peña Verde, S.A.B. twice in 2021, from BBB- to BBB+, and ratified its ratings for Reaseguradora Patria, General de Seguros, and General de Salud;
- HR Ratings assigned Peña Verde, S.A.B. a long-term rating of HR AAA and a short-term rating of HR+1, the highest scale; and,
- AM Best, the largest global rating agency specialized in the insurance sector, ratified the ratings of Peña Verde, S.A.B. and its subsidiaries.

We are convinced that these positive results attest to the effectiveness of the innovation and transformation strategy behind our business processes, our technological platform, and our organizational culture, driven by the strong determination to maximize the Group's shared value generation for the benefit of our customers, employees, investors, and the communities where we operate.

As part of our efforts to bolster our organizational culture, we carried out several activities throughout the year, including: i) workshops to promote gender equality and foster the Group's ethical and cultural values; and ii) the execution of a sustainability assessment.

In this regard, reflecting our commitment to establish diversity and inclusion as a key distinctive principle, we were recognized by 5050 Women on Board and Women Corporate Directors for being among Mexican publicly traded companies with the highest participation of independent female directors on its Board.

Furthermore, in line with our social commitment, we held for the sixth consecutive year the Peña Verde Day, during which Grupo Peña Verde and several volunteers collaborated with TECHO (an organization dedicated to help millions of people overcome poverty) in the construction of three houses with a unit value of Ps. 204 thousand (donated by the Group). Likewise, together with our employees, who made their contribution in a voluntary and direct manner, we donated over Ps. 191 thousand to TECHO for the installation of 10 water supply systems.

At the same time, through capability and performance evaluations, talent profile gap analysis and results reports, as well as individual feedback sessions with each applicant for job promotions, we continue to foster the professional development of our employees, who are undoubtedly our most important asset.

This is evidenced by the appointments of Mr. Francisco Martínez Cillero as CEO of Reaseguradora Patria and Mr. Fernando Álvarez del Río as CEO of the Insurance Division; Francisco has worked in different subsidiaries of Peña Verde since the beginning of his professional career, 10 years ago; and Fernando has served as CEO of General de Salud for the past 4 years.

Regarding our technological and business transformation, we continued to make progress in the digitalization of our operations, in an effort to remain at the forefront, generate

efficiencies and, above all, elevate the quality of our service. For example, we launched "Tito", an artificial intelligence-based virtual assistant that will handle basic queries and help the IT and Security department to open requests.

We are also proud to highlight that General de Salud was recognized with the Celent Model Insurer 2021 award in the Digital and Emerging Technologies category for the development of the AMAE Health Insurance, the first 100% digital health insurance product in Mexico that we developed to meet the needs of people suffering from type 2 diabetes mellitus, following one of our cultural pillars: **The client, my priority.**

Through the Insurance Division, we also created the first Solutions Center known as "Seguro Que Sí", with which we seek to change commercially in order to make it easier for our insurance clients to find the solutions they are looking for through a unique experience.

Another relevant development was that, in line with the Group's value maximization strategy, we completed the delisting of General de Seguros' stock from the stock exchange. With this and our transformation and growth strategy, we are confident that Peña Verde's stock will more accurately reflect the Group's operational and financial strength.

Before concluding, it is important to note that, although the effects of the pandemic have lessened, we will continue to navigate with caution given the prevailing complex backdrop in Mexico, marked by high inflation, higher interest rates, and slowing economic growth according to Banxico's most recent economic expectations survey. Nevertheless, we believe that the Mexican insurance sector will remain resilient against this scenario.

As for the uncertainty arising from the escalating conflict in Ukraine, an unfortunate fact that we hope will be brought to a speedy resolution for it is civilians who bear the brunt of the consequences, we have already factored this situation into our investment strategy in order to continue protecting our clients' assets to the best of our ability.

Wrapping up, for 2022 we will continue to put the well-being of our clients and employees first, who just in March 2022 began to return to our workplaces through a flexible hybrid plan developed by our Business Support and Transformation team, geared towards the achievement of our objectives. This approach supports a blend of in-office work, on a scheduled and occasional basis while following the proper health protocols, and work from home on given days. We are convinced that, with the trust of our investors and the support and talent of our team, we will continue to advance steadily in our path of growth, transformation, and long-term value generation, as we **All Build Peña Verde.**

Enrique Julio Zorrilla Fullaondo

Chairman of Peña Verde

Manuel S. Escobedo Conover

Chief Executive Officer of Peña Verde

PROFILE

EXECUTIVE SUMMARY

This material references Disclosures 102-1, 102-2:a, 102-3 and 102-5 from GRI 102: General Disclosures 2016

Grupo Peña Verde is a business conglomerate engaged, through its insurance and reinsurance divisions, in the comprehensive risk management (from their origination to their final placement), being the only Mexican group following this approach.

For this purpose, a large part of the Group's activities is carried out through its subsidiaries General de Seguros, General de Salud, and Reaseguradora Patria, consolidating the entire operation with the objective of achieving a solid Corporate Governance aimed at maximizing synergies and economies of scale brought about by the business portfolio.

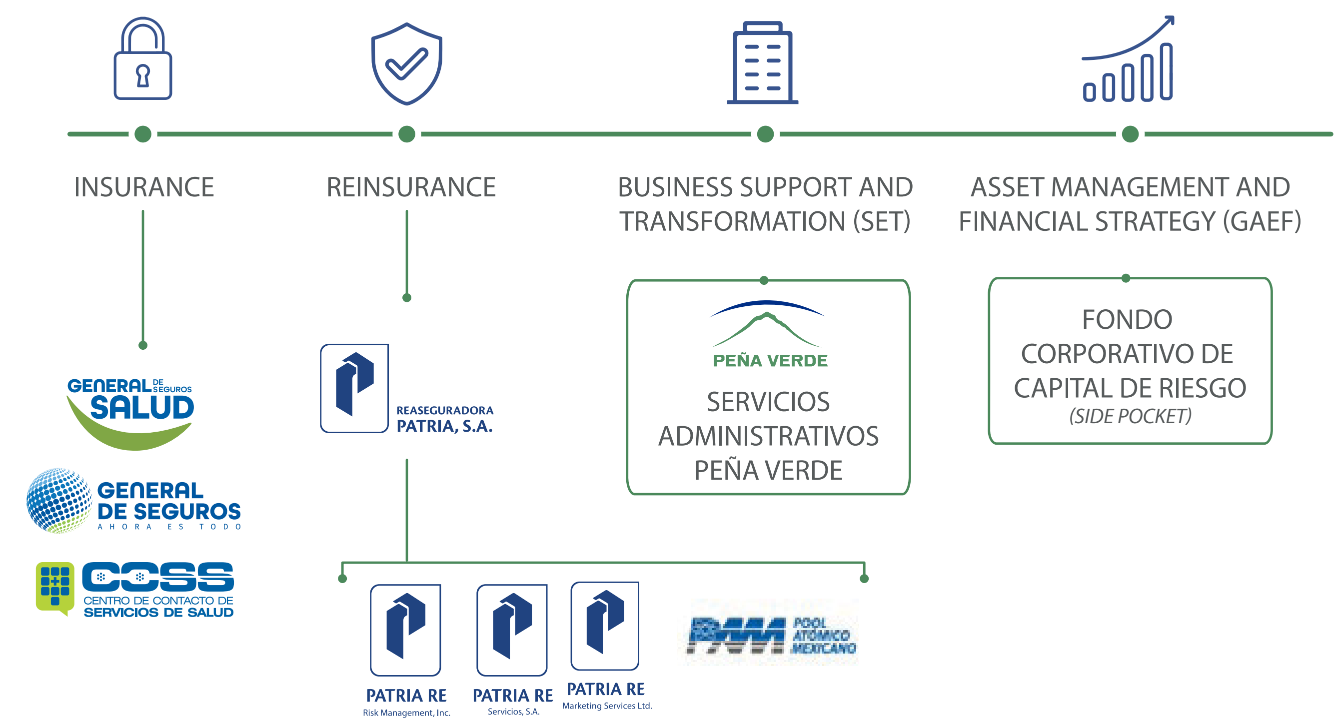
We are a Mexican publicly traded company with an indefinite duration, whose shares are listed on the Mexican Stock Exchange under the ticker symbol PV. Our trade name is Peña Verde and our corporate name is Peña Verde, S.A.B.

The corporate headquarters of Reaseguradora Patria and Peña Verde are located at Periférico Sur #2771, Col. San Jerónimo Lídice, Alcaldía La Magdalena Contreras, 10200, Mexico City and telephone number 5683-4900. Additionally, the corporate headquarters of General de Seguros are located at Avenida Patriotismo #266, Col. San Pedro de los Pinos, 03800, Mexico City. We have more than 25 sales offices where we provide the highest quality service to our clients, demonstrating that: the client, my priority.

BUSINESS DIVISIONS

This material references Disclosures 102-2, 102-4, 102-6, 102-7:a.v and 102-10:a.i from GRI 102: General Disclosures 2016

Grupo Peña Verde has the four business divisions shown below:



Both the Insurance and Reinsurance Divisions focus on risk management. The Insurance Division includes General de Seguros, which in turn integrates General de Salud and other subsidiaries into its operations, while the Reinsurance Division includes Reaseguradora Patria and its subsidiaries, which operate in Mexico and internationally.

The Business Support and Transformation Division (SET) is responsible for implementing technological and cultural transformation initiatives aimed at making the Group's operations more efficient in terms of time and cost. The purpose of the Asset Management and Financial Strategy Division (GAEF) is to consolidate optimal capital management in a single area.

Both the SET and GAEF Divisions are part of Servicios Administrativos Peña Verde, a subsidiary that seeks to consolidate in Grupo Peña Verde a participative and innovative organizational culture that strengthens the competitiveness of all business areas.

In summary, the Group generates value on two fronts; on the one hand, our operations provide resources that can be invested and an operating margin; and on the other hand, our investment portfolios help to increase profit margins and diversify the risk we are taking.

INSURANCE

General de Seguros

Mexican company recognized for its wide variety of products that provide its clients with life, auto, damage, and agricultural protection (being one of the few companies that offer this type of insurance), as well as coverage for health and medical expenses, through General de Salud. In addition, it is authorized to operate both credit insurance and reinsurance.

In the insurance market, General de Seguros has a solid track record of 50 years as of the beginning of 2022, in which it has capitalized on its timely and efficient service to rank, at the end of 2021, in the #30 position in the Mexican insurance market, based on the amount of direct premiums written.

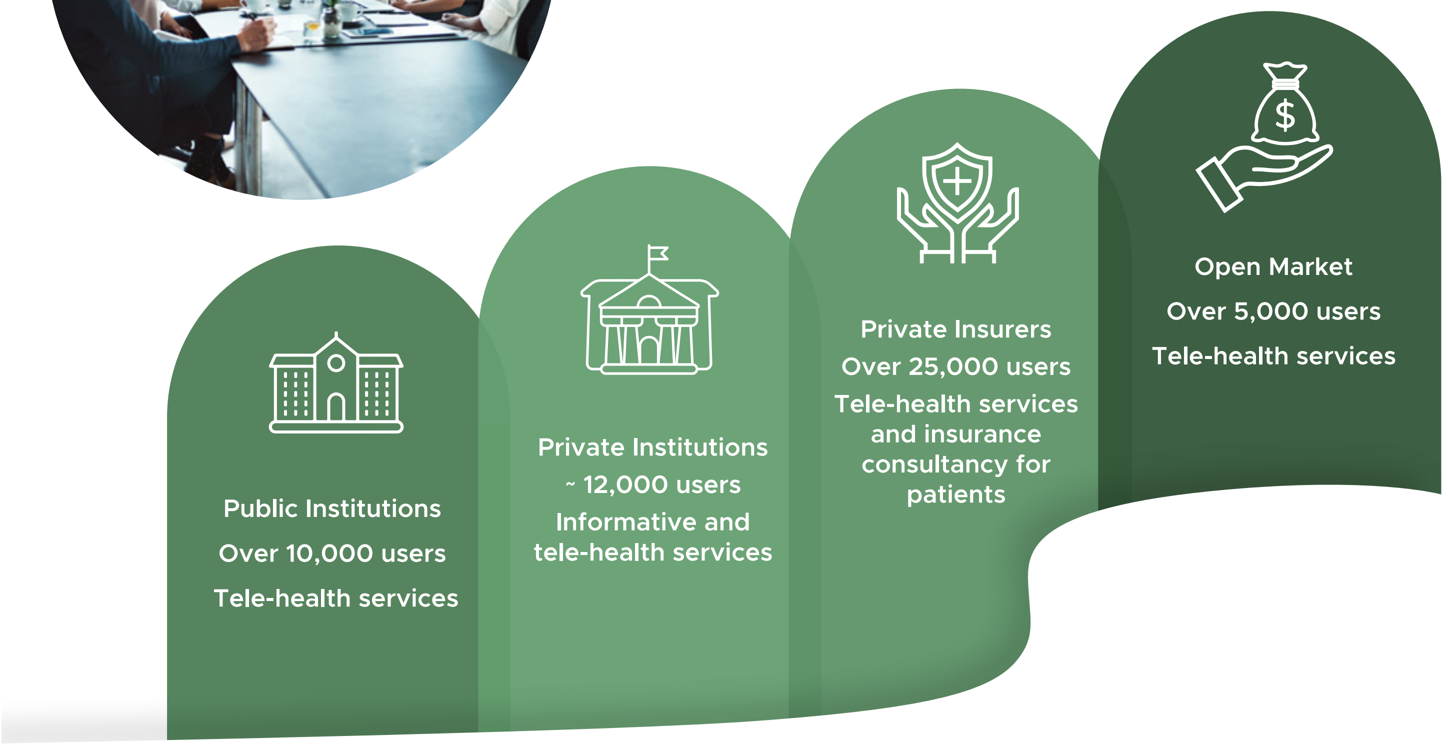
2022 marks our 50th anniversary in the Mexican insurance market.

General de Salud

100% Mexican company and subsidiary of General Seguros, which has more than 15 years of experience offering health insurance, with the purpose of meeting both individual and SME's needs through group plans, providing from primary coverage (prevention and medical consultations) to integral coverage (ancillary services, maternity, dental, hospitalization, among others).

Health Services Contact Center (CCSS)

In order to achieve greater efficiency and reduce health costs, CCSS - Peña Verde, S.A. de C.V., a company specialized in tele-health services, links its more than 52,000 users (from public and private institutions) to the appropriate level of medical care.



REINSURANCE

Reaseguradora Patria

The oldest reinsurance company in Latin America with international presence (having a strong foothold in Latin America and increasingly growing overseas operations), providing comprehensive risk management services since 1953, as well as personalized economic, technical, and administrative advice. Its main business partners are insurance companies, surety companies, and reinsurance brokers.

It is important to mention that, during 2021, Grupo Peña Verde continued to make progress in the gradual run-off of its special purpose vehicle at Lloyd's (SPA6125), as announced at the end of 2020.

BUSINESS SUPPORT AND TRANSFORMATION DIVISION (SET)

Division that drives the Group's transformation through the management of projects aligned to the strategy, while ensuring regulatory and legal compliance, as well as verifying risk levels falls within tolerance thresholds. The purpose of these processes is:

Technology Plan:

- Operate in a more efficient and standardized manner, reducing time and cost.
- Support future business growth with a high degree of flexibility.
- Integrate new technological solutions.
- Stabilize technological investment, according to market standards for innovation projects.
- Foster a flexible and innovative culture that encourages risk-taking focused on individual and collective results.
- Encouraging a culture of accountability.

ASSET MANAGEMENT AND FINANCIAL STRATEGY DIVISION (GAEF)

This division was created to manage the investment portfolio, corporate finance, administration and finance, and procurement. With this, the Group seeks to integrate in a single department the administration and efficient use of capital as a scarce asset, in order to achieve above-market returns thorough an optimal capital structure.

WHO WE ARE

This material references Disclosures 102-1, 102-12 and 102-16 from GRI 102: General Disclosures 2016

THE PEÑA VERDE SPIRIT

PEÑA VERDE

Our logotype references the Popocatépetl volcano, and the image is a representation of the values that characterize our corporate performance: strength, power, security, and the challenge of permanence. The sky represents the openness, flexibility, and outlook of our purposes: to continue growing at a national level and position ourselves on an international stage.

Peña Verde is a solid, trustworthy, and secure Mexican company to invest in and to work for. The Company has enough flexibility and innovative capacity to face and capitalize on the opportunities and challenges that allows it to generate the benefits expected by its shareholders, business partners, employees, and customers.

Our Purpose

TO BE PRESENT for people and organizations whenever risk threatens safety, by being the standard of confidence in whom to trust to find the tranquility needed, and thus, be able to continue developing, evolving, and manifesting each project with harmony, freedom, and responsibility.

Our Mission

We lead a portfolio of businesses and projects in the field of comprehensive risk management.

Our Vision

We maximize our value as a Group, by doubling our growth in a profitable, diversified, and sustainable manner, responding to our clients with personalized and flexible experiences relevant in the market.

Our Values

INTEGRITY

We act in accordance with the **ethical principles of Grupo Peña** Verde, fulfilling our commitments to our stakeholders.

INITIATIVE

We believe in what we do, and we look to the future with **optimism and confidence.**

ENTHUSIASM

We view our work as challenges that allow us to **measure our scope and expand it.**

PROFESSIONALISM

We are convinced that talent is the result of constantly **keeping ourselves up-to-date and competitive**, and that expertise results from tenacity, a discipline approach, and the ability to work as a team through good communication.

RESPECT

We foster relationships **based on trust, openness, and consideration of people's dignity**, which leads us to recognize and accept diversity.

CULTURAL PRINCIPLES

THE CUSTOMER IS MY PRIORITY

I satisfy customer needs **through value-added services.**

WE ALL BUILD PEÑA VERDE

I create an **inclusive environment** where we all participate responsibly in developing solutions.

TOGETHER WE DELIVER RESULTS!

My work, as part of Peña Verde, is **important to achieving our key results.**

WE CHANGE WITH DETERMINATION

I understand, promote and **am part of the change.**

CLEAR AND CONSISTENT COMMUNICATION

I make **consistent and informed** decisions and communicate them in an **effective and timely manner.**

External Partnerships and Initiatives

Through General de Seguros y Reaseguradora Patria we are a member of:

- Mexican Association of Insurance Institutions (AMIS for its Spanish acronym)
- Mexican Association of Guarantee Institutions (AMIG for its Spanish acronym)
- The Global Federation of Insurance Associations (GFIA)
- Inter-American Federation of Insurance Companies (FIDES for its Spanish acronym)
- The Institute of International Finance
- Pan-American Surety Association
- Insurtech Alliance

We fully adhere to the regulations established by the following entities:

- Mexican Central Bank (Banxico)
- Mexican Stock Exchange (BMV for its Spanish acronym)
- National Insurance and Surety Commission (Mexico)
- National Banking and Securities Commission (Mexico)

In line with our firm commitment to sustainability, we are part of the United Nations Global Compact and in 2021 we collaborated with the non-profit organization TECHO.

To improve our business practices and boost our efficiency, we have relationships with:

- Great Place to Work (certified since 2015)
- Mexican Business Coordinating Council (CCE for its Spanish acronym)
- Insurtech Alliance

Following the above, we are in the process of implementing the following standards:

- ISO 19600 Compliance Management Systems
- ISO 27001 Information Security Management Systems
- ISO 31000 Risk Management
- NOM 035* (aimed at detecting psychosocial risks within an organization, mandatory for all Mexican companies).

*With the exception of NOM 035, all initiatives are voluntary and non-binding.

Diana Tobias Macias
Head of Business Strategy,
General de Seguros

OUR JOURNEY

1945
Aseguradora de Crédito, S.A., the predecessor company of General de Seguros, S.A., is established.

1946
Aseguradora de Crédito, S.A., is listed on the Mexican Stock Exchange.

1953
Reaseguradora Patria, S.A. is incorporated as a result of an investment by a group of Mexican and Norwegian investors (Storebrand).

1959
Reaseguradora Patria, S.A., is listed on the Mexican Stock Exchange.

1971
- We are incorporated as a company, initially under the name Mining Exploration Consultants, S.A.
- A group of officers and agents of the insurance sector acquire Aseguradora de Crédito, S.A.

1972
- We change our name from Mining Exploration Consultants, S.A. to Minera Peña Verde, S.A.
- Aseguradora de Crédito, S.A. changes its name to General de Seguros, S.A.

1978
We change our name to Peña Verde, S.A.

1992
Storebrand sells its stake in Reaseguradora Patria.

2003
General de Salud, S.A. is established.

2006
Reaseguradora Patria takes over the administration of the Mexican Atomic Pool (PAM* for its Spanish acronym).

2009
- We organized as a variable capital corporation and merged with the holding companies Minera las Trincheras, S.A. de C.V. and Minera el Morado, S.A. de C.V., which were owned by our shareholders.

2011
As a merging company, we merged with the holding companies Rajas, S.A. de C.V., Chic Xulub, S.A. de C.V., Compañía Latinoamericana de Servicios, S.A. de C.V. and Comercializadora Peñasco, S.A. de C.V., which were owned by our shareholders.

2012
- To carry out a series of tender offers to take control of Reaseguradora Patria, S.A.B. and General de Seguros, S.A.B. through an exchange of shares, on July 9, our shareholders resolved to amend the Company's by-laws to become a publicly traded company.
- On September 19, the tender offers concluded, resulting in the acquisition of an 85.8% stake in General de Seguros, and a 99.97% stake in Reaseguradora Patria.
- We became a publicly traded company on the Mexican Stock Exchange under the ticker symbol PV.
- We established Servicios Administrativos Peña Verde, S.A. de C.V. (SAPV), maintaining a 99.98% stake.

2013
- We completed the delisting of Reaseguradora Patria, S.A.B.
- We established Patria Re Marketing Services Ltd. (London).

2015
- We established Patria Re Servicios, S.A. (Santiago de Chile).
- In November, we incorporated Patria Corporate Member, Ltd. (PCM), in London, England, which is authorized exclusively to conduct reinsurance activities within the Lloyd's market and in December we received authorization to start operations.

2016
- We established CCSS - Peña Verde, S.A. de C.V., better known as Centro de Contacto de Servicios de Salud, S.A. (a tele-health services center), maintaining a 99.99% stake.
- We acquired 4,232,181 shares of General de Seguros, S.A.B., raising our stake to 98.14%.

2018
We established Patria Risk Management, Inc. (Miami)

2019
Our assets surpassed the Ps. 22 billion mark for the first time

2020
We surpassed the Ps. 10 billion mark in premiums written for the first time.

Gonzalo Galicia Díaz
CFO & Chief Actuary of Reaseguradora Patria

2021

March 11

General de Salud receives the Celent Model Insurer 2021 award in the Digital and Emerging Technologies category for the development of "AMAE" Health Insurance.

April 30

We announced that, effective April 1, 2021, the Board of Reaseguradora Patria ratified that Mr. Francisco Martínez Cillero, an actuary who has collaborated with us for more than 10 years, will take over as CEO of Reaseguradora Patria.

May 31

As part of our strategy of adopting best corporate practices and improving our outreach to investors, we announced the publication of our 2020 Annual Sustainability Report, based on the transparency framework established by the Global Reporting Initiative (GRI).

General de Seguros was authorized by the National Banking and Securities Commission (CNBV for its Spanish acronym) to delist its shares from the Mexican stock market.

June 4

Fitch Ratings upgraded Peña Verde's long-term rating from 'BBB-' to 'BBB' and affirmed the national and international ratings of Reaseguradora Patria at 'AAA(mex)' and 'BBB+', respectively; as well as the national scale rating of 'AA+' for General de Seguros and General de Salud. All ratings were assigned a stable outlook.

June 29

We paid Ps. 19 million in dividends, considering that the total outstanding shares of the Company is 476,678,213.

July 20

We announced the departure of Mr. Patricio Treviño Westendarp and Mr. Rogelio Ramírez de la O. from the Board of Directors.

August 2

We announced that the Board of General de Seguros ratified, effective July 29, 2021, that Mr. Fernando Álvarez del Río, who served as CEO of General de Salud and who has more than 10 years of experience in the insurance sector, would assume the position of CEO of the Insurance Division; while Mr. Juan Ignacio Gil Antón would continue to serve as Vice President of the Insurance Division.

October 4

We changed the domain of our website from www.grupopenaverde.com to www.corporativopv.mx.

November 26

We announced that HR Ratings assigned Peña Verde a long-term rating of HR AAA (the highest rating scale), with a stable outlook, and a short-term rating of HR+1, on a national scale, reflecting the strength of the Group's solvency metrics and the diversification of its operations.

December 2

We announced that Fitch Ratings upgraded Peña Verde's rating from 'BBB' to 'BBB+', with a stable outlook.

December 8

We announced that AM Best affirmed the ratings of Peña Verde and its subsidiaries, highlighting the strength of the companies' balance sheet, as well as their sound operating performance and appropriate comprehensive risk management.

December 15

We announced that 5050 Women on Board and Women Corporate Directors (international non-profit organizations that seek to promote the inclusion of women on boards of directors), recognized Peña Verde for being among Mexican publicly traded companies with the highest participation of independent female directors on its Board.

This puts Peña Verde among the 10 Mexican publicly traded companies with the highest percentage of independent female directors.

2022

January 31

We announced that, due to retirement, Mr. Juan Ignacio Gil Antón was stepping down from his position as Vice President of the Insurance Division. However, as of February 1 of this year, he serves as Independent Executive Advisor of Grupo Peña Verde.

OUR OPERATIONS

SERVICES AND TRADEMARKS

This material references Disclosures 102-2, 102-6:a.ii and 102-9 from GRI 102: General Disclosures 2016

Although the main activity of Peña Verde, S.A.B. is risk management (from its origination to the final underwriting), it also acquires shares or social interests of all types of companies (domestic or foreign), and provides all kinds of services, directly or indirectly, such as administrative, accounting, consulting, commercial, financial, and operational services.

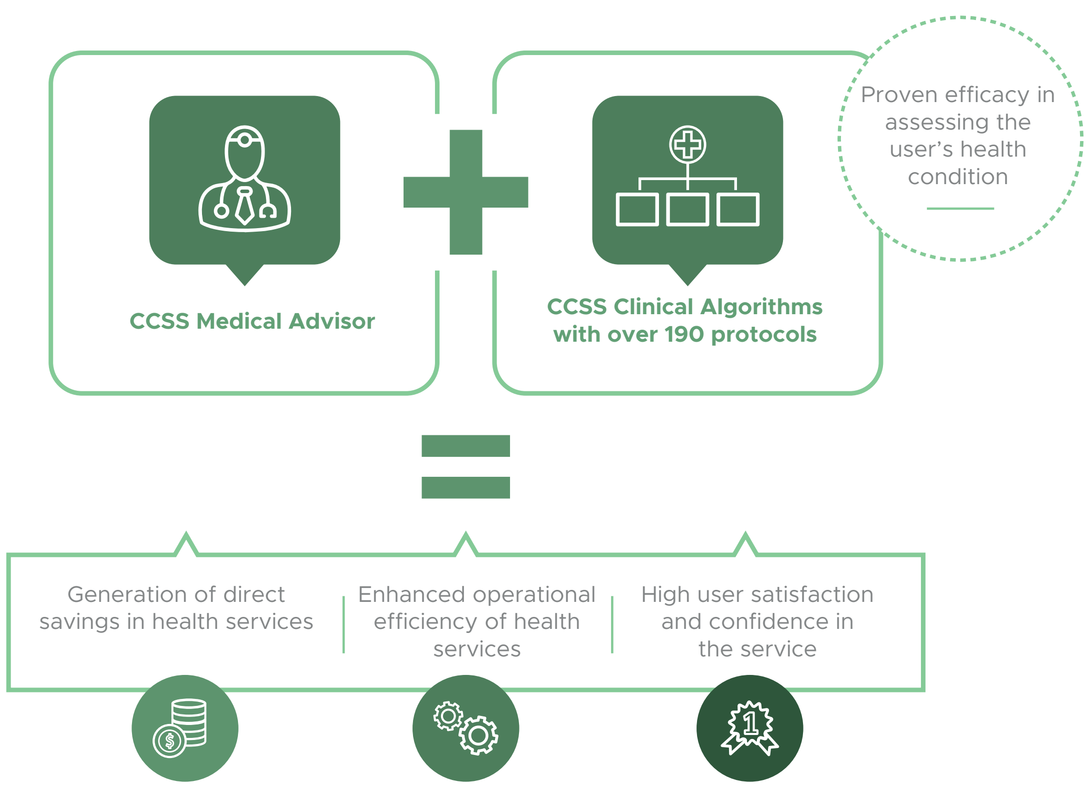
Therefore, the Company has registered several trademarks (such as General de Seguros, General de Salud, and Reaseguradora Patria) with the Mexican Institute of Industrial Property (IMPI, for its Spanish acronym), as this conveys a sense of belonging and contributes to the marketing of the services we offer, where Peña Verde, S.A.B. is the most iconic and important as it is the name of the Group.

INSURANCE DIVISION

Through General de Seguros, we provide coverage in the areas of life, personal accident, civil liability, fire, earthquake and other catastrophic risks, agricultural and animal, maritime and transportation, automobile, and miscellaneous insurance.

As part of its adequate risk management, General de Seguros transfers a portion of the risks assumed to first class and highly prestigious reinsurers.

Also, through General de Salud, Compañía de Seguros, S.A., Grupo Peña Verde operates health and medical expense insurance, relying on the CCSS (Centro de Contacto de Servicios de Salud) to provide over-the-phone medical guidance services to its policy holders.



General de Seguros has a wide network of 2,375 insurance agents, through whom 89.7% of the Company's sales are carried out, while the remaining 10.3% are made through brokers. The agents are independent and are compensated through commissions, bonuses, and incentives according to the achievement of their sales goals.

Trademarks of General de Seguros

GENERAL DE SEGUROS SALUD
GENERAL DE SEGUROS VIDA
GENERAL DE SEGUROS AGRO
GENERAL DE SEGUROS AUTOS
SEGURO QUE SÍ tu centro de solución
GENERAL DE SEGUROS AHORA ES TODO
GENERAL DE SEGUROS DAÑOS
OVA
Amae
LINC TRAINING

Fernando Francisco Miguel Álvarez del Río
CEO of
General de Seguros

As of the date of this report, General de Seguros celebrated 50 years of history, marking an important milestone in its transformation, as it shifted from a "detect and solve" approach to one of "predict and prevent", with the aim of proactively mitigating its clients' risks.

This is reflected in the launching of the **first prototype of the new service model in its Solution Center**, which has all the necessary features to provide **the best Customer Experience.**

The brand concept of General de Seguros evolves to NOW IS EVERYTHING **("AHORA ES TODO")** with a new logo:

01 General de Seguros

02 GENERAL DE SEGUROS / GENERAL DE SALUD

03 50 AÑOS GENERAL DE SEGUROS AHORA ES TODO

Goals for 2022

2022
50 YEARS
"Service is all of us"

Maintain growth

- Implementing the Commercial Efficiency initiative.
- Implementing the commercial strategy and alternative channels.
- Where should we be and how? Geographical footprint.

Transforming the customer experience

- Consolidation of service levels ("SEGURO QUE SÍ").
- Deployment of PASS.
- Insurance as part of a service experience (digital laboratory).
- Refounding of the agriculture insurance business.

Implementing the Company's management model.

- Adopting tactical and operational management indicators.
- Ensure that employees and agents are aligned with the Company's management model.

Relaunch of the company

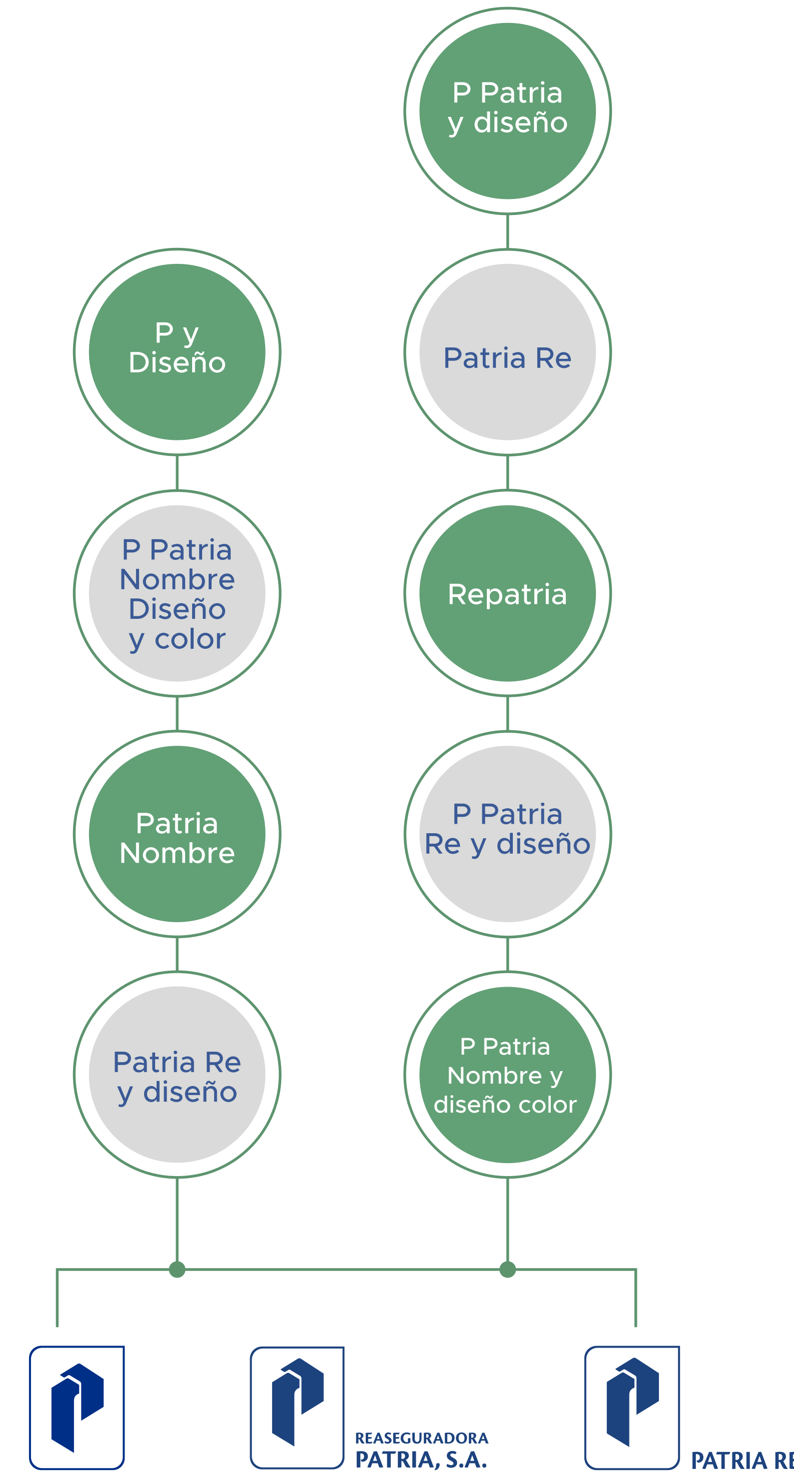
- 50th anniversary campaign.
- Transforming business premises.

REINSURANCE DIVISION

Under the authorization of the National Insurance and Bonding Commission, Reaseguradora Patria, S.A. carries out different reinsurance and rebonding operations, negotiating with domestic and foreign insurance and reinsurance institutions, either directly or through reinsurance intermediaries.

- Agricultural
- Credit
- Miscellaneous
- Works of Art
- Life
- Automobile
- Energy
- Space
- Fire
- Catastrophic Natural Hazards
- Technical Lines
- Maritime and Transportation
- Personal Accident
- Terrorism
- Civil Liability
- Aviation

Trademarks of Reaseguradora Patria

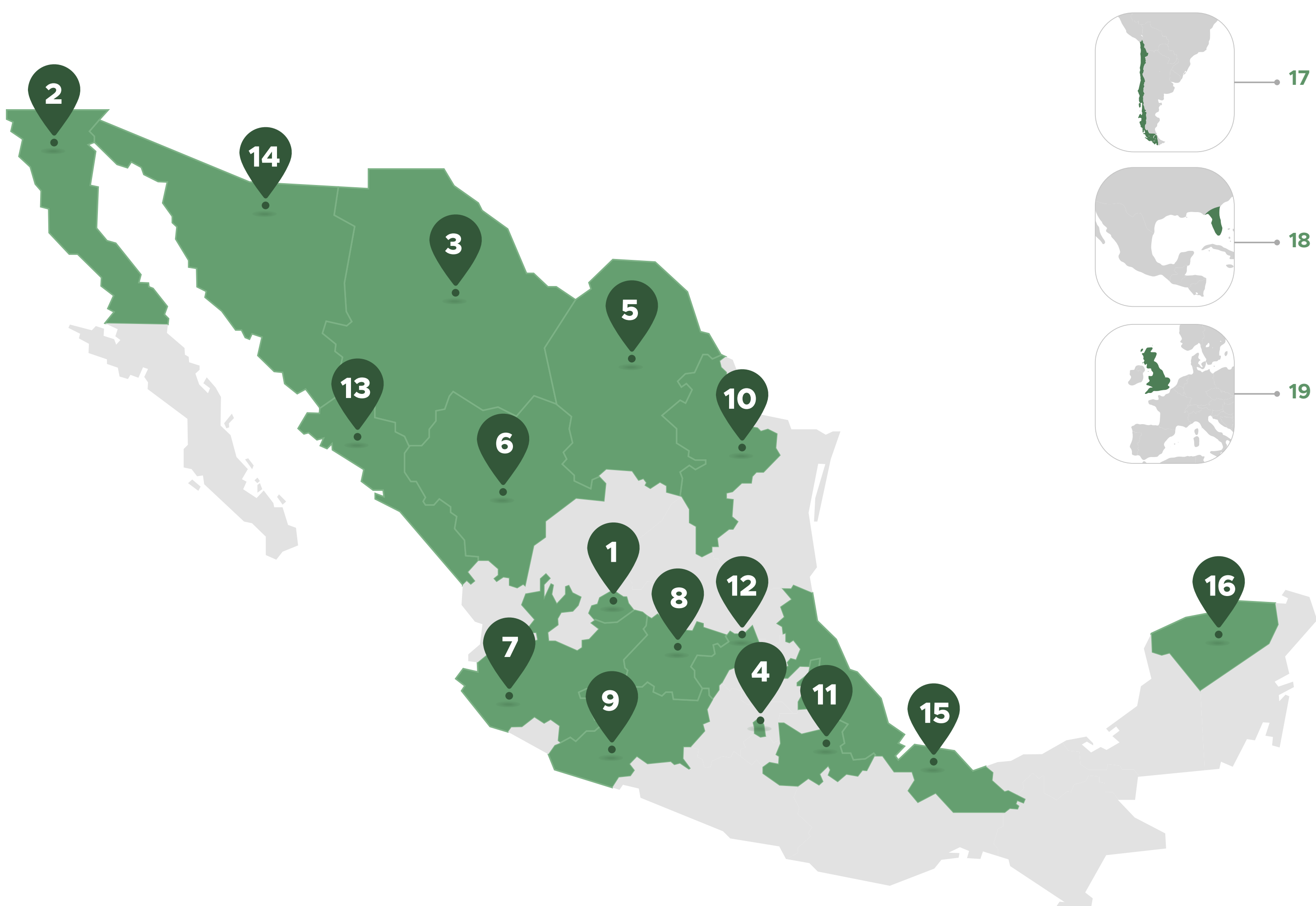


GEOGRAPHICAL FOOTPRINT

This material references Disclosures 102-4 and 102-6:a.i from GRI 102: General Disclosures 2016

Our global reach spans Mexico, Chile, the United Kingdom, and the United States.

1. Aguascalientes
2. Baja California
3. Chihuahua
4. Mexico City
5. Coahuila
6. Durango
7. Guadalajara
8. Guanajuato
9. Michoacan
10. Nuevo Leon
11. Puebla
12. Queretaro
13. Sinaloa
14. Sonora
15. Veracruz
16. Yucatan
17. **Chile** Santiago
18. **United States** Miami
19. **United Kingdom** London



MAIN CLIENTS

Given the high market deconcentration in the insurance sector, as well as Grupo Peña Verde's diversification policies for the reinsurance segment, no client accounts for more than 5% of the total written premiums of either General de Seguros or Reaseguradora Patria.

RISK MANAGEMENT

This material references Disclosures 102-11, 102-12, 102-15 and 102-29:a from GRI 102: General Disclosures 2016 and Disclosures 103-1 and 103-2:a from GRI 103: Management Approach 2016; and Disclosures 201-2:a.i and 201-2:a.iii from GRI 201: Economic Performance 2016

Given its participation in the Insurance and Reinsurance segments, Grupo Peña Verde's Corporate Governance incorporates a Comprehensive Risk Management System, through which it seeks to proactively identify all risks that could negatively impact its operation. This system encompasses the objectives, policies and procedures related to comprehensive risk management in line with Grupo Peña Verde's business plans, as well as the processes and procedures necessary to continuously monitor, manage, measure, control, mitigate and report the risks to which the Group may be exposed on an individual and aggregate basis.

Comprehensive Risk Management:

1. Risk identification
2. Assessment of the degree of exposure
3. Management of exposures to ensure that the Company meets its objectives.
4. Incremental value generation by meeting the objectives laid out.

For this purpose, the Risk Committees of each of the Group's companies meet on a monthly basis to report the status of the risks to the Senior Management and the Board of Directors, who will decide the course of action to be taken. In this regard, it is essential to maintain optimal communication with:

i. Risk holders (underwriting, investments, operations, among others);

ii. The areas responsible for detecting, mitigating, or preventing incidents (administration, reinsurance, systems, among others); and

iii. Authorities (regulatory, academic, or expert) who can provide new approaches to existing risks or detect new ones.

Although the Group is exposed to different risks, it is unlikely that all of them will occur simultaneously, due to the latent correlation between them. For this reason, the Company classifies each of the risks detected according to their potential impact, as shown below:

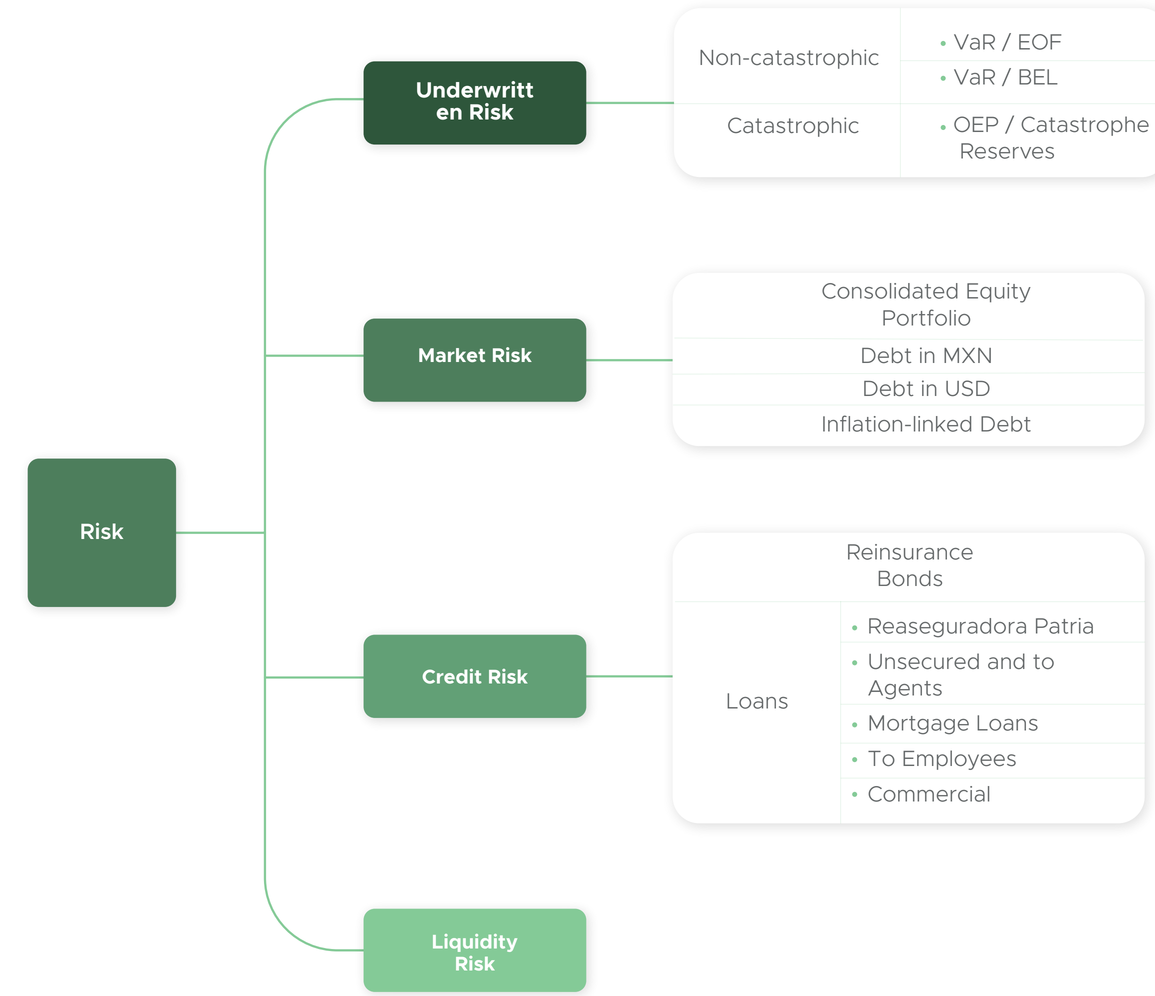
	High Impact	Medium Impact	Low Impact
Life	• Earthquake • Pandemic (Latin America)	• Terrorism • Aircraft accident (accumulation of unknown lives)	• Exchange Rate
Accidents and Illnesses			• Earthquake • Terrorism • Aircraft Accident • Exchange Rate
Civil Liability	• Punitive Damage		• Exchange Rate
Automobiles		• Hydrometeorological Risks • Increase in vehicle theft • Increase in the cost of spare parts due to import duties	• Earthquake • Exchange Rate
Maritime and Transportation		• Terrorism • Increase in cargo theft • Hydrometeorological Risks • Aircraft Accident	• Exchange Rate
Fire		• Unknown Accumulations • Terrorism • Hydrometeorological Risks • Earthquake	• Exchange Rate

High Impact · Medium Impact · Low Impact

Bonds		• Financial Crisis (Latin America) • Political Risk	• Exchange Rate
Miscellaneous			• Exchange Rate • Inflation
Credit			• Political Risk • Nuclear Incident • European Economic Crisis • Exchange Rate
Agricultural and Livestock		• Climate Change • Frosts • Hydrometeorological Risks • Droughts	• Exchange Rate • Mutation of Animal Diseases • Animal Epidemics
Financial	• Volatility in Equity Markets	• Interest Rate Volatility	• Exchange Rate
Operating	• Technological	• Legal • Strategic	• Operational Processes • Reputational
Counterparty		• Reinsurance Default	• Bonded Debt

High Impact   Medium Impact   Low Impact

In addition, following the robust risk management that set us apart from our peers, the Boards of Directors of each Company have established an exposure threshold for the following risks:



VaR= Value at Risk   OEP- Ocurrence Exceedance Probability   EOF- Eligible Own Funds   *BEL- Best Estimate Liabilities*

However, it is worth mentioning that there are emerging risks with a high degree of uncertainty that may lead to losses that cannot be accurately quantified; therefore, in the event they materialize, they could significantly affect the Company's solvency and/or jeopardize the execution of its business plan. For this reason, Grupo Peña Verde takes all the measures in its power to minimize as much as possible any potential impact.

A good example of this is climate change, for which the Company has worked tirelessly to adopt the best environmental and social practices, seeking to consolidate its position as a benchmark in Human Rights, Labor Standards, Environment, and Anti-Corruption. Also, following the Company's firm conviction towards these aspects, since October 2020, the Group has been part of the United Nations Global Compact (the main corporate sustainability initiative in the world).

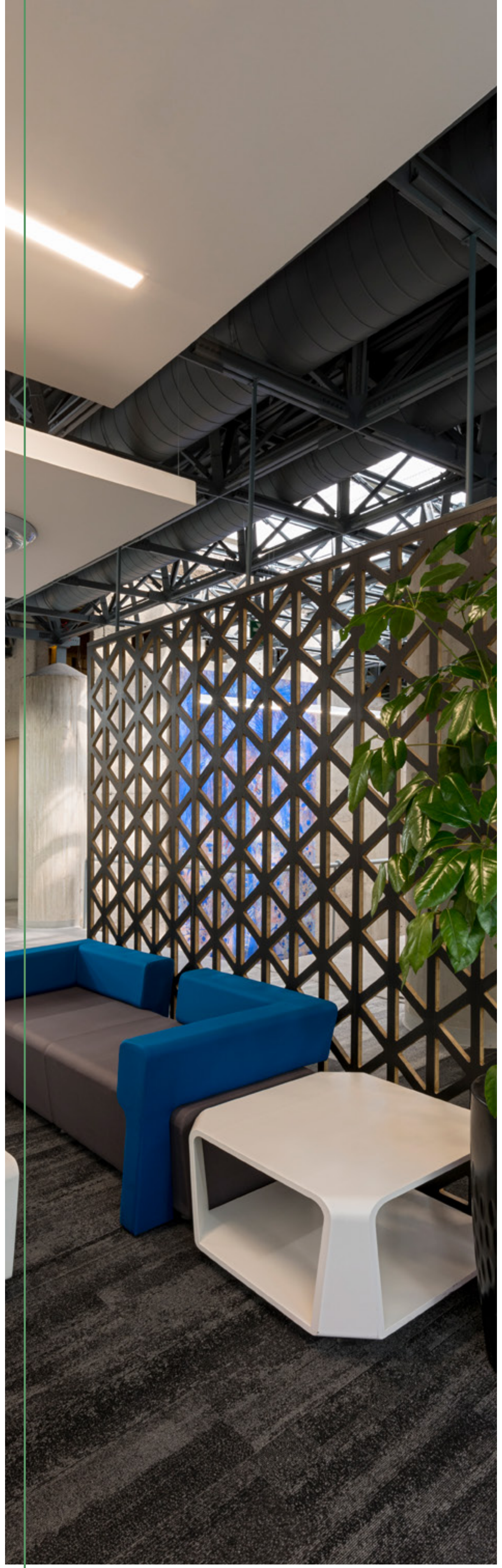
Finally, during 2021, Grupo Peña Verde completed the first survey and assessment of the operational risks in all the companies that make up the Group (operational risk inventory), identifying 1,074 risks in processes and projects, which is expected to strengthen the management and mitigation of these risks in the Group's companies.

INTERNAL CONTROL

This material references Disclosure 102-11 from GRI 102: General Disclosures 2016; and Disclosure 103-2:a from GRI 103: Management Approach 2016

During 2021, derived from the transformation Grupo Peña Verde is undergoing, we are seeking new ways to gain competitive advantages, as well as to make processes more efficient. And, at the request of the Audit Committees to strengthen the Internal Control area with the purpose of strengthening the Company's Corporate Governance and Internal Control System, the Corporate Internal Control Department was created to: Improve the Group's processes through the establishment of controls and alignment with business risks, and establish formal monitoring mechanisms for the correction of irregularities in the operation of the Internal Control System, as well as the homologation of COSO (Risk-Based Control Framework) and COBIT 5 (IT Governance) methodologies at Group level.

Throughout 2021, the Group continued to devote significant efforts to strengthen internal control in all its companies, through the redesign of processes and the adoption of corporate policies and procedures; noting that by 2022 around 400 documents will be updated, including policies and procedures, in order to promote the ongoing improvement in the efficiency of processes and their corresponding risk and control assessment.



GENERAL DE SEGUROS

In the case of General de Seguros, the core processes in which we continued to make progress during 2021, in order to strengthen its internal control, were:

A. Internal Control Evaluation of the processes of the Business Strategy Department, the Alternate Channels Department, the Call Center Department, the Operations Department - Control Desk and the Transformation and Statistics area, as well as the operation in the Hermosillo, Monterrey, and Merida Branches. The assessments were carried following the COSO control framework and COBIT 5, in addition to the compliance review in accordance with the provisions established in the LISF, LFPDPPP, CUSF, among others, identifying risks and controls.

B. As part of the Corporate Governance Framework, the Comptroller's Department carried out a Self-Assessment of Controls for the following processes: the Operations Department - Agent Administration and the Personal and Personal Claims Business Line. The Self-Assessment of Controls is a tool that has been adopted to evaluate and determine the relevance and effectiveness of the internal controls previously identified. In addition, the COSO (Committee of Sponsoring Organizations of the Treadway) evaluation was performed, which is a voluntary committee formed by representatives of 5 organizations, to provide intellectual leadership in risk, internal control, and fraud issues.

C. Follow-up of the implementation of the Remediation Plans, as a result of the Internal Control Evaluation of the following processes: Commercial Management, Finance Management, and Actuarial Management.

D. Design and implementation of a work plan for conducting inspections in the Company's critical processes for 2022, identifying risks and controls.

E. Participation in the Group's main initiatives during 2021, with the objective of identifying controls and ensuring regulatory compliance, such as the implementation of the new Core system.

REASEGURADORA PATRIA

In the case of Reaseguradora Patria, the core processes in which we continued to make progress during 2021, in order to strengthen its internal control, were:

A. Internal Control Evaluation of the processes of: Technical Administration and Claims. The evaluations were carried out in accordance with the COSO control framework, in addition to the compliance assessment based on the provisions established in the LISF, LFPDPPP, CUSF, among others, identifying risks and controls.

B. Follow-up of the implementation of the Remediation Plans, as a result of the Internal Control Evaluation of the Treasury processes.

Regarding the follow-up of the implementation of preventive and corrective measures derived from the observations of the CNSF and the results of internal and external audits, as well as the evaluation of the internal control system itself, the Company has put into practice the recommendations issued through the aforementioned means.

BUSINESS MODEL AND STRATEGY

This material references Disclosure 103-2 from GRI 103: Management Approach 2016

BUSINESS MODEL

Grupo Peña Verde's business model can be looked at from two different standpoints that complement each other:

Holistic Perspective

Grupo Peña Verde is a vertically integrated company dedicated to integrated risk management, with a strategic focus on sustainability.

Grupo Peña Verde manages risks from their origination with the client (B2C – Multi-branch Insurance Division) to the transfer of risk (B2B - Reinsurance Division).

Investment Portfolio

Grupo Peña Verde can be conceived as an investment portfolio that allocates its capital to the most profitable businesses, through the pursuit of an optimal risk-return as part of risk management (Insurance or Reinsurance Division), compared to the return on investment or in complementary assets that are aligned with the applicable corporate governance and that contribute to the creation of economies of scale. Under this approach, the key task of the Insurance and Reinsurance Divisions is to capture the float.

ANNUAL EVALUATION OF STRATEGY EXECUTION

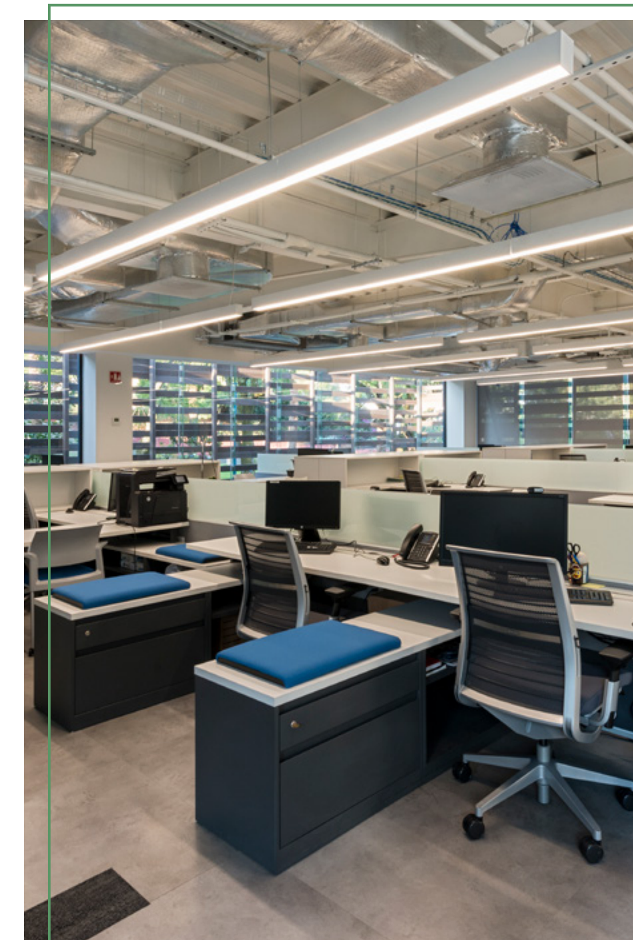
In order to determine the impact on the management of our strategy at the executive level, Grupo Peña Verde designed the Strategy Achievement indicator, which quantifies the following two components:

Rating of the portfolio of initiatives:

The projects executed by the Group are rated using a project diagnostic form, which evaluates on a scale of 1 to 5 the main elements of project management: progress, budget, change management, and risks. The final rating is calculated by averaging all initiatives carried out during the year.

Achievement of strategic objectives:

Corresponds to the assessment of compliance with the key indicators defined in the strategic objectives on a scale of 0% to 150%, with five performance ranks: Outstanding = 150%, High = 125%, Target = 100%, Acceptable = 80%, and Unacceptable = 0%. The rating of the strategic objectives is calculated by averaging the achievement of the key indicators evaluated.

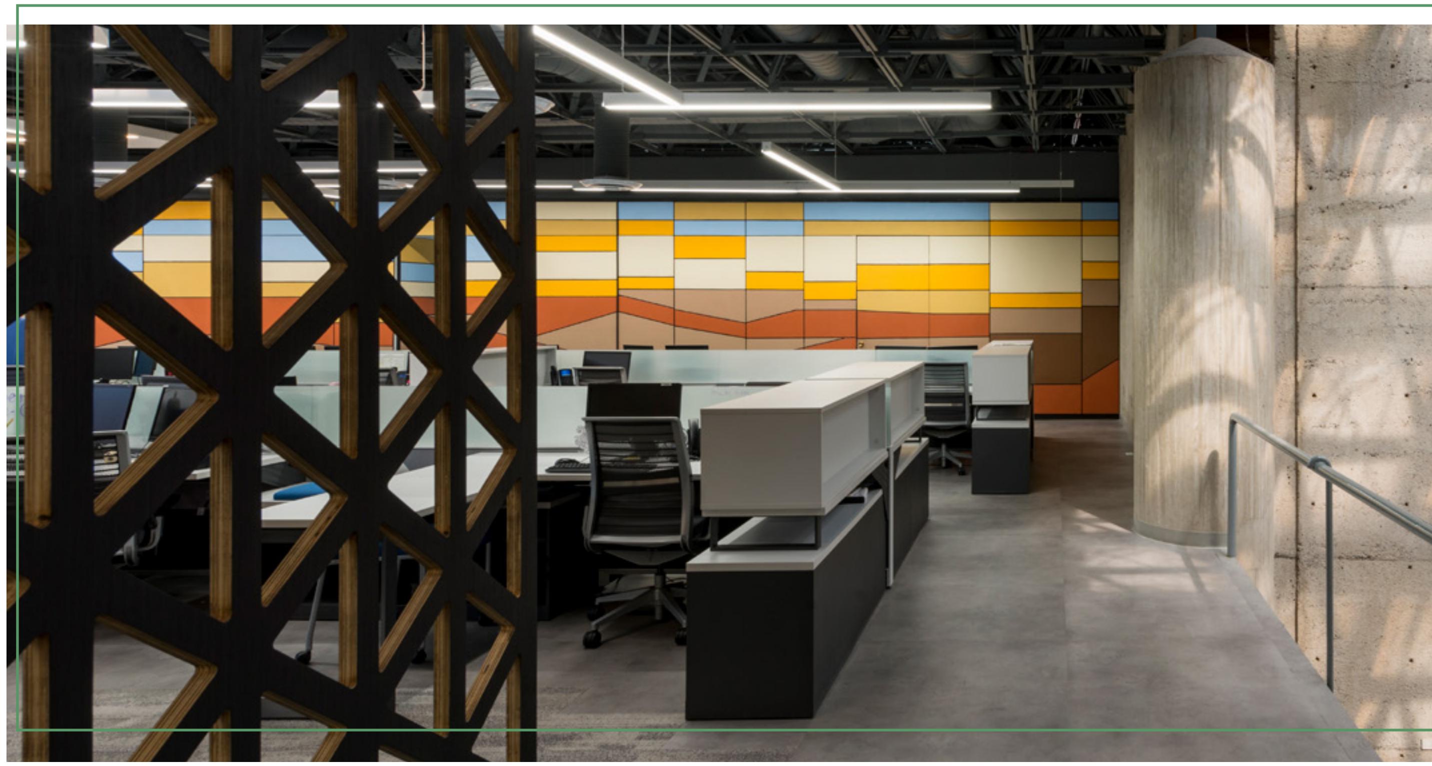


The Strategy Achievement indicator is calculated as a weighted average of the previous values, on a scale from 0% to 100%, where "0%" is the minimum level of fulfillment of the objective and "100%" is the maximum level of fulfillment.

2021 EVALUATION RESULTS

ACHIEVEMENT OF THE STRATEGY		GPV 90.5%
Rating of the Portfolio of Initiatives	30%	26.2%
Rating of the Company's Portfolio	100%	87.20%
Achievement of Strategic Objectives	70%	64.3%
Overall result of the Company's achievement of objectives, obtained from the Group's BSC	100%	91.86%

Note: The 2020 evaluation result was 85.1%, however, it included an additional calculation component, which was strategy communication. Therefore, this value is not comparable to 2021 result.



In line with the Company's growth and business plan, below are a series of specific objectives for the Insurance and Reinsurance Divisions.

2025 SPECIFIC OBJECTIVES - INSURANCE DIVISION

Objective

To build a technically and operationally sound insurance company that will allow us to contribute to the Group's objectives, managing risks and generating value.

Transformation of the service model

To transform **General de Seguros and General de Salud** into a benchmark for service and innovation, generating trust through profitability and impact.

Target segment

SMEs and individual insurances with basic retail products.

Strategic lines
- Customer experience and channels
- New operational capabilities

Strategic initiatives

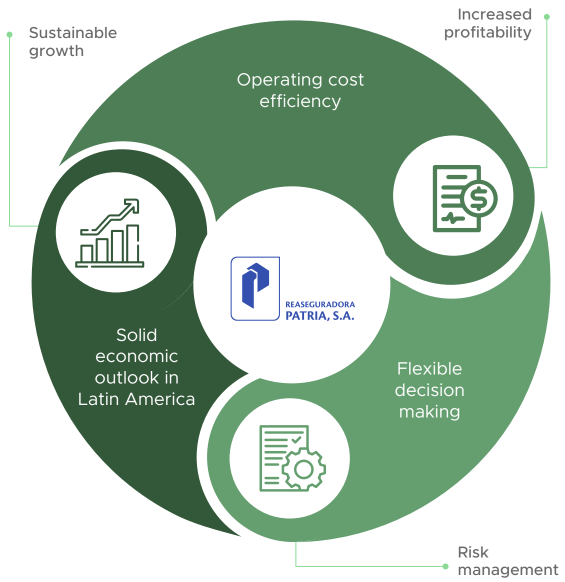
- **CARS & DAMAGES** growth strategy
- **LIFE & HEALTH** growth strategy
- **AGRO** growth strategy

What do we expect from this Division?

- Written Premiums: Exceed Ps. 5,000 million by 2025
- Combined Ratio: Reach levels around 90%
- FY Net Income: Achieve a net income greater than Ps.400 million by 2025

As of the date of this Annual Sustainability Report, the Company is currently updating its business plan in order to extend it to 2027.

REINSURANCE DIVISION STRATEGIC PLAN FOR 2025



Strategic guidelines to 2025

Adequate growth management:
Expand the reinsurance practice within the Group through geographic diversification and more specialty lines, adhering to underwriting rules and values while developing more efficient analytical and risk management tools.

Strategic levers

1. Profitable revenue growth
2. Create a resilient company
3. Ensure quality service in both sales and after-sales
4. Exposure control and corporate governance
5. Talent retention and attraction

What do we expect from this Division?

- Written Premiums: To exceed Ps. 11,000 million by 2025
- Combined Ratio: To remain below the 90% threshold
- FY Net Income: Achieve a net income greater than Ps. 400 million by 2025

As of the date of this Annual Sustainability Report, the Company is currently updating its business plan in order to extend it to 2027.

Janet Gallegos Junco
Head of Human Resources

COMMITMENT TO CORPORATE SUSTAINABILITY

STAKEHOLDERS

This material references Disclosures 102-40, 102-43 and 102-44 from GRI 102: General Disclosures 2016

In order to continue consolidating itself as a “good corporate citizen”, Grupo Peña Verde promotes the ongoing strengthening of its environmental, social, and corporate governance (ESG) practices. To this end, the Company is in permanent contact with those groups or individuals whose economic, environmental, and social interests affect or are affected by its operations (directly or indirectly).

In this regard, the following are the main stakeholders of Grupo Peña Verde, along with the most important topics of interest, the methods used to communicate and/or inquiry about its activities, as well as the departments responsible for providing the corresponding attention:

Stakeholder	Method of engagement	Topics of interest	Related department
Shareholders	Personal Attention General Meeting E-mail Annual Reports Regulatory Filings Quarterly Earnings Release Web Site Telephone Conference Calls	ESG Performance Financial Performance Operational Performance	Administration and Finance General Management Corporate Governance and Regulations Investor Relations
Government Authorities	E-mail Face-to-face Meeting Telephone Conference Calls	Authorizations Agreements Regulatory Compliance	Corporate Governance and Regulations Investor Relations
Customers	Personal Attention E-mail Satisfaction Surveys Advertising Social Media Web Site Telephone	Customer Service Coverage Additional Services Office Locations	Customer Service Insurance Security Reinsurance Information Technology
Collaborators	Personal Attention Training Work Environment Surveys Well-being Line Workshops and Campaigns	Working Conditions Organizational Culture Financial Performance Operational Performance	Human Capital Strategy and Sustainability Training and Development Corporate Governance and Regulations Security Business Support and Transformation
Community	Personal Attention E-mail Events Social Media Web Site Telephone	Environmental Impact Social Integrity Office Locations	Strategy and Sustainability Business Support and Transformation
Financial Institutions	Personal Attention E-mail Annual Reports Regulatory Filings Quarterly Earnings Release Web Site Telephone Conference Calls	Financial Performance Operational Performance	Administration and Finance Investor Relations
Suppliers	Personal Attention E-mail Well-being Line Telephone	Contracts with Suppliers Supplier Training Ethics	Logistics

Frequency: Constant Regular Annual

ENVIRONMENTAL COMMITMENT

This material references Disclosure 102-12 from GRI 102: General Disclosures 2016; Disclosures 302-1: a and 302-1: c.i from GRI 302: Energy 2016; Disclosure 303-1: a from GRI 303: Water and Effluents 2018; Disclosure 306-2: a from GRI 306: Waste 2020; Disclosure 307-1 from GRI 307: Environmental Compliance 2016; and Disclosures 103-1, 103-2 and 103-3 from GRI 103: Management Approach 2016

Although our operations do not generate a significant environmental impact, as they are mostly focused on the insurance sector (whose ecological footprint is much smaller compared to other industries), at Grupo Peña Verde we are aware of the importance of addressing climate risks.

For this reason, and in line with our commitment to be a sustainable and responsible group, since October 2020, we are part of the UN Global Compact, the world’s largest corporate sustainability initiative. Following this action, we continued to make steady progress in establishing Grupo Peña Verde as a national and regional benchmark in the Human Rights, Labor Standards, Environmental, and Anti-Corruption fronts.

In this regard, it is important to note that in order to reduce its ecological footprint (by encouraging less waste generation, reuse, and recycling), Grupo Peña Verde continues to work on the development of an Environmental Policy and a Waste Management Program, aligned to:

- General Law for the Prevention and Integral Management of Waste (Ley General para la Prevención y Gestión Integral de los Residuos)
- Mexico City’s Solid Waste Law
- Environmental protection standard NOM-087-ECOL- SSA-2002

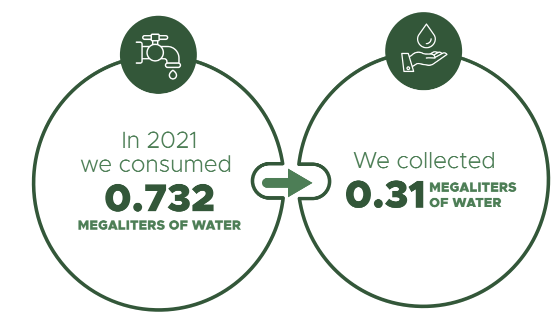
As a result of the digitalization process of Grupo Peña Verde’s operation, during 2021 we recorded a 100% annual reduction in printed consumer product brochures and posters; and, for the second consecutive year, 100% of the incentive promotional materials provided to the sales force were sent digitally.

Regarding energy consumption, we use LED bulbs to meet all of our offices’ lighting requirements, as well as high-efficiency air conditioning equipment.

As for fuel, Grupo Peña Verde uses only what is necessary for transportation equipment and emergency power plants, which also use natural gas.

71,378.8 megajoules of non-renewable fuels used in 2021.

Concerning water, we only use the amount necessary for the operation of our buildings: among other things, toilets, cleaning and garden irrigation (for the latter, we have rainwater collectors to lower water consumption).



Note: Water consumption was determined using the respective bills.

COMPLIANCE

The areas responsible for the management of environmental issues are:

i. **Compliance,** in collaboration with the operating and service areas of our headquarters, monitors and ensures full compliance with the applicable legislation

ii. **Human Resources** promotes adequate internal communication and contributes to the deployment of training and awareness-raising campaigns

iii. **Strategy and Sustainability** oversees the above by considering it as part of Grupo Peña Verde's strategy

As of the date of this report, Grupo Peña Verde has not failed to comply with any applicable environmental regulation.

SOCIAL COMMITMENT

This material references Disclosure 102-12 from GRI 102: General Disclosures 2016

PEÑA VERDE DAY

During 2021 we carried out the sixth consecutive edition of Peña Verde Day, an event in which we invite our collaborators to participate in activities that contribute to the well-being of the community and the environment.

This year, Peña Verde Day involved supporting the NGO TECHO in order to:

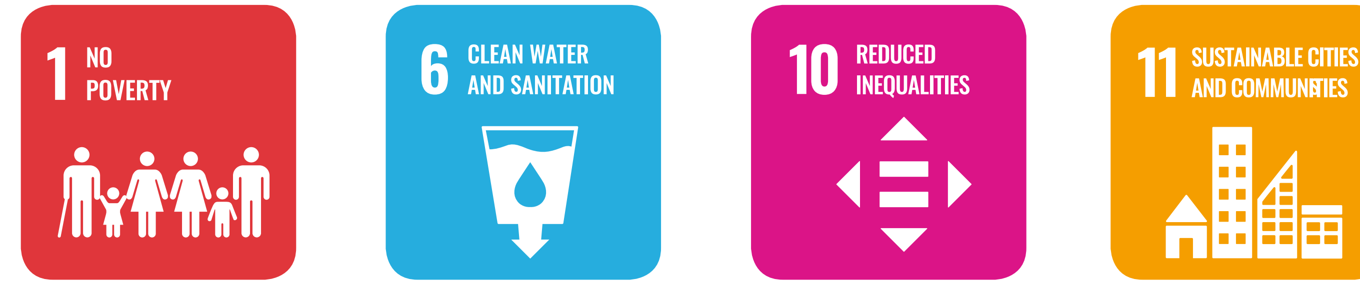
i. Carry out the construction of three emergency houses in the community of La Conchita, Xochimilco (Mexico City), in an effort to improve the quality of life of three low-income families. For this purpose, the Group donated Ps. 204 thousand and encouraged the entire Peña Verde community to participate in the construction volunteer program.

26 of the Group's employees and 2 family members assisted as volunteers in the construction of the houses.

i. Purchase and install 10 "SCALL" rainwater collector systems, which will provide up to 90 liters of water per day to families lacking access to this resource in Zinacantepec, State of Mexico. For this purpose, the Group encouraged employees to donate directly to TECHO with the goal of raising Ps. 190 thousand.

The amount raised exceeded Ps.191 thousand, thanks to the participation of more than 250 employees (the Group contributed 25%).

Impact on SDGs (Sustainable Development Goals) through Peña Verde Day



UNiTE / Orange Day

Following our strong social commitment and our adherence to the UN Global Compact, in 2021, we once again joined the UNiTE campaign, whose purpose is to end violence against girls and women. As part of this initiative, on 16 Orange Days (beginning on November 25), we have answered the call to wear the colour orange and spread the message to prevent and end violence against women and girls.

In this regard, Grupo Peña Verde lit the San Jeronimo corporate building in orange and conveyed more than 12 messages in support of this campaign through internal and external communication channels.

In addition, Grupo Peña Verde published more than 16 messages in internal media related to the environment, human rights, equality and diversity, culture, health, and food.

OUR TEAM

This material references disclosures 102-7:a.i and 102-8 from GRI 102: General Disclosures 2016; Disclosures 103-1, 103-2 and 103-3 from GRI 103: Management Approach 2016; Disclosures 401-1: b and 401-3 from GRI 401: Employment 2016; Disclosures 403-1, 403-2, 403-3, 403-4, 403-6, 403-7 and 403-8 from GRI 403: Occupational Health and Safety 2018; Disclosures 404-1: a. ii, 404-2 and 404-3 from GRI 404: Training and Education 2016; and Disclosure 410-1 from GRI 410: Safety Practices 2016

Grupo Peña Verde is aware that the financial and technical strength that has defined it throughout its more than 65 years of history comes from the talent, commitment, capability, discipline, and human values of the people who make up its work team. For this reason, our people are at the heart of our decisions, and we developed and embrace a work cultured centered on integrity, the customer, teamwork, transformation, and personal harmony.

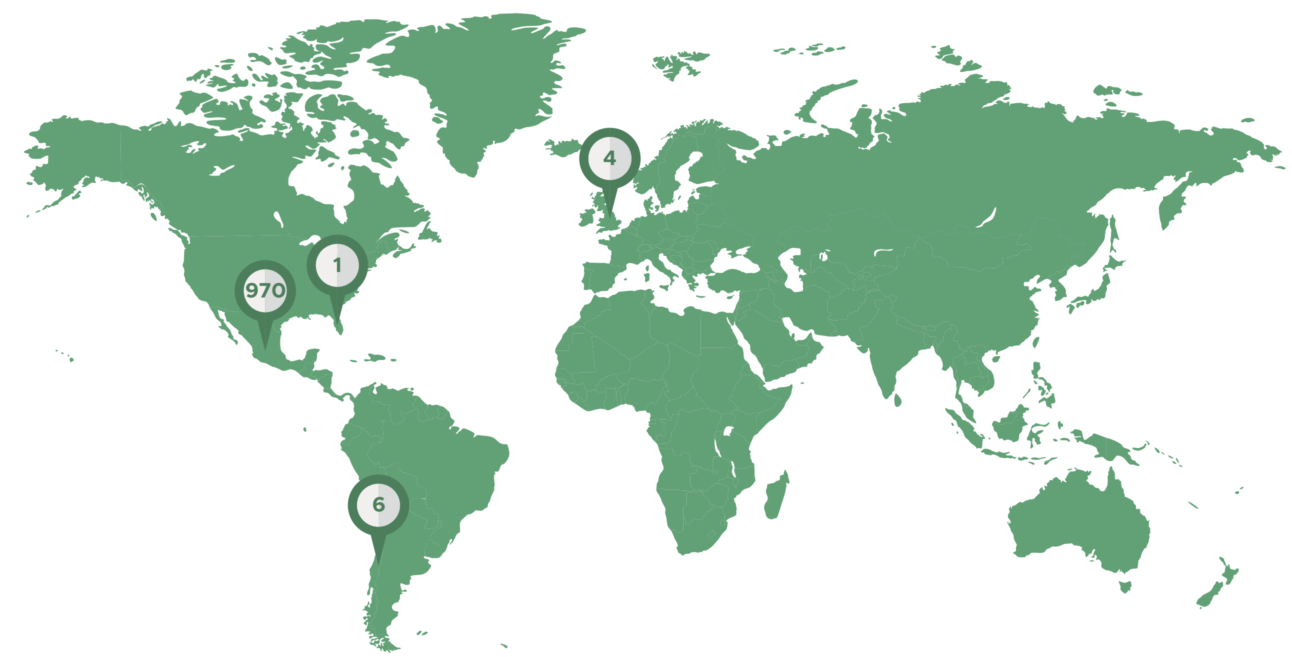
As a result, during 2021, Grupo Peña Verde was once again recognized as one of the best companies to work for in Mexico.

Grupo Peña Verde's most important asset is its people.

At the end of 2021, the Peña Verde Community was comprised of more than 950 employees in Mexico, London, Miami, and Chile.

It is worth noting that, as of the date of this report, the Company was ranked 15th in the Great Place To Work list.

Breakdown of employees by country



Subsidiary	No. of permanent employees	No. of temporary employees	Total number of employees
Employees in Mexico			
General de Seguros [(1)]	610	37	647
Servicios Administrativos Peña Verde	114	0	114
Reaseguradora Patria	109	0	109
CCSS	29	0	29
General de Salud	62	9	71
Total employees in Mexico	**924**	**46**	**970**
Employees in other countries[(2)]			
Santiago (Chile)	6	0	6
Miami (United States)	1	0	1
London (United Kingdom)	4	0	4
Total employees in other countries	**11**	**0**	**11**
Total employees Grupo Peña Verde	**935**	**46**	**981**

[(1)]Only subsidiary with employees in states other than Mexico City.
[(2)] Wholly owned by Reaseguradora Patria

Breakdown of General de Seguros' employees by state

100% of our activities are carried out by our employees.

Manuel Escobedo, our Chief Executive Officer, is the only employee hired directly by Peña Verde, S.A.B.; the other administrative employees are hired by Servicios Administrativos Peña Verde.

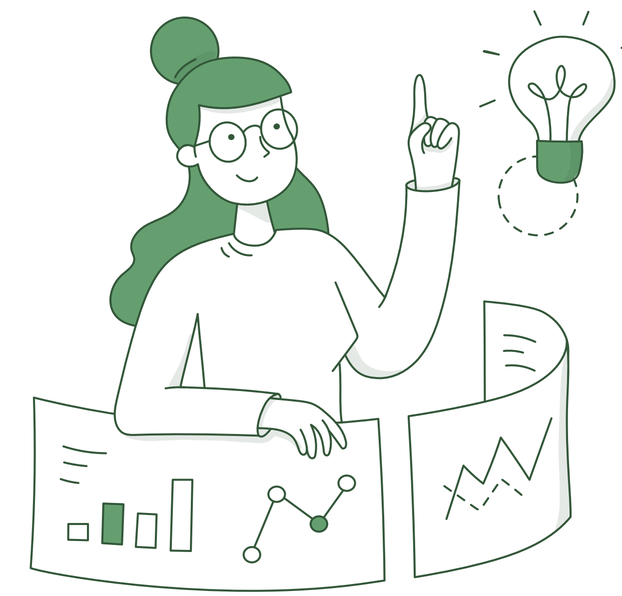
All the quantitative information on our team of collaborators was downloaded directly from the DELSIP program (payroll administration system).

State	# of collaborators
Aguascalientes	2
Chihuahua	17
Ciudad Obregon	12
Culiacan	9
Durango	3
Guadalajara	15
Guasave	3
Hermosillo	28
Irapuato	4
Leon	10
Los Mochis	3
Merida	16
Mexicali	14
Mexico	252
Mexico City	504
Monterrey	15
Morelia	6
Nogales	3
Orizaba	11
Puebla	7
Queretaro	6
Satelite	4
Tijuana	13
Torreon	13

PEÑA VERDE EXPERIENCE

We embrace the best labor practices in Mexico and in each country where we operate!

- Social responsibility and well-being projects for our employees.
- Strong work culture built on total respect and transparency.
- Multicultural work groups with high human value.
- Competitive value proposal based on equity, seeking professional development and sound life-work balance.
- Continuous human training and development focused on achieving an integral growth



Working, learning, and growing with Grupo Peña Verde will be one of the best experiences in your life and professional career!

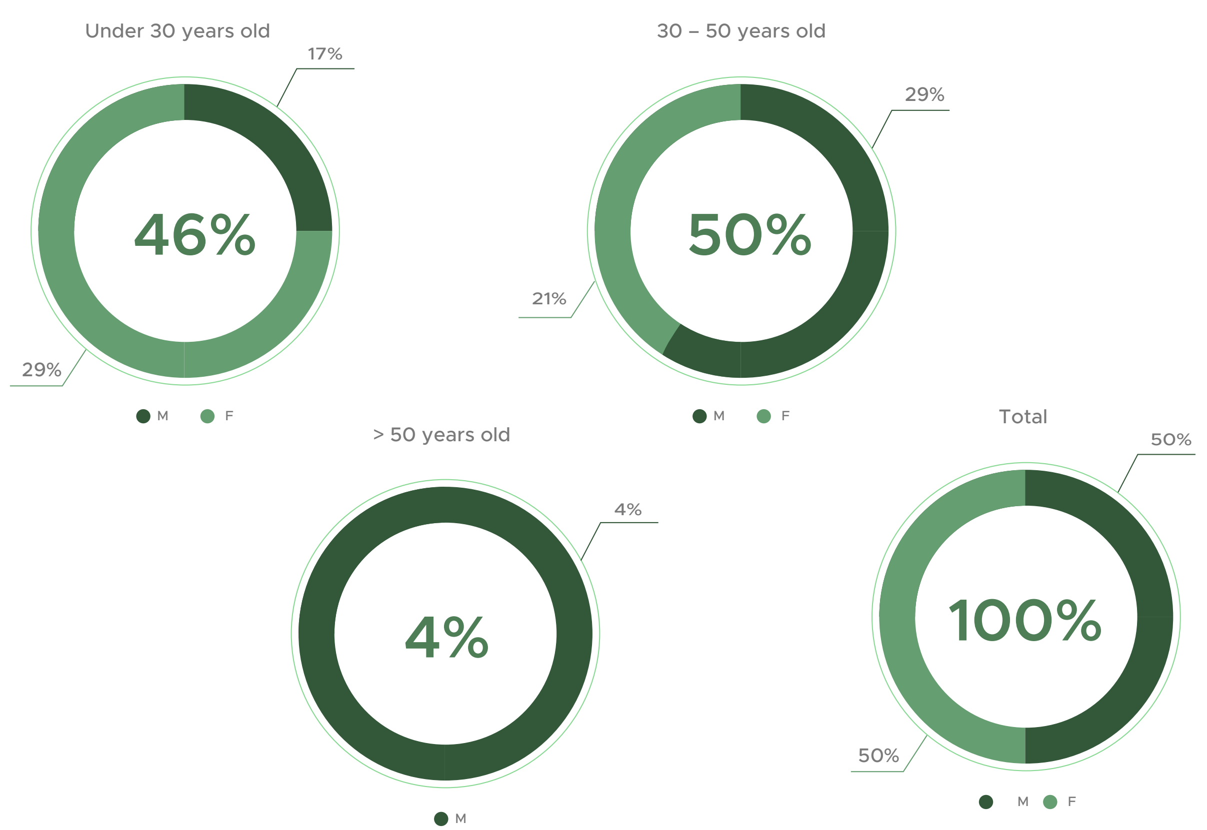
- Succession plans that guarantee the continuity of the business by identifying and developing talent.
- Training plans to develop and grow on the job.
- Mobility and growth among the Group's companies both nationally and internationally.
- Focus on constant challenges that strengthen talent in every business units.
- Functional leadership models.
- High-performance teams.
- Focus on competencies and cultural principles.

Turnover rate

- During 2021, our consolidated turnover rate was 16%
- Given that several medical practitioners working at CCSS were allowed to study a specialty in 2021, this was the Group's subsidiary with the highest turnover rate, at 74%
- General de Seguros had the lowest turnover rate, at 12.4%
- In 2021, General de Seguros, Reaseguradora Patria, and Servicios Administrativos Peña Verde had turnover rates of 21.1%, 14.7%, and 16.6%, respectively

For greater detail, the following tables show the breakdown of the turnover rate of our subsidiaries, as well as the consolidated turnover rate of the Group, by age group, and gender:

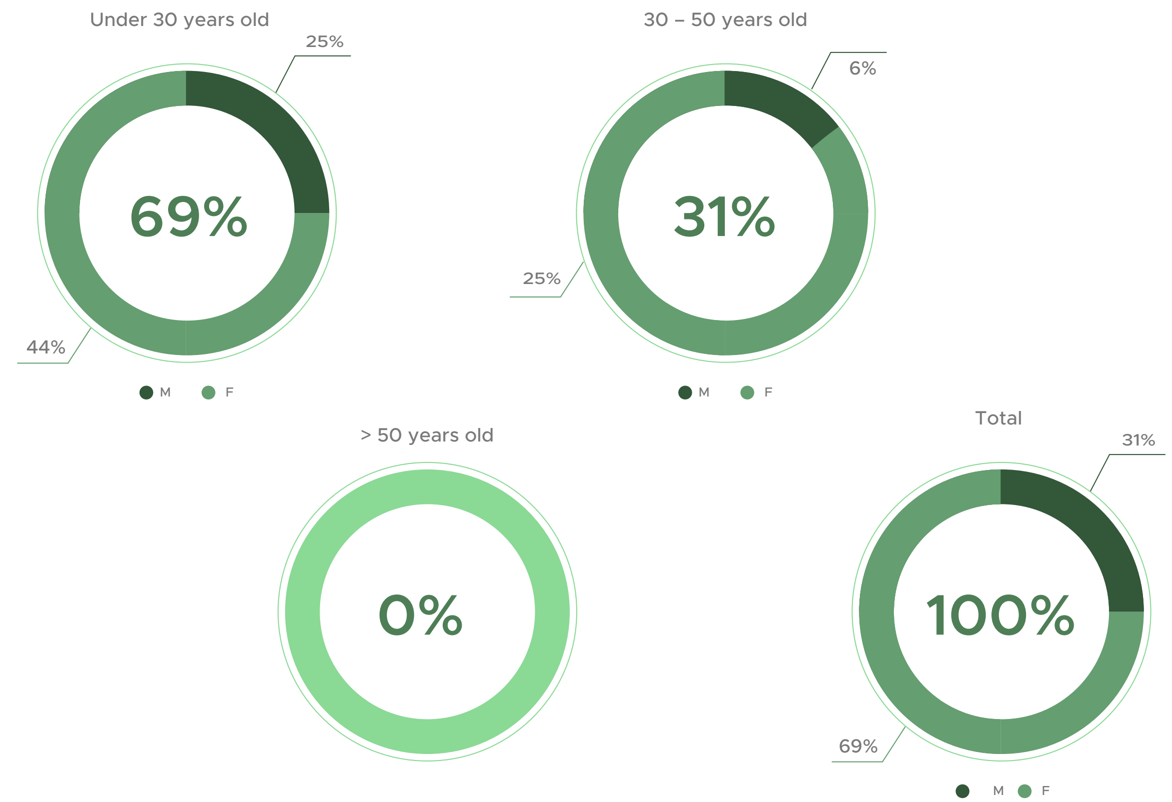
- CCSS



General de Salud

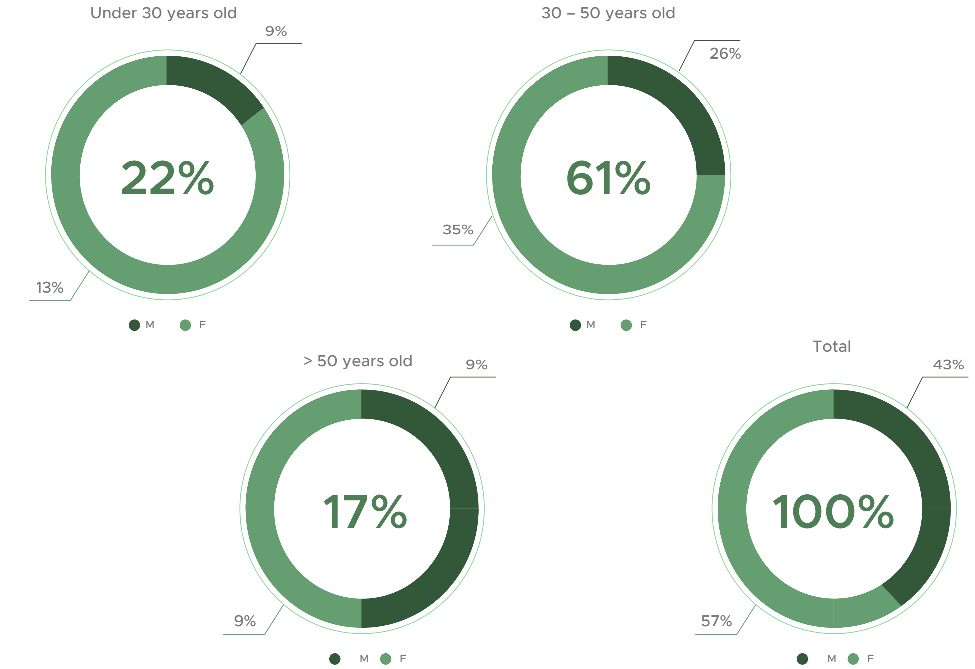
- General de Seguros

- Reaseguradora Patria



- Grupo Peña Verde

- Servicios Administrativos Peña Verde



During 2021, Grupo Peña Verde drafted its Diversity and Inclusion Policy, in which it reaffirms, among other things, its stance for equal opportunities between men and women in the workplace and that their career progress should only be determined by their efforts and abilities.

Breakdown of employees by gender (%)

Employees	% of permanent male employees	% of temporary male employees	% of male employees	% of permanent female employees	% of temporary female employees	% of female employees
GENERAL DE SEGUROS	33%	2%	35%	30%	2%	32%
SERVICIOS ADMINISTRATIVOS PEÑA VERDE	6%	0%	6%	5%	0%	5%
REASEGURADORA PATRIA	6%	0%	6%	5%	0%	5%
CCSS	1%	0%	1%	2%	0%	2%
GENERAL DE SALUD	3%	1%	4%	3%	0%	4%
GRUPO PEÑA VERDE	49%	3%	52%	46%	2%	48%

At the end of 2021, 96% of employees were hired on a full-time basis

TRAINING

Based on the guidelines established in its training policy, Grupo Peña Verde manages the training of its employees throughout its subsidiaries. This policy promotes employee proactivity by making them the main responsible for defining and following up on their Training Agenda.

In turn, immediate supervisors and department heads are responsible for providing the necessary support to enable their team members to make appropriate progress in their training process. The Training and Organizational Development Area is in charge of closely monitoring training and development programs (thereby ensuring compliance with the policy and its alignment with the objective of ensuring the continuity of the business through succession and career plans).

100% of the Group's employees received a periodic evaluation of their performance and professional development or took part in a training course in 2021.

Astrid Jacobo Sánchez
Head of Strategy and Sustainability

The following is a summary of the different types of training to which the Peña Verde community has access:

Training Agenda:
The Group schedules and carries out courses, workshops, seminars, certifications, and other training activities, through internal means or external institutions as necessary.

Company and Job Induction Program:
For newly hired employees, includes general induction to the Group and initial on-the-job training.

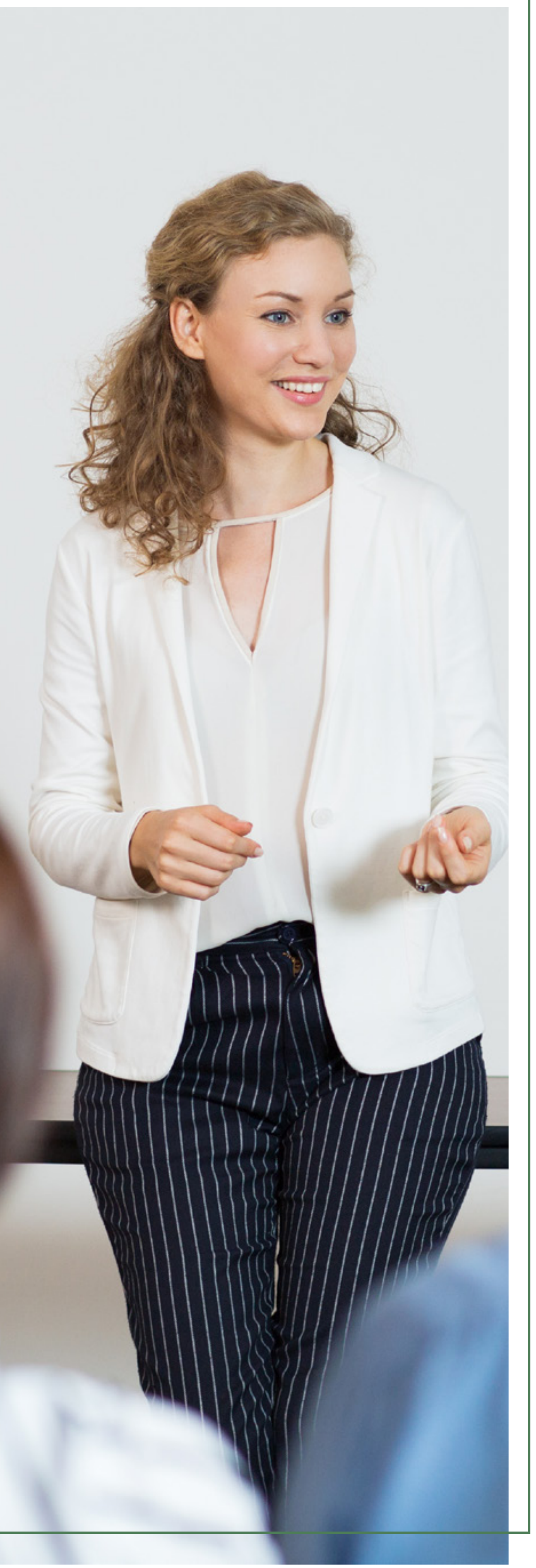
Regulatory and Corporate Governance Training:
These courses, which are mandatory, are given at least 1 time per year and address regulatory compliance and corporate governance (prevention of money laundering and terrorist financing, protection of personal data, code of ethics, contracts with third parties, regulatory filing, among others).

Additional Training:
This program includes special projects, or any other optional training offered by the Company. For example: foreign language program and "Accountability, your best version in action" (a culture system based on responsibility and accountability).

Transition Programs:
Provided when there are staffing movements, whether due to changes in functions, employee departures, or retirement.

Average hours of training per employee per year.

Company	Strategic Team	Tactical Team	Operational Team
INSURANCE DIVISION	239 hrs.	506 hrs.	8,360 hrs.
REINSURANCE DIVISION	99 hrs.	960 hrs.	3,333 hrs.
SET DIVISION	147 hrs.	1,214 hrs.	1,860 hrs.
GAEF DIVISION	12 hrs.	236 hrs.	384 hrs.
GRUPO PEÑA VERDE	**497 HRS**	**2,916 HRS**	**13,937 HRS**



ACCOUNTABILITY, YOUR BEST VERSION IN ACTION

During 2021, Grupo Peña Verde continued to rely on the "Accountability" culture system, which is focused on responsibility and accountability, to further promote its cultural transformation process.

2021 ACHIEVEMENTS

SAFEGUARDING THE HEALTH OF OUR EMPLOYEES

For Grupo Peña Verde, the physical and mental well-being of its employees is very important; therefore, during the last six years, it has carried out several efforts aimed at protecting and promoting health, with the purpose of allowing the Peña Verde community to balance and enjoy their job, personal, and social lives to the fullest.

During 2021, 7 men and 18 women were temporarily absent from work due to parental leave (2.2% of eligible employees), who returned to work at the end of the leave period (return to work rate = 100%).

Among employee benefits provided by Grupo Peña Verde, we have a variety of health benefits (both required by law and additional ones), such as access to the Mexican Institute of Social Security (IMSS, for its acronym in Spanish), major medical insurance, and a flexible scheme of payroll deductions in the event that employees wish to purchase additional health insurance. In this way, employees have at their disposal several health institutions to which they can go for work-related or non-work-related issues.

In addition, we have a telephone counseling service called the "Wellness Line", which provides support on emotional, nutritional, administrative, legal, and team management issues. We also offer front-line support for emotional issues through therapies.

Likewise, aware of the importance of prevention, we carry out a number of voluntary activities aimed at promoting health, highlighting:

In 2021, the Group applied the psychosocial risk and severe traumatic event identification surveys, as included in NOM-035 (established by the Secretariat of Labor and Social Welfare, or STPS, for its acronym in Spanish), with a participation of more than 80% across all divisions.

According to the results of the first survey, Grupo Peña Verde is at healthy psychosocial risk levels, though we determined the need to implement mitigation plans to better distribute workloads and honor work schedules, as these could lead health problems for our people.

To follow up on these results, we have held several talks with leaders to raise awareness of the importance of honoring work schedules and distributing workloads appropriately. In addition, we are reviewing policies that will help to improve both aspects.

At area and department levels, Human Resources department held meetings with area and department leaders to jointly develop improvement plans for their teams.

Regarding the results of severe traumatic events, a protocol was established to deal with this kind of situations, whereby cases detected were handled through psychological counseling, which is part of our well-being platform.

HEALTH PROTOCOLS

All health protocols are outlined in an internal document handed out to every employee; in this way, we strive to ensure that the entire team is aware of the guidelines to be followed for their well-being and the steps to be taken in the event of any health issue.

In addition, the CCSS department provides health services that are available to all employees during their workday.

In line with the continuous improvement that defines Grupo Peña Verde, this department is also responsible for gathering feedback from employees on the effectiveness of the service.

Consequently, and in order to formulate and implement improvements in the medical service, the Clinic, Human Resource and Legal departments analyze the monthly statistical report prepared by the medical service on the cases that were attended.

How are the risks to which employees are exposed identified?

- In case of accident, the information on the probable causes is collected directly from the employee for its recording and investigation
- The corresponding investigation of the basic causes of the risk is carried out in coordination with the staff, the direct manager, and the health & safety department, in order to prevent future accidents
- In the event that the injured employee was treated by the IMSS, the Payroll department will advise the employee on how to fill out the form provided by the IMSS to assess the probable occupational hazard.

> **Given the nature its operations, the activities of Grupo Peña Verde are not considered high risk.**

Who is responsible for providing medical assistance?

Based on the CCSS medical care color system (used by the IMSS), CCSS doctors will determine the type of medical aid needed by the employee, as well as the type of emergency in question. They will also provide the required medical treatment, give self-care recommendations, and provide the employee with medication.

Medical Care Color System

- Non-serious situation. Does not require immediate medical examination. Can be managed with general measures and over-the-phone recommendations.
- Non-serious situation. Requires medical attention and treatment. Face-to-face assessment in the doctor's office.
- Minor situation. Requires complementary medical attention. Face-to-face examination at a medical clinic.
- Severe situation. Requires complementary medical care in the emergency room.
- Very serious situation. Requires complementary medical care in the emergency room. Requires immediate transport to an hospital.

PROCESS OVERVIEW

The employee must request over-the-phone medical assistance from the CCSS by dialing the number provided in the internal document. In case the employee is unable to make the call due to the seriousness of the injury or requires immediate medical assistance, this will be carried out at the place of the accident (in line with the Medical Care Color System).

The doctor providing medical assistance will determine whether the severity of the injury requires the employee to be transferred to a medical clinic or emergency room operated by the IMSS. In this case, the doctor will notify the employee's emergency contact to go to the Group's facilities and accompany the employee to an IMSS medical facility. On request, the employee will be transferred to a private hospital at his/her own expense.

It is the employee's responsibility to keep his/her emergency contact information updated in the Group's human resource system, in the event of any incident.

The treating doctor will keep a record of the incident in the "Medical Consultation Report" as part of the protocol for closing the medical assistance and/or assessment provided and will notify the Organizational Development Specialist by e-mail in cases where there has been an emotional or psychological condition (stress, depression, anxiety, among others), in order to provide a follow-up along with the employee.

The report made by the doctor is strictly confidential and will be managed by the CCSS (department that provides the medical service).

Employee Safety

In Grupo Peña Verde we have a security awareness program in different areas, highlighting cybersecurity and physical security.

For physical security, we use different media (such as newsletters and podcasts) to address selected topics based on a periodic analysis of publicly available sources, which is carried out by our internal staff with the support of specialized providers in this kind of reports.

In addition, we provide training on human rights to all security personnel of the Industrial Banking Police stationed at our facilities. In this regard, it is worth noting that in 2021 we held a human rights workshop for our entire security staff.

KEY EXECUTIVES

This material references Disclosure 202-2:b from GRI 202: Market Presence 2016

Grupo Peña Verde has an 18-tier hierarchical structure, where senior executives are placed at 16 (department heads), 17 (subsidiary executive officers) and 18 (corporate executive officers).

As of the date of this report, the Group's senior executives are as follows:

MANUEL SANTIAGO ESCOBEDO CONOVER
CEO of Grupo Peña Verde

Career at Peña Verde: Mr. Manuel Escobedo has been CEO of Peña Verde since 2013, after serving as Chief Executive Officer of Reaseguradora Patria for 10 years. Mr. Escobedo joined Peña Verde in 1997.

Academic and Professional Background: Mr. Escobedo holds a law degree from Mexico Autonomous Institute of Technology (ITAM, for its Spanish acronym), graduated with honors, and a Master in Business Administration from the Ecole des Hautes Etudes Commerciales (HEC) in Paris. After collaborating as a lawyer in the Noriega and Escobedo law firms, Mr. Escobedo has dedicated most of his career to work in the Reinsurance industry, highlighting his participation as President of the Mexican Association of Insurance Institutions (2017-2020), an organization of which he has been a member since 1998. Also, he has served as a Director of the Board and/or as member of certain committees in the following organizations: Institute of International Finance, Mexican Association of Guarantee Institutions, Mexican Business Coordinating Council (CCE, for its Spanish acronym), Alternative Insurance Company, among others.

ANDRÉS MILLÁN DREWS
Vice President of the Asset Management and Financial Strategy Division

Career at Peña Verde: Mr. Millán joined Peña Verde as Vice President of Asset Management and Financial Strategy Division on November 1, 2019.

Academic and Professional Bckground: With a degree in Business Administration from the Universidad de los Andes (Colombia) and a Master in International Finance from the University of Amsterdam, Mr. Millán has a vast experience in the financial sector, including work in investment funds and development banking in Colombia; a number of positions in Rabobank International of the Netherlands where he served as Vice President for Southern Europe and Latin America. It is also worth mentioning his successful career at IFC, member of World Bank Group, where he climbed various positions in the Investment Department until becoming Chief Investment Officer.

THOMAS JAMES CUNNINGHAM
Vice President of the Reinsurance Division

Career at Peña Verde: Mr. Cunningham joined Pena Verde as Vice President of the Reinsurance Division in July 2018.

Academic and Professional Bckground: Reinsurance industry expert and strategic executive leader with extensive experience in building and developing high-performance teams specializing in the Latin America and the Caribbean markets. Mr. Cunningham has over 25 years of experience in the reinsurance sector, where he has excelled in delivering results and leading high-performance teams in different contexts. He began his career as broker at Wilcox Johnson & Higgins London England and later worked at Guy Carperter & CO LLC, as director for Latin America and the Caribbean, in the London and Miami offices.

FERNANDO ÁLVAREZ DEL RÍO
CEO of the Insurance Division

Career at Peña Verde: Mr. Álvarez joined Peña Verde as CEO of General de Salud in 2017 and as of 2021 he serves as CEO of the Insurance Division.

Academic and Professional Bckground: Mr. Álvarez holds a bachelor's degree in Economics from Trent University and a master's degree from McMaster University. Fernando Álvarez has more than 10 years of experience in the insurance industry, having held strategic roles within Mexico's Secretariat of Health and the National Insurance and Bonding Commission. For 4 years he served as CEO of General de Salud at Grupo Peña Verde.

FRANCISCO FERNANDO MARTÍNEZ CILLERO
CEO of Reaseguradora Patria (Mexico and Chile)

Career at Peña Verde: Mr. Francisco Martínez has had a dynamic career at Reaseguradora Patria, where he joined in 2011 as an intern/actuarial analyst, served as a quality specialist (as an associate of Servicios Corporativos Peña Verde) and in 2013 assumed administrative functions as Director. In February 2019, he was appointed Deputy Chief Executive Officer and in April 2021 assumed the position of Chief Executive Officer, both at Reaseguradora Patria.

Academic and Professional Bckground: Mr. Martínez holds a degree in Actuarial Science. He has spent most of his career at Peña Verde and is also a founding partner and Chairman of the Board of Directors of Fondo de Energía Ilimitada S.A.P.I. de C.V.; Fondo Revolvente 2MAZ S.A.P.I. de C.V.; and RIKAFRAN S.A. de C.V.

RENÉ GONZÁLEZ GONZÁLEZ
Corporate Director of the Business Support and Transformation Division

Career at Peña Verde: Mr. René González has been Corporate Director of Peña Verde's Business Support and Transformation Division since January 2020. Prior to his appointment, he performed as Head of Planning and Chief of Staff (2018 to 2020).

Academic and Professional Bckground: With a degree in Financial and Actuarial Economics from ITAM, Mr. González has experience in both private and public sectors. In the private sector, he worked at MetLife, where he was promoted from financial risk specialist to head of Strategic Planning and later became Director of Valuation, Planning and Strategic Projects at the Mexican Department of Labor and Social Welfare.

REMUNERATION

This material references Disclosures 102-35:a.ii and 102-36 from GRI 102: General Disclosures 2016

To incentivize and compensate the effort, commitment, and performance of its employees, Grupo Peña Verde has 3 remuneration policies (bonuses) adapted to the operations of each subsidiary.

SERVICIOS ADMINISTRATIVOS PEÑA VERDE

Performance Bonus

The Human Resources area, under the oversight of the Evaluation and Compensation Committee, is responsible for implementing this policy. In order for employees to be eligible for this bonus, they must have a minimum of 6 months seniority and a permanent contract.

The bonus is calculated in February of the year following the period under evaluation and is paid no later than April of that year. In this regard, the performance bonus is tied to the following:

- Hierarchical level of the employee
- Result obtained in the performance evaluation
- Salary paid in December of the period evaluated

It is important to note that: i) the maximum amount is aligned with industry practice, according to information provided by an external firm specialized in competitive compensation studies; and ii) in the event that the Ethics Committee or the Legal Department has filed an administrative report against the employee being evaluated, the bonus will be subject to penalties.

Hierarchy

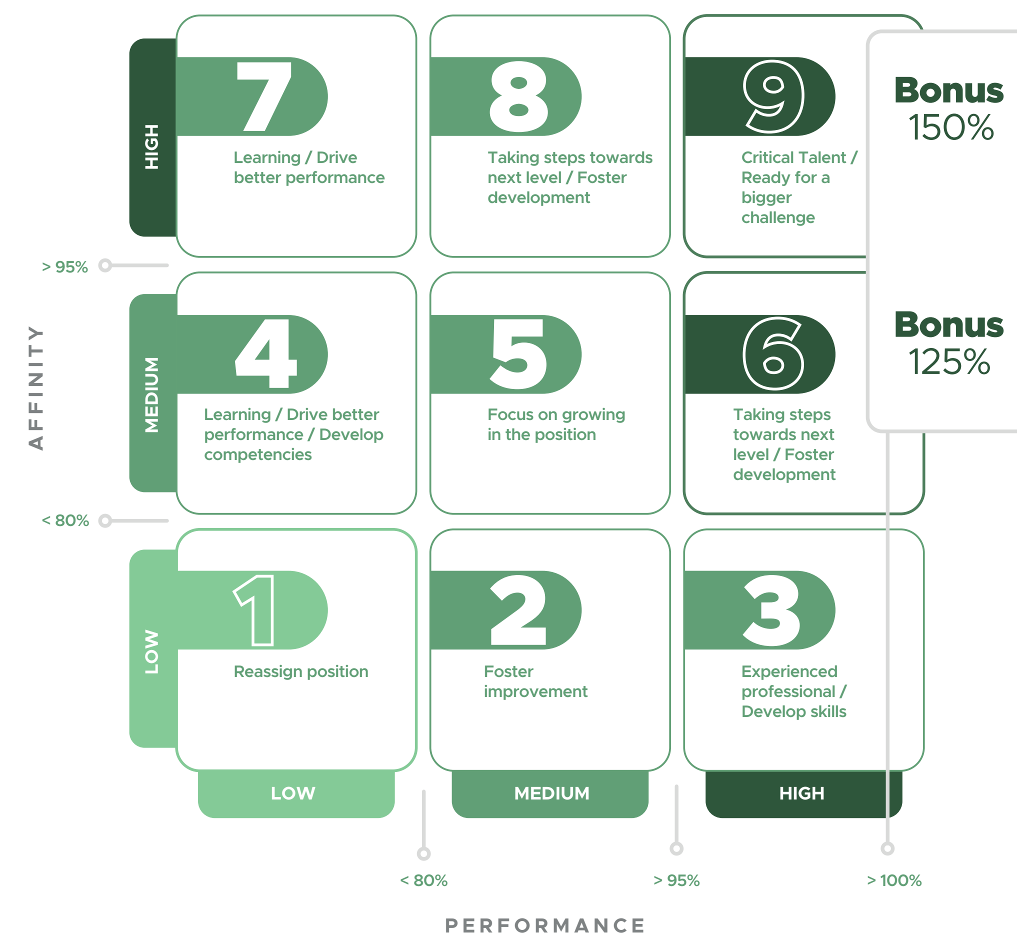
Position Level	Target Months to Pay
Vice President	6
General Manager / Chief Executive Officer	4.4
Director / Deputy Director	3
Manager	2.5
Deputy Manager	2
Supervisor / Team Leader / Specialist / Coordinator	1.5
Executive / Analysts	1

Performance Evaluation Components

Aspects to be evaluated	Weighting for employees with personnel in charge	Weighting for employees without personnel in charge
Contribution to Key Results	40%	40%
Strategy Achievement	30%	20%
Skills and Cultural Pillars	20%	25%
Training and Development	10%	15%

Extra Bonus

Only 5% of the total workforce who, based on their Performance and Affinity Results, are in quadrants 6 and 9 of the following Talent Matrix will be eligible for this bonus:



Performance is evaluated based on the following factors:

- Achievement of strategic and area management indicators in line with key results
- Performance evaluation by adherence to culture pillars and/or skills
- Scoring of Area Strategic Initiatives

Affinity is determined by considering adherence to the job profile and cultural pillars.

REASEGURADORA PATRIA

Underwriting Bonus

The Actuarial and Finance Director of the Reinsurance Division is responsible for preparing the primary evaluation report with the Company's technical results, which must be sent to the Corporate Deputy Director of Compensation and Talent Attraction.

Subsequently, the Corporate Deputy Director of Compensation and Talent Attraction has the task of notifying the Payroll Department and the Underwriting areas of the amount that each employee would be receiving.

The calculation of the signing bonus must be reviewed by the Chief Executive Officer, who, with the support of the Evaluation and Compensation Committee, will approve it.

It is worth mentioning that only employees with a minimum seniority of 12 months and who belong to the Underwriting Department with positions of Development Supervisor, Deputy Manager, Manager, Deputy Director, and Director, are entitled to the underwriting bonus.

The Underwriting Deputy Managers are responsible for informing employees of the authorized amount of the bonus and for providing the corresponding feedback to improve their performance. The Payroll Department is responsible for paying the bonus during the second half of July.

The maximum amount of the bonus must be equal to the employees' statutory profit sharing plus the bonus (equal to or less than the number of months used as the basis for calculating the bonus) multiplied by 1.5. This incentive must be adjusted proportionally when the profit-sharing plan exceeds the amount determined according to the number of applicable months, but under no circumstances will it affect the payment of the profit-sharing plan.

In this sense, the months of salary to be received are defined in accordance with the direct impact that each hierarchical level has on the Group's strategic objectives.

POSITION LEVEL	MONTHS TO BE PAID
Director	3
Deputy Director	3
Manager	2.5
Deputy Manager	2
Development Supervisor	1.5

GENERAL DE SEGUROS

The Sales Department must report the progress on commercial goals in order for the Human Resource Department to adequately handle the payment of the commercial incentive.

The employee must be active at the time of payment to be eligible for the incentive.

For Branch Managers, Regional Directors and Area Managers, the calculation is made on the basis of their last monthly salary during the full year to be evaluated. The incentive allocation process is carried out on a monthly basis.

In the case of Office Managers and Commercial Executives, the calculation is based on the number of monthly insurance contracts and the incentive is paid semi-annually.

The Human Resource Management and the Sales Management of the Insurance Division are in charge of authorizing the amount of the bonus to be given to each employee, which will be paid in the second half of the month following the evaluated period.

Each year, the Sales Department establishes the monthly sales budget, which is submitted for approval to the General Management of the Insurance Division. The following metrics are applied to this budget for each of the employee segments shown below:

Office Managers and Sales Executives

Regardless of the balance between Active Agents and Recruits, the incentive is paid starting at 100 insurance contracts per month per employee (no growth limit) and is subject to the fulfillment of the assigned sales budget. Payment is made per insurance contract (Ps. 50 for Active Agents and Ps. 100 for Recruits).

Branch Manager

The target amount is 50% of the monthly salary and is calculated each month upon meeting the sales budget of the assigned offices, as well as developing the distribution channel by attracting productive intermediaries. The criteria for payment are shown below:

Meet the monthly budget (original goal) with the following weighting:

15% OF MONTHLY SALARY
Upon achievement of the Auto and/or Damage goal

15% OF MONTHLY SALARY
Upon achievement of the People and/or Health goal

35% OF MONTHLY SALARY
Upon achievement of the sales goal for both business lines

Meet the distribution channel development budget for the corresponding region:

5% OF MONTHLY SALARY
Upon achievement of the premiums paid goal from the recruitment of Delegate and Productive Promoters

5% OF MONTHLY SALARY
Upon achievement of the premiums paid goal from the recruitment of Productive Agents

15% OF MONTHLY SALARY
Upon achievement of the premiums goal from the recruitment from both

Andrés Millán Drews
Corporate Director of Asset Management and Financial Strategy

Regional Directors and Zone Managers

In order for the Regional Director and the Zone Manager to be eligible for the commercial incentive, 75% of the managers in their zone must have earned their quarterly incentive on at least once with 60% of the target amount.

Likewise, the following budgets must be exceeded:

- **Semi-annual sales allocated per industry in their region**

  Failure to meet the requirements per industry will result in a penalty of 15% of the incentive for each one; for example, failure to meet the requirements for 2 industries will result in a penalty of 30% of the incentive even if there is an overall surplus.

- **Distribution Channel Development in the Region**

  Sales through recruited agents, measured based on net premiums collected.

The Regional Director and Zone Manager can receive an incentive bonus equal to 1.5 times their monthly salary.

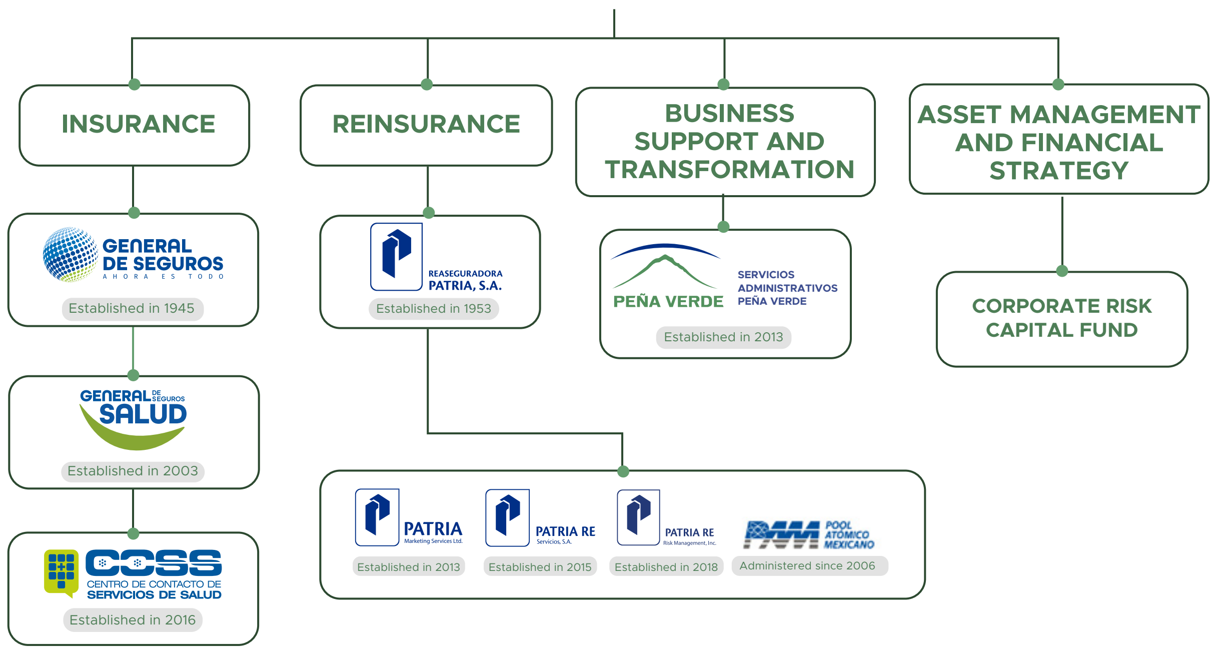
CORPORATE GOVERNANCE

CORPORATE STRUCTURE

This material references Disclosures 102-5 and 102-45: a from GRI 102: General Disclosures 2016

GROUP ORGANIZATION

Peña Verde, S.A.B. Established in 2012



Grupo Peña Verde is the holding company of several subsidiaries that are grouped into 4 different business lines. This structure began to take shape in 2012, when we became the holding company of General de Seguros, S.A.B. and Reaseguradora Patria, S.A., following the corresponding takeover bids.

Later that same year, in October, we established Servicios Administrativos Peña Verde, S.A. de C.V., which seeks to integrate a participatory and innovative organizational culture that promotes optimal organizational performance, in order to strengthen the competitiveness of all business lines. And, in 2013, we established Patria Re Marketing Services, Ltd in London.

As a stronger group with the capacity for domestic and international expansion, on September 25, 2015, we incorporated Patria Corporate Member Limited (PCM) under the laws of the United Kingdom, to capitalize on the reinsurance opportunities offered by the Lloyd's Bank PLC market. We also established Patria Re Servicios, S.A. in Santiago de Chile.

Lastly, in 2016, we established CCSS - Peña Verde, S.A. de C.V. to engage in the insurance-related ancillary services market; and, we established Patria Risk Management, Inc in Miami.

Below is the stake that, as of December 31, 2021, Grupo Peña Verde has in its main subsidiaries:

COMPANY	GRUPO PEÑA VERDE'S STAKE
Servicios Administrativos Peña Verde	99.9999 %(1)
Reaseguradora Patria	99.98229825%
General de Seguros	98.4475%
CCSS Peña Verde	99.99%(2)

(1) The remaining 0.0001% is owned by Reaseguradora Patria
(2) The remaining 0.001% is owned by Servicios Administrativos Peña Verde

SHAREHOLDER STRUCTURE

This material references Disclosures 102-7: a.iv and 102-26 from GRI 102: General Disclosures 2016

As of December 31, 2021, the capital stock of Peña Verde, S.A.B. was comprised of 642,431,282, nominative, ordinary, common, single series shares with no par value, of which 476,678,213 were outstanding and 165,753,069 were held in treasury (9,380,700 are subscribed).

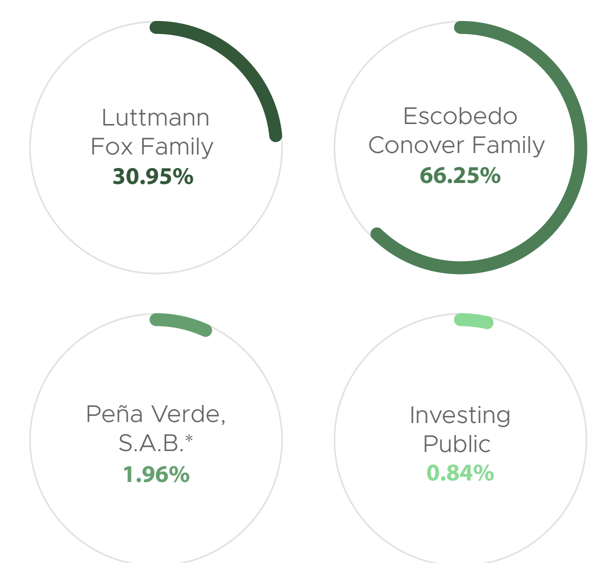
At the end of 2021, the Company's market capitalization was Ps. 4,853 million

SHAREHOLDERS' MEETING

The Shareholders' Meeting is the Company's supreme governance body, as it establishes the business philosophy and dictates the risk tolerance to all relevant operations. It is also responsible for making decisions and conveying its vision to the Board of Directors for it to coordinate the necessary actions for the proper execution of the Company's strategic initiatives.

In this regard, the Escobedo Conover family owns 66.25% of the Company's shares, making them the controlling shareholder. The Luttman Fox family has significant influence in corporate decisions since it holds 30.95% of the shares. While 0.84% is distributed among the investing public and 1.96% is in the Treasury.

Composition of the Shareholders' Meeting

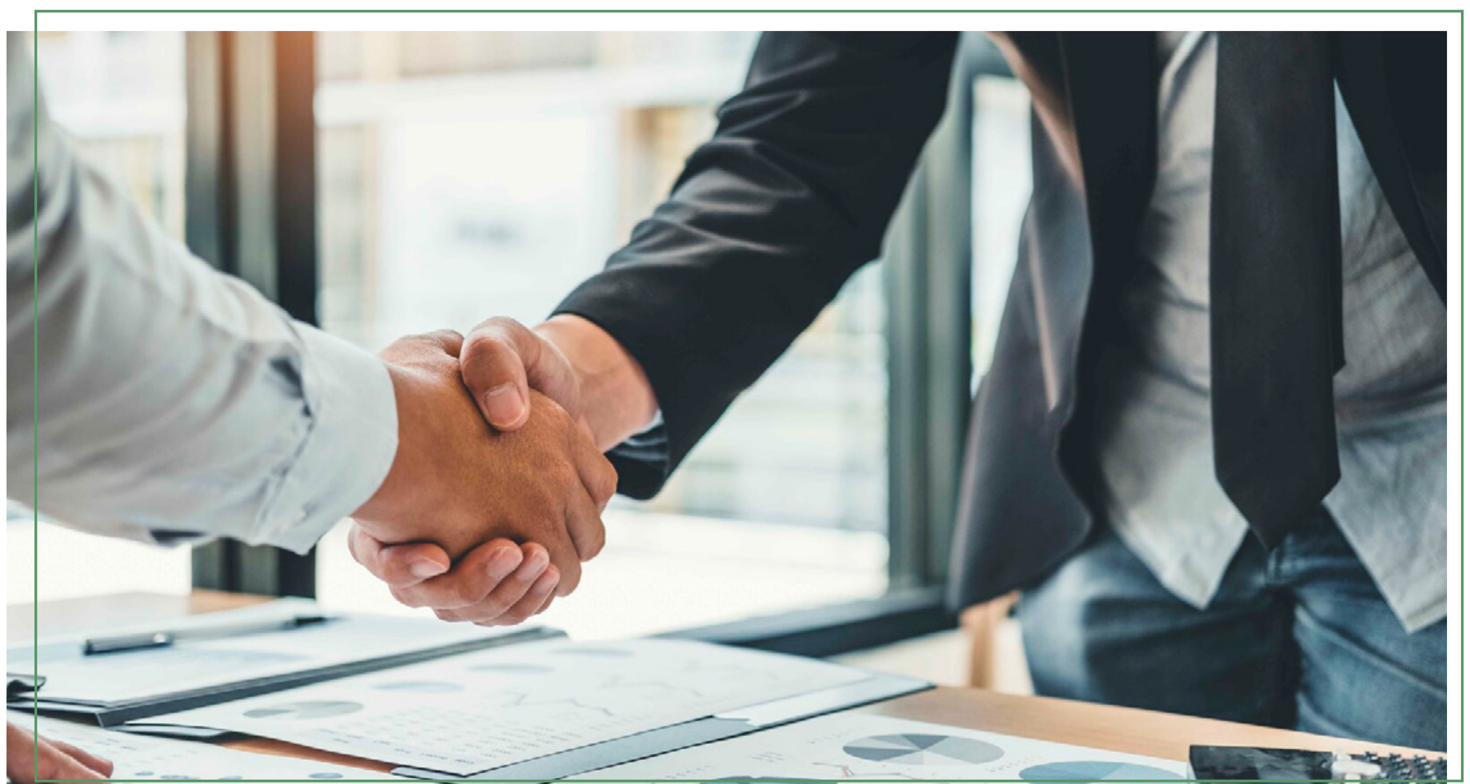


*Through the repurchase of the shares

Individually, the principal shareholders of Grupo Peña Verde, as of December 31, 2021, are:

Shareholder	Percentage
María Beatriz Escobedo Conover[1]	13.25%
Ana Dolores Escobedo Conover[1]	13.25%
Manuel Santiago Escobedo Conover[1][3]	13.25%
Pedro Miguel Escobedo Conover[1]	13.25%
María Guadalupe Conover Lazo[1]	13.25%
Mariana Elita Luttmann Fox[2]	11.33%
Carlos Antonio Luttmann Fox[2]	10.01%
Ricardo Enrique Luttmann Fox[2]	9.61%

(1) Controlling shareholders
(2) Shareholders exercising significant influence
(3) CEO of Grupo Peña Verde



BOARD OF DIRECTORS

This material references Disclosures 102-18:a, 102-22:a.ii, 102-22:a.v, 102-23, 102-24:b, 102-26, 102-27 and 102-28 from GRI 102: General Disclosures 2016

The Board of Directors is composed of visionary, efficient, strategic, and proactive directors who are responsible for overseeing the management and operation of the Group's businesses lines, with the aim of ensuring the sound management and proper control of our corporate governance.

In order to carry out its responsibilities efficiently and transparently, the Board of Directors is supported by various committees under its direction.

The members of the Board of Directors and the Committees are nominated and selected under guidelines that considers criteria such as:

- Technical qualifications
- Honesty
- Sufficient track record
- Required knowledge and experience in financial, legal or administrative matters

In order to guarantee the soundness and effectiveness of corporate governance, apart from providing them with knowledge of each subsidiary, the directors are trained annually in economic and governance matters related to the insurance and reinsurance sector.

As a complementary measure, at the end of each meeting, the Board performs a self-survey to evaluate its performance. In this way, the necessary improvement actions are determined based on its findings.

It is important to mention that, in line with its commitment to diversity and inclusion, during 2021, Grupo Peña Verde was recognized by 5050 Women on Board and Women Corporate Directors for being one of the publicly traded companies in Mexico with the highest percentage of independent female directors.

The Company is among the top 10 publicly traded companies in Mexico with the highest percentage of independent female directors.

COMPOSITION OF THE BOARD OF DIRECTORS IN 2021

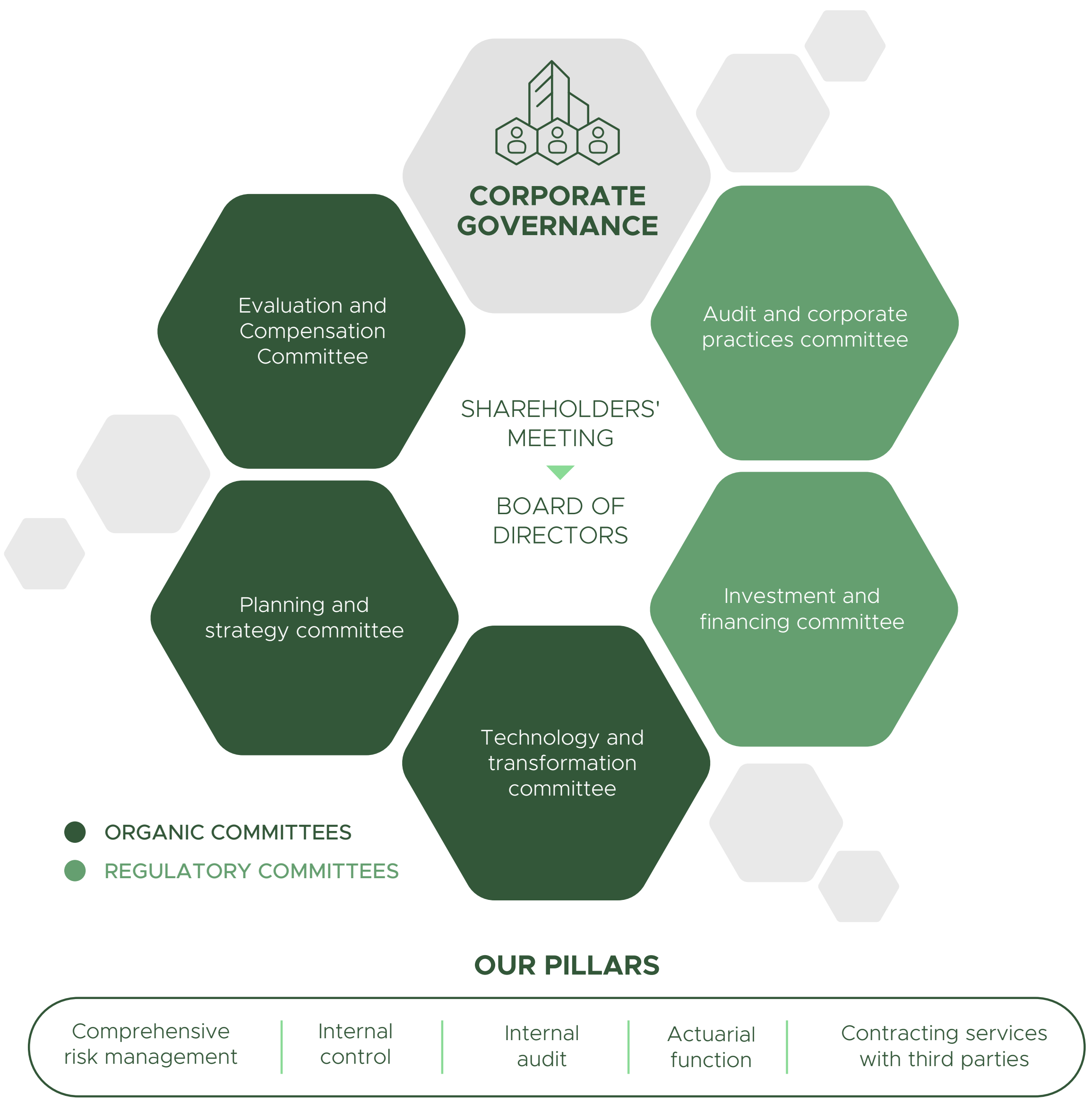
MEMBER	POSITION	ALTERNATE
Enrique Zorrilla Fullaondo	Chairman	Luiz Carlos Ferezin
Álvaro Mancera Corcuera	Director	Luz María Gabriela Hernández Cardoso
Antonio Souza Saldívar	Director	
José Antonio Martí Cotarelo	Director	Xavier Marc Meric de Bellefon
Lorenzo Lazo Margain	Director	

All directors, including the Charmain, qualify as independent in accordance with the Mexican Securities Market Law

COMMITTEES

This material references Disclosures 102-18:b and 102-20 from GRI 102: General Disclosures 2016; Disclosures 207-1:a.i, 207-1:a.ii, 207-2:a.i and 207-2:a.ii from GRI 207: Tax 2019; and Disclosures 103-1, 103-2 and 103-3 from GRI 103: Management Approach 2016

Through 5 organic committees (including 2 regulatory) that directly support the Board of Directors, our corporate governance ensures inclusive, participate, and representative decision-making.



This structure allows us to respond to both our needs as a Group and those of our stakeholders, as the decisions made are effectively implemented throughout the operation.

Saduj Emmanuel Muñoz Lara
Deputy Director of Investments and Treasury

EVALUATION AND COMPENSATION COMMITTEE

Purpose

In order to encourage the Company's competitiveness, under a sustainable growth approach, the Evaluation and Compensation Committee ensures that Grupo Peña Verde has the necessary talent and organizational culture, especially for key positions such as senior management.

PLANNING AND STRATEGY COMMITTEE

Purpose

To support to the Executive Chairman's Office in the execution and development of the business strategy, as well as to support the adoption of the best corporate governance and internal control practices.

In this regard, it is important to mention that the Planning and Strategy Committee complies with Article 69 of Mexico's Insurance and Bonding Institutions Law (LISF, for its Spanish acronym) to implement corporate governance and internal control; therefore, it has established policies and procedures related to:

- 01 Comprehensive risk management
- 02 Internal control
- 03 Actuarial function
- 04 Contracting services with third parties

TECHNOLOGY AND TRANSFORMATION COMMITTEE

Purpose

To generate value for clients and stakeholders through the development and comprehensive digital transformation of the Group by incorporating new technologies and market trends into the Company's operating processes.

AUDIT AND CORPORATE PRACTICES COMMITTEE

Purpose

To oversee compliance with internal regulations established by the Board of Directors, as well as with applicable legal and administrative provisions. Likewise, it shall ensure that the financial and operating information is prepared and reported responsibly and transparently.

Therefore, the Audit and Corporate Practices Committee supports the Board of Directors on Internal Auditing matters.

INVESTMENT AND FINANCING COMMITTEE

Purpose

In accordance with current regulations and adhering to the thresholds proposed by the Risk Committee, which have been approved by the Board of Directors, the Investment and Financing Committee establishes the Company's investment policy and strategy.

In addition, Grupo Peña Verde has established other committees for specific operational purposes:

TAX COMMITTEE

Purpose

To oversee that each subsidiary fully complies with current tax regulations, as well as to analyze initiatives and their effects on the operation. To this end, the Tax Committee assesses the latent risks in this front, establishes and approves all of Peña Verde S.A.B.'s tax guidelines, and standardizes them among subsidiaries.

In this sense, tax risks are identified individually for each subsidiary, the Tax Committee analyzes such risks and formulates a group-wide criterion, establishing the oversight and follow-up framework for each subsidiary.

> **Although the Fiscal Committee meets every two months, it may hold extraordinary meetings to discuss urgent matters for approval.**

At the end of 2021, we do not have a defined company-wide tax strategy.

The Tax Committee is assisted by two external advisors from highly renowned tax firms.

SUSTAINABILITY TASK GROUP

Pursuant to Grupo Peña Verde's strong Environmental, Social and Governance commitment, during 2021, the Company established a Sustainability Task Group, whose main purpose is to ensure that the strategy, as well as its execution, follow a sustainable approach.

During the 2021 meetings, the Sustainability Task Group assessed the background and current status of Peña Verde's sustainability to develop an operational program.

This Task Group reports directly to the Planning and Strategy Committee.

ETHICS

This material references Disclosures 102-11, 102-16, 102-17 and 102-25 from GRI 102: General Disclosures 2016; Disclosure 205-2: a from GRI 205: Anti-Corruption; Disclosure 406-1from GRI 406: Non-Discrimination 2016; and Disclosures 103-1, 103-2 and 103-3 from GRI 103: Management Approach 2016

The Company's Code of Ethics and Business Conduct (the "Code"), which was approved by the Audit Committees and Boards of Directors of the subsidiaries, encompasses all the principles that Grupo Peña Verde deems essential for the success of its business, since, by offering mostly intangible products, generating, conveying, and maintaining trust of its customers is paramount.

In this way, the Group grounds its daily operations on ethical principles that are aligned with the mission, vision, and values of each of its subsidiaries, thereby fostering solid relationships built on respect, integrity, and legality.

Likewise, and in accordance with the 2011 reform on human rights, all contractual documentation (including that corresponding to the settlement of claims) is prepared to fully comply with and safeguard the human and fundamental rights of policyholders, clients, employees, and all those who are related to the Group's companies.

Grupo Peña Verde adheres to the 12 principles of integrity and business ethics defined in the Code of Integrity and Business Ethics of Mexico's Business Coordinating Council.

In this context, and to ensure that those who are part of the Group adhere to the guidelines established by the Code, all new employees are given a physical copy of the Code, which they are required to read. In this regard, in order to encourage their understanding of the Code, the Company organizes annual training workshops for employees, who are subject to a final evaluation to gauge their knowledge of the Code.

It is important to mention that, although the Code does not cover all possible situations that may arise, it provides the necessary information for the members of the Group to know how they should perform their duties. For this reason, the Compliance Area oversees the proper adherence of employees to the ethical guidelines (as well as training activities related to the Code), since failure to comply with them could result in disciplinary action, termination of the contract and even civil and/or criminal prosecution.

Employees may request the necessary advice on how to proceed in the event of a possible violation of the Code, and the Human Resource and Legal Departments are responsible for providing them all the guidance within their reach.

The Group has an ethics line that is in charge of the Legal Area, which is supported by an Ethics Committee to analyze and establish a course of action for any cases that may arise.

It is important to note that all members of the Board of Directors adhere to and have a good understanding of the Code of Ethics.

KEY PRINCIPLES OF THE CODE

Respect for others

Decisions in labor matters (hiring, remuneration, promotion, among others) are made based on talent, skills, qualifications, and performance, with no regard for race, sex, skin color, religion, age, nationality, sexual orientation, gender identity, disability and any other reason that is not aligned with the values and cultural pillars that identify Grupo Peña Verde.

In this way, the Company strives to provide a workplace free of discrimination, retaliation of any kind or harassment, distinguished by:

- Respect
- Dignified treatment
- Honesty
- Compassion

No cases of discrimination were reported in 2021

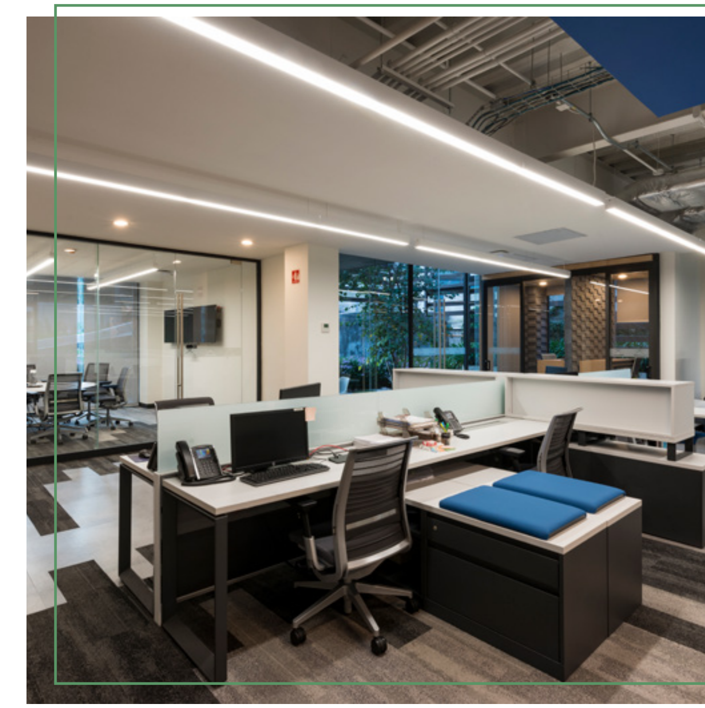
Conduct in the workplace

We do not tolerate physical or verbal violence, or any kind of threats in the workplace committed by or against employees or their property.

Labor relations and working conditions

Grupo Peña Verde recognizes and respects the right of employees to associate in order to encourage collective bargaining, provided that compliance with the terms of collective bargaining agreements is upheld.

The Company is completely open to dialogue to promote the well-being of its employees.

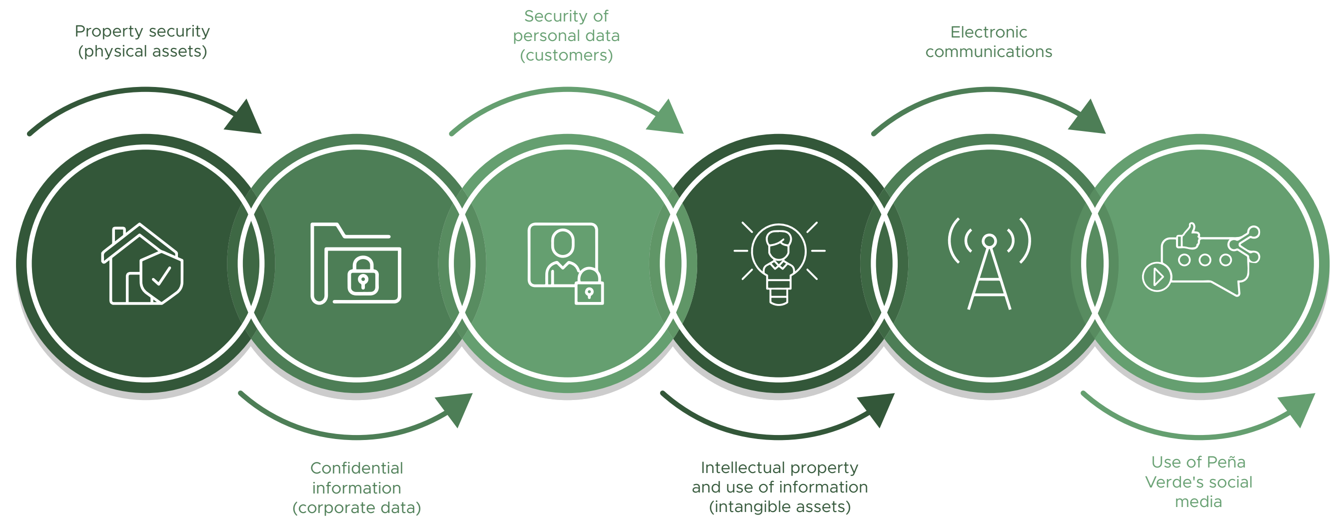


Eduardo Betancourt Palacio

Executive Director of Underwriting,
Reaseguradora Patria

Idea assets

Given the nature of our business, it is of utmost importance to establish rules and controls that regulate access, handling, authorization of use, among others, of our tangible and intangible assets. Such regulations include:



Third-party Services Policy

In order for a third party to be considered as a potential service provider for Grupo Peña Verde, it must have integrity and good reputation, as well as read and sign the Group's Code of Conduct and Ethics for suppliers.

In this regard, suppliers declare that they will fully comply with their labor obligations as defined by current legislation, since all contracts with third parties state that such has no labor dependance on Grupo Peña Verde.

During 2021, Grupo Peña Verde released the Code of Conduct and Ethics for service providers.

POLICIES RELATED TO REGULATORY COMPLIANCE

Anti-corruption policy

Grupo Peña Verde strictly prohibits the realization, concealment and/or promotion of any act of bribery, corruption, collusion, blackmail, and any activity that involves offering or granting any person a payment in cash or in kind, advantages, privileges, provision of services, assumption of debts or obligations, or excessive courtesies, either directly or through third parties.

Therefore, both at the Group level and in each subsidiary, the necessary measures are taken to prevent and avoid acts of corruption, under the following principles:

Gifts and hospitality

It is strictly prohibited to accept bribes, kickbacks, gratuities or other exceptional payments from any organization or individual that competes with, intends to do business with, or is doing business with Grupo Peña Verde.

Donations

All donations are reviewed and approved by the Head of the Corporate Legal Department, who must ensure that donations are not made when: i) they are at the request of a government official, or ii) a government official is involved in the administration of such organizations.

Political Contributions

Under no circumstances shall direct or indirect contributions be made to political parties, movements, committees, political and labor organizations, or their representatives and candidates, except as required by applicable laws, if any.

Anti-money Laundering

Grupo Peña Verde does not promote or enable transactions with resources of illicit origin, or the financing of terrorism or any other financial crime. In this regard, we make sure that we only work with renowned clients and suppliers, whose businesses comply with the applicable legal framework and whose resources come from legitimate sources.

Specific guidelines for preventing money laundering are set out in our "Money Laundering and Terrorist Financing Prevention Manual" and emphasize that all relevant, unusual, and internal suspicious transactions must be reported to the appropriate authorities.

OTHER RELEVANT POLICIES

Human Rights Policy

During 2021, the Group's Human Rights Policy was developed, approved, and released, thus providing a precise and clear framework to ensure the dignified treatment of all people related to the Company.

Diversity and Inclusion Policy

In order to continue promoting equal opportunities and better decision-making, in 2021, the Company's Diversity and Inclusion Policy was developed, approved, and released, which establishes the necessary guidelines for this purpose.

MAIN MEASURES TO PREVENT CONFLICTS OF INTEREST

- Any relationship, activity or interest that could imply or indicate an actual or potential conflict of interest must be immediately reported to the Head of the Corporate Legal Department. In addition, directors, officers, and certain designated employees must complete an annual conflict of interest form. In the event that employees have interests in businesses that buy, sell, or provide services to Grupo Peña Verde, these must be disclosed in writing to the Audit Committee of the respective subsidiary.
- All employees must avoid relationships, activities, or interests that conflict, appear to conflict, or interfere with Grupo Peña Verde's interests. An apparent conflict of interest can be as damaging to Grupo Peña Verde as an actual conflict of interest.
- Employees must refrain from having interests or investments that would allow them to have significant influence over the business of competitors.
- The purchase and sale of goods and services with companies owned by first- and second-degree relatives, by blood or marriage, of Grupo Peña Verde employees must always be carried out under market conditions.
- When an employee is required to perform monitoring, supervision, auditing, or control work in an area under the responsibility of a relative or family member, he/she must inform his/her immediate supervisor of this situation in order to be relieved of this responsibility.
- The Company's Head of the Corporate Legal Department shall be responsible for receiving in writing and handling all notices related to possible conflicts of interest; those that cannot be resolved by him/her shall be forwarded to the Audit Committee.

RELATED-PARTY TRANSACTIONS

Any transaction between related parties must be carried out at market value and comply with the Policies for Transactions with Related Parties and Entities in force and approved by the Board of Directors.

Related parties are considered to be:

- Individuals or legal entities that directly or indirectly own 2% or more of the shares representing the capital stock of Grupo Peña Verde or any of the Group's subsidiaries, according to the most recent shareholders' ledger
- Members of Grupo Peña Verde's management or any of its subsidiaries
- Spouses and persons related to the persons mentioned in the two preceding points
- The CEO or equivalent and the persons holding positions within two hierarchical levels lower than those of the CEO, as well as their spouses and first-degree relatives
- The legal entities, as well as the directors and officers of Grupo Peña Verde or its subsidiaries, that directly or indirectly own 10% or more of the shares representing the Group's capital stock
- The legal entities in which the officers of the institutions are directors or administrators or hold a position in any of the top three hierarchical levels at such legal entities
- Entities in which any of the persons mentioned in the preceding points directly or indirectly own 10% or more of the shares representing the Group's capital stock, or in which they are controlling parties

2021
IN FIGURES

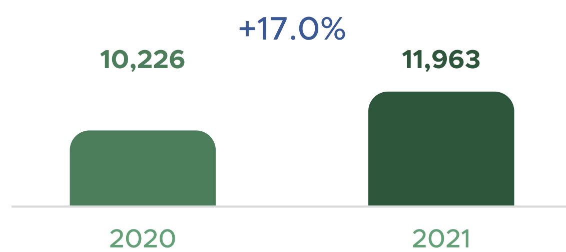
INCOME STATEMENT SUMMARY

This material references Disclosure 102-7:a.iii from GRI 102: General Disclosures 2016

Written Premiums

Supported by the growth in written premiums by Reaseguradora Patria (+20.4%) and General de Seguros (+19.4%), the Group's written premiums increased 17.0%, from Ps.10,226 million in 2020 to Ps.11,963 million in 2021. This growth was the result of the continuity of Reaseguradora Patria's strategy to strengthen its market share in the regions where it operates, as well as the appropriate follow-up that the commercial area of General de Seguros gave to several new businesses and underwriting of all quoted businesses.

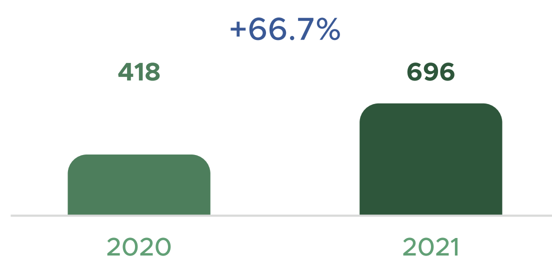
Written Premiums (millions of Mexican pesos)



Net Increase of Unearned Premiums Reserve

In line with the higher amount of written premiums, the unearned premiums reserve amounted to Ps.696 million, increasing 66.7% compared to the Ps.418 million obtained in 2020.

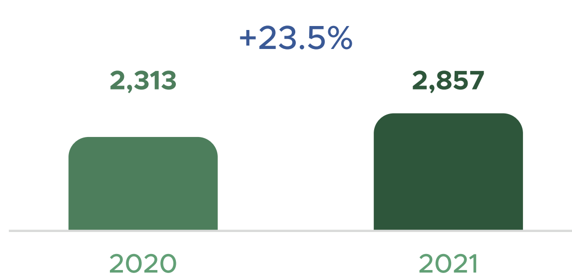
Net Increase of Unearned Premiums Reserve (millions of Mexican pesos)



Net Acquisition Cost

Net acquisition cost increased 23.5%, from Ps.2,313 million in 2020 to Ps.2,857 million in 2021, mainly due to the increase in this item in Reaseguradora Patria (as a result of a higher amount of reinsurance commissions). In 2021, net acquisition cost as a percentage of net written premiums stood at 29.1% vs. 28.3% in 2020.

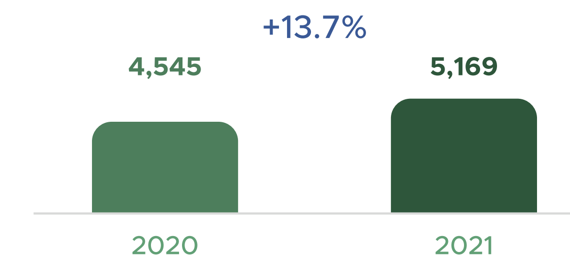
Net Acquisition Cost (millions of Mexican pesos)



Net Claims Cost

During 2021, net claims cost increased 13.7% compared to Ps.4,545 million in 2020, reaching Ps.5,169 million, given the higher claims recorded in both Reaseguradora Patria (+Ps.529 million) and General de Seguros (+Ps.307 million). However, net claims cost as a percentage of net premiums earned decreased from 58.7% in 2020 to 56.7% in 2021.

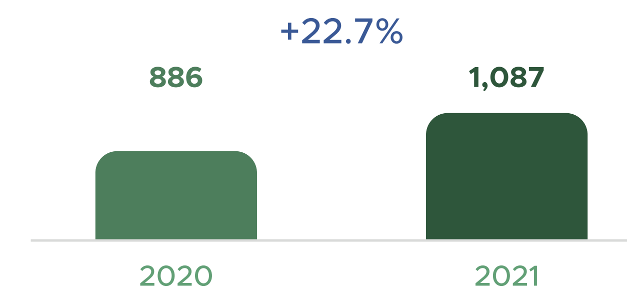
Net Claims Cost (millions of Mexican pesos)



Technical Result

As growth in written premiums offset higher claims and acquisition costs, technical income rose 22.7%, totaling Ps.1,087 million in 2021 vs. Ps. 886 million in 2020.

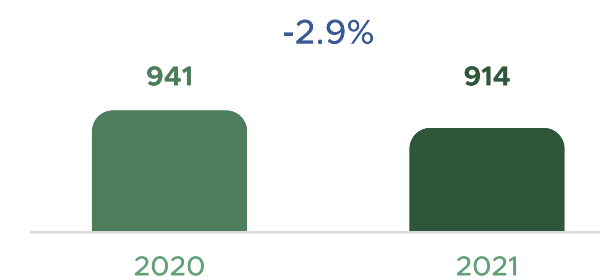
Technical Result (millions of Mexican pesos)



Other Technical Reserves

The net increase in other technical reserves (mainly comprised of catastrophe reserves) reached Ps.914 million, 2.9% lower than the Ps.941 million recorded in 2020. The growth in other technical reserves was mainly due to the generation of reserves by Reaseguradora Patria, following the higher written premiums.

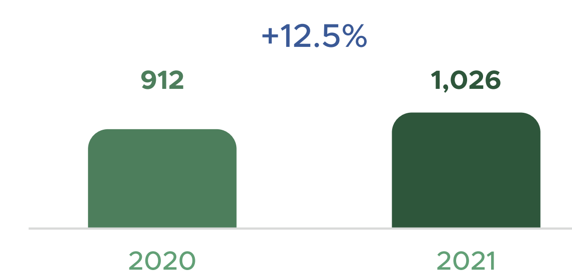
Other Technical Reserves (millions of Mexican pesos)



Operating Expenses

As a result of the modernization and improvement projects carried out by General de Seguros during 2021, the Group's operating expenses increased 12.5% from Ps.912 million in 2020 to Ps.1,026 million in 2021. However, operating expenses as a percentage of written premiums were 8.6% in 2021, comparing favorably with 8.9% in the same period last year.

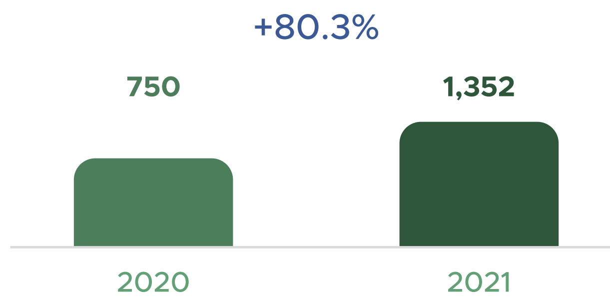
Operating Expenses (millions of Mexican pesos)



Comprehensive Financing Result

As a result of the greater stability and better performance of the equity markets, given the positive effect generated by the application of vaccines globally on the behavior of the pandemic, the comprehensive financing result for 2021 reached Ps.1,352 million, 80.3% higher than the gain recorded in 2020.

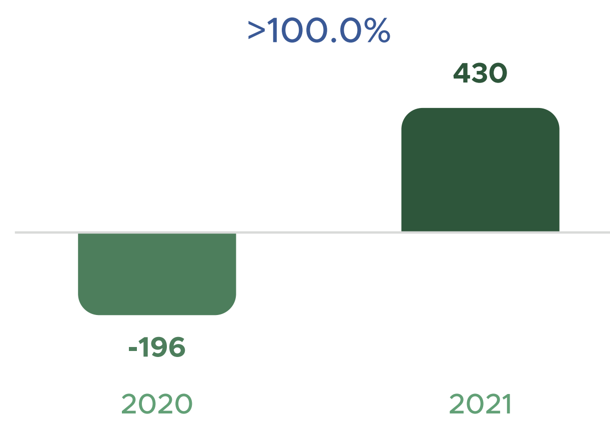
Comprehensive Financing Result (millions of Mexican pesos)



Net Result

During 2021, the Company recorded a net income of Ps. 430 million, which compares favorably with a net loss of Ps.196 million in 2020. This result was driven by the performance of the portfolio within the equity markets and higher written premiums.

Net Result (millions of Mexican pesos)

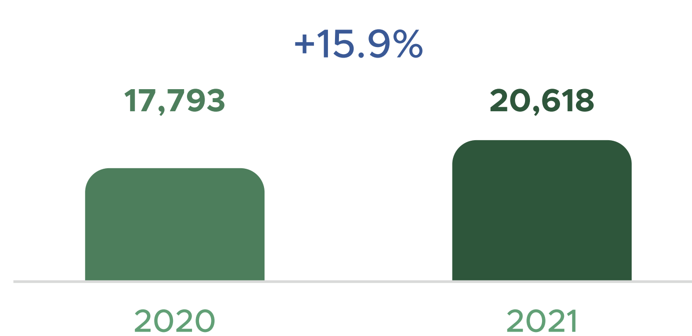


BALANCE SHEET SUMMARY

Investments

As of December 31, 2021, investments amounted to Ps.20,618 million, 15.9% higher than the Ps.17,793 million recorded at the end of 2020. At year-end 2021, the investment balance consisted primarily by Ps.10,164 million in government securities and Ps.4,271 million in equity instruments.

Investments (millions of Mexican pesos)

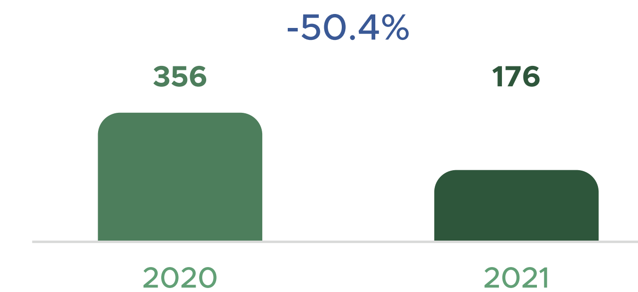


Currently, with the support of specialized external experts, Grupo Peña Verde is in the process of implementing a methodology that will allow it to select investments based on social and environmental criteria, in order to move towards a more sustainable portfolio.

Cash

Given the nature of Grupo Peña Verde's business, as well as its capital efficiency strategy (through which the Company invests in various debt securities), the cash balance was Ps.176 million at the end of 2021 vs. Ps.356 million at the end of 2020.

Cash (millions of Mexican pesos)

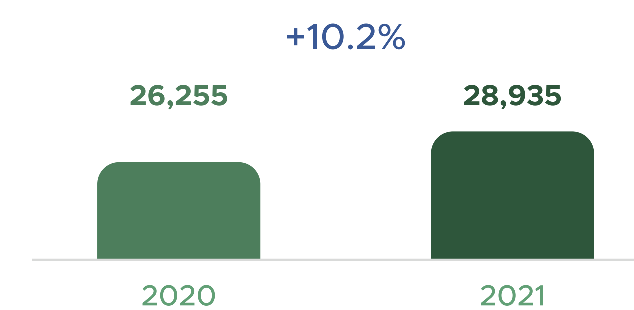


It is important to mention that, given the nature of the Company's business, this change is not highly significant for the analysis as it could be for companies in other sectors.

Assets

The Group's assets increased 10.2%, from Ps.26,255 million at the end of 2020 to Ps.28,935 million at the end of 2021, driven mainly by the increase in investments (+15.9%).

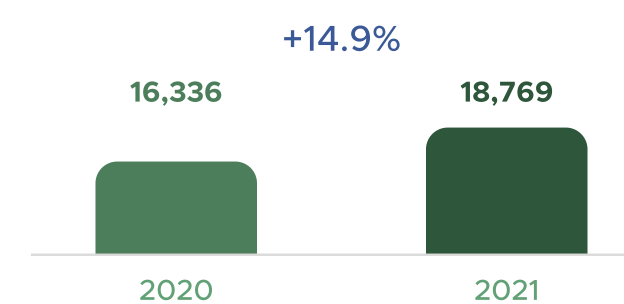
Assets (millions of Mexican pesos)



Technical Reserves

Following the increase in the reserves for catastrophic risks (+14.9%) and for outstanding claims (+14.7%), technical reserves reached Ps.18,769 million at the end of 2021, 14.9% more than the Ps.16,336 million obtained at the end of 2020.

Technical Reserves (millions of Mexican pesos)

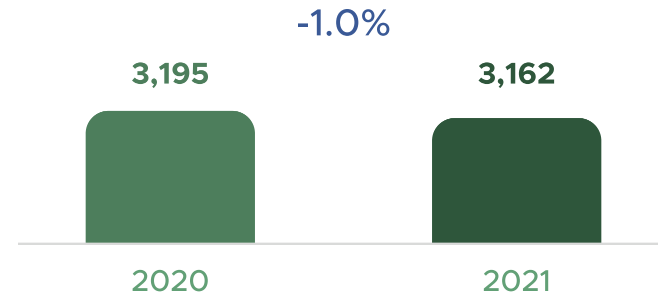


COST RATIOS

Reinsurance and Rebonding

The reinsurance and rebonding account went from Ps.3,195 million as of December 31, 2020 to Ps.3,162 million at the end of 2021 (-1.0%), mainly due to the increase in General de Seguros' business portfolio.

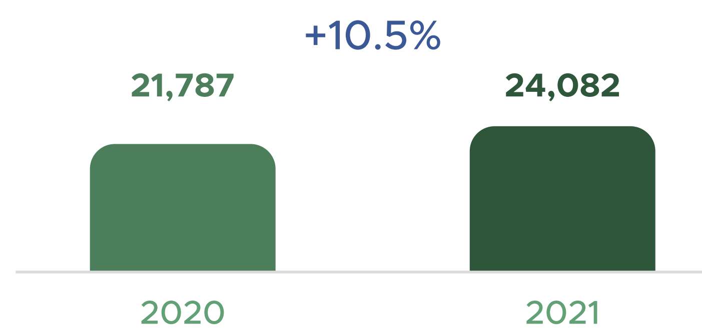
Reinsurance and Rebonding (millions of Mexican pesos)



Liabilities

In line with the growth in technical reserves, the Group's liabilities increased 10.5% vs. 2020, reaching Ps.24,082 million.

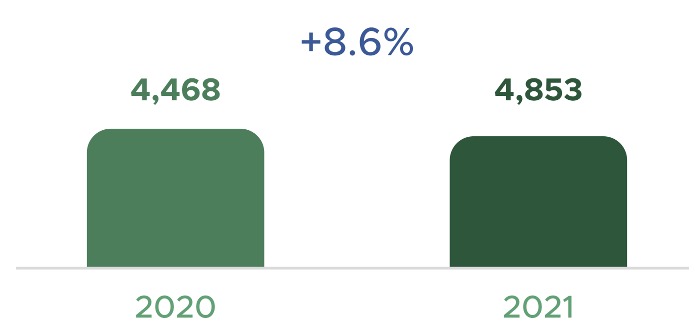
Liabilities (millions of Mexican pesos)



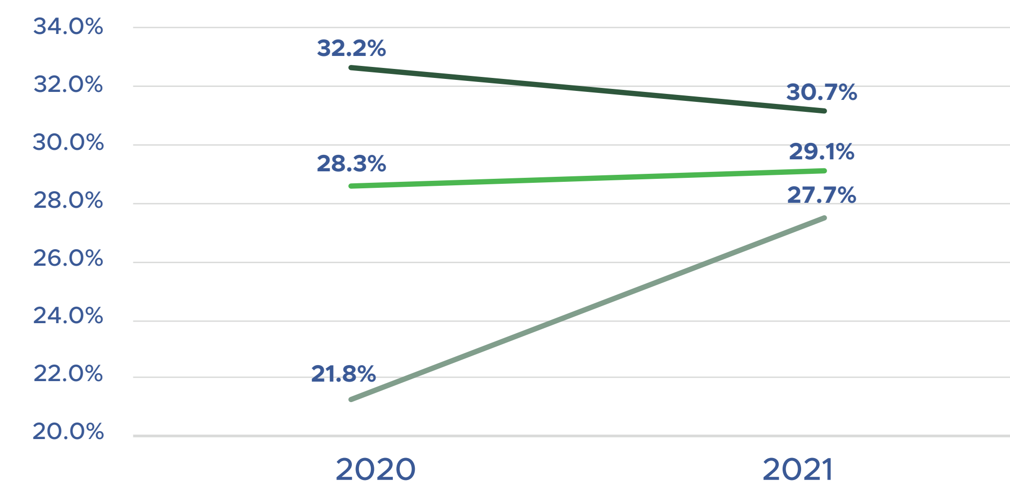
Shareholders' Equity

Supported by the positive result for the year, shareholders' equity increased 8.6% to Ps.4,853 million as of December 31, 2021, compared to Ps.4,468 million at the end of 2020.

Shareholders' Equity (millions of Mexican pesos)

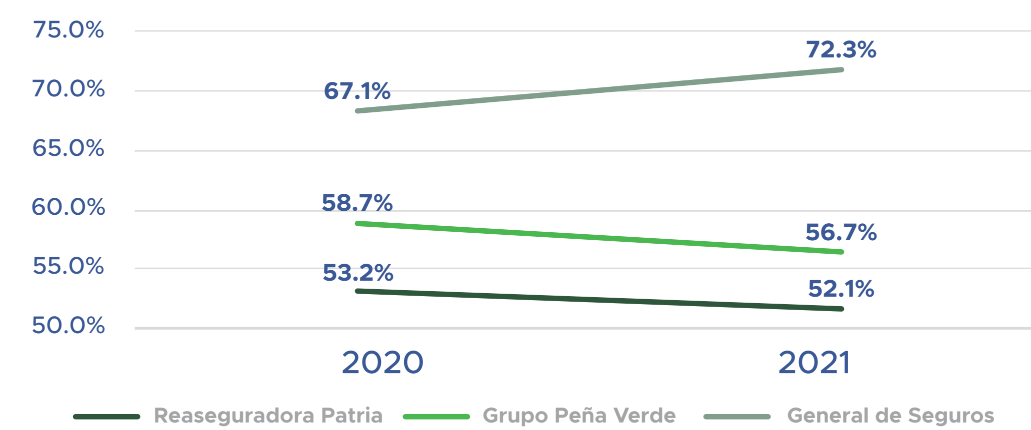


Acquisition Ratio



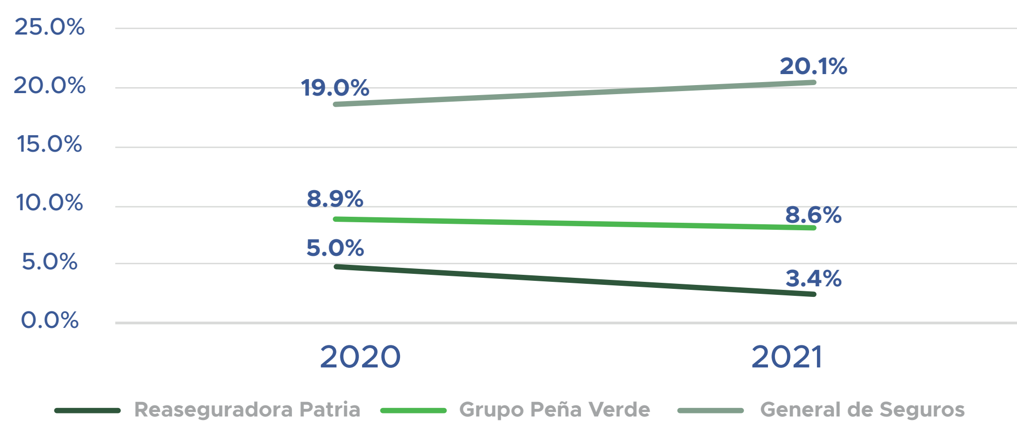
As acquisition cost increased more than written premiums, Grupo Peña Verde's acquisition ratio (measured as net acquisition cost as a percentage of net written premiums) grew 79 bps., from 28.3% in 2020 to 29.1% in 2021.

Claims Ratio



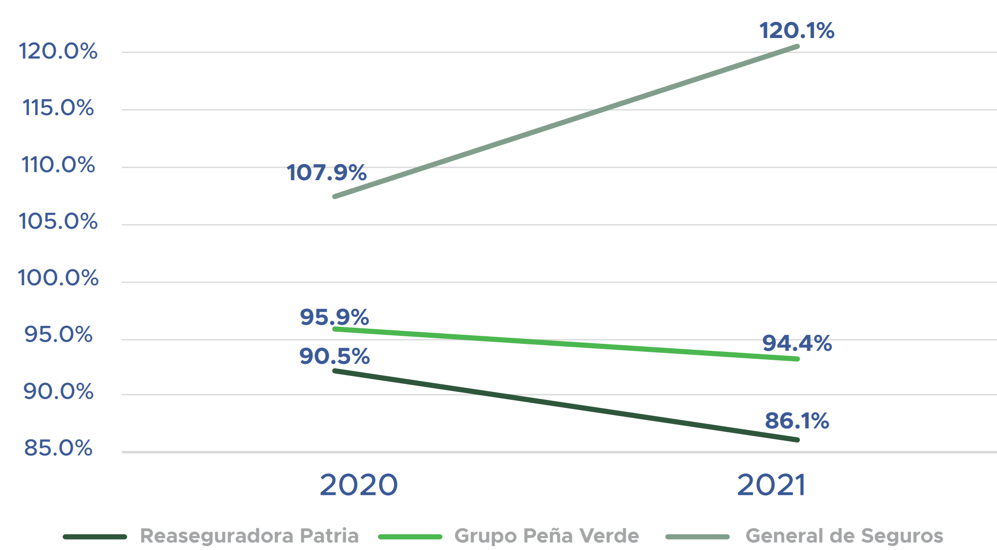
As a result of the solid growth in premiums earned, Grupo Peña Verde's claims ratio (measured as net claims cost as a percentage of premiums earned) stood at 56.7% during 2021, down 198 bps. from 58.7% in 2020.

Operating Ratio



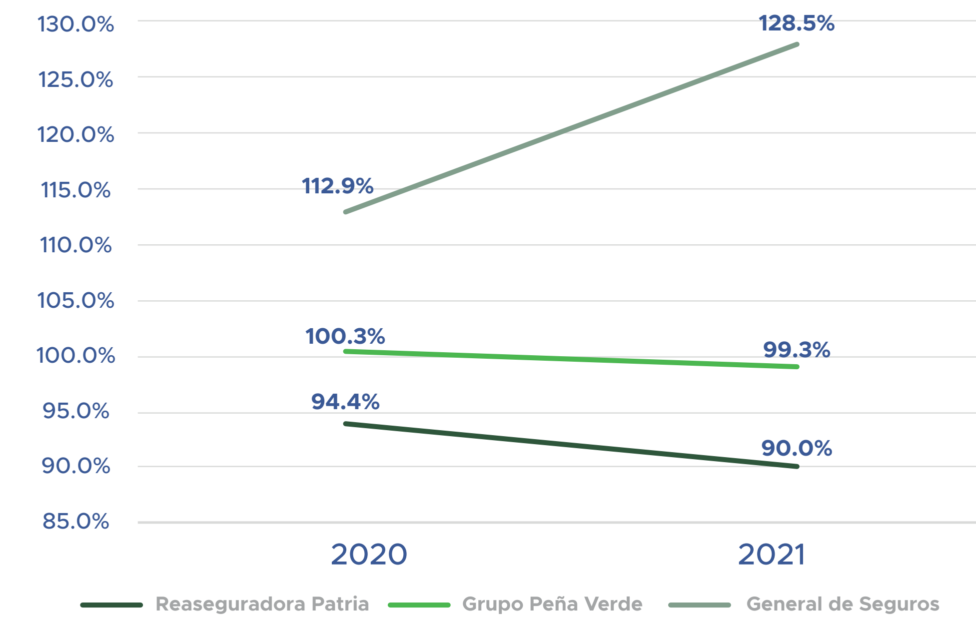
As a result of the consolidation of greater operating efficiencies during 2021, Grupo Peña Verde's operating ratio decreased 34 bps. in its annual comparison, standing at 8.6% during 2021.

Combined Ratio



As of December 31, 2021, the Company's combined ratio was 94.4%, 152 bps. lower than in 2020. It is important to remember that the combined ratio is calculated by the sum of the acquisition, claims and operating ratios.

Adjusted Combined Ratio

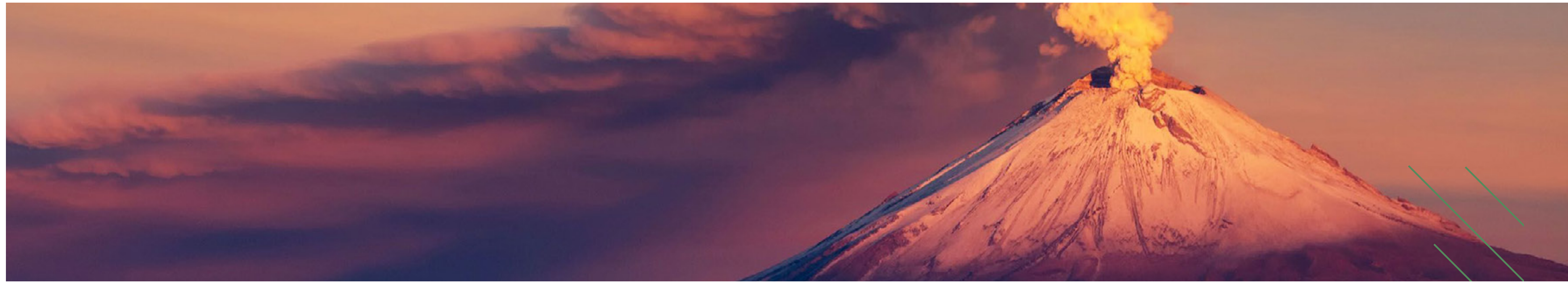


Grupo Peña Verde's adjusted combined ratio (measured as the sum of acquisition and claims costs, as well as operating expenses, as a percentage of premiums earned) went from 100.3% in 2020 to 99.3% in 2021 (-100 bps.). It is important to remember that the adjusted combined ratio is presented for comparative purposes with international ratios.

ABOUT THIS REPORT

MATERIALITY AND PREPARATION

This material references Disclosures GRI 101: Foundations 2016; 102-32, 102-42, 102-46, 102-47, 102-50 and 102-52 of GRI 102: General Disclosures 2016; and 103-1 of GRI 103: Management Approach 2016



Grupo Peña Verde has prepared, for the second consecutive year, its Annual Sustainability Report dated June 10, 2022, which covers a full year of operation, from January 1st, 2021 to December 31st, 2021.

The content of this report was prepared under the GRI 2016 Standards reference, reflecting Grupo Peña Verde's commitment to increasing progress towards the adoption of ESG (Environmental, Social and Corporate Governance) best practices, with the objective of gradually achieving greater adherence to the standards of the Global Reporting Initiative.

Due to the above, for this edition, the Investor Relations department, which is responsible for the preparation of Grupo Peña Verde's financial reports, supported by the opinion of IRDesign, a firm specialized in the preparation of sustainability reports, determined the following points as the main topics to be addressed in this report:

1. Corporate Profile
2. Financial and Operational Highlights
3. Commitment to ESG Factors

The Company considers that the aforementioned topics, with their respective breakdown, reasonably fulfill with providing the relevant information to the different stakeholders of Grupo Peña Verde. Additionally, the Company's Investor Relations team is available to provide, if deemed necessary, any feedback.

The **Annual Sustainability Report** was presented to the **Board of Directors** for approval.

In order to provide greater certainty on the information presented in this document, the Report of Grupo Peña Verde's External Auditor on Financial Information is included.

Accuracy:

The information herein disclosed contains the economic, social and sustainable performance of Grupo Peña Verde, duly identified by subtopics and supported with visual elements to contribute to the understanding of its stakeholders.

Comparability:

The report contains the historical information that is required to clearly indicate Grupo Peña Verde's progress in the material topics selected, which will remain in future editions.

Balance:

Grupo Peña Verde deems that the information disclosed explains objectively its operating performance, without ignoring information on actions that could have been better executed or which had a negative impact during 2021.

Reliability:

In order to provide certainty and validity to this report, Grupo Peña Verde has attached the external audit report from the firm KPMG Cárdenas Dosal, S. C., with respect to the Groups' financial statements.

Clarity:

The information covered in this report was prepared to be presented in a simple, clear and straightforward manner, backed by two tables of contents, one to ease the search of relevant information for stakeholders, and another to reference the compliance with GRI Standards.

Timeliness:

Grupo Peña Verde began the elaboration of this report in advance to make available the information of 2021 fiscal year to its stakeholders in a timely manner and within the period in which these documents are usually issued.

GRI CONTENT INDEX

This material references Disclosure 102-55 from GRI 102: General Disclosures 2016

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403-6	Promotion of worker health	Our Team	50
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Our Team	50
403-8	Workers covered by an occupational health and safety management system	Our Team	50
	GRI 404: Training and Education 2016		
103	Management approach disclosures	Our Team	50
404-1	Average hours of training per year per employee	Our Team	50
404-2	Programs for upgrading employee skills and transition assistance programs	Our Team	50
404-3	Percentage of employees receiving regular performance and career development reviews	Our Team	50
	GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	Ethics	86
	GRI 410: Security Practices 2016		
410-1	Security personnel trained in human rights policies or procedures	Our Team	50

EXTERNAL ASSURANCE

EXTERNAL AUDIT

This material references Disclosure 102-45 and 102-56 from GRI 102: General Disclosures 2016

PEÑA VERDE, S. A. B. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Peña Verde, S. A. B.:Opinion

(Figures in thousands of Mexican pesos)

Opinion

We have audited the consolidated financial statements of Peña Verde, S. A. B. and subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Peña Verde, S. A. B. and subsidiaries have been prepared, in all material respects, in accordance with Mexican Accounting Criteria for Insurance Institutions (the Accounting Criteria), issued by the National Insurance and Bonds Commission (the Commission).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, have been the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Current risk reserve amounting to ($5,243,517), outstanding provisions for incurred but not reported claims and adjustment expenses amounting to ($2,006,899), contingency reserves amounting to ($335,387) and catastrophic reserve amounting to ($7,580,638).

See note 3k to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The valuation of technical reserves for current risk reserve, outstanding provisions for incurred but not reported claims and adjustment expenses, contingency reserves and catastrophic reserve requires the application of the methodology approved by the commission, which considers complex calculation and the use of internal and external data. An error in the calculation, as well as the quality of the underlying information may generate material impacts on the estimate. Therefore, we have considered the valuation of technical reserves as a key audit matter.	The audit procedures performed among others, are as follows: • We evaluate the use of relevant actuarial assumptions according to the approved methodology by the Commission. • We evaluated on a selective basis, the accuracy and completeness of the relevant data used in the calculation. • We recalculated on a selective basis the determination of the estimate according to the methodology approved by the Commission. • We obtained an understanding of the process and tested the internal control implemented by the Institution for the calculation and recording of the technical reserves. • We evaluate objectivity, competence, and the findings of the external actuaries hired by management to determine the status and sufficiency of technical reserves, including their evaluation of significant assumptions and methods used by the management. Further we evaluate that the information provided to actuarial auditors were consistent with the information that was provided to us as part of our audit. The procedures described above were performed with the support of our actuarial specialists.

Other information

Management is responsible for the other information. The other information comprises information included in the Institution's Annual Report corresponding to the year end December 31, 2021, which will be filed with the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) and the Mexican Stock Exchange (the Annual Report), but does not include the consolidated financial statements and our auditors' report thereon. The report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate that matter to those charged with the Intuition's governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the Accounting Criteria issued by the Commission, and for such internal control as Management deems necessary to enable the preparation of consolidated financial statements that are free of material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group Institution's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by Management

- We conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Institution to cease to continue as a going concern.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with the Institution's governance with a statement that we have complied with the ethics requirements applicable to independence and that we have communicated all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Cárdenas Dosal S. C.

C.P.C. Juan Carlos Laguna Escobar

Mexico City, April 14, 2022.

Peña Verde, S.A.B. and subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020
(Thousands of Mexican pesos)

Assets	2021		2020	
Investments:				
Securities (note 5):				
Government	$ 9,692,404		$ 10,216,356	
Corporate:				
Fixed income	2,079,021		70,059	
Variable income	4,270,620		3,978,883	
Foreign	2,575,192		1,847,887	
Restricted cash	765,309		796,233	
	19,382,546		16,909,418	
Repurchase agreements (note 5)	506,384		191,687	
Loan portfolio, net:				
Current	7,183		6,534	
Allowance for loan losses	(161)		(165)	
	7,022		6,369	
Properties, net (note 6):	721,602	20,617,554	685,692	17,793,166
Employee benefits investment (note 10)		209,280		196,952
Cash and cash equivalents:				
Cash and cash in banks (note 3d)		176,409		355,819
Accounts receivable:				
Premiums (note7)	2,987,099		2,912,286	
Premiums for property and casualty subsidy (note 7)	4,940		4,939	
Agents and adjusters	11,644		4,831	
Notes receivables	975		1,753	
Receivables from bond responsibilities in claims paid	61,803		30,472	
Other	202,401		163,539	
Allowance for doubtful accounts	(92,917)	3,175,945	(3,140)	3,114,680

Assets	2021		2020	
Reinsurers and bonds reinsurers, net (note 8):				
Current	1,617,939		2,006,168	
Retained deposits	190,669		177,926	
Reinsurance's share on technical reserves	2,061,585		2,076,190	
Credit risk allowance for foreign and bonds reinsurers	(3,465)		(9,140)	
Allowance for doubtful accounts	72,110	3,938,838	(22,550)	4,228,594
Permanent investments:				
Other		48,628		48,628
Other assets:				
Furniture and equipment, net (note 9)	34,543		35,113	
Foreclosed assets, net	608		608	
Sundry (note 9)	566,585		456,239	
Amortizable intangible assets, net	166,510	768,246	25,498	517,458
Total assets		$ 28,934,900		$ 26,255,297

Liabilities and Stockholders' Equity	2021		2020	
Liabilities:				
Technical reserves:				
Current risk:				
Life	$ 852,737		$ 637,432	
Accidents and health	347,529		314,215	
Property and casualty	3,468,059		3,053,806	
Bonds in force	575,192		562,794	
	5,243,517		4,568,247	
Outstanding claims provision:				
For expired policies and pending payment claims	3,519,109		2,999,012	
For claims incurred but not reported and adjustment expenses	2,006,899		1,798,838	
Insurance funds under management	38,556		47,833	
Premiums collected in advance	44,450		45,400	
	5,609,014		4,891,083	
Contingency reserve	335,387		278,762	
Specialized insurance reserve	-		97	
Catastrophic reserve	7,580,638	18,768,556	6,598,073	16,336,262
Employee benefits (note 10)		224,319		229,399
Creditors:				
Agents and adjusters	271,437		170,437	
Loss funds under management	1,933		1,827	
Bond responsibilities accruals	152,145		193,343	
Sundry	287,474	712,989	504,472	870,079
Reinsurers and bonds reinsurers (note 8):				
Current	2,840,824		2,843,942	
Retained deposits	8,850		874	
Other shares	311,451		349,013	
Reinsurers and bonds brokers	1,312	3,162,437	1,528	3,195,357
Other liabilities:				
Employee statutory profit sharing	16,872		26,978	
Income tax payable (note 13)	73,364		86,012	
Other obligations	358,365		272,013	
Deferred credits (note 13)	765,241	1,213,842	771,218	1,156,221
Total liabilities		24,082,143		21,787,318

Liabilities and Stockholders' Equity	2021		2020	
Stockholders' equity (note 14):				
Controlling interest:				
Capital stock		422,608		422,608
Equity reserve:				
Statutory reserve	2,592		2,592	
Repurchase of own shares	151		151	
Additional paid-in capital	959,576	962,319	959,576	962,319
Valuation surplus		149,539		106,627
Cumulative translation effect		59,622		109,727
Retained earnings		2,804,863		3,032,379
Net income		429,527		(195,461)
Total controlling interest		4,828,478		4,438,199
Non-controlling interest		24,279		29,780
Total stockholders' equity		4,852,757		4,467,979
Commitments and contingent liabilities (note 18)				
Total liabilities and stockholders' equity		$ 28,934,90		26,255,297

Memorandum accounts:	2021	2020
Funds under management	$ 13,148	13,697
Current bond liabilities	21,366,701	17,395,728
Tax loss carry forwards	50,405	35,687
Reserve to be accrued on employee benefits	45,009	45,009
Control accounts	5,611,636	4,833,607
Guarantees received in repurchase agreements	36,932	-

See accompanying notes to consolidated financial statements.

Peña Verde, S. A. B. and subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

	2021		2020	
Premiums:				
Written (notes 8 and 10)	$	11,962,572		10,226,171
Less ceded (note 8)		2,153,601		2,064,346
Retained premiums		9,808,971		8,161,825
Less net increase in current risks reserve and bonds in force		696,376		417,641
Earned retained premiums		9,112,595		7,744,184
Less:				
Net acquisition cost:				
Agent commissions	351,405		275,515	
Additional compensation to agents	230,753		115,965	
Commissions from reinsurance and bonds reinsurance taken	1,636,575		1,296,816	
Commissions from reinsurance and bonds reinsurance ceded	(415,348)		(434,815)	
Non-proportional reinsurance cost	535,481		563,684	
Other	518,340	2,857,206	495,741	2,312,906
Net cost of claims and other outstanding obligations:				
Claims and other outstanding obligations	5,095,233		4,445,597	
Recovered claims from non-proportional reinsurance contracts	(98,975)		(10,279)	
Bonds claims	172,334	5,168,592	110,102	4,545,420
Technical income		1,086,797		885,858

	2021		2020	
Net increase in other technical reserves:				
Catastrophic risks	849,262		889,383	
Contingency reserve	64,424		51,871	
Other reserves	610	914,296	97	941,351
Gross (loss) income		172,501		(55,493)
Net operating expenses:				
Administrative and operating	506,180		443,820	
Personnel remuneration and fringe benefits	497,496		442,940	
Depreciation and amortization	22,188	1,025,864	24,897	911,657
Operating loss		(853,363)		(967,150)
Comprehensive financial result:				
Investment in securities	576,338		508,815	
Gain on sale of investments	427,275		454,575	
Investment securities valuation	163,117		(297,917)	
Premium surcharges	25,129		30,770	
Credit risk allowance for foreign reinsurers	7,019		(6,212)	
Credit risk reserves	(18)		(170)	
Other	10,419		9,217	
Foreign exchange result	142,591	1,351,870	50,631	749,709
Income (loss) before income tax and non-controlling interest		498,507		(217,441)
Income tax (note 13)		(68,607)		21,630
Consolidated net income (loss)		429,900		(195,811)
Non-controlling interest		(373)		350
Net controlling interest income (loss)	$	429,527		(195,461)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

	CAPITAL STOCK	CAPITAL EARNED								
		Reserves			Retained earnings					
	Paid-in capital stock	Statutory	Repurchase of own shares	Additional paid-in capital	From prior years	Current year	Valuation (deficit) surplus	Cumulative transalation effect	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2019	$ 422,608	2,446	151	959,576	2,772,814	325,913	113,883	59,383	43,412	4,700,186
Items related to stockholders' decisions:										
Transfer of prior year's net income	-	146	-	-	325,767	(325,913)	-	-	-	-
Repurchase of shares from subsidiary (note 14f)	-	-	-	-	(33,859)	-	-	-	(517)	(34,376)
Items related to the comprehensive income (note 14c):										
Surplus valuation from subsidiaries's properties	-	-	-	-	-	-	29,478	-	174	29,652
Surplus valuation from subsidiaries's investments	-	-	-	-	-	-	(33,421)	-	(631)	(34,052)
Deferred income taxes for the year	-	-	-	-	-	-	(3,313)	-	155	(3,158)
Other	-	-	-	-	(32,343)	-	-	50,344	(12,463)	5,538
Net loss for the year	-	-	-	-	-	(195,461)	-	-	(350)	(195,811)
Balances as of December 31, 2020	422,608	2,592	151	959,576	3,032,379	(195,461)	106,627	109,727	29,780	4,467,979
Items related to stockholders' decisions:										
Transfer of prior year's net income	-	-	-	-	(195,461)	195,461	-	-	-	-
Repurchase of shares from subsidiary (note 14f)	-	-	-	-	(13,055)	-	-	-	(588)	(13,643)
Dividends paid (note 14d)	-	-	-	-	(19,000)	-	-	-	-	(19,000)
Items related to the comprehensive income (note 14c):										
Surplus valuation from subsidiaries's properties	-	-	-	-	-	-	39,662	-	239	39,901
Surplus valuation from subsidiaries's investments	-	-	-	-	-	-	32,029	-	505	32,534
Deferred income taxes for the year	-	-	-	-	-	-	(28,779)	-	(299)	(29,078)
Other	-	-	-	-	-	-	-	(50,105)	(5,731)	(55,836)
Net loss for the year	-	-	-	-	-	429,527	-	-	373	429,900
Balances as of December 31, 2021	$ 422,608	2,592	151	959,576	2,804,863	429,527	149,539	59,622	24,279	4,852,757

See accompanying notes to consolidated financial statements.

Peña Verde, S. A. B. and subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

	2021	2020
Net controlling interest income (loss):	$ 429,527	(195,461)
Items not requiring cash:		
Unrealized (gain) loss on valuation coming from investing and financing activities	(163,117)	297,917
Allowance for doubtful accounts	(10,562)	41,612
Depreciation and amortization	22,188	24,897
Adjustment or increase related to technical reserves	1,920,021	1,680,206
Current and deferred income tax	68,607	(21,630)
Non - controlling interest	373	(350)
Subtotal	2,267,037	1,827,191
Operating activities:		
Changes in investment securities	(2,310,011)	(2,049,627)
Changes in repurchase agreements	(314,697)	(159,365)
Changes in loan portfolio	(649)	25,979
Changes in other premiums receivable	(74,814)	(532,027)
Changes in debtors	(76,228)	(86,180)
Changes in reinsurers and bonds reinsurers	391,603	348,673
Changes in other operating assets	(345,254)	(46,876)
Changes in contractual obligations and expenses related to claims	509,870	676,127
Changes in other operating liabilities	(116,877)	124,216
Net cash provided by operating activities	(70,020)	128,111
Investment activities:		
Acquisition of intangible assets	(22,723)	(67,439)
Selling (acquisition) of property, furniture and equipment	1,367	(7,473)
Net cash used in investment activities	(21,356)	(74,912)

	2021	2020
Financing activities:		
Movement in no-controlling interest	(5,874)	(13,282)
Other	-	(32,343)
Dividends paid	(19,000)	-
Repurchase of shares from subsidiary	(13,055)	(33,859)
Net cash used in financing activities	(37,929)	(79,484)
Net decrease in cash and cash equivalents	(129,305)	(26,285)
Effects due to changes in the value of cash	(50,105)	50,344
	(179,410)	24,059
Cash and cash equivalents:		
At beginning of year	355,819	331,760
At end of year	$ 176,409	355,819

See accompanying notes to consolidated financial statements.

(Thousands of Mexican pesos)

(1) Description of business and credit rating-

Description of business

Peña Verde, S. A. B. (Peña Verde and together with its subsidiaries, the Institution or the Group), is a company incorporated under the laws of Mexico located at Periférico Sur Number 2771, Colonia San Jerónimo Lidice, Alcaldía Magdalena Contreras, C.P. 10200, Mexico City, in terms of the Insurance and Bonds Institutions Law (the Law), the Institution is mainly engaged in insurance and reinsurance activities within following operations and insurance lines:

a. Life.
b. Accident and health, in the lines of personal accidents and medical expenses.
c. Property and casualty, in the lines of miscellaneous and professional liability, marine and inland marine, fire, automobile, credit, multiple peril, agricultural and earthquake and other catastrophic risks.
d. Reinsurance and bonds reinsurance operations.

The Institution operates mainly in: Mexico, Latin America, the Caribbean region and overseas.

The consolidated financial statements for the years ended at December 31, 2021 and 2020, include the financial information of Peña Verde and its subsidiaries. The activities of its subsidiaries of Peña Verde are described below:

- Reaseguradora Patria, S. A. (Reaseguradora Patria) - It is a Mexican company which its main purpose is to reinsure in life, accident and health, property and casualty and bonds lines, in terms of the Law.

- General de Seguros, S. A. B. (General de Seguros) - Its main activity is to act as an insurance institution in operations and insurance lines referred in the a, b and c preceding paragraphs, in the terms of the Law.

- General de Salud, Compañía de Seguros, S. A. (General de Salud) - Its main activity is to act as an insurance institution in the line of health medical expenses insurance, within the line of accidents and health, in terms of the Law.

- Servicios Administrativos Peña Verde, S. A. de C. V. (Servicios Peña Verde) - Its main activity is to provide services related to the operation and business management. As of August 4, 2021, it's parts of the Register y of Providers of Specialized Services or Specialized Works (REPSE), by its acronym in Spanish.

- Patria Corporate Member Limited (PCM o Patria Corporate) – It is an entity created under the United Kingdom Law, the main object is to carry out reinsurance activities in different lines for insurance and reinsurance within the market of Lloyd's in the form of corporate member, which are managed by Hamilton Insurance Group, Ltd (formerly Pembroke Managing Agency Limited) throughout the Special Purpose Syndicate 6125, established exclusively for this operation. On November 12, 2020, the Group announced the run-off process of PCM in the Lloyd's Reinsurance market. Customer care will now be performed through Reaseguradora Patria.

- CCSS Peña Verde, S. A. de C. V. (CCSS) – It was incorporated on October 23, 2012, and initiated operations on August 2016, its main activity is to provide "call center services" to clients, suppliers, insured and beneficiaries of the Group.

Credit Rating

As of December 31, 2021, the Institution's subsidiaries have the following credit rating:

Subsidiary	Term	Scale	Rating	Rating agency
General de Seguros	Short	National	AA+(mex)	Fitch Ratings
General de Salud	Short	National	AA+(mex)	Fitch Ratings
Reaseguradora Patria	Short	National	AAA(mex)	Fitch Ratings

(2) Financial statements authorization, basis of preparation and oversight-

Authorization

On April 14, 2022, Manuel Escobedo Conover, the Chief Executive Office, authorized the issuance of the accompanying consolidated financial statements and related notes thereto.

In accordance with the General Corporation Law (Ley General de Sociedades Mercantiles), the provisions of the National Insurance and Bonds Commission (the Commission), and the statutes of the Peña Verde S. A. B., the stockholders, the board of directors and National Banking and Securities Commission (CNBV), are empowered to modify the consolidated financial statements after issuance. The consolidated financial statements will be submitted to the next stockholders' meeting for approval.

Basis of preparation

a) Statement of compliance

The accompanying financial statements have been prepared in accordance with Mexican Accounting Criteria (the Accounting Criteria) for Insurance and Bonds Institutions, established by the Commission in force as of the consolidated balance sheets date.

b) Use of estimates and judgments

The preparation of the consolidated financial statements requires Management to make estimates and assumptions affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Judgments

Information about judgement made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statement is described in note 3(b) - consolidation: whether the Institution has de facto control over an investee.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 3(k) – The valuation of technical reserves depends on the key actuarial assumptions and the quality of the underlying information;
- Note 3(m) – Measurement of defined benefit obligations: key actuarial assumptions;
- Note 3(o) – Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carry forwards can be utilized;

c) Functional and reporting currency

The consolidated financial statements are presented in Mexican pesos, which is the same as the recording currency and the functional currency, according to the following:

- For the PCM subsidiary with country-of-origin United Kingdom, its recording currency is the British Pound and its functional currency is the USD dollar, its financial statements were translated into the reporting currency Mexican peso to consolidate such subsidiary.

- For the rest of the subsidiaries, the Mexican peso is the functional currency.

For purposes of the consolidated financial statement disclosure, "pesos" or "$" means thousands of Mexican pesos, and "dollars" or USD means thousands of U.S. dollars.

Oversight

The Commission has supervisory powers over issuers of securities in Mexico to dictate the accounting standards to which the aforementioned issuers must follow in the preparation and presentation of the consolidated financial statements.

(3) Summary of significant accounting policies-

Significant accounting policies described below have been applied consistently to the consolidated financial statements and have been applied consistently by the Institution.

a) Inflation effects recognition-

The accompanying consolidated financial statements have been prepared in accordance with Mexican Accounting Criteria for insurance institutions in effect as of the balance sheet date, which due to the Institution operates in a non-inflationary economic environment, include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the Mexican National Consumer Price Index (NCPI). Annual and cumulative inflation percentages of the last three years, are as follows:

		INFLATION	
December 31,	NCPI	Yearly	Cumulative
2021	117.308	7.36%	13.87%
2020	109.271	3.15%	11.19%
2019	105.934	2.83%	15.10%

b) Principles of consolidation-

The consolidated financial statements include the financial information of Peña Verde, S. A. B. and those of its subsidiaries which it controls. All significant inter-company balances and transactions have been eliminated in preparing the consolidated financial statements. The consolidation was based on the financial statements of Peña Verde and the issuing companies as of December 31, 2021 and 2020, which have been prepared in accordance with the accounting criteria established by the Commission.

c) Translation of foreign currency financial statements-

The financial statements of foreign operation are translated into the reporting currency by initially determining if the functional currency and the currency for recording the foreign operations are different and then translating the functional currency to the reporting currency, using the historical exchange rate and/or the exchange rate at year end, and the inflation index of the of origin country when the foreign operation it is an inflationary economic environment.

d) Investments in securities-

The Commission regulates the basis on which the Institution makes investments, for which an accounting and measurement criteria has been established, which classifies the investments according to the Management intention on ownership, as shown below:

Securities for trading purposes-

Trading securities are debt or equity securities held by the Institution to meet claims and operating expenses, so from the moment an investment is made there is an intention to trade them shortly, and in the case of debt securities on dates prior to maturity.

Debt securities are initially recorded at acquisition cost and performance accrual yield (interest, coupons or equivalents) is determined by applying effective interest method. Interests are recorded on the income statement when earned. Debt securities are stated at fair value using market prices provided by independent price vendors, or by specialized official publications on international markets. When quotation is not available, the acquisition cost could be used as an indexed price for valuation.

Equity securities are recorded at acquisition cost and measured similarly to traded debt securities. Where there is no market value, the lower of the issuer's book value or acquisition cost shall be considered.

The valuation effects of debt and equity securities are recognized on the consolidated statement of income in "Comprehensive financial result" under "Investment securities valuation".

On the date of its sale, the difference between the selling price and the carrying value of the securities will be recognized on the consolidated income statement. The sold securities' valuation result recognized on the income statement is reclassified to "Comprehensive financial result as a gain on sale of investments" in the consolidated statement of income, on the date of the sale.

At the acquisition date, transaction costs related to debt securities and equity are recorded on the consolidated statement of income.

Available-for-sale securities-

These are those financial assets for which Management has an intention other than an investment for trading purposes or to be held to maturity from the time of investment, and it is intended to trade them in the medium term and in the case of debt instruments on dates prior to maturity, in order to obtain gains based on the changes in market value and not only through inherent returns.

Debt securities are recorded at acquisition cost. Performance interest yield (interest, coupons or equivalents) and valuation methodologies are the same than those applied to trading debt securities, including yield earned on the statement of income, however valuation effect is recorded on stockholders' equity under "Valuation surplus" as long as such financial instruments are neither sold nor transferred to a different category. At the time of sale, the effects previously recorded in stockholders' equity, shall be recognized on the consolidated statement of income.

Equity instruments are recorded at acquisition cost. Investments in quoted shares are stated at fair value, based on the market prices released by the independent price vendors. If there were no market value, the accounting value of the issuer is considered. The valuation effects of equity instruments are recorded under "Valuation surplus" in stockholders' equity.

At the acquisition date, transaction costs related to debt and equity securities are recorded as part of the investment.

Transfers between categories-

Transfers between financial asset categories are permissible only when management's original intention for holding the financial asset is affected by changes in the Institution's financial capacity or a change in circumstances requiring modifying the original intent.

Only securities classified as available-for-sale may be transferred.

Transfer of categories of financial instruments for trading purposes is not allowed, except in case a financial instrument is in a market that, due to unusual circumstances outside the control of the Institution, ceases to be active and loses the characteristic of liquidity. This instrument may be transferred to financial instruments available-for-sale (debt or equity financial instruments).

Unrealized valuation results-

The Institution may not capitalize or share the profit from the valuation of any of the investments in securities until it is converted into cash.

Repurchase agreements operations-

The repurchase agreements operations are presented in a separate line item on the consolidated balance sheet. They are initially recorded at the agreed-upon price and measured at amortized cost, through the recognition of the premium in income of the year as accrued, according to the effective interest method; financial assets received as collateral are recorded in memorandum accounts.

Restricted cash and securities-

There is a legal agreement that grants Lloyd's Corporation the right to apply funds for the settlement of any claim arising out of the PCM Subsidiary's share in Lloyd's Unions. These funds may only be released with Lloyd's permission and only in circumstances where the amounts are replaced by an equivalent asset or after the expiration of the PCM liabilities with respect to its underwriting. The balance of these funds in cash and cash equivalents as of December 31, 2021 and 2020 amounts to $40,427 and $74,810 respectively and also in investments in securities (see note 5).

Impairment-

The Institution assesses at each consolidated balance sheet date whether there is objective evidence that a security is impaired, with the objective and non-temporary evidence that a financial instrument has impaired in value is determined and recognized a corresponding loss.

e) Cash and cash equivalents-

Cash and cash equivalents include bank accounts in local currency dollars and sterling pounds. At the consolidated balance sheet date, interest earned, and currency translation gains/losses are presented on the consolidated statement of income as part of "Comprehensive financial result".

Checks that have not been collected after two business days of being deposited, and those that have been returned, must be reclassified to sundry debtors. Forty-five days after the checks were recorded in sundry debtors and have not been collected or recovered should be written off affecting results from the operations of the year. Checks issued prior to date of the financial statements that have not been delivered to the beneficiaries, must be reclassified as a part of "Cash and cash equivalents" without impacting the accounting records as a results of checks issuance.

f) Debtors-
Premiums receivable-

For insurance operations-

Premiums receivable represents uncollected premiums with an aging lower than the term established in agreement or under 45-days aging according to the provisions of the Commission. When this status is exceeded, they are written off against the results of the year, except for premiums receivable from Federal Public Administration offices or entities which are reclassified as "Receivables from agencies and public administration entities", if supported by a national public tender, and in which is in place an agreement with the Federal Government supported in the Federal Expense Budget for the corresponding fiscal year.

For reinsurance operations-

Premiums for reinsurance transactions are as follows:

a. The premium balances correspond to the amount payable of the minimum premium and deposit of reinsurance transactions taken by non-proportional contracts and which are recognized on an annual basis from the beginning of validity.

   The accrual of the minimum premium and deposit, is recognized as the cash flows are received according to the terms and conditions agreed in the contract, which can be quarterly or 25% quarterly with a 90-day guarantee. An estimate should be recognized if the agreed deadline is not met.

   In the event that the agreed deadline is not met, the coverage must be cancelled, or the guaranteed payment is extended based on a new agreement.

b. The balances of the premiums receivable subscribed by PCM include the accumulated balances of 36 months of underwriting, since the results of the distribution of profits or losses will be given 36 months after subscription. This period can be extended to one year if the premium is cancelled. The Union may make account distributions or cash calls in accordance with the cash flow of a particular account year and subject to Lloyd's requirements.

Premiums in property and casualty subsidies-

Property and casualty subsidy premiums are recorded in accordance with the agreement issued annually by the Ministry of Finance and Public Credit with respect to the operating rules of agricultural insurance premium subsidy and support for agricultural insurance funds.

Loans to officers and employees, loans, credits or financing granted and other receivables-

Management conducts an analysis on recoverability on loans to officers and employees, as well as on accounts receivable from identified debtors in which at inception maturity is agreed to be longer than a period of 90 calendar days, and accounting for an allowance for doubtful accounts when needed.

In the case of accounts receivable no included in the preceding paragraph, an allowance for doubtful accounts is provided for the full amount, considering the following criteria: for unidentified debtors, right after 60 calendar days of being recorded, and in the case of identified debtors, right after 90 calendar days of being recorded.

In terms of Chapter 8.14 of the CUSF (Circular Única de Seguros y Fianzas for its Spanish acronym), the commercial loan portfolio is rated quarterly, while the unsecured credit and mortgage loans are rated monthly. For the calculation of the allowance for credit risk, a methodology that considers the probability of default, the severity of the loss and exposure to default, recognizing the effect of the reserve in the income of the year under the caption "Comprehensive financial result."

The Commission may order the creation of preventive reserves from credit risk, in addition to those referred to in the above paragraph, for the total balance owed as follows:

i. When the corresponding credits files have no or there is no documentation considered necessary according to the regulation in force, to exercise collection. This reserve is only released when the Institution addresses the deficiencies observed.
ii. When a report issued by a credit information company on the history of the borrower has not been obtained (except loans to officers and employees, when the loan payments are received through discounts to salary), this reserve is canceled three months later when the report is available.

g) Derecognition-

The Institution derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Institution neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

h) Property, furniture and equipment-

The Institution properties are stated at cost of acquisition and restated based on independent appraisals. Appraisals are required to be made annually. The valuation increases or decrease is recorded in the account "valuation surplus/deficit" under equity caption and at the time of selling the property, this effect is recycled to the statement of income.

From January 1, 2007, acquisitions of assets under construction or installation include the capitalization of the related comprehensive financial results as part of the value of assets.

Furniture and equipment are recognized at acquisition cost and through December 31, 2007, were adjusted for inflation by applying NCPI factors.

Depreciation on properties is calculated based on the remaining useful life of such assets, considering the restated value of constructions as determined by the latest appraisals performed.

Depreciation on furniture and equipment is calculated on the straight-line method over the estimated useful lives of the assets as determined by the Institution's Management. The total useful lives and the annual depreciation rates of the principal asset classes are as follows:

	Years	Rates
Property	Several	Several
Transportation equipment	4	25%
Office furniture and equipment	10	10%
Computer equipment	4 and 3.33	25% and 33%
Computer support equipment	8.33	12%
Other	10	10%

Leasehold improvements are amortized over the useful life of the improvement or the related contract term, whichever is shorter.

Minor repairs and maintenance costs are expensed as incurred.

i) Intangible assets-

Intangible assets with a defined useful life include mainly systems and software. The factors about the useful life are the expected use of the asset are based on estimates made by the management. These assets are recorded at acquisition or development cost and are amortized in a straight-line basis over their estimated useful life of 6 and 10 years for software and deferred expenses, respectively and are subject to impairment tests on an annual basis, and at any time when there is an indication of impairment.

j) Prepayments -

Mainly include prepayments for the purchase of services that are received after the date of the balance sheet and in the ordinary course of operations.

k) Technical reserves-

The Institution creates and measures the technical reserves established in the Law, in accordance with the general provisions issued by the Commission in Title 5 of the CUSF.

The technical reserves are established and measured in relation to all insurance and reinsurance obligations that the Institution has assumed against the insured and beneficiaries of insurance and reinsurance contracts, the administration expenses, as well as the acquisition cost assumed in relation thereto.

To establish and assess the technical reserves, actuarial methods based on the application of actuarial practice standards indicated by the Commission through general provisions, are used, and considering the information available in the financial markets, as well as the information available on technical insurance and reinsurance risks. The valuation of these reserves is assessed by an independent actuary and registered with the Commission.

For the technical reserves related catastrophic risk insurance and other reserves required by Law, actuarial methods for creation and valuation were determined general provisions issued by the Commission.

The most important aspects to determine and account for the technical reserves are as follows:

Reserve for current risks (RRC)-

The Institution registered with the Commission the technical notes and the actuarial methods used for creating and measuring the current risk reserve.

For insurance operations-

The purpose of this reserve is to cover the expected value of future obligations (best estimate), arising from the payment of claims, benefits, surrender payments, dividends, acquisition and administration expenses, as well as any other future obligations derived from insurance contracts, plus a risk margin.

The best estimate will be equal to weighted average of the expected value of the future cash flows, considering revenues and expenses, obligations, as the weighted average probability of these cash flows, considering the time value of money based on the free interest rate curves for each currency or monetary unit provided by the independent price vendors, as of the valuation date. The hypothesis and procedures with the future cash flows of obligations are determined, based on the best estimate defined by General de Seguros and General de Salud in their own method recorded for such calculation.

For purposes of calculating the future cash flows of revenues, the premiums that upon valuation date are overdue and outstanding are not considered, neither payments in installments accounted for in "Premium receivable" in the consolidated balance sheet.

Multiannual insurance-

In the case of multiannual policies, the current risk reserve is the current year best estimate of the future obligations, plus the rate premiums corresponding to future accumulated annuities and related return, for the time the policy has been in force, and the risk margin. For premiums related to future annuities, the acquisition cost accounted for in a separate manner to the reserve must be subtracted.

General de Seguros considers multiannual policies those insurance contracts whose coverage is more than one year, provided that it is not a long-term life insurance or those insurance contracts in which the future premiums are contingent and it is not expected to be returned when the risk expires.

Catastrophic risks insurance-

General de Seguros determines the balance of current risk reserve for earthquake, hurricane and other hydrometeorology risks with the non-accrued risk annual premium, considering the technical bases established in the CUSF. In the case of policies that cover risks that according to their characteristics cannot be measured with the technical basis, mainly reinsurance taken abroad or covered goods located abroad, the current risk reserve is calculated for the non-accrued retained risk premium, once calculated the premium, 35% of the written premiums of each of the policies in force at the valuation date.

Risk margin-

This is calculated by determining the net cost of capital corresponding to the Own Admissible Funds required to support the Solvency Capital Requirement (SCR), necessary to meet the Institution's insurance and reinsurance obligations until its expiration. For purposes of valuation of the current risk reserve, the SCR of closing of the preceding immediately quarter valuation is used.

RM= (Capital Funds) * (Term) * (Capital Cost)

Where:

- The Capital funds is determined by the corresponding distribution of the deviation of each line or subline between the deviations of all lines branch including long term insurance, by the Solvency Capital Requirement.
- The deviations of Current Risk Reserve (CRR) for each line or sub-line are the amounts corresponding to the premium in force, for the difference between the 99.5 percentile and the average of the index of claims, multiplied by the non- accrual factor and by the factor of retention.
- The deviations of the Incurred but not reported (IBNR) for each line or sub-line, are the values resulting from the difference between the 99.5 percentile and the average estimate of the IBNR reserve, multiplied by the retention factor.

For reinsurance operations-

Reaseguradora Patria registered with the Commission, technical notes and actuarial methods by means of which it constitutes and value the reserve for current risk reserve.

The purpose of this reserve is to cover the expected value of future obligations (best estimate), from the payment of claims, benefits, surrender payments, dividends, acquisition and administration expenses, as well as any other future obligation derived from the insurance contracts, plus a risk margin.

The best estimate will be equal to weighted average of the expected value of the future cash flows, considering income and expenses, obligations, as the weighted average probability of these cash flows, considering the time value of money based on the free interest rate curves for each currency or monetary unit provided by the independent price vendors, as of the valuation date. The hypothesis and procedures with the future cash flows of obligations are determined, based on the best estimate defined by Reaseguradora Patria in its own method for such calculation.

Catastrophic risk insurance-

Reaseguradora Patria determines the current risk reserve in connection with the coverage for earthquake, hurricane and other meteorological risks, with the non-accrued portion of the annual premium, considering the technical bases described in the methodology of calculation of reserves for catastrophic risks, earthquake and other meteorological risks and the calculation of Probable Maximum Loss (PML) for Reaseguradora Patria based on the catastrophic risk assessment model of the Risk Management Solutions (RMS).

Risk margin-

This is calculated by determining the net cost of capital corresponding to the Own Admissible Funds required to support the Solvency Capital Requirement (SCR), necessary to meet the Institution's insurance and reinsurance obligations until its expiration. For purposes of valuation of the current risk reserve, the SCR of the immediately preceding quarter closing at the valuation date is used.

The risk margin is determined for each line of business and type of reinsurance, in accordance with the term and currency considered in calculating the best estimate of the related obligation of reinsurance taken

The net capital cost rate used to calculate the risk margin is 10%, equivalent to the additional interest rate, in relation to the market-risk-free interest rate, which an insurance institution would require to cover the capital cost demanded to maintain the amount of Own Admissible Funds supporting the corresponding SCR.

Outstanding claims provision-

For insurance operations-

The creation, increase, valuation and recording of the outstanding claims provision, according to fraction II of article 216 of the Law, is made through estimating obligations using actuarial methods that each insurance institution has registered for such purposes with the Commission, in terms of Chapter 5.5 of the CUSF and by adhering to the principles and guidelines established in the provisions.

The purpose of this provision is to cover the expected value of accidents, benefits, guaranteed values or dividends, once the contingency provided for in the insurance contract occurs, plus a risk margin.

The amount of the outstanding claims provision will be equal to the sum of the best estimate and of a risk margin, which are calculated independently and in terms of the provisions of Title 5 of the CUSF.

This reserve includes the following components:

a) For expired policies and pending payment claims.

b) For dividends and periodic profit sharing.

c) For claims incurred but not reported and adjustment expenses.

d) For the operations mentioned in the fraction XXI of article 118 of the Law.

Outstanding claims provision for claims and other known-amount obligations-

- These are the outstanding obligations at closing of the period from claims reported, overdue endowments, past due income, surrender payments and accrued dividends, among others, whose amount payable is determined upon valuation and is not likely to have adjustments in the future, the best estimate, for purposes of establishing this reserve is the amount corresponding to each of the obligations known upon valuation.

  For a future obligation payable in installments, the current value of future cash flows is estimated, discounted using the market-risk-free interest rate curves for each currency or monetary unit, plus the risk margin calculated according to the provisions in force.

  In case of reinsurance ceded operations, the corresponding recovery is recognized simultaneously.

Outstanding claims provision for incurred claims but not reported and adjustment expenses-

- These are the obligations that arise from claims that having occurred as of the valuation date, have not yet reported or have not been completely reported, as well as the adjustment, salvages and recovery expenses. The reserve upon valuation is determined as the best estimate of future obligations, brought to the present value using discount rates corresponding to the market-risk-free interest rate curves for each currency or monetary unit, plus the risk margin calculated according to the provisions in force. In case of reinsurance ceded operations, the corresponding recovery is recorded simultaneously.

  For purposes of calculating the reserve, a claim is not completely reported when having occurred on dates prior to valuation of such claim, future complementary claims or adjustments may exist into the estimates initially made.

Risk margin-

This is calculated by determining the net cost of capital corresponding to the Own Admissible Funds required to support the SCR, necessary to meet the Institution's insurance and reinsurance obligations until its duration. For purposes of valuation of the outstanding claims provision, the SCR of closing of the preceding immediately quarter valuation is used.

RM= (Capital Funds) * (Term) * (Capital Cost)

Where:

- The Capital funds is determined by the corresponding distribution of the deviation of each line or subline between the deviations of all lines of business including long term insurance, by the Solvency Capital Requirement.
- The CRR deviations for each line or sub-line are the amounts corresponding to the premium in force, for the difference between the 99.5 percentile and the average of the index of claims, multiplied by the non-accrual factor and by the retention factor.
- The deviations of SONR for each line or sub-line are the values resulting from the difference between the 99.5 percentile and the average of the SONR reserve estimate, multiplied by the retention factor.

Outstanding claims provision for payment management and past due benefits-

It is related to management the amounts that includes dividends and endowments that the insured entrusted to their beneficiaries by General de Seguros, the best estimate of the future obligations with the reserve is constituted, corresponding to the known amount of each of these obligations and, if applicable, the yields to be credited to these amounts.

The reserves corresponding to the reinsurance taken are determined using the methodologies described.

For reinsurance operations-

The creation, increase, valuation and recording of the outstanding claims provision is made through estimating obligations using the actuarial methods that Reaseguradora Patria has registered with the Commission.

The purpose of this provision is to cover the expected value of accidents, benefits, surrender payments or dividends, once the contingency provided for in the insurance contract occurs, plus a risk margin.

The amount of the outstanding claims provision will be equal to the sum of the best estimate and of a risk margin, which are calculated independently and in terms of the provisions of Title 5 of the CUSF.

This reserve includes the following components:

Outstanding claims provision for claims and other known-amount obligations-

- These are the outstanding obligations at closing of the period from claims reported, whose amount payable is determined upon valuation and is not likely to have adjustments in the future, the best estimate, for purposes of establishing this reserve is the amount corresponding to each one of the obligations known upon valuation.

  In case of reinsurance ceded operations, the corresponding recovery is recorded simultaneously.

Outstanding claims provision for incurred claims but not reported and adjustment expenses-

- These are the obligations that arise from claims that having occurred as of the valuation date, have not yet reported or have not been completely reported, as well as the adjustment, salvages and recovery expenses. The reserve upon valuation is determined as the best estimate of future obligations, brought to the present value using discount rates corresponding to the market-risk-free interest rate curves for each currency or monetary unit, plus the risk margin calculated according to the provisions in force. In case of reinsurance ceded operations, the corresponding recovery is recorded simultaneously.

  For purposes of calculating the reserve, a claim is not completely reported when having occurred on dates prior to valuation of such claim, complementary future claims or adjustments may exist into the estimates initially made.

Risk margin-

This is calculated by determining the net cost of capital corresponding to the Own Admissible Funds required to support the Solvency Capital Requirement SCR necessary to meet the Institution's insurance and reinsurance obligations until its expiration. For purposes of valuation of the current risk reserve, the SCR of the immediately preceding quarter closing at valuation date is used.

The risk margin is determined for each branch and type of reinsurance, in accordance with the term and currency considered in calculating the best estimate of the obligation related to reinsurance taken.

The net capital cost rate used to calculate the risk margin is 10%, equivalent to the additional interest rate, in relation to the market-risk-free interest rate, which an insurance institution would require to cover the capital cost demanded to maintain the amount of Own Admissible Funds supporting the corresponding SCR.

Catastrophic risk reserve-

For insurance operations-

Earthquake and/or volcanic eruption risk-

The purpose of this reserve is to cover the probable maximum loss due to claims of catastrophic nature of the Institution in connection with underwriting earthquake insurance, the reserve is cumulative and its constitution and monthly increase will be made with the accrued portion of the retained premiums risk, it is calculated according with the model and technical procedures established in the Annex 5.1.5-a of the CUSF, from policies in force in the month of its occurrence. The balance of this reserve will add the respective financial products calculated based on the average monthly effective rate using the published rates of the month related, 28-day Federation Treasury Certificates, and for foreign currency the average of the 30-day Libor rate. The respective financial products shall be capitalized on a monthly basis and may only be affected in the case of claims and under certain conditions contemplated in the regulation, according to Chapter 5.6.6. section V of the CUSF, and with the Commission's prior approval. The balance of this reserve has a maximum limit, determined by the technical procedure established in the rules issued by the Commission, as mentioned in Chapter 5.6.6. section VI of the CUSF.

Hurricane and other hydrometeorological risks

The purpose of this reserve is to cover the probable maximum loss due to claims of catastrophic nature of the Institution in connection with underwriting hurricane and other hydrometeorology insurance, the reserve is cumulative and its constitution and monthly increase will be made with the accrued portion of the retained premiums risk, it is calculated according with the model and technical procedures established in the Annex 5.1.6-a of the CUSF, from policies in force in the month of its occurrence. The balance of this reserve will add the respective financial products calculated based on the average monthly effective rate using the published rates of the month related, 28-day Federation Treasury Certificates, and for foreign currency the average of the 30-day Libor rate. The respective financial products shall be capitalized on a monthly basis and may only be affected in the case of claims and under certain conditions contemplated in the regulation, according to Chapter 5.6.5. section VI of the CUSF, and with the Commission's prior approval. The balance of this reserve has a maximum limit, determined by the technical procedure established in the rules issued by the Commission, according to Chapter 5.6.5. section VIII of the CUSF.

Agricultural and livestock

The purpose of this reserve is to cover the probable maximum loss due to claims of catastrophic nature of the Institution in connection with underwriting agricultural and livestock insurance, the reserve is cumulative and its constitution and monthly increase will be made with the 35% of accrued portion of the retained premiums, from policies in force in the month of its occurrence. The balance of this reserve will add the respective financial products calculated based on the average monthly effective rate using the published rates of the month related, 28-day Federation Treasury Certificates, and for foreign currency the average of the 30-day Libor rate. The respective financial products shall be capitalized on a monthly basis and may only be affected in the case of claims and under certain situations contemplated in the regulation, as mentioned in Chapter 5.6.1. section VI of the CUSF, and with the Commission's prior approval.

The balance of this reserve has a maximum limit, determined by the technical procedure established in the rules issued by the Commission, according to Chapter 5.6.1. section VII of the CUSF.

For reinsurance operations-

Earthquake and/or volcanic eruption coverage-

This reserve is intended to cover the value of the maximum probable loss arising from the occurrence of catastrophic claims for earthquake insurance of retained risks by Reaseguradora Patria; it is cumulative and can only be affected in case of accidents and under certain conditions contemplated in the regulation in force, and with the Commission authorization. This reserve is increased by the release of the retention current risk reserve of earthquake and the capitalization of financial products. The balance of this reserve will have a maximum limit, determined through the technical procedure established in the rules issued by the Commission.

Hurricane coverage and other hydrometeorological risks-

This reserve is intended to cover the value of the maximum probable loss arising from the occurrence of catastrophic claims for hurricane insurance and other hydrometeorological risks for Reaseguradora Patria. It is cumulative and can only be affected in case of accidents and under certain conditions contemplated in the regulation in force, and with the Commission authorization. This reserve is increased by the release of the retention current risk reserve of hurricane and other hydrometeorological risks and the capitalization of financial products. The balance of this reserve will have a maximum limit, determined through the technical procedure established in the rules issued by the Commission.

Reserve of catastrophic risks of agricultural and livestock-

This reserve is intended to cover the value of the probable maximum loss resulting from the occurrence of catastrophic claims of Reaseguradora Patria's liabilities for agricultural and animal insurance, it is cumulative and may only be affected in case of claims and under certain conditions contemplated in the regulation in force, and with the Commission authorization. The increase to this reserve is made on a monthly basis as 35% of the accrued portion of the retained rate premium plus the financial product. The balance of this reserve will have a maximum limit, determined though the technical procedure established in the rules issued by the Commission.

Reserve of catastrophic credit insurance risks-

This reserve is intended to cover the value of the maximum probable loss arising from the occurrence of catastrophic claims of Reaseguradora Patria's liabilities for the risks retained by credit insurance, is cumulative and may only be affected in case of claims and under certain situations considered in the regulation in force, and with the Commission authorization. The increase to this reserve is constituted with an annual contribution which is calculated as 75% of the difference between the retained portion of the accrued risk premium and the retained portion of the claims recorded in the year. The balance of this reserve will have a maximum limit, determined through the technical procedure registered at the Commission.

For the reinsurance taken operations from PCM catastrophic risks reserves are not provided.

Reserve of bonds in force for reinsurance operations-

The rules for establishing, increasing and measuring technical reserves for bonds in force and contingency, basically takes into consideration certain factors in the valuation of the reserves, such as: the ratio of claims paid by the ceding bonds institutions considering line of business, the market ratio, a weighted ratio and the total amount of obligations for each line. As a result of information provided by bonds companies, Reaseguradora Patria provides a reserve for bonds in force and contingencies in accordance with the procedure registered by the regulator.

Based on Reaseguradora Patria's methodology, the reserve for bonds in force was determined by applying a factor of 0.87 to the base premium for bonds reinsurance business accepted, less the basic bonds reinsurance commissions, net of reinsurance.

The reserve for bonds in force is released using the eighths method, except for the reserve created for bonds premiums assumed in Mexico. This reserve may only be released when the risk covered by the respective bonds policy has ceased.

Contingency reserve-

In 2021 and 2020, Reaseguradora Patria determined this reserve by applying the factor of 0.13 to retained premiums for bonds reinsurance business accepted net of basic-bonds-reinsurance commissions. The reserve is cumulative.

l) Accruals-

The Institution recognizes, based on Management estimates, liability provisions for those present obligations in which the transfer of assets or the provision of services is virtually unavoidable and arise as a consequence of past events, mainly retroceded premiums, reinsurance commissions and counter guarantee taken, commissions to agents, operating expenses, salaries, bonuses and other payments to personnel.

m) Employee benefits-

Short-term direct benefits

Short-term direct employee benefits are recognized in income of the period in which the services rendered are accrued. A liability is recognized for the amount expected to be paid if the Institution has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

Long-term direct benefits

The Institution's net obligation in relation to direct long-term benefits (except for deferred ESPS - see subsection (o) Income taxes and employee statutory profit sharing), and which the Institution is expected to pay at least twelve months after the date of the most recent consolidated balance sheet presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value. Remeasurements are recognized in income in the period in which they are accrued.

Termination benefits

A liability is recognized for termination benefits along with a cost or expense when the Institution has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefits are not expected to be settled wholly within twelve months after the date of the most recent balance sheet presented, then they are discounted.

Post-Employment Benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognized in income as the related services are provided by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

The Institution's net obligation in relation to defined benefit: plans for pension, seniority premium and legal compensation benefits, is calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current and prior periods, and discounting this amount to its present value and deducting therefrom, the fair value of plan assets.

The obligations for defined benefit plans are calculated annually by certified actuaries in labor liabilities using the projected unit credit method. When the calculation results in a possible asset for the Institution, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in operating expenses. The Institution determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit liability (asset), considering any changes in the net defined benefit liability (asset) during the period as a result of estimates of contributions and benefit payments. Net interest is recognized under consolidated statement of income.

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or significantly reduce the population eligible for benefits, are recognized in income of the period.

Remeasurements (formerly actuarial gains and losses), resulting from differences between the projected and actual actuarial assumptions at the end of the period, are recognized when incurred as part of OCI within stockholder's equity.

At December 31, 2021 and 2020, for purposes of recognizing benefits post-employment related to General de Seguros, the remaining average service life of employees approximates to 16 years, for Group 1 and 1 and 3 years for Group 2. (see note 12).

n) Loss funds under management -

The amount of funds received for the payment of claims is recorded.

o) Income Tax and Employee Statutory Profit Sharing (ESPS)-

Income tax and ESPS payable for the year are determined in conformity with the tax regulations in effect.

Deferred income tax and ESPS are accounted under the asset and liability method. Deferred income tax and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of income tax, for operating loss carry forwards and other coverable tax credits. Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax and ESPS of a change in tax rates is recognized in consolidated income statement in the period that includes the enactment date.

Current and deferred income taxes and ESPS are presented and classified in the results of operations of the period, except those arising from a transaction that is recognized in Other Comprehensive Income or directly in stockholders' equity.

p) Cumulative translation effect-

It represents the difference that results from converting foreign operations from their functional currency to the reporting currency.

q) Surplus from valuation-

The caption of "Surplus from valuation" includes the property valuation effect, valuation of long-term current risk reserves and its respective deferred income tax and ESPS.

r) Revenue recognition-

Insurance and reinsurance premium revenues-

Revenues from these operations are recorded based on the premiums corresponding to the policies contracted, plus reinsurance premiums taken minus the premiums in reinsurance ceded.

The insurance premiums or the corresponding portions, originated by the aforementioned operations that have not been paid by the insured within the term stipulated by the Law, are automatically canceled, releasing the current risk reserve and in the case of reinstatement, the reserve is reconstituted as of the month in which the insurance is valid again.

Reinsurance-

For insurance operations-

Taken

Transactions arising from reinsurance taken are recognized upon reception of ceding companies statements, which are generally formulated on a monthly basis, therefore premiums, claims, and commissions on reinsurance are recorded in the month following its occurrence.

For reinsurance operations-

Reinsurance taken and retroceded-

The main Reaseguradora Patria's revenues and costs are derived from contracts and facultative reinsurance taken business assumed from cedents which has entered into contracts at local and international level, as well as from retroceded business.

Facultative reinsurance taken business are recorded according to the acceptance of the business or when the payment of the premium is received. In the case of automatic contracts, the business is recorded according to the date in which statements of account are received from cedents, which is usually quarterly or semiannually. This results in a deferral in the recording of premiums, claims and commissions, by at least one quarter. According to the amendment letter 56/11 issued by the Commission beginning fiscal year 2013, transactions must be recognized no later than one month after the event occurred, accordingly Reaseguradora Patria needs to establish an estimate on premiums, claims and commissions, etc. through a mathematical calculation which consider the historical experience over concepts before mentioned and based on its own methodology and also approved by Commission.

As a consequence of what is mentioned above, in 2021 and 2020, the Reaseguradora Patria recorded in the balance sheet an "Allowance for doubtful accounts" amounting to $72,110 and ($22,550), respectively and a debit (credit), respectively, to "Administrative and operating expenses" for ($94,660) and $62,374, respectively at the consolidated statement of income.

The Institution limits the total amount of its liability by distributing assumed risk among reinsurers through automatic and facultative contracts, ceding to the reinsurers a portion of the premium.

The Institution has a limited retention capacity in all lines and, in the case of catastrophic risks, takes out additional coverage for excess loss for fire, earthquake, hydrometeorological risk, automobile, life and bonds lines.

Retrocessionaires are required to reimburse the Institution for reported claims based on its share.

Salvage revenues for insurance operations-

For accounting purposes, salvage revenues are recognized as an asset and a decrease in the cost of claims when determined and are recorded at estimated realizable value.

Profit sharing on reinsurance transactions-

For insurance operations

Profit sharing on reinsurance ceded is recorded as revenue based on the terms stipulated in the agreements included in the respective reinsurance contracts and with technical results thereof are determined.

For reinsurance operations

The share in earnings from assumed and retroceded reinsurance business is not determined and recorded as an income or expense until technical results are known, this generally occurs the year when contracts expire.

Minimum and deposit premiums for reinsurance operations-

The minimum deposit premium for non-proportional contracts is recognized at the beginning of the contract with the corresponding premium unearned reserve.

Policy rights and premium surcharges-

Revenues related to policy rights are related to the recovery of costs of issuing the policy and are recorded in the consolidated statement of income as earned.

Revenues from premium surcharges is related to financing policies with periodic installments, which are deferred during policy term.

Service revenues-

The service revenues are recognized as earned.

s) Reinsurance-

Current account

The transactions originated by the reinsurance contracts, both transferred and taken, issued by the Institution, are presented under "Insurance and bonds institutions" in the consolidated balance sheet, for presentation purposes the net balance is offset by reinsurer.

Recoverable reinsurer's share

The Institution recognized in the balance sheet the reinsurer's share in current risks and claims incurred but not reported and adjustment expenses, as well as the expected amount of future obligations from reported claims.

The Institution's management determines the estimate of the recoverable amounts for the share of reinsurers in the technical reserves mentioned in the above paragraph, considering the temporary difference between the reinsurance recovery and the direct payments and the probability of recovery, as well as the counterpart's expected losses. The calculation methodologies for this estimate are registered with the Commission, and the effect is recognized on the consolidated statement of income under "Comprehensive financial result" and claims and other pending obligations" for transactions of insurance and reinsurance, respectively.

According to the provisions of the Commission, the recoverable amounts from reinsurance contracts with no counterparties authorized by the Commission, are not likely to cover the Investment Base, nor could be part of the Own Admissible Funds.

Reinsurance ceded-

The Institution limits the amount of its liability for risks assumed through the distribution with reinsurers, through automatic and facultative contracts, transferring a portion of the premium to these reinsurers.

The Institution has a limited retention capacity in all lines and engages excess loss coverage, which basically covers the lines of fire, motor, earthquake and other catastrophic risks.

t) Net acquisition cost-

For insurance operations

This caption includes mainly the agent commissions that are recognized in the statement of income upon issuing the policies, additional compensation to agents and other acquisition expenses, and is decreased by the reinsurance ceded commission. Payment to agents is made when the premiums are collected.

For reinsurance operations

Acquisition expenses (commissions paid and brokerage) are charged upon issuance of policies for reinsurance business reported by the cedents. Commissions earned are credited to results of operations together with the respective retroceded premium.

u) Business and credit concentration-

The Institution carries out operations with a large number of clients, with no significant concentration with any of them in particular.

v) Comprehensive financial result (CFR)-

The CFR includes finance income and expense, finance income and expense include:

- interest income;
- interest expense;
- policy rights and premium surcharges;
- dividend income;
- gain or loss from the valuation of investments in financial instruments;
- gain or loss on the sale of investments in financial instruments;
- gain or loss in foreign currency for assets and financial liabilities;
- preventive reserves from credit risk for loans and recoverable reinsurance.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in income on the date on which the Institution right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of execution or settlement. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in force at the statement of financial position date. Exchange differences arising from assets and liabilities denominated in foreign currencies are reported on the consolidated statement of income.

w) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until their realization is assured.

x) Risk management-

As part of the corporate governance system, the Institution has established the risk management system, which includes the definition and categorization of the risks the Institution might be exposed, taking in consideration, at least the following:

i. Underwriting insurance risk- shows the risk arising from the underwriting, considering the claims covered and the operating processes linked to its management and, depending on the type of insurance, considers the mortality, longevity, disability, illness, morbidity, the expenses management, expiration, conservation, policy rescue, epidemic, premium and reserve risks, as well as extreme events.

ii. The risk of underwriting bonds taken- shows the risk arising from the underwriting, considering the risk of payment of claims received with expectation of payment, guarantees of recovery, subscription of unsecured bonds agreements, as well as claims paid, premiums and reserves.

iii. Market risk – shows the potential loss due to changes in risk factors that influence the value of assets and liabilities, such as interest rates, exchange rates, price indexes, among others.

iv. Mismatch between assets and liabilities risk - shows the potential loss resulting from the lack of structural correspondence between assets and liabilities, due to the fact that a position cannot be covered by establishing an equivalent opposite position, and considers the duration, currency, interest rate, exchange rates, price indexes, among others.

v. Liquidity risk - shows the potential loss from the early or forced sale of assets at unusual discounts to meet obligations, or from the fact that a position cannot be appropriately disposed of or acquired.

vi. Credit risk - shows the potential loss arising from non-collecting, or impairment in the solvency of counterparties and debtors in the operations carried out by the Institution, including the guarantees granted to it. This risk considers the potential loss arising from non-compliance with contracts intended to reduce risk, such as reinsurance contracts, as well as accounts receivable from intermediaries and other credit risks that cannot be estimated with respect to the level of the risk-free interest rate.

vii. Concentration risk - shows the potential losses associated with an inadequate diversification of assets and liabilities, and that is derived from exposures caused by credit, market, underwriting and liquidity risks, or by the combination or interaction of those risks, by counterpart, by type of asset, area of economic activity or geographical area.

viii. Operational risk - shows the potential loss due to deficiencies or failures in the operating processes, in information technology, in human resources, or any other adverse external event related to the operation of the Institution such as legal risk, strategic risk and reputational risk, among others.

Risk management policies

The Board of Directors of the Institution has the general responsibility for the establishment and supervision of comprehensive risk management policies. The Board of Directors has implemented a risk management system that is part of the organizational structure of the Institution, which is integrated to the decision-making processes and is supported by the internal control system designating a specific area of the Institution that is responsible of designing, implementing and monitoring the system of risk management (Risk management area), additionally the Risk management committee has been implemented to supervised the risk management policies and report to the board of directors about its activities.

The risk management policies of the Institution are established to identify and analyze the risks that is exposed, establish limits and risk controls and monitor the risks and compliance with the limits. Policies and risk management systems are reviewed periodically to reflect changes in market conditions and the Institution's activities.

The purposes of the Risk Management Area are:

I. Monitor, manage, measure, control, mitigate, and report on the risks to which the Institution is exposed, including those that are not perfectly quantifiable.

II. Monitor that the performance of the Institution's operations is in accordance with the comprehensive risk management's limits, objectives, policies and procedures approved by the Board of Directors.

y) Application of particular rules-

The Institution shall observe, except when otherwise stated by the Commission, the specific accounting criteria included in the provisions and in the Mexican Financial Reporting Standards (FRS) issued by the Mexican Board of Financial Reporting Standards (CINIF), and Mexican Financial Reporting Standards (FRS) and regarding accounting matters not considered in the Accounting Criteria as long as the following is met:

i. Are effective and in force;

ii. Early adoption has not been taken;

iii. Do not contradict the general bases of the accounting criteria, and

iv. There is not statement by the Commission regarding clarifications to the specific accounting criteria included in the FRS, or regarding scope-out, among others.

z) Hierarchy-

In cases where insurance institutions consider that there is no accounting criterion applicable to any of the operation they carry out, issued by the CINIF or the Commission, they will apply the hierarchy bases provided in FRS A-8, considering what is mentioned below:

I. That in no case shall its application contravene the general concepts established in the accounting criteria for insurance institutions in Mexico as issued by the Commission.

II. That the rules that have been applied in the hierarchy process will be substituted, when a specific accounting criterion is issued by the Commission, or an FRS, on the subject in which said process was applied.

In case of following the hierarchy process, the Commission must be informed on the accounting standard that has been adopted, as well as its application base and the source used. In addition, the corresponding disclosures must be carried out in accordance with the regulations in force.

(4) Foreign currency position-

Monetary assets and liabilities denominated in foreign currencies translated into the reporting currency, as of December 31, 2021 and 2020, are shown below:

	MEXICAN PESOS	
	2021	2020
Assets	$ 13,608,334	15,309,720
Liabilities	(10,540,862)	(12,831,499)
Net assets	**$ 3,067,472**	**2,478,221**

The exchange rates published by Banco de México used in the different conversion to the report currency as of December 31, 2021 and 2020, are as follows:

		EXCHANGE RATE (PESOS)	
Country of origin	Currency	2021	2020
United States	Dólar	20.4672	19.9087
United Kingdom	Pound	27.7218	27.2142

As of December 31, 2021, and 2020 the Institution had no hedging instruments to cover exchange rate risks.

(5) Investments-

As of December 31, 2021, the investment portfolio in local currency includes financial instruments held for trading purposes, with maturities between 3 and 13,140 days, with interest rates ranging between 0.05% to the 11.50%.

As of December 31, 2020, the investment portfolio in local currency includes financial instruments held for trading purposes, with maturities between 4 and 13,579 days, with interest rates ranging between 0.75% to the 22%.

As of December 31, 2021, the investment portfolio in foreign currency includes financial instruments held for trading purposes, with maturities between 3 and 8,789 days, with interest rates ranging between 0.05% to the 8.30%.

As of December 31, 2020, the investment portfolio in foreign currency includes financial instruments held for trading purposes, with maturities between 5 and 9,154 days, with interest rates ranging between 1.01% to the 8.30%.

As of December 31, 2021, and 2020, investment securities are as shown on the following page.

	2021				2020			
	Cost	Accrued interest	Increase (decrease) from valuation	Total	Cost	Accrued interest	Increase (decrease) from valuation	Total
Debt securities:								
Government securities:								
For trading purposes:								
Federal Treasury Certificates	$ 397,378	11,546	(504)	408,420	619,707	20,872	580	641,159
Development government Bonds (BONDES)	4,278,940	60,067	(181,836)	4,157,171	67,063	74	5,073	72,210
Long term government bonds (M)	204,289	2,608	(2,647)	204,250	369,873	3,233	13,782	386,888
Bonds in dollars UMS	119,188	1,691	(2,229)	118,650	3,019,412	37,586	40,394	3,097,392
Bonds in dollars MEX	232,142	3,427	3,816	239,385	335,481	4,321	18,316	358,118
Bonds in dollars BANCOMEXT	541,100	5,402	(7,776)	538,726	800,881	11,739	3,318	815,938
Federal Mortgage Company (SHF)	397,056	481	6	397,543	721,161	1,044	(10)	722,195
Bonds in UDIS	190,600	463	11,810	202,873	154,485	358	20,426	175,269
Certificates of Deposit issued by Nacional Financiera (CEDES NAFINSA)	3,411,442	1,813	(502)	3,412,753	3,912,400	773	1,247	3,914,420
Other	12,629	12	(8)	12,633	32,104	341	322	32,767
	$ 9,784,764	87,510	(179,870)	9,692,404	10,032,567	80,341	103,448	10,216,356
Private companies securities:								
Fixed income:								
For trading purposes:	$							
Financial sector	10,234	-	-	10,234	-	-	-	-
Non-financial sector	2,101,155	8,335	(40,703)	2,068,787	74,164	128	(4,233)	70,059
	$ 2,111,389	8,335	(40,703)	2,079,021	74,164	128	(4,233)	70,059
Equity securities:								
Variable income:								
For trading purposes:								
Non-financial sector	$ 1,827,422	-	2,443,198	4,270,620	1,972,986	-	2,005,897	3,978,883
Foreign securities:								
Debt securities:								
For trading purposes	$ 2,258,505	11,018	(53,316)	2,216,207	1,627,797	6,620	(93,199)	1,541,218
Equity securities:								
For trading purposes	341,853	-	17,132	358,985	295,679	-	10,990	306,669
	$ 2,600,358	11,018	(36,184)	2,575,192	1,923,476	6,620	(82,209)	1,847,887
Restricted securities								
Debt securities:								
For trading purposes	$ 765,309	-	-	765,309	796,233	-	-	796,233
Repurchase under agreement								
NAFIN	$ 367,523	-	-	367,523	-	-	-	-
CFE	33,124	-	-	33,124	-	-	-	-
FEDERAL TREASURY CERTIFICATE	31,186	-	-	31,186	-	-	-	-
BONDES	28,004	-	-	28,004	21,390	-	-	21,390
SHF	25,000	-	-	25,000	170,294	-	-	170,294
STERGOB	-	-	-	-	3	-	-	3
OTHER	21,547	-	-	21,547	-	-	-	-
	$ 506,384	-	-	506,384	191,687	-	-	191,687

(6) Property-

As of December 31, 2021, and 2020, property is as follows:

		2021	2020
Land	$	101,592	101,592
Buildings		123,549	123,549
Special facilities		1,293	1,293
		226,434	226,434
Net valuation		551,678	511,776
Accumulated depreciation		(56,510)	(52,518)
	$	721,602	685,692

During the 2021 and 2020 financial years, the Institution practiced appraisals on its properties, resulting in an increase in the value of $39,902 y $29,652, respectively. The calculation of the depreciation is based on the remaining useful life on the updated value of the buildings, determined with the latest appraisals practiced, the applicable enforcement for 2021 and 2020 range from 2% to 1.11% and from 1.32% to 6.67%, respectively.

(7) Premiums receivable-
Premiums-

As of December 31, 2021, and 2020, this caption is as follows:

		2021	2020
Life:			
Individual	$	50,444	40,841
Group and collective		150,752	32,222
		201,196	73,063
Accidents and health		547,562	496,169
Property and casualty		2,202,199	2,313,989
Bonds		36,142	29,065
		2,987,099	2,912,286
Property and casualty subsidy		4,940	4,939
	$	2,992,039	2,917,225

At December 31, 2021 and 2020, premiums receivable accounts for 10.34% y 11.11% of total consolidated assets, respectively.

(8) Reinsurers and bonds reinsurers-

(a) Reinsurance assumed-

Premiums assumed by the Institution as of December 31, 2021 and 2020, are as follows (see note 10):

2021		Reaseguradora Patria	General de Seguros	PCM	Consolidated
Life:					
Individual	$	86,878	-	-	86,878
Group and collective		424,897	-	-	424,897
Life		511,775	-	-	511,775
Accidents and health		87,218	-	4,688	91,906
Property and casualty:					
Liability		229,263	1,911	5,786	236,960
Ocean marine and inland		570,375	9	131,835	702,219
Fire		2,571,608	3,046	91,661	2,666,315
Earthquake		2,131,711	1,118	-	2,132,829
Agricultural		474,963	2,000	-	476,963
Automobile		180,619	-	-	180,619
Credit		41,991	-	-	41,991
Miscellaneous		977,709	7,214	22,807	1,007,730
Property and casualty		7,178,239	15,298	252,089	7,445,626
Bonds		883,271	-	-	883,271
	$	8,660,503	15,298	256,777	8,932,578

2020		Reaseguradora Patria	General de Seguros	PCM	Consolidated
Life:					
Individual	$	365,630	-	-	365,630
Group and collective		93,158	-	-	93,158
Life		458,788	-	-	458,788
Accidents and health		44,964	-	10,699	55,663
Property and casualty:					
Liability		117,011	2,235	18,976	138,222
Ocean marine and inland		476,620	10	189,194	665,824
Fire		2,033,506	3,508	257,991	2,295,005
Earthquake		1,727,107	1,292	-	1,728,399
Agricultural		506,319	3,980	-	510,299
Automobile		173,982	-	-	173,982
Credit		27,617	-	-	27,617
Miscellaneous		755,103	5,690	31,840	792,633
Property and casualty		5,817,265	16,715	498,001	6,331,981
Bonds		845,182	-	-	845,182
	$	7,166,199	16,715	508,700	7,691,614

(b) Retroceded / ceded reinsurance business-

The premiums ceded and retroceded for the years ended December 31, 2021 and 2020 are described in the next page.

2021		Reaseguradora Patria	General de Seguros	PCM	Consolidated
Life:					
Individual	$	13,995	11,440	-	25,435
Group and collective		9,867	82,589	-	92,456
Life		23,862	94,029	-	117,891
Accidents and health		4,610	187	(14,461)	(9,664)
Property and casualty:					
Liability		54,980	77,671	(8,471)	124,180
Ocean marine and inland		-	51,390	856	52,246
Fire		490,821	47,029	25,811	563,661
Earthquake		688,987	34,607	-	723,594
Agricultural		11,427	165,842	-	177,269
Automobile		25,083	-	-	25,083
Credit		8,248	-	-	8,248
Miscellaneous		132,135	38,003	(178)	169,960
Property and casualty		1,411,681	414,542	18,018	1,844,241
Bonds		201,133	-	-	201,133
	$	1,641,286	508,758	3,557	2,153,601

2020		Reaseguradora Patria	General de Seguros	PCM	Consolidated
Life:					
Individual	$	17,287	18,006	-	35,293
Group and collective		17,288	23,716	-	41,004
Life		34,575	41,722	-	76,297
Accidents and health		2,049	587	1,250	3,886
Property and casualty:					
Liability		38,319	46,642	-	84,961
Ocean marine and inland		16,326	37,816	48,895	103,037
Fire		377,911	59,964	40,716	478,591
Earthquake and hurricane		507,707	32,445	-	540,152
Agricultural		52,941	197,488	-	250,429
Automobile		21,521	-	-	21,521
Credit		10,337	-	-	10,337
Miscellaneous		127,393	33,435	1,846	162,674
Property and casualty		1,152,455	407,790	91,457	1,651,702
Bonds		332,461	-	-	332,461
	$	1,521,540	450,099	92,707	2,064,346

(9) Other assets-

At December 31, 2021 and 2020, furniture and equipment are as follows:

		2021	2020
Office furniture and equipment	$	47,740	46,051
Computer equipment		83,001	74,218
Transportation equipment		49,519	48,493
Peripheral equipment		-	5,502
Other		2,711	2,711
Art pieces		1,104	849
		184,075	177,824
Less accumulated depreciation		149,532	142,711
	$	34,543	35,113

The item “Other” as of December 31, 2021 and 2020, is comprised as follows:

		2021	2020
Salvage inventory	$	11,639	17,758
Advance payments		255,819	63,867
Taxes paid in advance		177,209	203,963
Other		121,918	170,651
	$	566,585	456,239

(10) Premiums issued, taken by reinsurance and issued in advance-

Premiums issued-

The value of premiums issued by the Institution as of December 31, 2021 and 2020 are as follows:

		2021	2020
Life:			
ndividual	$	137,468	127,890
Group and collective		568,608	195,305
Life		706,076	323,195
Accident and health		554,577	522,578
Property and casualty:			
Liability		104,015	72,392
Ocean marine and inland marine		97,796	73,770
Fire		79,467	75,765
Earthquake and hurricane		60,796	55,977
Automobile		1,151,635	1,112,103
Miscellaneous		86,915	73,189
Agricultural and livestock		188,717	225,588
Property and casualty		1,769,341	1,688,784
Reinsurance taken (note 8a)		8,932,578	7,691,614
	$	**11,962,572**	**10,226,171**

Premiums issued in advance to the risk period covered-

At the years ended 2021 and 2020, the Institution issued premiums, which period covered starting in years 2022 and 2021, respectively. Following are the transactions related to premiums issued in advance to the risk period covered:

		2021	2020
Premiums issued in advance:			
Property and casualty:			
Liability	$	-	20,268
Automobile		6,452	28,125
		6,452	48,393
Accident and health		74,657	138,436
Property and property and casualty:			
Liability		520	390
Automobile		48,529	52,159
Ocean marine and inland marine		124	161
Fire		32	146
Agricultural and livestock		1,511	589
Miscellaneous		6,568	5,383
Total premiums in advance to the risk period covered		138,393	245,657
Premiums ceded			
Property and casualty:			
Liability	$	283	179
Automobile		163	1,257
Ocean marine and inland marine		45	2,268
Fire		16	55
Agricultural and livestock		715	529
Miscellaneous		2,186	3,031
Total ceded premiums in advance to the risk period covered	$	3,408	7,319
Net increase in current risk reserve	$	(109,983)	(194,345)
Agent commissions		12,151	(28,919)
Reinsurance commissions		-	1,647
Policy charges		4,805	5,371

Balances at December 31, 2021 and 2020 related to premiums issued in advance to the risk period covered are shown below:

		2021	2020
Premiums receivable	$	166,182	277,219
Reinsurer's share on technical reserve		3,408	5,672
Insurance current		(3,408)	(5,672)
Current risks reserve		(109,983)	(194,345)
Premium surcharges		(1,185)	(4,904)
Unearned commissions		(12,151)	(28,919)
Value added tax to be accrued		(21,799)	(38,007)

(11) Basis of Investment, SCR and minimum paid in capital-

The Institution is subject to the following liquidity and solvency requirements:

Basis of Investment - It is the sum of the technical reserves, advanced premiums and funds related to policy dividends management or indemnities and the reserves corresponding to contracts of investment insurance based on pension plans.

SCR - It is determined in accordance with the requirements established in the Law and in accordance with the general formula established in the provisions issued by the Commission. The purpose of this requirement is:

1. To have sufficient patrimonial resources in relation to the risks and responsibilities assumed by the Institution in function of its operations and, in general, of the different risks to which it is exposed;

2. The development of adequate policies for the selection and underwriting of insurance, as well as for the dispersion of risks with reinsurers in the transfer and acceptance of reinsurance operations;

3. To have an appropriate level of patrimonial resources, in relation to the financial risks that the Institution assumes, when investing the resources obtained from its operations, and

4. The determination of the assumptions and patrimonial resources that the Institution must maintain in order to deal with situations of an exceptional nature that put its solvency or stability at risk, derived both from the particular operation and from market conditions.

Minimum paid-in capital - It is a capital requirement that must be met by the Institution for each operation or line that is authorized (see note 14b).

Following is the coverage of the aforementioned requirements of General de Seguros, General de Salud and Reaseguradora Patria:

COVERAGE OF STATUTORY REQUIREMENTS OF GENERAL DE SEGUROS

Statutory Requirements	Surplus 2021	Surplus 2020	Surplus 2019	Coverage Index 2021	Coverage Index 2020	Coverage Index 2019
Technical reserves[1]	$ 317,093	412,406	219,869	1.1	1.1	1.1
Solvency capital requirement[2]	$ 607,466	317,401	325,805	1.9	1.6	1.6
Minimum capital requirement[3]	$ 1,002,986	2,067,572	1,871,412	7.7	14.9	14.0

COVERAGE OF STATUTORY REQUIREMENTS OF GENERAL DE SALUD

Statutory Requirements	Surplus 2021	Surplus 2020	Surplus 2019	Coverage Index 2021	Coverage Index 2020	Coverage Index 2019
Technical reserves[1]	$ 45,243	170,020	86,218	1.1	1.6	1.5
Solvency capital requirement[2]	$ 36,855	120,084	109,012	1.5	3.3	3.6
Minimum capital requirement[3]	$ 149,077	263,438	230,506	14.2	25.2	22.7

COVERAGE OF STATUTORY REQUIREMENTS OF REASEGURADORA PATRIA

Statutory Requirements	Surplus 2021	Surplus 2020	Surplus 2019	Coverage Index 2021	Coverage Index 2020	Coverage Index 2019
Technical reserves[1]	$ 945,903	879,498	815,716	1.1	1.1	1.1
Solvency capital requirement[2]	$ 343,775	536,200	621,027	1.2	1.5	1.7
Minimum capital requirement[3]	$ 1,315,762	1,045,224	1,292,173	14.6	12.2	15.2

[1] Investments that support technical reserves / basis of investment.

[2] Own Admissible Funds (OAF)/ SCR (Non audited).

[3] The Institution's computable capital resources according to the regulation / Minimum paid-in capital requirement for each operation and / or line that is authorized.

(12) Employee benefits--

General de Seguros

During 2011, the Institution established a mixed pension plan (Group 1), into which was transferred personnel whose right to retirement was achieving after reaching 8 years after the date this plan was set up, to cover employees that at the time of retirement have at least 10 service years. Benefits are based on the Institution contribution that is the same amount of participant contributions (defined contribution) and ensures that the subaccount "Company" of the individual retirement account have a balance of at least the equivalent of 3 months plus 20 days basic salary per service year at the retirement (minimum guaranteed income).

Furthermore, employees having the right to retire within the next 8 years continued with the defined benefit pension plan (Group 2) covering employees who reach the age of 55 with at least 35 years of pensionable service or reaches the age of 60 years, regardless of their pensionable services. Benefits of this plan are based on service years and the amount of compensation.

The policy of the Institution to fund pension plans is to contribute the maximum deductible for income tax according to the projected unit credit amount method.

Cash flows-

At December 31, 2021 and 2020, benefits paid were as follows:

	Contributions to funds 2021	Contributions to funds 2020	Benefits paid 2021	Benefits paid 2020
Seniority premium	$ 1,717	1,386	-	-
Pension plan	7,357	6,039	8,019	29,504
	$ 9,074	7,425	8,019	29,504

Reaseguradora Patria

(a) Reaseguradora Patria

These correspond to cumulative accrued remunerations granted and paid regularly to the employee, such as salaries, vacations, vacation premium and compensations

(b) Post-employment benefits-

Reaseguradora Patria has a defined benefit pension plan, which covers its personal with an indefinite term contract. Benefits are based on the years of service rendered between the date of hiring and the date of retirement. The policy of Reaseguradora Patria to fund the pension plan is to contribute the maximum deductible amount for income tax according to the projected unit credit method.

The recognition of the plan anticipates future cost-sharing changes in relation to the established plan, which are consistent with Reaseguradora Patria's intention to annually increase the contribution rate of retirees, according to the expected inflation for the year. Reaseguradora Patria's policy is to fund the cost of these medical benefits at the administration discretion.

The benefits paid were as follows:

	2021	2020
Pension Plan	$ 4,236	4,336

The cost components of defined benefits for the year ended December 31, 2021 and 2020 are shown below:

2021	Seniority Premium	Legal Compensation	Pension Plan
Current service cost (CSC)	$ 1,840	$ 4,142	$ 6,785
Net interest on defined benefits net liability (DBNL)	222	1,251	1,368
Cost per interest	61	1,107	2,986
Interest income to the plan assets	(54)	-	(2,844)
Recycling of remeasurements of DBNL recognized in comprehensive income	(1,110)	(325)	(16,528)
Defined benefit cost	$ **959**	$ **6,175**	$ **(8,233)**
Ending balance of DBNL remeasurement	$ **870**	$ **851**	$ **9,141**
Beginning balance of DBNL	$ 3,546	$ 31,589	$ 24,525
Defined benefit cost	1,197	5,460	(534)
Contributions to plan	(1,717)	-	(12,579)
Actuarial gains	150	170	(2,192)
Losses of plan assets	(387)	-	(243)
Transfers of plan assets by increasing maximum obligation	-	-	4,933
Ending balance of DBNL	$ **2,789**	$ **37,219**	$ **13,910**
Amount of defined benefit obligations (DBO)	$ 12,268	$ 37,219	$ 180,141
Plan assets	(9,474)	-	(166,236)
Financial position of the obligation	$ **2,794**	$ **37,219**	$ **13,905**

2020	Seniority Premium	Legal Compensation	Pension Plan
CSC	$ 1,134	2,835	5,051
DBNL	222	1,884	5,888
Cost per interest	49	297	3,226
Interest income to the plan assets	(49)	-	(3,210)
Recycling of remeasurements of DBNL recognized in comprehensive income	703	735	6,190
Defined benefit cost	$ **2,059**	**5,751**	**17,145**
Ending balance of DBNL remeasurement	$ **(703)**	**(735)**	**(6,190)**
Beginning balance of DBNL	$ 3,077	28,040	20,325
Defined benefit cost	1,948	3,286	12,759
Contributions to plan	(1,386)	-	(6,039)
Actuarial gains	132	2,167	1,965
Losses of plan assets	(134)	-	(241)
Payments charged to DBNL	(91)	(1,904)	-
Gains in plan assets	-	-	(1,763)
Transfers of plan assets by increasing maximum obligation	-	-	(2,481)
Ending balance of DBNL	$ **3,546**	**31,589**	**24,525**
Amount of defined benefit obligations (DBO)	$ 10,862	31,589	190,916
Plan assets	(7,316)	-	(166,391)
Financial position of the obligation	$ **3,546**	**31,589**	**24,525**

As of December 31, 2021, and 2020, Reaseguradora Patria pension fund's assets amounted to $81,396 and $75,680, respectively; the maximum obligation is $43,381 and $49,022, respectively, showing an excess of $38,015 and $28,658, respectively, which is a restricted investment.

At December 31, 2021 and 2020, Reaseguradora Patria has recognized under the investment category for labor obligations, loans to employees amounting to $318 and $407 respectively.

At December 31, 2021 and 2020, the defined contribution of General de Seguros amounts to $77,227 and $45,009, respectively.

The rates used in the actuarial projections as of December 31, 2021 and 2020 are:

2021	Peña Verde	Reaseguradora Patria	General de Seguros	General de Salud	CCSS Peña Verde	Servicios Peña Verde
Nominal discount rate used in calculating the present value of obligations	7.89%	8.05%	8.20%	8.29%	7.75%	8.13%
Rate of increase in future salary levels	5.00%	8.05%	5.00%	5.00%	7.75%	5.00%
Expected rate of return on plan assets	5.00%	5.00%	8.20%	8.29%	5.00%	5.00%
Average remaining service life of employees (Applicable for retirement benefits)	10 years	23 years	14 years	19 years	4 years	10 years

2020	Peña Verde	Reaseguradora Patria	General de Seguros	CCSS Peña Verde	Servicios Peña Verde
Nominal discount rate used in calculating the present value of obligations	5.94%	6,19%	6.47%	5.50%	6.48%
Rate of increase in future salary levels	5.00%	5.00%	5.00%	5.00%	5.00%
Expected rate of return on plan assets	5.94%	6.19%	6.47%	5.50%	4.00%
Average remaining service life of employees (Applicable for retirement benefits)	10 years	29 years	16 years	4 years	14 years

(13) Income tax (IT) and employee statutory profit sharing (ESPS)-

IT Law effective as of January 1, 2014, imposes an IT rate of 30%.

a) Income tax

The income tax expense (benefit) is as follows:

	2021	2020
Income statement:		
IT current	$ 110,803	89,104
IT deferred	(44,109)	(110,734)
	$ 66,694	**(21,630)**
Other Comprehensive Income (OCI):		
IT deferred	$ 21,590	(4,692)

Following are in the stand-alone basis condensed reconciliations between net income before IT and ESPS and taxable income for IT and ESPS for the years ended December 2021 and 2020 of General de Seguros and General de Salud, Reaseguradora Patria, Servicios Peña Verde, CCSS Peña Verde and Peña Verde as follows:

2021	General de Seguros	General de Salud	CCSS Peña Verde	Reaseguradora Patria	Servicios Peña Verde	Peña Verde	Total
Taxable income (loss)	$ (99,056)	(37,243)	(805)	362,824	19,944	1,164	
ESPS Paid	(9,891)	-	-	(10,174)	(2,312)	-	
Amortization of tax losses	-	-	-	-	-	(1,164)	
IT results	$ (108,947)	(37,243)	(805)	352,650	17,632	-	
Rate				30%	30%		
IT current				105,795	5,290		111,085
(Insufficiency) excess in provision				13	(295)		(282)
IT			$	105,808	4,995		110,803

2020	General de Seguros	General de Salud	CCSS Peña Verde	Reaseguradora Patria	Servicios Peña Verde	Peña Verde	Total
Taxable income (loss)	$ 125,462	59,310	(940)	116,528	23,231	(10,494)	
Amortization of tax losses	(10,626)	-	-	-	-	-	
IT results	114,836	59,310	(940)	116,528	23,231	(10,494)	
Rate	30%	30%		30%	30%		
IT current	34,451	17,793		34,958	6,969		94,171
(Insufficiency) excess in provision	-	-		(5,067)	-		(5,067)
IT	$ 34,451	17,793		29,891	6,969		89,104

b) ESPS

The ESPS current and deferred expense (benefit) are as follows:

	2021	2020
Income statement:		
Current	$ 17,538	23,919
Deferred	(7,571)	(42,361)
	$ 9,967	**(18,442)**
OCI:		
Deferred	$ 6,797	2,499

The ESPS is determined on the same basis as IT, without deducting the expense for the ESPS paid.

ESPS for the years ended December 31, 2021 and 2020 are as follows:

2021	General de Seguros	General de Salud	CCSS-Peña Verde	Servicios Peña Verde	Total
Taxable income (loss) for IT	$ (99,056)	(37,243)	(805)	19,944	
Plus (less):					
ESPS paid	(9,891)	-	-	(2,312)	
Non-deductible social security	20,155	-	-	3,085	
ESPS base	$ (88,792)	(37,243)	(805)	20,717	
Rate				10%	
Current ESPS				2,072	2,072
Excess (insufficiency) in provision				(471)	(471)
ESPS in income statement			$	1,601	1,601

2020	General de Seguros	CCSS-Peña Verde	Reaseguradora Patria	Servicios Peña Verde	Total
Taxable income (loss) for IT	$ 125,462	(1,154)	116,528	25,150	
Plus (less):	4,401	-	3,587	-	
ESPS paid					
Non-deductible social security	(24,233)	-	(2,631)	(2,960)	
ESPS base	105,630	(1,154)	117,484	22,190	
Rate	10%		10%	10%	
Current ESPS	10,563		11,748	2,219	24,530
Excess (insufficiency) in provision	440		(1,689)	638	(611)
ESPS in income statement	$ 11,003		10,059	2,857	23,919

The tax effects of temporary differences that give rise to significant portions of the deferred IT and ESPS assets and liabilities at December 31, 2021 and 2020 are as follows:

	2021 IT	2021 ESPS	2020 IT	2020 ESPS
Deferred (liabilities) assets:				
Investments	$ (649,395)	(174,412)	(585,901)	(193,316)
Property	(140,674)	(33,764)	(132,498)	(44,166)
Furniture and equipment	2,498	803	838	187
Accruals	120,920	36,630	83,929	23,625
Sundry	3,845	1,281	(2,889)	(963)
Amortized expenses	1,033	344	635	269
Payments in advance	8,754	-	(8,048)	(2,509)
Premiums collected in advance	20,551	5,361	28,042	8,054
Long-term current risk reserves	(963)	(321)	8,797	2,932
Credit risk allowance for foreign reinsurers	615	85	221	74
Credit risk allowance for mortgage and unsecured	6	1	8	3
Monthly reinsurance estimates	(21,633)	(2,995)	6,765	2,255
Allowance for doubtful accounts	28,342	9,448	3,505	1,168
Employee benefits	13,566	2,997	16,524	4,080
Net ESPS	65,242	-	69,516	-
Bonuses	1,017	-	8,744	2,439
Sundry creditors	4,191	348	130	43
Lease creditors	-	-	6,295	2,098
Other	5,052	886	2,999	-
Tax losses carry forwards	60,473	-	14,440	-
Valuation reserve	-	-	(15,411)	(323)
Net deferred liability	(476,560)	(153,308)	(493,359)	(194,050)
Insufficiency (excess) in provision	(7,419)	(44,513)	(25,367)	(4,204)
	(483,979)	(197,821)	(518,726)	(198,254)
Deferred liability	$ (681,800)		(716,980)	

Net deferred liability IT and ESPS is presented under "Deferred credits" on the consolidated balance sheet. The movements for the recognition of deferred liability were (credits) charges to the consolidated results for the years, 2021 and 2020, for ($44,109) ($110,734) of ISR and $7,571 and (42,361) of ESPS; and (credits) charges to capital "Surplus from valuation" for 21,540 and (4,692) of ISR and $6,797 and 2,499 of ESPS, respectively.

In assessing the reliability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

At December 31, 2021, tax losses carry forwards expire as follows:

Company	Year	Tax losses carry forward
CCSS – Peña Verde	2026	$ 16,499
CCSS – Peña Verde	2027	16,304
CCSS – Peña Verde	2028	2,536
CCSS – Peña Verde	2029	2,722
CCSS – Peña Verde	2030	1,353
CCSS – Peña Verde	2031	830
Peña Verde S. A. B.	2030	10,494
General de Seguros	2031	112,412
General de Salud	2031	38,428
		$ 201,578

(14) Stockholders' Equity-

The main characteristics of Stockholder's equity are described below:

(a) Structure of capital stock-

At December 31, 2021 and 2020 the capital stock amounted to $422,608, represented by 476,678,213 common and registered shares issued and outstanding, with no par value.

(b) Minimum paid-in capital-

Insurance companies must maintain a minimum paid-in capital for each operation or insurance line authorized, which is also published by the Commission.

In 2021 and 2020, the minimum paid-in capital required for insurance companies operating exclusively reinsurance was 50% of the amount required to a regular insurance company for each line of business in which it is engaged, except for bonds reinsurance, which requires 100%.

At December 31, 2021, General de Seguros (including General de Salud) and Reaseguradora Patria have the minimum required capital a $164,073 and $96,528, respectively, equivalent to 24,838,600 and 14,613,140, respectively, investment units (UDIs, the value of which is updated by inflation and determined by the Central Bank) The value of the UDI at December 31, 2020 was $6.605597 Mexican pesos per UDI.

As of December 31, 2020, General de Seguros (including General de Salud) and Reaseguradora Patria have covered the minimum capital required amounting to $158,942 and $93,510, respectively, equivalent to 24,838,600 and 14,613,140, respectively, investment units valued at $6.399018 pesos, which was the value of the UDI as of December 31, 2019.

(c) Comprehensive income (loss) -

The comprehensive income (loss) reported on the consolidated statements of changes in stockholders' equity represents the results of the General de Seguros, General de Salud, Reaseguradora Patria and PCM total activities during the year, and includes items below mentioned, which, in accordance with the rules issued by the Commission, are reported directly in stockholders' equity, except for net (loss) income:

		2021	2020
Net income (loss)	$	429,527	(195,461)
Property valuation surplus		39,662	29,478
Deferred taxes for the year		(28,779)	(3,313)
Valuation surplus related to long-term current risk reserves		32,029	(33,421)
Translation effect		(50,105)	50,344
Non-controlling interest		(5,501)	(13,632)
Other		-	(32,343)
Comprehensive income (loss)	$	416,833	(198,348)

(d) Dividends-

At the Regular General Stockholder's Meeting hold on April 30, 2021, a resolution was passed to declare a dividend from retained earnings in the amount of $19,000, which were paid with electronic transfer.

(e) Restrictions on stockholders' equity-

In accordance with the provisions of the LGSM, a minimum of 5% of net income for the year must be appropriated to the ordinary reserve, until it reaches paid-in capital. As of December 31, 2021, the ordinary reserve amounts to $2,592 and has not reached the required amount.

In accordance with the provisions of the Law, applicable to General de Seguros, General de Salud and Reaseguradora Patria, a minimum of 10% of net income for the year must be appropriated to the ordinary reserve, until it reaches paid-in capital.

In accordance with the provisions of the Commission, the results for the Investment securities valuation that are recognized before the investment is redeemed or sold will be unrealized and, consequently, will not be subject to capitalization or dividend distribution among its shareholders, until they are converted into cash.

The updated amount, on tax bases, of the contributions made by the shareholders, can be reimbursed to them without any tax, to the extent that said amount is equal to or greater than the stockholders' equity.

The profits on which the ISR and the other shareholders' equity accounts have not been covered, will originate an ISR payment, in the event of distribution, at the rate of 30%, so that the shareholders will only be able to dispose of 70% of the amounts mentioned.

The Institution will not be able to distribute dividends until dividends have not been received from subsidiaries.

(f) Buy-in of shares of Subsidiary Company-

On June 16, 2021, the subsidiary General de Seguros repurchased its own shares for $13,643.

On November 19, 2020, the subsidiary General de Seguros repurchased its own shares for $34,376.

(15) Segment information-

__Insurance operations__

Operating segments are defined as components of an entity, oriented to the production and sale of goods and services that are subject to risks and returns that are different from those associated with other business segments.

As mentioned in note 1, General de Seguros and General de Salud main objective is to perform operations of insurance and reinsurance in various lines within the country, therefore, management of the Institution internally evaluates the results and performance for each line for making financial decisions.

The main indicator used by management of General de Seguros and General de Salud to assess the performance is the technical result by line. This indicator shows the selected financial information by operating line, which is consistent with information used by management in making decisions.

The accounting policies used to determine the financial information by operating line are consistent with those described in note 3.

Operating segment information is presented based on the management approach according to FRS B-5 "Segment Financial Information", such management approach is defined by each line in which General de Seguros and General de Salud operates.

Selected financial information in the income statement by line as of December 31, 2021 and 2020 are shown below:

December 31, 2021

Line item	Life	Accidents and health	Motor	Agricultural	Property and casualty	Total
Premiums written	$ 706,076	554,576	1,151,633	190,719	442,288	3,045,292
Premiums ceded	(94,029)	(187)	-	(165,842)	(248,700)	(508,758)
Retained premiums	612,047	554,389	1,151,633	24,877	193,588	2,536,534
Decrease (increase) in current reserve	(148,271)	(28,008)	(5,514)	3,981	(21,665)	(199,477)
Earned premiums	463,776	526,381	1,146,119	28,858	171,923	2,337,057
Net cost of claims and acquisition cost	(526,223)	(496,201)	(1,174,929)	(39,976)	(154,769)	(2,392,098)
Technical result	**$ (62,447)**	**30,180**	**(28,810)**	**(11,118)**	**17,154**	**(55,041)**

December 31, 2020

Line item	Life	Accidents and health	Motor	Agricultural	Property and casualty	Total
Premiums written	$ 323,195	522,578	1,112,103	229,568	363,828	2,551,272
Premiums ceded	(41,722)	(587)	-	(197,487)	(210,303)	(450,099)
Retained premiums	281,473	521,991	1,112,103	32,081	153,525	2,101,173
Decrease (increase) in current reserve	(26,450)	60,223)	19,689	1,374	25,510	(40,100)
Earned premiums	255,023	461,768	1,131,792	33,455	179,035	2,061,073
Net cost of claims and acquisition cost	(291,160)	(351,993)	(1,072,012)	(5,748)	(120,554)	(1,841,467)
Technical result	**$ (36,137)**	**109,775**	**59,780**	**27,707**	**58,481**	**219,606**

Reinsurance operations

Operating segments are defined as components of Reaseguradora Patria, oriented to the sale of reinsurance coverages which are subject to risks and returns, different from those associated with other business segments.

Reaseguradora Patria is mainly involved in the reinsurance line of business, which operates on a regional basis geographically. Each geographical administration is responsible for all business activities in the countries of each region, which refers to the placement of reinsurance contracts in their different business (proportional, non-proportional and facultative). Consequently, Reaseguradora Patria's management evaluates the results and performance internally of each geographical area for decision-making, following a vertical integration approach.

In accordance with the approach mentioned, the daily operations of financial resources are allocated on country basis and not over operating component or line of business.

Technical result is the main indicator used by Reaseguradora Patria's management to evaluate the performance of each region. The indicator is presented in selected financial information for each geographic operating segment, which is consistent and used by the management in making decisions.

The accounting policies applied for determination of financial information by geographic operating segment are consistent and are in line with what it is mentioned in note 3.

The operating segment information is presented based on the management approach in accordance with FRS B-5 "Segment information", this approach is limited by geographical areas.

Selected information of the income statement by geographic operating segment on December 31, 2021 and 2020 are indicated as shown below:

December 31, 2021

	México and Caribbean	Latin América	Overseas	Overseas PCM	Total
Premiums taken	$ 2,535,165	3,380,681	2,744,657	256,777	8,917,280
Premiums retroceded	(235,911)	(845,123)	(560,252)	(3,557)	(1,644,843)
Retained premiums	2,299,254	2,535,558	2,184,405	253,220	7,272,437
Decrease (increase)in current risk reserve	(221,262)	(94,459)	(243,887)	62,709	(496,899)
Earned retained premiums	2,077,992	2,441,099	1,940,518	315,929	6,775,538
Net acquisition cost	(664,196)	(954,202)	(537,011)	(391)	(2,155,800)
Net cost of claims and other outstanding obligations	(1,243,087)	(1,113,392)	(1,012,223)	(109,198)	(3,477,900)
Technical result	**$ 170,709**	**373,505**	**391,284**	**206,340**	**1,141,838**

December 31, 2020

	México and Caribbean	Latin América	Overseas	Overseas PCM	Total
Premiums taken	$ 2,198,499	3,394,328	1,573,372	508,700	7,674,899
Premiums retroceded	(148,610)	(1,049,413)	(323,518)	(92,706)	(1,614,247)
Retained premiums	2,049,889	2,344,915	1,249,854	415,994	6,060,652
Decrease (increase) in current risk reserve	6,587	(126,795)	(224,040)	(33,293)	(377,541)
Earned retained premiums	2,056,476	2,218,120	1,025,814	382,701	5,683,111
Net acquisition cost	(649,733)	(918,598)	(262,300)	(24,647)	(1,855,278)
Net cost of claims and other outstanding obligations	(923,780)	(1,238,361)	(677,818)	(321,622)	(3,161,581)
Technical result	**$ 482,963**	**61,161**	**85,696**	**36,432**	**666,252**

(16) Earnings per share-

As of December 31, 2021, and 2020, the Institution has 476,678,213 common shares.

The formula applied by the Institution to determine earnings per share is to determine the factor of the period for which the shares repurchased were no longer in circulation, corresponding to the division between the number of days that the shares were no longer in circulation and total days of the period.

The related factor applies to the total of shares repurchased determining equivalence to the period when they were no longer in circulation, the result is subtracted from the number of outstanding shares at the beginning of the period, calculating the weighted average number of outstanding shares.

Finally earning per share is calculated by dividing income attributable to shares by the weighted average number of outstanding shares.

Determination of ordinary earnings per common share

Year	Net income (loss) of the year.	Weighted average outstanding shares	Earnings per share (pesos)
2021	$ 406,218	476,678,213	0.85
2020	$ (195,461)	476,678,213	(0.41)

As of December 31, 2021, and 2020, the Institution has no commitments or contingencies with any entity to issue, sell or exchange its own equity instruments.

(17) Group entities-

Share in subsidiaries-

The main subsidiaries are as follows:

	EQUITY INTEREST	
Subsidiaries	2021	2020
General de Seguros	98.4475%	98.4475%
Reaseguradora Patria	99.9822%	99.9822%
Servicios Peña Verde	99.9999%	99.9999%
PCM	99.9999%	99.9999%
CCSS-Peña Verde	99.9999%	99.9999%

Significant judgments and assumptions for determining the existence of control, were as follows: Peña Verde has power over its subsidiaries for directing their relevant activities by significantly influencing their decisions. In addition, the executives of Peña Verde are actively involved in board meetings of their subsidiaries.

Significant judgments and assumptions for identifying if the Institution is agent or principal were as follows: according to that mentioned in the preceding paragraph, Peña Verde is principal being that it is the investor with power to make decisions and direct the relevant activities of its subsidiaries.

(18) Commitments and contingent liabilities –

(a) There is a contingent liability derived from the employee benefits mentioned in note 3(m).

(b) In accordance with current Mexican tax law, the authorities have the power to review up to five fiscal years prior to the last IT statement filed.

(c) In accordance with the Income Tax law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, since such prices must be similar to those that would be used in arm's- length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

(19) Contingent commissions to agents -

In the 2021 and 2020 financial years, the Institution executed agreements for the payment of contingent commissions with intermediaries and corporations as described in this note. The total amount of payments made under these agreements in 2021 and 2020 amounted to $287,140 and $149,660, respectively, representing 9.4% and 6.4% for General de Seguros 3.3% and 3.9% for General de Salud, of the premium issued in the 2021 and 2020 financial years, respectively.

Contingent commissions mean payments or compensations to individuals or corporations who participated in the intermediation or participated in the procurement of insurance products with General de Seguros and General de Salud, in addition to the direct commissions or compensations considered in the products design.

General de Seguros and General de Salud entered into agreements for the payment of contingent commissions with individuals, corporations and others who are not agents according to the following:

(a) For life products, agreements related to the volume of premiums, the conservation of the portfolio and the generation of new businesses. For all products, the basis and criteria for participation in the agreements, as well as the determination of contingent commissions, are directly related to the premiums paid for each financial year. Payments of contingent commissions under such agreements are paid on a quarterly and annual basis.

(b) For products of major medical expenses, agreements related to the volume of premiums, growth, claims and the generation of new businesses. For all products the basis and criteria for participation in the agreements, as well as the determination of contingent commissions, are directly related to the premiums paid and the claims rate of each financial year. Payments of contingent commissions under such agreements are paid on a quarterly and annual basis.

(c) For property and casualty products, agreements related to the volume of premiums, growth and claims are concluded, where the basis and criteria for participation in the agreements as well as the determination of contingent commissions are directly related to the premiums paid and the claims rate of each financial year. Payments of contingent commissions under such agreements are paid on an annual basis.

(d) For other non-agent intermediaries, with compensation agreements, where the basis for compensation is determined on fixed amounts that depend on the volume of annual sales. Payments of contingent commissions are paid on a monthly basis.

(e) For health products, the entire sales force also participates in an annual competition whose prize is payable in kind through convention assistance. The requirements for this contest are based on the level of production, number of new businesses and a maximum limit of claims.

The Institution or its shareholders do not maintain any shareholding in the social capital of corporations, with which the Institution has agreements for the payment of contingent commissions.

The Institution also is involved in agreements with individual brokers known as "Promoters", who participate recruiting agents, training and following up their individual metrics. It mentions a productivity bonus based on the total sales of the individual brokers. Contracts with these corporations set out a bonus on the total sales of the independent individuals that they are coordinating.

(20) Impact from COVID-19 through 2021 and 2020-

On January 30, 2020, the WHO declared a public health emergency of international concern due to the spread of COVID- 19, for which from that moment on the progress of said disease began to be monitored and the bases were established. of the next steps to follow in case Mexico is affected by it.

Among the steps to be followed, at the Peña Verde Group level, the creation of an internal working group was established, which would have the objective of weekly monitoring the progress of the pandemic and defining preventive and control measures for the Group's collaborators. Peña Verde, including internal and external clients; Therefore, on February 14, 2020, the first session of the COVID-19 Internal Group was held, made up of the doctors responsible for the medical areas of the Grupo Peña Verde subsidiaries, the Human Capital area, the Operations area, the Legal area, the Information Security area, among others.

Said group during 2020, 2021 and the first months of 2022, focused mainly on the following aspects:

1. Operation: Maintain critical business and collection functions in the office, establish the HO modality, rotate shifts and guards, enable digital switches in foreign offices, establish communication with the network of distributors, customers and agents; establish business strategies to encourage new sales and portfolio maintenance and expand bandwidth to the institutional network.

2. Security: Collection of sensitive information, accreditation of collaborators with proof of service and credentials, update of Antivirus licenses, establishment of a new internal communication channel (WhatsApp), monitoring of active infrastructure 24x7, having VPN installations, assigning and authorizing transfer of equipment, assignment of zoom licenses, routing of extensions to guarantee attention, establishing a Personal Data Protection course, communications and alerts with security measures.

3. NOM-035: Migration to HO 90% in four weeks, covered by the Third Clause of the Employment Contract, schedule flexibility, Welfare Platform, Program: "United at a distance".

4. Prevention: the Group companies contracted the services of the Call Center of the Peña Verde Health Services Contact Center (CCSS), establishing as a procedure: the identification and safeguarding of vulnerable groups, the dissemination of the CCSS number for OMT in case of presenting symptoms and the follow-up of the CCSS to confirmed cases, in addition, the distribution of antibacterial gel was carried out, adjustments were made in the distribution of places in the CCSS, the sanitization of offices was carried out, provision was made: face masks, masks and raincoats, deposits were installed special for waste (masks), support was provided for the transportation of collaborators, COVID-19 tests were enabled for collaborators and agents, the medicine dispensary was reinforced and the following were established in the offices: sanitary access filters, remote temperature taking and sanitizing mats.

5. Return Plan: At the end of 2021, a plan to return to offices was designed, considering the indications of the Federal Government and internal indicators. This plan consists of a hybrid modality: Home office and face-to-face. Additionally, this return contemplates pertinent sanitary measures such as the proper use of face masks, healthy distance and maximum capacity, health surveys, and reservation of places. The plan began to be executed with pilot tests as of March 2022 and it is expected that it will be fully executed during this year.

6. Preliminary Return Rules: Decision based on the nature of the work, health of collaborators, etc. As well as in the Plan supported by Analysis for Business Continuity and Communication Plan; return by blocks, will not return more than 70%, vulnerable groups will not return.

All of the above has allowed Grupo Peña Verde to continue successfully with all its operations, as well as with regulatory compliance with the various institutions that regulate it.

The relevant thing to mention regarding the economic impact is the following:

I. In the Reinsurance line of business, the main impacts regarding Reinsurance Underwriting and Claims resulting from the Pandemic in 2021 were as follows:

   Although to date no systemic deviation has been detected in any specific branch, we have received some claims, the fall in the financial markets and the economy caused a tightening of the retrocession markets and later of primary reinsurance, leading to a rise in prices. of non-proportional and facultative contracts, reduction in the commissions granted to proportional contracts, increase in the number of extensions on the time of coverage requested by clients, exit of competing reinsurers in some Life, Medical Expenses and Health contracts, as well as a limitation or increase in exclusions of reinsurance contracts in general. This also resulted in some ceding companies seeking specific coverage for pandemics.

   During 2021, an amount of $126,000 was received from claims related to the pandemic.

   Regarding the reserve methodologies, no change was recorded during the period, while all the BEL loss ratios used in the methodologies did not show any significant change.

II. In the insurance line of business

   Derived from the current situation, in which the institutions have been affected in their economic, technical, operational, commercial and human resources capacity, due to the sanitary measures adopted due to the health contingency caused by the disease generated by the SARS-CoV2 virus (COVID-19), the CNSF issued a transitory annex in which it was stipulated that, as of August 2020, the institutions must deliver their financial information on a monthly basis to that H. Commission. The foregoing, in order to remain informed about the impacts that the valuation of the assets that make up the investment portfolios may have, thereby affecting the resources destined to cover the Net Investment Base, the Solvency Capital Requirement and the Minimum Paid Capital.

   During this contingency period, General de Seguros has maintained all its operations and has implemented the home office model in most of them, which has allowed it to continue with regulatory compliance with the CNSF and the various institutions that regulate it.

   General de Seguros was affected by the COVID-19 situation mainly in its life and health business lines (line that is in charge of its subsidiary General de Salud). During the second half of 2020, COVID-19 was included as part of the coverage, despite the fact that pandemics and epidemics are part of an explicit exclusion in the general conditions of the products, the foregoing, in order to have a social impact and align with what most of the sector defined to deal with this new disease in Mexico. In the case of the life line of business, this was significantly impacted by COVID-19, presenting at the end of fiscal year 2021 a total of 2,051 cases due to COVID-19, which amounted to an amount of $122,300, representing the 29.5% of total direct claims.

For its part, the health line of business presented a total of 43 cases of COVID-19 claims (with one case of higher cost), with an amount that amounted to $48,000, the average cost per COVID claim amounts to one million pesos per case, being above the market average ($500 per case).

2020

General de Seguros y General de Salud

During this contingency period, the General insurance and general health subsidiaries have maintained all their operations through the activation of a business continuity plan, which consists mainly of: 1) the formalization of work under the home office model in most operations, 2) flexible working modality, through the rotation of face-to-face care groups in offices for those areas that this is indispensable, 3) implementation of health security measures, 4) monitoring and follow-up of the pandemic through the media and 5) adaptation of policies and procedures to carry out sessions remotely, as well as to obtain signatures and authorizations for the various reports that require it. All of the above has allowed these subsidiaries to successfully continue with all their operations, as well as regulatory compliance with the Commission and the various institutions that regulate it.

General insurance and general health were affected by the COVID-19 situation mainly in their life and health line of business. During the second half of 2020, the inclusion of COVID-19 was made as part of the coverage, despite the fact that pandemics and epidemics are part of an explicit exclusion in the general conditions of the products, the above, in order to have a social impact and align with what most of the sector defined to face this new disease in Mexico.

For its part, General health in order to encourage sales and minimize the loss of renewal premiums, for some months various promotions were made among the agents, among which are: 1) allowing the rehabilitation of policies for up to 60 days for cases in which force majeure could not make payments of the corresponding receipts, 2) the granting of a bonus from April to July to the agents that rewarded the renewal of the policies with an additional bonus from 10% and up to 20% according to the percentage of renewal, on the amount of their original commissions, said bonus encouraged the conservation and allowed them to maintain their income during the period of confinement and 3) a discount on policies of 8.33% was granted in cases of direct debit during the period from April to August 2020. At the end of 2020, there were a total of 45 cases of COVID-19 claims (with a case of higher cost derived from the death of the insured), of which 33 correspond to the collective branch and the last quarter being the one with the greatest boom. These claims amounted to an amount of $33,500.

Additionally, a decrease in the expected accident rate was observed that affects hospitalization and preventive medicine coverage, this by virtue of considering that some medical procedures in these coverages may be reprogrammable, derived from this an analysis was carried out and it was estimated, at the end of the 2020 fiscal year, that there will be future claims for an approximate amount of $ 11,838, that is why this amount was reserved in addition to the Ongoing Risk Reserve constituted with the methodology registered with the Commission.

The life business line was significantly impacted by COVID-19, with a total of 553 cases of COVID-19 occurring at the end of 2020, which amounted to an approximate amount of $49,200.

Reaseguradora Patria

Reaseguradora Patria has made expenses in order to evaluate the health of the collaborators which has been for an estimated amount of $ 598.

During the period of 2020, the Institution received claims in the amount of $60,712, which are directly related to the pandemic, with the coverage of "business interruption" being the most affected for an amount of $55,524.

Regarding the reserve methodologies, there was no change during the period, while all the BEL accident rates used in the methodologies did not show any significant change compared to the previous year.

Additionally, the Reaseguradora Patria took preventive measures to ensure the health of the collaborators, while maintaining the ability to continue operations; therefore, most of the collaborators were able to carry out their activities under remote work schemes, considering the required prevention measures.

(21) Recently issued financial reporting standards-

The CINIF has issued the FRS and enhancement to FRS listed below:

FRS C-15 "Impairment of long-lived assets"-. This FRS becomes effective for periods beginning January 1, 2022, and early application is allowed. It supersedes Bulletin C-15 "Impairment or disposal of long-lived assets". The initial-adoption accounting changes must be recognized based on the prospective method. The main changes presented are:

- adds new examples of evidence to assess whether there is impairment and classifies it into internal or external sources of information and those applicable to investments in subsidiaries, associates or joint ventures.

- changes the requirement to use a net sales price for the fair value, less costs of disposal to carry out impairment tests;

- establishes the option of using estimates of future cash flows and a discount rate, in actual terms;

- incorporates standards for the treatment of future cash flows in foreign currency in determining the recoverable amount;

- modifies FRS C-8, Intangible Assets, to indicate that goodwill must be allocated at a level of a cash-generating unit (CGU) that is expected to benefit from the synergy of the business acquisition;

- incorporates the recognition of goodwill impairment in two steps: i. first, by comparing the carrying amount of the CGU including goodwill with the recoverable amount, and if the latter is less, an impairment loss is generated; and ii. second, by having this loss affect goodwill first and foremost, even leaving it at zero, and later, if there is an excess loss to be allocated, distribute it pro rata among the other long-lived assets that are part of the CGU;

- eliminates the calculation of impairment through the perpetual value of intangible assets with indefinite useful lives, by modifying the impairment test.

- establishes the determination of impairment of corporate assets as follows: i. first, they are allocated to the CGU to which they belong fairly and consistently, ii. second, the carrying amount of the CGU, including corporate assets, is compared to the recoverable amount and if the latter is less, an impairment loss is generated, which is distributed pro rata among all long-lived assets that are part of the CGU, including corporate assets.

- modifies the disclosures in accordance with the changes described above.

Accounting Criteria 2022 issued by the National Insurance and Bonds commission.

The Commission issued in December 2021 the modificatory letter 14/21, which establishes that the FRS described below will be effective on January 1, 2022:

"Glossary of terms"-. The following changes are added:

a) The definition of "Business Model" is included, to specify that the concept refers to how an Insurance Institution administers or manages its risks based on its investment policy to generate cash flows whose objective is to cover the Technical Reserves, Admissible Own Funds and Other corresponding Liabilities of the Insurance Institutions.

b) The definition of foreclosed assets is modified to eliminate from the definition the concepts of equipment, titles or securities, rights, among others, and leave the concept of other rights derived from financial assets in the definition in general and align it with the concepts used in the FRS.

c) Within the definition of the coinsurance account statement, the concepts included are expanded to also include the operations covered by the insurance contract in which it is operated through coinsurance, as well as the identification of the participation of the non-leading coinsurer.

d) The definition of fair value is modified to align it with the definition of the FRS and establish that it is the starting price that, at the valuation date, would be received to sell an asset or paid to transfer a liability in an orderly transaction. between market participants.

Accounting Criteria "Basic outline of the set of accounting criteria (A-1)"-. It is clarified that the application of accounting criteria, nor of the concept of supplementation, will not proceed in the case of operations that by express legislation are not allowed or are prohibited, or that are not expressly authorized to the Insurance Institutions.

Accounting Criteria "Application of Financial Reporting Standards (A-2)"-. Criterion A-2 is renamed as "Application of Financial Reporting Standards (A-2)" instead of "Application of particular standards (A-2)".

The following clarifications are included in relation to the application of the following FRS and the main changes of said FRS are detailed:

FRS B-15 "Foreign Currency Conversion"-. The exchange rate to be used to establish the equivalence of the national currency with the dollar of the United States of America, will be the closing exchange rate of the day instead of the FIX exchange rate.

Management estimates that the adoption of this FRS will not generate significant effects.

FRS B-17 "Determination of fair value"-. FRS B-17 this establishes the valuation and disclosure standards in the determination of fair value, in initial and subsequent recognition, if the fair value is required or allowed by other specific FRS. Where appropriate, changes in valuation or disclosure must be recognized prospectively.

Management estimates that the adoption of this FRS will not generate significant effects.

FRS C-2 "Investment in financial instruments"-. FRS C-2 allows the option of recognizing investments in certain negotiable capital instruments that are not traded in the short term, to be valued through the OCI. The Company applied this FRS improvement as of January 1, 2021 recognizing the effects of its adoption retrospectively based on FRS B-1 "Accounting changes and error corrections". The details of the changes are outlined hereafter.

The Accounting Criteria issued by the Commission "Investments in securities" (B-2) is repealed and it is established that NIF C-2 must be applied, in terms of the application of the rules related to the registration, valuation and presentation in the financial statements of its investments in financial instruments as follows:

a) It is established that for the purposes of NIF C-2, Insurance Institutions must determine the business model they will use to manage their investments in financial instruments, in order to classify them appropriately.

b) Derived from the analysis that the Insurance Institutions make of their business model, the assets for financial instruments must be classified for their valuation and registration within one of the following categories: Negotiable financial instruments (IFN), Financial instruments to collect or sell (IFCV), or financial instruments to collect principal and interest (IFCPI). In this sense, it is specified that the category of financial instruments to collect principal and interest will be for the exclusive use of insurance Institutions that operate pension insurance derived from social security laws, considering the nature of their obligations.

c) Valuation results that are recognized before the investment is redeemed or sold will be unrealized and, consequently, will not be subject to capitalization or distribution of dividends among its shareholders, until they are made in cash.

d) It is established that the exception to irrevocably designate in its initial recognition a financial instrument to collect or sell, to be subsequently valued at its fair value with effects on the net result referred to in the provision, will not be applicable to insurance institutions. NIF C-2.

e) Insurance Institutions that carry out reclassifications of their investments in financial instruments, must report requesting authorization of this fact in writing to the Commission within 10 business days following the authorization issued for such purposes by the Board of Directors of the Institutions. de Seguros, exposing in detail the change in the business model that justifies them.

f) Insurance Institutions, for the identification and recognition of adjustments for impairment, must adhere to the provisions of NIF C-2 "Investment in financial instruments", issued by the CINIF.

Management estimates that the adoption of this FRS will not generate significant effects.

FRS C-9 "Provisions, Contingencies and Commitments"-. This FRS renders Bulletin C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments" without effect. The application for the first time of this FRS does not generate accounting changes in the financial statements. Among the main aspects covered by this FRS are the following:

- Its scope is reduced by relocating the subject related to the accounting treatment of financial liabilities in FRS C- 19 "Financial instruments payable".
- The definition of "passive" is modified, eliminating the qualifier "virtually unavoidable" and including the term "probable".
- The terminology used throughout the standard is updated to standardize its presentation in accordance with the rest of the FRS.

The amount of the provisions must be discounted when the effect of doing so is important within the financial statements, it is considered important when the disbursements are expected to take place after twelve months after the date of the statement of financial position.

Management estimates that the adoption of this FRS will not generate significant effects.

FRS C-13 "Related parties"-. It is specified that for the purposes of complying with the disclosure standards contained in FRS C-13 "Related Parties", the Institutions and Insurance Companies that carry out operations with related parties must consider, in addition to those provided in the LISF as well as in the FRS C-13, to legal entities that have power of command, understanding this as the de facto capacity to decisively influence the agreements adopted at the Shareholders' Meetings or Board of Directors Sessions or in the management, conduct and execution of the business of the entity in question or of the legal entities that it controls.

In addition to the disclosures required by FRS C-13 and the provisions of the Single Insurance and Bond Circular, Insurance Institutions must disclose credits granted to related parties, operations with financial instruments in which the issuer and the holder are parties related parties, repurchase agreements, securities loans, derivative financial instruments and hedging operations with related parties, transfer of credit portfolio, and those carried out through any person, trust, entity or other legal figure, when the counterparty and source of payment of said operations depends on a related party. Likewise, the total amount of employee benefits granted to key management personnel or relevant directors of the entity must be disclosed.

Lastly, it is established that the disclosure of operations with related parties that represents more than 1% of the regulatory stockholders' equity of the month prior to the date of preparation of the corresponding financial information is only required.

Management estimates that the adoption of this FRS will not generate significant effects.

FRS C-16 "Impairment of financial instruments receivable"-. Insurance Institutions must observe the criteria indicated in FRS C-16 "Impairment of financial instruments receivable" which establishes the standards for the accounting recognition of losses due to impairment of all financial instruments receivable (IFC); It indicates when and how an expected impairment loss must be recognized and establishes the methodology for its determination.

The main changes included in this FRS consist of determining when and how IFC's expected impairment losses should be recognized, including:

- Establishes that an IFC's impairment losses must be recognized when, as the credit risk has increased, it is concluded that part of the IFC's future cash flows will not be recovered.
- Proposes that the expected loss be recognized

based on the historical experience of the credit loss entity, the current conditions and the reasonable and sustainable forecasts of the different quantifiable future events that could affect the amount of the future cash flows of the IFC.

- In the case of IFCs that accrue interest, it establishes how much and when it is estimated to recover the amount of the IFC, since the recoverable amount must be at its present value.

- It establishes that if the IFCPI was not withdrawn due to the renegotiation, it is appropriate to continue valuing the financial instrument using the original effective interest rate, which should only be modified due to the effect of the costs of the renegotiation.

The Commission establishes certain specifications for the application of FRS C-16 as follows:

a) For purposes of determining the amount of the expected credit loss referred to in FRS C-16, the effective interest rate used to determine the present value of the cash flows to be recovered must be adjusted when it is decided to modify said rate. rate in accordance with the provisions of FRS C-20.

b) Expected credit losses due to impairment of investments in IFCV financial instruments must be determined in accordance with the provisions of FRS C-16.

c) In relation to settlement accounts receivable, in cases where the amount receivable is not realized within 30 calendar days from the date on which it was recorded in settlement accounts, it will be reclassified as overdue portfolio and a simultaneously the estimate for unrecoverable or difficult collection of expected credit losses corresponding to the amounts receivable, following the provisions of FRS C-16.

d) Insurance Institutions must create an estimate that reflects the degree of unrecoverability of accounts receivable defined in accounting criteria B-8 "Accounts Receivable", said estimate must be obtained by applying the provisions of FRS C-16.

Management estimates that the adoption of this FRS will not generate significant effects.

FRS C-19 "Financial instruments payable"-. Insurance Institutions must observe the criteria indicated in FRS C-19 "Financial instruments payable", except in the case of subordinated obligations not convertible into shares and other credit instruments issued by the entity, which must be recorded as a liability. Likewise, the amount to be paid for the obligations and other credit instruments issued according to the nominal value of the instruments will be recorded.

It will record the amount of accrued interest payable derived from the debt instruments issued by the institution in the Subheading of Creditors for Interest of the Subordinated Obligations of Compulsory Conversion to Capital, belonging to the Sundry Creditors heading, indicated in the minimum catalog to which it does reference Accounting Criterion C-1 issued by the Commission, corresponding to which issuance of debt instruments.

In addition to the disclosures required in FRS C-19 itself, insurance institutions must include in the disclosure notes to the financial statements for the year-end in question, the characteristics of the subordinated obligations and other receivables. issued authorized by the Commission and provided for in the Single Insurance and Bond Circular: amount; number of titles in circulation; nominal value; discount or premium; rights and form of redemption; guarantee; expiration; interest rate; effective interest rate; amortized amount of the discount or premium in results; amount of issuance expenses and other related expenses and proportion of the authorized amount compared to the amount issued.

For the initial recognition of any financial instrument payable, the provisions of FRS C-19 will not apply, regarding using the market rate as the effective interest rate in the valuation of the financial instrument payable when both rates are substantially different.

The exception to irrevocably designate in its initial recognition a financial instrument payable to be subsequently valued at its fair value with effect on net income will not be applicable to Insurance Institutions.

Among the main characteristics of this FRS are the following:

- When restructuring a liability, without the future cash flows to liquidate it being substantially modified, the costs and commissions incurred in this process will affect the amount of the liability and will be amortized over a modified effective interest rate, instead of directly affecting net profit or loss.

- Incorporates what is established in IFRIC 19 "Extinction of Financial Liabilities with Capital Instruments", an issue that was not included in the existing regulations.

- The effect of extinguishing a financial liability must be presented as a financial result in the income statement.

- Introduces the concepts of amortized cost to value financial liabilities and the effective interest method, based on the effective interest rate.

- It establishes that it is not required to recalculate the effective rate before a variable interest rate of the financial instrument that does not produce effects of relative importance.

- Gains or losses from derecognition of liabilities and the effects of renegotiation of financial instruments to collect principal and interest must be presented as part of the results of operations.

Management estimates that the adoption of this FRS will not generate significant effects.

FRS C-20 "Financial instruments to collect principal and interest"-. Insurance Institutions must observe the criteria indicated in FRS C-20 "financial instruments to collect principal and interest". Notwithstanding, in the application of this FRS, the assets originated by the operations referred to in Accounting Criterion B-5 "Loans" issued by the National Insurance and Bonding Commission should not be included, since the recognition, valuation, presentation, and disclosure for the initial and subsequent recognition of such assets, are contemplated in said criterion.

Among the main aspects covered by this FRS are the following:

- The classification of financial instruments in assets. The concept of intention to acquire and hold them is discarded to determine their classification. Instead, management's business model concept is adopted, whether to earn a contractual return, generate a contractual return and sell to meet certain strategic objectives or to earn a profit from their purchase and sale, to classify them according to the corresponding model.

- The valuation effect of investments in financial instruments is also focused on the business model.

- The reclassification of financial instruments between the classes of financial instruments to collect principal and interest (IFCPI), that of financial instruments to collect and sell (IFCV) and that of negotiable instruments is not allowed, unless the financial model changes. entity's business.

- Gains or losses from derecognition of liabilities and the effects of renegotiation of financial instruments to collect principal and interest must be presented as part of the results of operations.

- The embedded derivative instrument that modifies the principal and interest flows of the host receivable financial instrument is not separated, but the entire IFCPI will be valued at its fair value, as if it were a negotiable financial instrument.

- It is not required to recalculate the effective rate before a variable interest rate of the financial instrument that does not produce effects of relative importance.

The commission establishes certain precisions in the application of this FRS as described below:

- For the purposes of the initial recognition of a financial instrument to collect principal and interest, the provisions of FRS C-20, regarding using the market rate as the effective interest rate in the valuation of the financial instrument to collect principal and interest, will not apply. interest when both rates were substantially different.

- For purposes of recognizing effective interest, the effective interest rate of the collection rights may be adjusted periodically in order to recognize the variations in the estimated cash flows to be received.

- The exception to irrevocably designate in its initial recognition a financial instrument to collect principal and interest, to be subsequently valued at fair value with effect on net income, will not be applicable to insurance institutions.

Management estimates that the adoption of this FRS will not generate significant effects.

"Accounting criteria for the application of general standards (A-3)"-.

Definition of the UMA

The definition of the value of the UMA is included, which is the unit of measurement and update that corresponds approved by the National Institute of Statistics and Geography and disclosed in the DOF, applicable on the date of the valuation.

Disclosure of financial information

It is specified that the insurance Institutions in compliance with the disclosure standards provided for in the accounting criteria must consider relative importance. In this sense, the precision is made that, as regards relative importance, this will not be applicable to the following information:

a) That required by the Commission through other general provisions issued for this purpose, other than those contained in the accounting criteria.
b) The specific additional information required by the Commission, related to its supervision activities, and
c) That required through the issuance or authorization, where appropriate, of criteria or special accounting records.

Accounting Criteria "Cash and cash equivalents (B-1)"-. The term "availability" is replaced by "cash and cash equivalents" to standardize the term due to the entry into force of various Financial Reporting Standards.

It is specified that cash must be valued at nominal value, while cash equivalents must be valued at fair value.

It is specified that the valuation of cash equivalents represented by coined precious metals will be carried out at their fair value, considering as such the price applicable on the valuation date. In the case of coined precious metals that by their nature do not have an observable value in the market, these will be recorded at their acquisition cost, understood as the amount of cash or its equivalent delivered in exchange for them considering their applicable price. at the valuation date.

Accounting Criteria "Loans (B-5)"-. LInterest recorded in memorandum accounts for overdue loans, when forgiven or written off, must be canceled from memorandum accounts without affecting the item of the preventive estimate for credit risks.

Accounting Criteria "Debtors" (B-7)-. It is modified to specify in a section the treatment of debtors for non-admissible paid claims, mentioning that the insurance institutions that operate the bonds or surety insurance must record in their accounting all the operations that they carry out, whatever their origin, between which highlights the record of debtors for claims paid that are not valid, even in accordance with the minimum catalog referred to in Accounting Criterion C-1 issued by the Commission, is considered as an asset.

The Institutions that operate the surety bonds or insurance and that carry out legal procedures, for the purpose of requesting the return of payments made for surety claims or claims payments to the beneficiaries of the surety insurance, motivated by the collection by the beneficiary, of an alleged breach of the guarantors or insured, even when the Institution has sufficient elements to demonstrate that there was no breach, they must recognize the right to collect or recover payments at the time of verifying that the payment of the claim or the payment of the incident were not from.

Considering that, due to the simple passage of time, the collection rights maintained by the Institutions that operate surety bonds or surety insurance deteriorate, the Institutions that operate surety bonds or surety insurance must record the right of collection in their assets, in accordance with according to the percentages established in the table established in this Accounting Criteria.

Expenses incurred for the recovery of paid claims must be recorded directly in results, as well as the income obtained from them at the time.

The registration of the collection rights will remain registered in the asset for up to a period of four years, counted from the time that the Institutions that operate the surety bonds or surety insurance, carry out the legal procedures, for the purpose of requesting the return of payments made. for bail claims or claim payments to the beneficiaries of the surety insurance, considering the timing and percentages detailed in this accounting criterion. To this end, the collection right must be canceled once the period has expired and be taken to the heading of uncollectible accounts, as it is canceled.

The posting in uncollectible accounts and the cancellation of the asset, may be carried out in advance when the Institutions that operate the bonds or surety insurance have elements that prove their registration.

Management estimates that the adoption of this FRS will not generate significant effects.

Accounting Criteria "Accounts Receivable (B-8)"-The criterion is modified to establish that the Insurance Institutions must adhere in the first instance to what is established in this criterion, as well as observe the criteria indicated in FRS C-3 "Accounts Receivable" and FRS C-16 "Impairment of instruments receivables", of the Financial Information Standards issued by the CINIF, as long as this is not contrary to what is established in the LISF and in the administrative provisions that emanate from it.

The criterion is modified to clarify that the following are not in the scope of Accounts Receivable Accounting Criterion (B- 8):

- Accounting criteria B-3 "Securities Loans", B-4 "Repos" and B5 "Loans".
- Those corresponding to collection rights defined in accounting criteria B-7 "Debtors", B-9 "Reinsurers and Bonding Agents", and B-25 "Surety Insurance".
- Paragraph 4 of the Accounting Criteria "Leases (B-23)", regarding accounts receivable from operating lease operations

Management estimates that the adoption of this FRS will not generate significant effects.

Accounting Criteria "Memorandum Accounts (B-12)"-.

Within the group of securities in deposit, specifically in the category of securities received in custody, it is specified that the recovery guarantees held by the Institution are also part of it, of which the bonds have been canceled, and that have not been claimed by the trustee or joint obligor. The deposits recorded here should not affect the Institution's asset and/or liability accounts.

Within the group of recovery guarantees for bonds issued and for surety insurance, specifically the category of recovery guarantees, it is mentioned that the amount of interest accrued and collected, derived from the guarantees consisting of cash, unless otherwise agreed, will form part of the value of said guarantees; It must have a control that allows the corresponding principal to be separated from the interests and they can only be disposed of when the surety insurance or the bond are claimed or canceled, in accordance with the law.

Accounting criteria "Effects of inflation (B-17)"- It is specified that in the case of an inflationary environment based on what is indicated by FRS B-10, insurance institutions must disclose the initial balance of the main monetary assets and liabilities that were used to determine the monetary position of the period, differentiating where appropriate, those that affect or not, the financial margin. Likewise, it is mentioned that they must use the value of the Investment Unit (UDI) as a price index.

Accounting Criteria "Leases (B-23)"-. Insurance Institutions must adhere to what is indicated in FRS D-5 "Leases", in the recognition, valuation, presentation and disclosure.

FRS D-5 "Leases" leaves Bulletin D-5 "Leases" without effect. The application for the first time of this FRS generates accounting changes in the financial statements mainly for the lessee and grants different options for its recognition. Among the main changes are the following:

- Eliminates the classification of leases as operating or capitalized for a lessee, and the latter must recognize a lease liability at the present value of the payments and an asset for the right of use for the same amount, for all leases with a term greater than 12 months, unless the underlying asset is of low value.

- An expense is recognized for depreciation or amortization of right-of-use assets and an interest expense on lease liabilities.

- Modifies the presentation of the related cash flows since cash flow outflows from operating activities are reduced, with an increase in cash flow outflows from financing activities.

- Modifies the recognition of the gain or loss when a seller-lessee transfers an asset to another entity and leases that asset back.

- It is established that a lease liability in a sale transaction with return lease must include both fixed payments and estimated variable payments and includes details of the procedure to be followed in accounting recognition.

- the accounting recognition by the lessor has not changed in relation to the previous Bulletin D-5, and only some disclosure requirements are added, such as the addition of clarifications to the disclosures for short- term and low-value leases for which a right-of-use asset was not recognized.

- incorporates the possibility of using a risk-free rate to discount future lease payments and thus recognize the lease liability of a lessee. Restricts the use of the practical expedient to prevent significant, identifiable non- lease components from being included in the measurement of right-of-use assets and lease liabilities.

In the application of FRS D-5, the Commission establishes the following considerations:

- For the purposes of the provisions of paragraph 42.1.4 subsection c) and subsection d) of FRS D-5, it will be understood that the term of the lease covers most of the economic life of the underlying asset, if said lease covers the least 75% of its useful life. Likewise, the present value of the lease payments is substantially the entire fair value of the underlying asset, if said present value constitutes at least 90% of said fair value.

- Insurance Institutions that act as lessee in leases previously recognized as operating leases, must initially recognize the lease liability in accordance with subparagraph a) of paragraph 81.4 of the Financial Information Standard D-5 "Leases", and the asset for right of use, in accordance with the provisions of numeral ii), subsection b) of paragraph 81.4 of FRS D-5.

- The lessee must apply Bulletin C-15 "Impairment in the value of long-lived assets and their disposal", to determine if the right-of-use asset is impaired and when to recognize the identified impairment losses.

- It is mentioned that when the lessee chooses to participate in the sale price of the goods to a third party, the Institution will recognize the corresponding income at the time of sale against the results of the year as miscellaneous income (expenses) of the operation.

  Management estimates that the adoption of this FRS will not generate significant effects.

Deferral in the application of the Financial Reporting Standards

On December 21, 2021, Amending Circular 15/21 was published in the Official Gazette of the Federation, which establishes that Financial Reporting Standards D-1 "Income from contracts with customers" and D-2 "Costs from contracts with customers", issued by the Mexican Council of Financial Information Standards, A.C., will enter into force on January 1, 2023.

Improvements to FRS 2022

In September 2021, the CINIF issued the document called "Improvements to FRS 2022", which contains specific modifications to some already existing FRS. The main improvements that generate accounting changes are the following:

FRS B-7 "Business Acquisitions"-. It includes within its scope, the accounting recognition of acquisitions of businesses under common control. Establishes the book value method to recognize business acquisitions between entities under common control. Requires the application of the purchase method in combinations of entities under common control when the acquiring entity has non-controlling shareholders whose shares are affected by the acquisition or when the acquiring entity is listed on a stock exchange. Makes annotations to the accounting treatment and recognition of costs and expenses related to the business combination. This improvement comes into force for the exercises that start from the 1st. of January 2022, allowing its early application for the year 2021. The accounting changes that arise must be recognized prospectively as established in FRS B-1 Accounting changes and error corrections.

FRS B-15 "Conversion of foreign currencies"-. This improvement consists of incorporating within the body of the FRS, the practical solution for the preparation of complete financial statements for legal and tax purposes when the recording and reporting currency is the same even when both are different from the functional one, without carrying carry out the conversion to the functional currency, indicating the entities that can opt for this solution. This improvement repeals IFRS 15 "Financial statements whose reporting currency is the same as the recording currency, but different from the functional one" and comes into force for the years beginning on or after the 1st. of January 2022, allowing its early application for the year 2021. The accounting changes that arise must be recognized prospectively as established in FRS B-1 Accounting changes and error corrections.

FRS D-3 "Employee benefits"-. The effects on the determination of the deferred Employee Profit Sharing (PTU) are considered, derived from the changes in the determination of the PTU caused by the decree published on April 23, 2021 by the Federal Government. This improvement comes into force for the exercises that start from the 1st. of January 2022, allowing its early application for the year 2021. The accounting changes that arise must be recognized prospectively as established in FRS B-1 Accounting changes and error corrections.

FRS B-17 "Determination of fair value"-. Eliminates the requirement for disclosures due to a change in an accounting estimate resulting from a change in a valuation technique or its application. This improvement comes into force for the exercises that start from the 1st. of January 2022, allowing its early application for the year 2021. The accounting changes that arise must be recognized prospectively as established in FRS B-1 Accounting changes and error corrections.

FRS C-6 "Property, plant and equipment"-. Eliminates the requirement to disclose the planned time for construction in progress, when there are approved plans for it. This improvement comes into force for the exercises that start from the 1st. of January 2022, allowing its early application for the year 2021. The accounting changes that arise must be recognized prospectively as established in FRS B-1 Accounting changes and error corrections.

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This material references Disclosures 102-3 and 102-53 of GRI 102: General Disclosures 2016

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