PEÑA VERDE

Annual **SUSTAINABILITY** Report 2022

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MESSAGE TO SHAREHOLDERS

GRI 2-22

Dear investors:

We are pleased to report the results that Grupo Peña Verde recorded during 2022, as we were able to continue strengthening our insurance and reinsurance operations, as well as bringing operating effectiveness very close to optimal ranges and making steady progress in the development of strategic results.

In this regard, we once again reached a new all-time high in written premiums, recording Ps.14,607 million in 2022, representing a growth of 22.1% compared to Ps.11,963 million in 2021. While both divisions (Insurance and Reinsurance) contributed to this performance, Reaseguradora Patria positioned itself as the main catalyst, posting its best written premiums result in a single year, surpassing, for the first time in its history, the Ps.11,000 million mark.

The foregoing was supported by strict expense control in both the Insurance and Reinsurance divisions, which resulted in a 4.9% reduction in net operating expenses, from Ps. 1,026 million in 2021 to Ps. 976 million in 2022. As a result, Reaseguradora Patria's operating expense ratio was placed in Best-in-Class ranges, contributing to a Group-wide reduction of 189 bps, from 8.6% in 2021 to 6.7% in 2022.

Unfortunately, the Group's operating results were lower than expected, due to the higher number of claims recorded in the insurance division and the higher cost of inputs, such as vehicle spare parts, medical and construction materials, as a result of persistent inflationary pressures.

The above, together with the practically null contribution of financial margin, given the effects of the complex macroeconomic and geopolitical situation that prevailed globally on our investment portfolio, caused the Group's profitability to be below expectations for 2022.

In terms of our strategic results, during 2022 we made steady progress in our transformation process and in our 2022-2027 Business Plan, mainly in the areas of growth, efficiency, customer prioritization and sustainability. In this regard, we developed a cloud-based data management platform that is allowing us to improve the accuracy of those indicators that support our decision making. Particularly in the Automotive business, we have been able to identify and monitor the main business drivers and their effect on the entire portfolio, thus creating a capability that will help us to take timely action in the face of market changes.

In addition, in our SAVIA project, we have moved from the implementation of the ERP system to the operation. Currently, 100% of the financial transactions go through our ERP, achieving greater control over our accounting and financial operation, the homologation and consolidation of criteria among the Group's subsidiaries, as well as compliance with the International Financial Reporting Standards (IFRS) and the accounting regulations of the insurance sector. We are now working on connecting our international operation and perfecting additional functionalities with a focus on continuous improvement.

In the particular case of the Insurance division, the CONECTA project, which consists of the implementation of a new policy administration system for the Damages, Auto and Agro branches, and through which we pursue operational agility and commercial flexibility to deliver products to the market in an agile manner with better control and traceability of the information of our policies and clients, this project was launched in mid-2022 with a first product of Damages for which 19 policies were issued and nearly 300 quotations were attended.

On the other hand, in the Health area, through the launch of PASS (Platform for Health Services Attention) we seek to improve the claims attention experience of our clients and providers through digital channels in an agile and simple way, which guarantees the value of our services and improves our brand position; the launch was in November in Mexicali for a portfolio

of more than 20 thousand policyholders; more than 160 trained doctors, integration of the 5 most relevant laboratories and 5 pharmacies in the region and the first 3 thousand 100% digital medical consultations.

In the Reinsurance division, during 2022 we made progress in the installation of version 3 of the SIREC system, which is Reaseguradora Patria's integral reinsurance and accounting system. At the beginning of 2023, the first phase was completed (migration of the engine and updating of the reporting server) and the second phase began (inclusion of additional transactions for accounting closings). All of this will contribute to better control and greater capacity to manage the business's operational activities.

In summary, our technological and business transformation efforts are progressively advancing as planned, we continue to strengthen our operational capabilities, while reaching economies of scale to support the aggressive growth shown in our 2027 plan. Investment in this transformation effort is around 2.15% of revenues, of which one third is focused on renewing obsolete technology, and the rest is in the main projects mentioned above, including investment in the cultural change that accompanies this type of implementation across all subsidiaries.

In the area of sustainability, in fiscal year 2022 we published our first Sustainability Maturity Level Self-Assessment, reaffirming our commitment to the adoption of ESG best practices. We also renewed our adherence to the UN Global Compact, reaffirming the commitment of all of us at Grupo Peña Verde to incorporate the 10 universal principles related to human rights, labor standards, environment and anti-corruption into our operations, as well as to contribute to the 17 Sustainable Development Goals.

We renew, as we have every year since 2020, our adherence as signatories to the United Nations Global Compact, contributing through our role in the insurance and reinsurance sector, as well as in the asset management sector, for the achievement of the Sustainable Development Goals of the 2030 Agenda.

As part of our approach to sustainability, in the social axis we positively impacted the lives of 100 young people belonging to associations dedicated to the protection of children and youth, with our volunteer program "Día Peña Verde" through a series of talks focused on the development of skills and the improvement of the premises of their facilities. Additionally, in this area we benefited more than 50 young entrepreneurs who received, with the help of Fundación Valores Ambientales AC, computer equipment donated by the Group.

In the environmental axis, among other activities, we sent for responsible recycling more than 900 items of obsolete electronic equipment, promoting the circular economy as a business practice, achieving savings in recyclable materials such as aluminum (98 kg), copper (69 kg), plastic (945 kg), iron (507 kg) and glass (62 kg), in addition to the energy and water savings that this practice entails.

In the axis of governance, we ratified our Code of Ethics and Business Conduct, updated the Investment Policy and the Corporate Governance Framework, the most relevant among other documents that are part of our documentary framework. Additionally, it is relevant to share that we did not have any observation to the corporate governance system within the 2022 external audit exercise.

Regarding Grupo Peña Verde's financial position, Fitch Ratings affirmed the ratings of Peña Verde and its subsidiaries Reaseguradora Patria, General de Seguros, and General de Salud. The ratings for 2022 were BBB+ for Peña Verde, BBB+ and AAA (mex) for Reaseguradora Patria, and AA+ (mex) for General de Seguros and General de Salud, all with a stable outlook.

In addition, A.M. Best, the largest global rating agency specialized in the insurance sector, has assigned ratings of bbb for Peña Verde, A, a and aaa.MX for Reaseguradora Patria, and A-, a- and aaa. MX for General de Seguros and General de Salud.

Finally, although we are aware that the adverse factors that impacted the profitability of our investment portfolio, and consequently that of the Group, will continue to be present during most of 2023 (high inflation and interest rates, low economic growth and the uncertainty generated by the unfortunate conflict between Russia and Ukraine), we are confident that the resilience of the insurance sector in Mexico, the operational and strategic advances we achieved throughout 2022, as well as the recent incorporation of Patria Re (US) Inc. (a reinsurance platform that was incorporated in the State of South Carolina in the United States in early 2023), will enable us to effectively meet the challenges of the current environment and restore profitability in a sustainable manner.

As always, we take this valuable opportunity to thank our business partners, customers, suppliers, agents, brokers and reinsurers for the trust they place in us every day, as well as our entire team of collaborators for their commitment and dedication, since their talent and effort is the main driving force of Grupo Peña Verde, because **together we deliver results!**

Enrique Julio Zorrilla Fullaondo

Chairman of Peña Verde

Manuel S. Escobedo Conover

Chief Executive Officer of Peña Verde

02.

PROFILE

GRI 2-1, 2-2 and 2-6

Who We Are

PEÑA VERDE

Grupo Peña Verde is the only Mexican conglomerate dedicated to comprehensive risk management (from origin to final placement), with **General de Seguros, General de Salud and Reaseguradora Patria** as the companies through which most of the Group's activities are carried out.

In this regard, in order to promote business development, consolidate solid Corporate Governance and take advantage of the synergies and economies of scale inherent to our business portfolio, the entire operation is under the umbrella of a corporate entity, whose trade name is Peña Verde and corporate name is Peña Verde S.A.B. (a Mexican stock corporation, with indefinite duration, listed on the Mexican Stock Exchange since 2012, under the ticker symbol PV).

Our corporate offices of Reaseguradora Patria and Peña Verde are located at Periférico Sur 2771, Col. San Jerónimo Lídice, Alcaldía La Magdalena Contreras, Zip Code 10200, Mexico City and telephone number 5683-4900. Our General de Seguros corporate offices are located at Avenida Patriotismo #266, Col. San Pedro de los Pinos, Zip Code 03800, Mexico City. We also have more than 22 commercial offices to provide the highest quality service to our customers, under the cultural framework: *the customer, my priority.*

– Our Purpose –

TO BE PRESENT for people and organizations in every moment where risk wants to win over security by being the sustainable reference in whom to trust in order to find the peace of mind they need, and thus be able to continue developing, evolving and manifesting each of their projects with awareness, freedom and responsibility.

– Our Mission –

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

– Our Vision –

We maximize the value of our Group, more than doubling our profitable, diversified and sustainable growth by responding to our customers with personalized and flexible experiences, being relevant in the market.

OUR VALUES

The following values constitute the fundamental framework within which Grupo Peña Verde's strategy is built and implemented:

INTEGRITY

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

INITIATIVE

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

ENTHUSIASM

We understand our work as a series of challenges that allow us to **measure our achievements and grow.**

PROFESSIONALISM

We know that talent is the result of a constant effort to **keep ourselves updated and competitive**, and that knowledge is the result of tenacity, discipline in execution and the ability to team up through effective 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 COSTUMER IS MY PRIORITY
I satisfy customer needs through **value-added services**

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

WE ALL BUILD PEÑA VERDE
I create an **inclusive environment** where we all participate responsibly in developing solutions

Business Divisions

Grupo Peña Verde is comprised of the four business divisions shown below:

INSURANCE

REINSURANCE

BUSINESS SUPPORT AND TRANSFORMATION (SET)

Peña Verde Administrative Services

ASSET MANAGEMENT AND FINANCIAL STRATEGY DIVISION (GAEF)

Corporate Venture Capital Fund (Side Pocket)

The Insurance and Reinsurance Divisions consolidate risk management activities; the Business Support and Transformation Division (SET) aims to optimize the Group's operations in terms of efficiency and costs through technological and cultural transformation. Finally, the Asset Management and Financial Strategy Division (GAEF) consolidates the efficient management of the Group's capital in a single area.

The SET Division together with the GAEF Division are integrated into Peña Verde Administrative Services, a subsidiary that seeks to consolidate an organizational culture that promotes participation and innovation in Grupo Peña Verde, thus strengthening competitiveness through all business divisions.

In summary, the Group maintains two value-generating strands: on the one hand, our operations generate investable cash flows and an operating margin; and on the other hand, our investment portfolios contribute to the achievement of higher profit margins, while helping to diversify risk.

INSURANCE

General de Seguros

A Mexican company with more than 50 years of experience in the Mexican insurance market, during which time it has offered a wide variety of products that provide its clients with life, auto, and damage protection, in the agricultural sector (standing out as one of the few insurance companies that offer this coverage) and, through General de Salud, in the health and medical expenses sectors. Additionally, General de Seguros is authorized to operate insurance for credit and reinsurance.

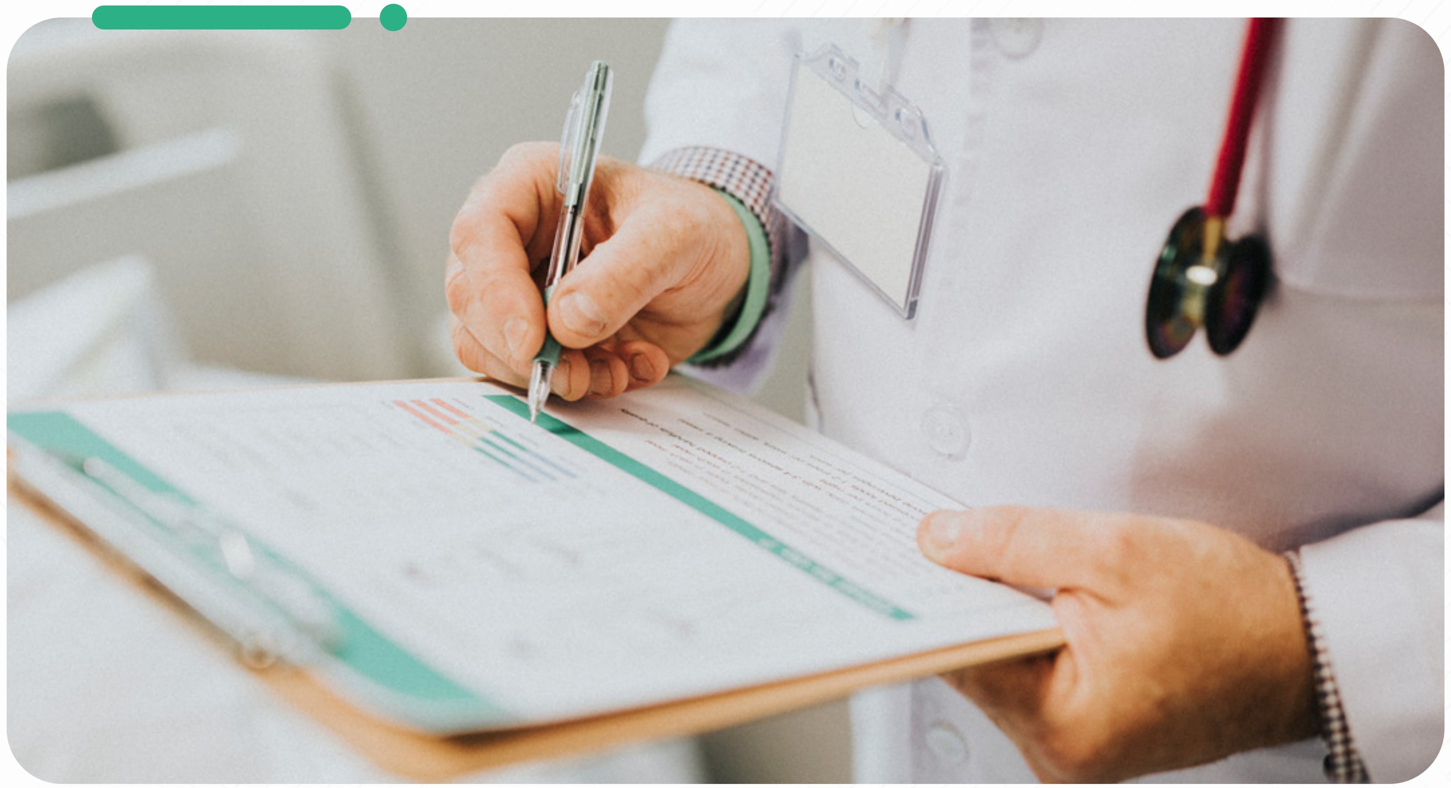
In its important journey within the insurance market, General de Seguros has endorsed a timely and efficient service, which has allowed it to be ranked #33 in the Mexican insurance market by the end of 2022, considering the amount of premiums written.

In 2022, we are proud to have completed 50 years of history protecting our customers.

General de Salud

100% Mexican insurance company, a subsidiary of General de Seguros, with an outstanding track record of more than 15 years offering health insurance.

General de Salud attends to personal needs and those of SMEs through group plans, providing from primary coverage (consultations and prevention) to comprehensive coverage (ancillary services, hospitalization, maternity, dental, etc.).



Centro de Contacto de Servicios de Salud (CCSS)

CCSS - Peña Verde, S.A. de C.V., a company specialized PHONE MEDICAL ASSISTANCE (OMT for its acronym in Spanish), channels the more than **1.4 million policyholders** of General de Seguros and General de Salud, from public and private institutions to the appropriate level of medical attention, with the objective of promoting greater efficiency and a better health service.

In 2023, it has expanded its range of services to include the monitoring of chronic degenerative diseases and remote assistance.

During 2022 we attended

- Approximately **170,000** Administrative Telephone Orientations
- **5,650** Medical Opinion cases for Health, Personal Accident and Automobile policyholders.
- More than **5,000** Telephone Medical Guidance

REINSURANCE

Reaseguradora Patria

Reaseguradora Patria is the oldest reinsurance company in Latin America, a region in which it has a strong presence and where it has increasingly extended its overseas operations; since 1953 it has been an active participant in the industry, offering comprehensive risk management services, as well as personalized follow-up on economic, technical and administrative issues.

Reaseguradora Patria considers insurers, surety companies and reinsurance brokers as its main business partners.

Regarding the Lloyd's reinsurance market (SPA), during 2022 Grupo Peña Verde continued with the gradual closure of its syndicate, achieving the RITC (reinsurance to close), an important step towards the completion of this process.

BUSINESS SUPPORT AND TRANSFORMATION DIVISION (SET)

This division concentrates the efforts made to achieve the Group's development through the transformation projects that are carried out in terms of technology and culture, while verifying the correct compliance with regulations, laws and risk levels. This development focuses on:

Technology plan:

- Continuously streamline and standardize the operation in terms of cost and time.
- Maintaining high flexibility to support future growth.
- Integrating new technological solutions.
- Stabilize technological investment in accordance with market standards for innovation projects.
- Promote a culture of innovation and flexibility that allows decision making focused on individual and collective results.
- Moving towards a culture of accountability.

ASSET MANAGEMENT AND FINANCIAL STRATEGY DIVISION (GAEF)

This division was conceived to manage the investment portfolio, Corporate Finance, Administration and Finance, and Procurement. In this way, the Group concentrates in a single area the administration and efficient use of capital, with the objective of obtaining superior yields than those of the market through an optimal capital structure.

Some of the benefits of consolidating this area are:

- Cost reduction.
- Efficient financial and strategic communication.
- Standardization of processes without losing the knowledge and attention to the needs of each division.

External Affiliations and Initiatives

Through General de Seguros y Reaseguradora Patria, we have participation in:

- 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)
- Federación Interamericana de Empresas de Seguros (FIDES)
- The Institute of International Finance
- Pan-American Surety Association
- Insurtech Alliance

Our regulatory bodies are:

- 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 pursuit of best business practices and driving our efficiency, we have a relationship with:

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

We are also in the process of implementing the following standards:

- ISO 27001 Information Security Management Systems: The security team is in the process of implementing it and is analyzing the possibility of conducting a pre-certification process during the second half of 2023.

  Additionally, in order to adhere to best practices, Grupo Peña Verde uses the NIST (National Institute of Standards and Technology) framework for the implementation of cybersecurity controls.

  Grupo Peña Verde uses ADKAR (Awareness, Desire, Knowledge, Ability and Reinforcement) to facilitate change processes in information security.

- ISO 31000 Risk Management: During 2022 Grupo Peña Verde implemented a new methodology for measuring and quantifying its operational risks based on this ISO; this is expected to strengthen the visibility and monitoring of indicators that help mitigate and manage the operational risks of the institutions that make up the Group.

- NOM 035* (aimed at detecting psychosocial risks within an organization, mandatory for all Mexican companies).

- In addition, we use the ADKAR methodology for the adoption of changes, mainly in the area of information security.

* 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

As a corporation, we adopted the variable capital method 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 stockholders.

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.

2021

- Written premiums reached a new all-time high for the second consecutive year, surpassing Ps. 11.9 billion.
- We published the Company's first Annual Sustainable Report based on GRI standards, marking an important step forward in our strategy of best corporate practices, transparency and stakeholder outreach.
- The virtual assistant "Tito" was launched, which, based on artificial intelligence, will solve basic doubts and help the IT and Security area with the opening of tickets.
- General de Salud was recognized with the Celent Model Insurer 2021 award, in the category of Digital and Emerging Technologies, 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 with type II diabetes mellitus.
- The delisting process of General de Seguros shares in the stock market was concluded.

2022

January 31

We announced that, due to retirement, Juan Ignacio Gil Antón retired from his position as Vice President of the Insurance Division. However, as of February 1st, 2022, he began to serve as Independent Executive Advisor of Grupo Peña Verde.

April 27

Grupo Peña Verde announced the completion and publication of the Sustainability Maturity Level Self-Assessment, reaffirming its commitment to the adoption of ESG best practices.

May 30

Fitch Ratings affirmed the ratings of Peña Verde and its subsidiaries Reaseguradora Patria, General de Seguros and General de Salud. The ratings for 2022 are BBB+ for Peña Verde, BBB+ and AAA (mex) for Reaseguradora Patria, and AA+ (mex) for General de Seguros and General de Salud, all with a stable outlook.

May 31

Grupo Peña Verde announced the unfortunate death of Mr. José Salvador Martínez Cervantes, member of the General Health Council.

June 22

Tom Cunningham left Grupo Peña Verde on July 31 of this year after successfully completing the challenges for which he joined our team.

November 30

A dividend payment was made equivalent to Ps. 40 million, considering that the total outstanding shares of the Company is 476,678,213.

2023

March 17

Grupo Peña Verde announces the incorporation of Patria Re (US) Inc.".

May 12

A dividend payment was made equivalent to Ps.20 million, considering that the total outstanding shares of the Company is 476,678,213.

May 23

Fitch Ratings affirmed the ratings of Peña Verde and its subsidiaries Reaseguradora Patria, General de Seguros and General de Salud. The ratings for 2023 are BBB+ for Peña Verde, BBB+ and AAA (mex) for Reaseguradora Patria, maintaining a stable outlook, and AA+ (mex) for General de Seguros and General de Salud, with a negative outlook.

Gonzalo Galicia Díaz
CFO & Chief Actuary of Reaseguradora Patria

03.
OUR OPERATION

GRI 2-2 and 2-6

Insurance Division

Through General de Seguros we offer coverage in life, personal accident, civil liability, fire, earthquake, and other catastrophic risks, agricultural and animal, maritime and transportation, automobile and miscellaneous. For this purpose, General de Seguros has an extensive network of 2,550 insurance sales agents, who are independent people whose remuneration (commissions, prizes, and incentives) is based on the fulfillment of their sales objectives. In addition, part of the sales process is carried out through brokers.

> In line with adequate risk management, part of the risks assumed by General de Seguros are ceded to first-rate and highly prestigious reinsurers.

Additionally, through General de Salud, a subsidiary of General de Seguros, we provide health and medical expense coverage, which is complemented by the CCSS (Centro de Contacto de Servicios de Salud) by providing medical orientation via telephone to policyholders, **generating direct savings in health services, greater operational efficiency in health services, and high user satisfaction and confidence in the service.**

CCSS Medical Advisor + CCSS Clinical Algorithms with over 190 protocols

Proven efficacy in assessing the user's health condition

TRADEMARKS OF GENERAL DE SEGUROS

GENERAL DE SEGUROS
AHORA ES TODO

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

During 2022, by virtue of its 50th anniversary and its transformation process, General de Seguros evolved from a "detect and repair" to a "predict and prevent" stance, with the objective of being a close partner of customers as of now in the risk reduction process.

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

1 General de Seguros

2 GENERAL DE SEGUROS / GENERAL DE SALUD

3 50 AÑOS GENERAL DE SEGUROS AHORA ES TODO

Reinsurance Division

Reaseguradora Patria is an insurance institution authorized by the Comision Nacional de Seguros y Fianzas to carry out different reinsurance and counter-guarantee activities, which it negotiates, directly or through reinsurance intermediaries, with domestic and foreign insurance and reinsurance institutions.

- 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

- P y Diseño
- P Patria Nombre Diseño y Color
- Patria Nombre
- Patria Re y Diseño
- P Patria y Diseño
- Patria Re
- Repartida
- P Patria Re y Diseño
- P Patria Nombre y Diseño color

REASEGURADORA PATRIA, S.A.

PATRIA RE

Other Services

In parallel to risk management (Peña Verde, S.A.B.'s main focus), the Company also carries out the acquisition of shares or equity interests in all types of companies (domestic or foreign), as well as the provision of all types of services, on its own behalf or on behalf of third parties, including administrative, accounting, advisory, commercial, financial and operational services.

Our Customers

Taking total written premiums as a reference, none of the clients of General de Seguros and Reaseguradora Patria represent more than 5%, due to the high dispersion in the sale of products in the insurance sector and the diversification policies of Grupo Peña Verde in the reinsurance area.

Geographical Footprint

By the end of 2022, Grupo Peña Verde's international presence includes Mexico, Chile, the United Kingdom, and the United States.

Northwest

1. Hermosillo
2. Tijuana
3. Mexicali
4. Chihuahua
5. Cd. Obregón.

Northwest, West Bajio.

6. Monterrey
7. Guadalajara
8. Morelia
9. Saltillo
10. León
11. Querétaro
12. Aguascalientes

Center South

13. Mexico City
14. Mérida
15. Puebla
16. Satélite
17. Orizaba
18. Veracruz

International

19. Chile
Santiago
20. United States
Miami
21. United Kingdom
London

Risk Management

Grupo Peña Verde has a Comprehensive Risk Management System within its Corporate Governance, whose objective is to maintain the dynamism required to proactively identify emerging risks that could affect the operation, due to its participation in the Insurance and Reinsurance businesses. This system contemplates the objectives, policies, and procedures for comprehensive risk management consistent 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 external and internal risks to which, individually and in the aggregate, the Group may be exposed.

Comprehensive Risk Management:

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

To carry out this important task, the Risk Committees of each one of the Group's companies meet on a monthly basis to report on the status of risks to Management and the Board of Directors, who will define the action lines to be taken in this regard. In addition, 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.

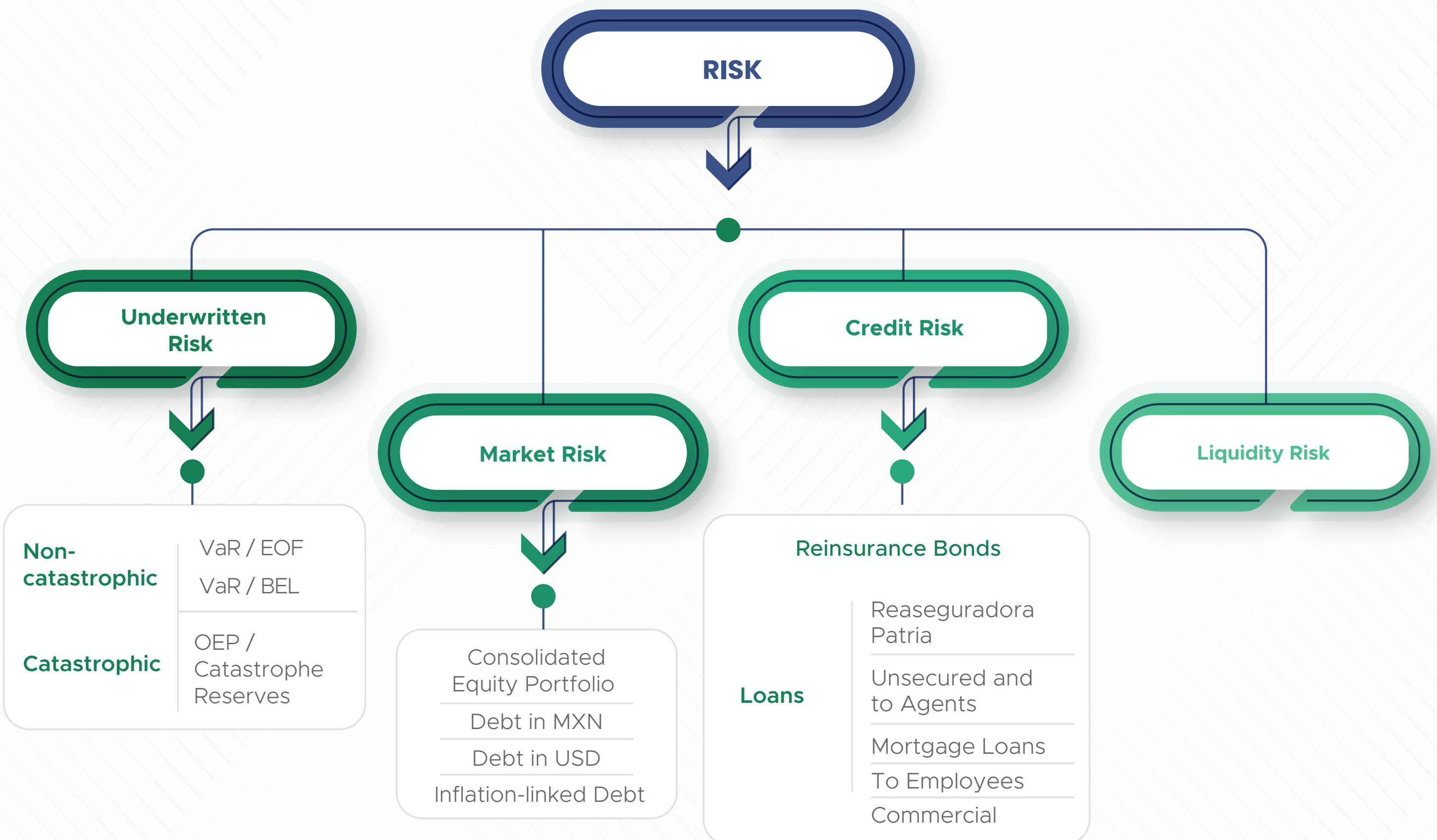
We have identified the various risks to which the Group as a whole and its subsidiaries are exposed; however, it is considered highly unlikely that all of them will occur simultaneously (given the correlation between them). Therefore, Grupo Peña Verde catalogues these risks based on their potential impact, 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, to maintain a solid risk management, the Board of Directors of each Company has defined an exposure limit for the following risks:



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

It is extremely important to point out that there are emerging risks with a high level of uncertainty that could generate losses that cannot be quantified with precision; therefore, they could risk the Company's solvency and/or the fulfillment of its business plan in case of materialization. For this reason, Grupo Peña Verde implements all necessary measures to reduce, as much as possible, any potential impact.

In this context, being aware of emerging risks, such as climate change, the Company has worked hard to adopt the best environmental and social practices, to become a reference in the areas of Human Rights, Labor Standards, Environment and Anti-Corruption; that is why, since October 2020, the Group has been part of the main corporate sustainability initiative at a global level: the **United Nations Global Compact**.

In addition, during 2022 Grupo Peña implemented a new methodology for measuring and quantifying its operational risks, adhering to a standard risk taxonomy that complies with risk management based on ISO 31000; with this, the Company expects to consolidate the visibility and monitoring of indicators that help mitigate and manage the operational risks of the institutions that are part of the Group.

Internal Control

During 2022, as a result of the transformation that Grupo Peña Verde is undergoing, new ways of obtaining competitive advantages and making processes more efficient were explored. In addition, in response to the Audit Committee's request to consolidate the Internal Control area, contributing to the consolidation of Corporate Governance and the Internal Control System, the Corporate Internal Control Department was created to:

- Improve the Company'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 & COBIT 5 methodologies at Group level.

Additionally, throughout 2022, 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 600 documents were 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 continued to make progress during 2022, in order to strengthen internal control, are:

A Evaluation of the Internal Control of the processes of the Intermediaries of Alternative Channels, Claims, Collection, Payroll Deduction, Bonuses and Commissions. The reviews were carried out based on the COSO & COBIT 5 control framework, in addition to the compliance review based on the provisions established in the LISF, LFPDPPP, CUSF, among others.

B Self-assessment of Controls to the processes of the Commercial Management - Traditional Channel, Finance and Actuarial Function. The Self-Assessment of Controls is a tool that has been adopted as a method to evaluate and determine the validity and effectiveness of the internal controls previously identified. In addition, the COSO 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 on the progress in the implementation of the Remediation Plans, as a result of the evaluation of the Internal Control of the processes of the Business Strategy Department, the Alternate Channels Department, the Call Center Subdepartment, the Operations Subdepartment - Control Desk, the Transformation and Statistics area & the review of Branches (Merida, Hermosillo and Monterrey), the Call Center Subdepartment, Alternate Channels Intermediaries, Claims, Collection and Payroll Deduction.

D Design and implementation of a work plan for the implementation of walkthroughs in the transversal processes provided by Grupo Peña Verde and that are provided to General de Seguros for fiscal year 2023, carrying out the identification of risks and controls.

E We participated in the Company's main initiatives during 2022, with the objective of identifying controls and validating their regulatory compliance, such as the implementation of the new Core system.

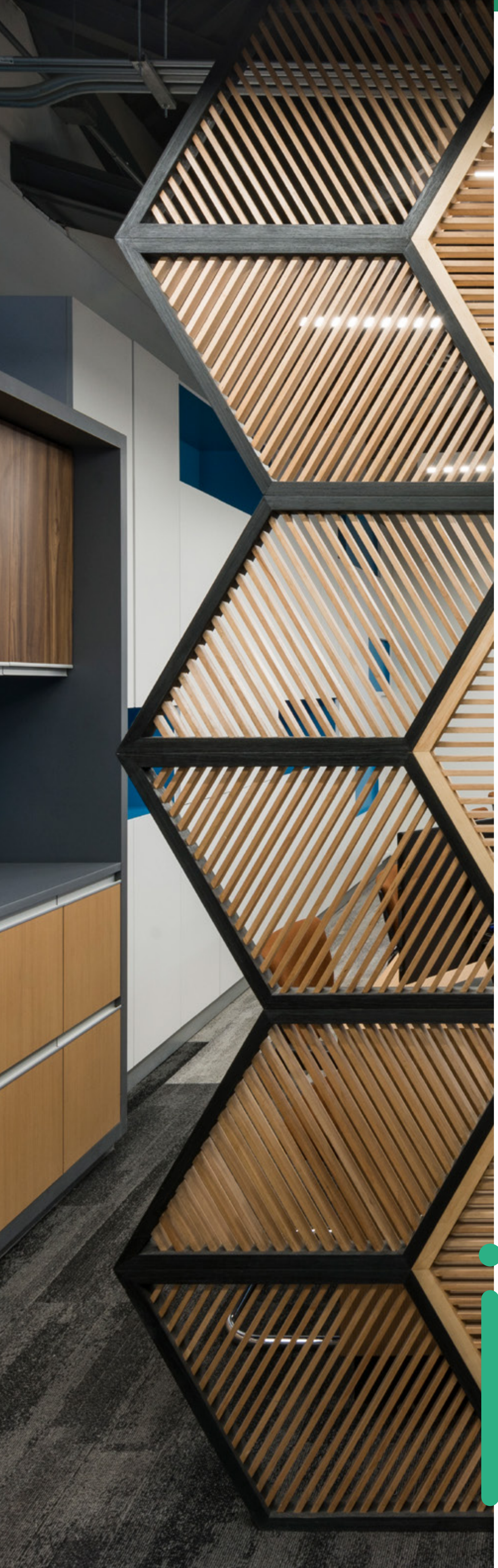
REASEGURADORA PATRIA

In the case of Reaseguradora Patria, the core processes in which continued to make progress during 2022, in order to strengthen internal control, are:

A Evaluation of the Internal Control of the Technical Administration, Commissions and Finance processes (Accounting Closing, Generation of Financial Statements, Accounts Payable, Collections, Reconciliations, and the ABC of suppliers). The evaluations were carried out in accordance with the COSO & COBIT 5 control framework, in addition to the compliance assessment based on the provisions established in the LISF, LFPDPPP, CUSF, among others.

B Follow-up on the implementation of the Remediation Plans progress, as a result of the Internal Control Evaluation of the Claims, Technical Administration and Commissions 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, Grupo Peña Verde has put into practice the recommendations issued.



Business Model and Strategy

BUSINESS MODEL

Our business model can be viewed from two different perspectives that complement each other, as shown below:

Holistic Perspective

It consists of analyzing the Group as a single company, which is vertically integrated and dedicated to comprehensive risk management, with sustainability as its strategic axis.

> **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

From this perspective, Grupo Peña Verde is perceived as an investment portfolio whose capital is directed to the most profitable businesses, through the supervision of an optimal "risk-return" ratio in 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 encourage the generation of economies of scale. In this vision, the capture of the float is the key factor in the operations of the Insurance and Reinsurance Divisions.

ANNUAL EVALUATION OF STRATEGY EXECUTION

In order to evaluate the impact on the management of our strategy at the executive level, we formulated the Strategy Achievement indicator, which quantitatively measures the two main elements that make up its monitoring:

Rating of the portfolio of initiatives:

By means of a diagnostic form, the projects undertaken by the Group are rated on a scale of 1 to 5, where progress, budget, change management and risks are considered. The final rating corresponds to the average of all initiatives implemented during the period.

Achievement of strategic objectives:

This corresponds to the assessment of compliance with the key indicators present in the strategic objectives on a scale of 0% to 150%, considering five performance ranks:

Outstanding	150%
High	125%
Target	100%
Acceptable	80%
Unacceptable	0%

The rating of the strategic objectives is calculated by averaging the achievement of the key indicators evaluated.

Finally, the Strategy Achievement indicator is obtained by means of a weighted average composed of the qualifications reported in the previously mentioned elements. The evaluation scale ranks from 0% to 100%, where "0%" corresponds to the minimum level of compliance and "100%" represents the maximum value of compliance.

2022 EVALUATION RESULT

ACHIEVEMENT OF THE STRATEGY

		GPV 90.1%
Rating of the Portfolio of Initiatives	30%	26.6%
Rating of the Company's Portfolio	100%	88.7%
Achievement of Strategic Objectives	70%	63.4%
Overall result of the Company's achievement of objectives, obtained from the Group's BSC	100%	90.6%

Compared to the results obtained during 2021, we can remark a better management of the group's portfolio and with this, a better rating of the portfolio.

2027 SPECIFIC OBJECTIVES - INSURANCE DIVISION

OBJECTIVE

Our objective is to establish an insurance company that is solid from both a technical and operational perspective. In this way, we will be able to support the objectives of Grupo Peña Verde by managing risks effectively and generating value in the process.

Transformation of the service model

Our goal is to make General de Seguros and General de Salud recognized leaders in service and innovation. We seek to build trust by providing cost-effective, quality solutions, while leaving a significant footprint in the industry.

TARGET SEGMENT

SMEs and individual insurances with basic retail products.

Strategic lines — Customer experience and channels — New operational capabilities

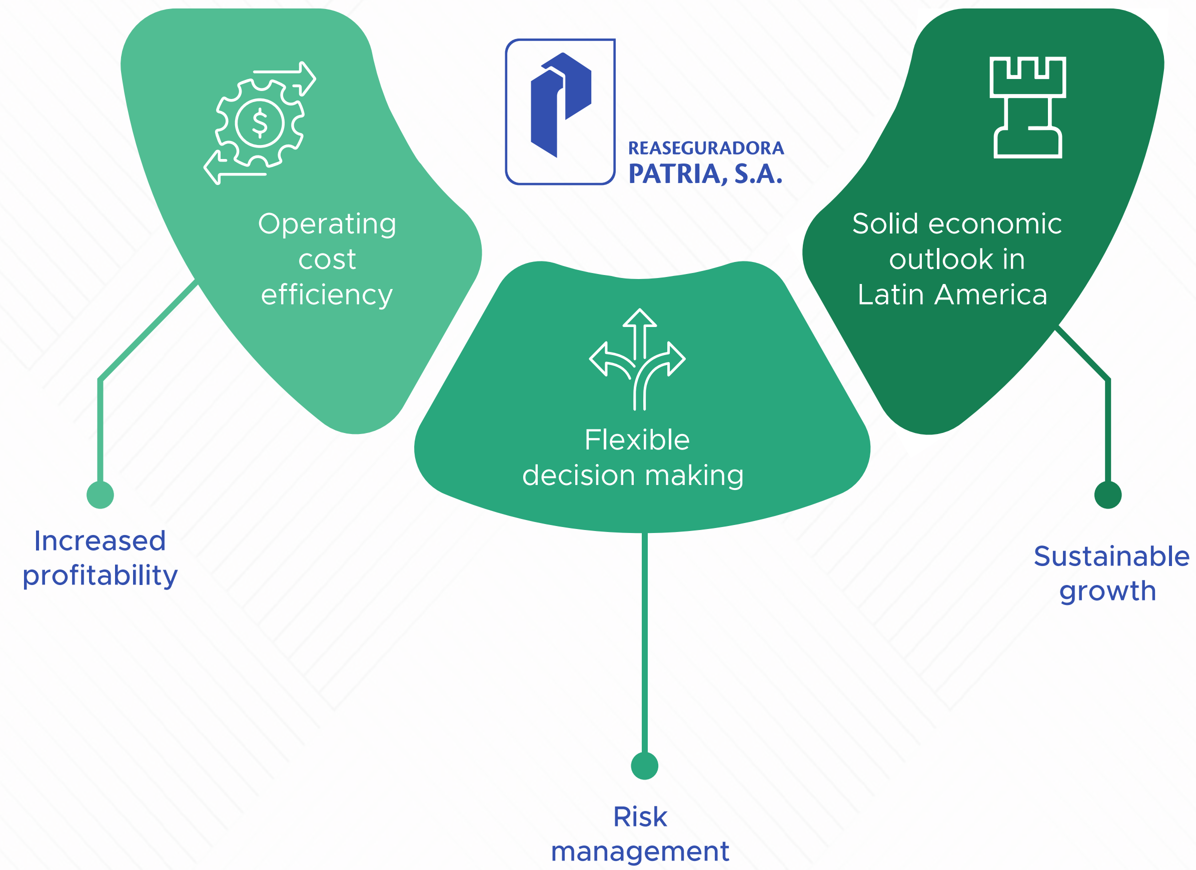
STRATEGIC INITIATIVES

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

What do we expect from this Division?

- Written Premiums: Exceed Ps.9,000 million by 2027
- Combined Ratio: Reach levels around 90%
- FY Net Income: Achieve a net income greater than Ps.600 million by 2027

REINSURANCE DIVISION STRATEGIC PLAN FOR 2027



Strategic guidelines to 2027

We seek to effectively manage growth by expanding the reinsurance practice within the Group. This will be achieved through geographic diversification and the addition of new specialty lines. At the same time, we are committed to staying faithful to underwriting rules and values, while developing more efficient analytical and risk management tools.

What do we expect from this Division?

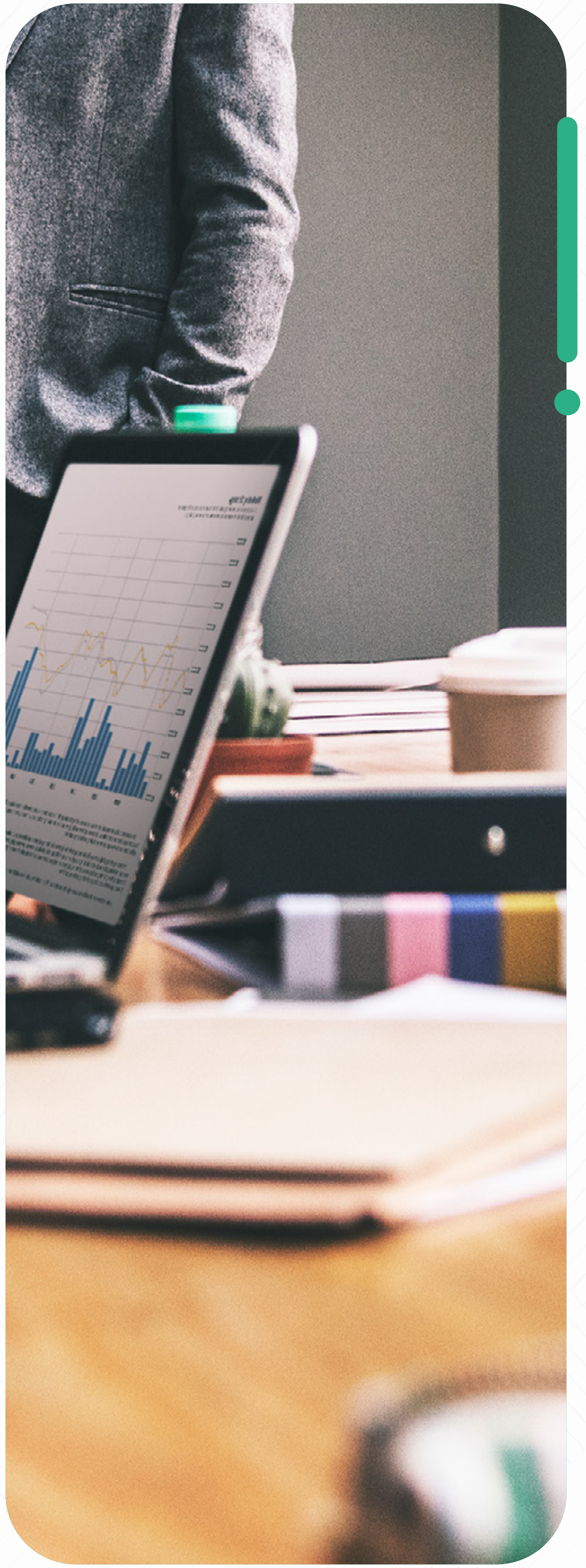
- Written Premiums: To exceed Ps.19,000 million by 2027
- Combined Ratio: To remain below the 90% barrier
- FY Net Income: Achieve a net income greater than Ps.600 million by 2027

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

In summary, for Grupo Peña Verde we expect:

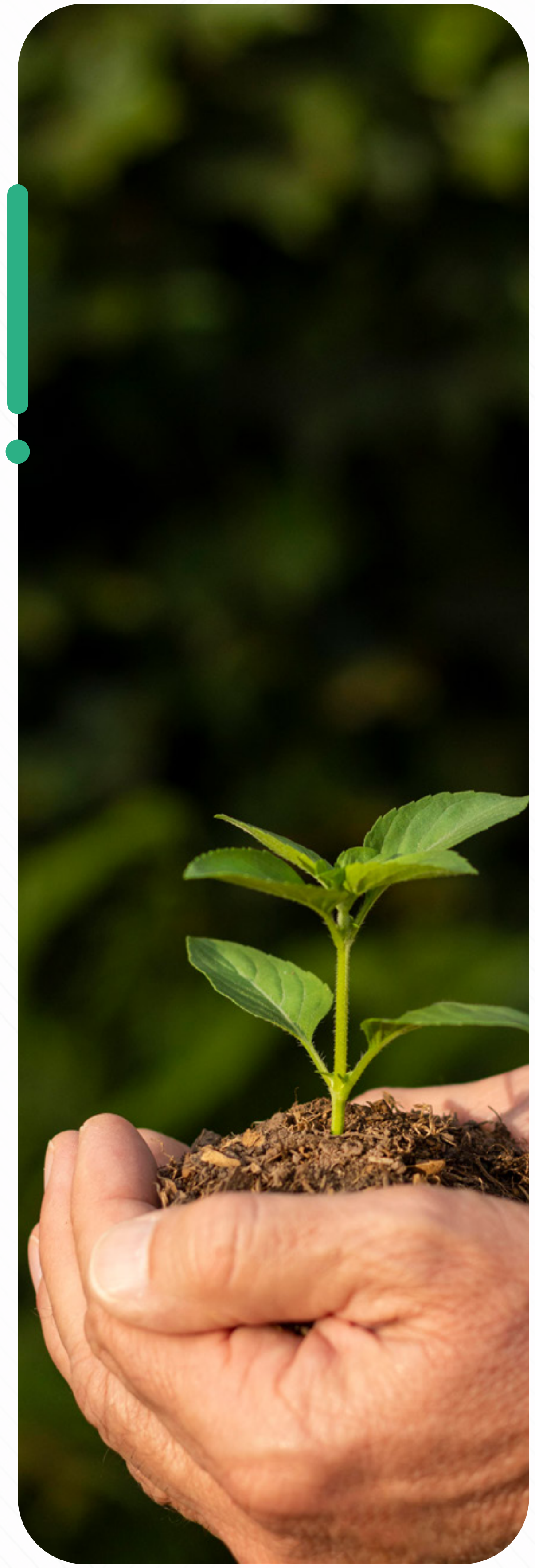
- Written Premiums: To exceed Ps.28,000 million by 2027
- Combined Ratio: To remain below the 90% barrier
- FY Net Income: Achieve a net income greater than Ps.1,900 million by 2027



04.

COMMITMENT TO CORPORATE SUSTAINABILITY

GRI 2-2 y 2-6 GRI: 2-7, 2-8, 2-16, 2-17, 2-19, 2-20, 2-29, 3-1, 3-2, 301-1, 306-2, 401-1, 401-3, 403-1, 403-2, 403-3, 403-4, 403-6, 403-7, 403-8, 404-1, 404-2, 404-3 and 410-1.



SUSTAINABILITY APPROACH

Sustainability is embedded in our strategy and is present in the services we offer, the way we operate and the way we manage our investments.

At Peña Verde, we conceive sustainability as **"the awareness to develop and generate profitability within an ethical framework of respect for the natural, social, political, cultural and personal environment, through diversity, the spirit of service and the capacity to take care"**.

PEÑA VERDE consciente

MATERIAL TOPICS

Material topics are the foundation of the sustainability approach, so they must be prioritized, managed, and reported. In this sense, for Peña Verde the following issues are considered with the corresponding priority:

Environmental

- 8 Efficient use of resources and assets
- 9 Products and services with environmental impact

Social

- 7 Financial inclusion (access and affordability)
- 3 Transparent information and fair advice for clients
- 10 Diversity and inclusion among employees

Government

- 1 Business ethics
- 2 Design of policies to encourage responsible behavior.
- 6 Incorporation of environmental factors in investment management and advisory services.
- 5 Exposure to environmental risk
- 4 Systemic risk management

Based on the material topics, **five commitments were drafted that will guide Peña Verde's** main sustainability efforts through 2027. These commitments will in turn be aligned with the 17 Sustainable Development Goals:

Commitment	Topics
Continuously improve our impact on the environment.	Topics 8 and 9
To conduct our business operations in a responsible and ethical manner.	Topics 1, 2, 3 and 6
Manage exposure to climate and systemic risk.	Topics 4 and 5
Increase access to risk management products and services.	Topics 7
Promote an organizational culture that fosters the balanced development of people and communities.	Topics 10

For each commitment, **key performance indicators (KPIs)**, either qualitative or quantitative, are proposed, which will serve as a witness to monitor the progress achieved. The Sustainability Approach Implementation Plan proposes 11 operational activities, including the validation of approximately 50 KPIs. This plan will be monitored by the Sustainability Working Group, composed of:

- Manuel Escobedo, CEO
- Andres Millan, CIO
- Gabriela Hernández, Independent Director
- Astrid Jacobo, Strategy, Governance and Control Executive Director
- Romina Ortiz, Sustainability Manager

STAKEHOLDERS

Grupo Peña Verde promotes the continuous strengthening of environmental, social and corporate governance practices, with the purpose of influencing, directly or indirectly, in a positive way all stakeholders. To this end, the Company maintains permanent contact with these groups, as shown below:

Frequency

Constant | Periodic | Annual

Stakeholder	Method of Engagement	Topics of Interest	Department in Charge of Communication
Shareholders	Personal Attention General Meeting E-mail Annual Reports Regulatory Filings Quarterly Earnings Release Web Site Telephone Conference Calls	• ESG Performance • Financial 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

ENVIRONMENTAL COMMITMENT

Since our activities are focused on the insurance sector (characterized, among other things, by having an ecological footprint considerably smaller than that of other industries), the environmental impact of our operations is not considered significant. However, at Grupo Peña Verde we are aware of the importance of climate risks, which is why, as of October 2020, we joined the UN Global Compact, the largest global corporate sustainability initiative.

It is also important to highlight that, to reduce its ecological footprint (promoting less waste generation, reuse, and recycling), Grupo Peña Verde continues to develop an Environmental Policy and a Waste Program based on:

- General Law for the Prevention and Integral Management of Waste.
- Mexico City Solid Waste Law.
- Environmental protection standard NOM087-ECOL-SSA-2002.

During 2022, 100% of Brochures and Posters for customers were delivered digitally and, for the third consecutive year, 100% of incentive promotional materials provided to the sales force were sent digitally.

Regarding energy consumption, the light bulbs used to meet the lighting requirements of Grupo Peña Verde's offices are LED; in addition, all air conditioning equipment is highly efficient.

Regarding fuel use, the Company uses only what is necessary for transportation equipment and emergency power plants, which also require natural gas.

- 5950 megajoules of non-renewable fuels used in 2022 -

Regarding water consumption, only that which is indispensable for the operation of the buildings in operation is used, mainly for sanitary, cleaning and garden irrigation (for the latter, there are rainwater collectors that encourage lower water consumption).

45495 megaliters of water were consumed during 2022.

Note: Water consumption was determined using the respective bills.

COMPLIANCE

The Company has three areas responsible for the management of environmental issues, as detailed below:

i. **Compliance:** in collaboration with the operational and service areas of all sites, it is responsible for verifying and ensuring that applicable legislation is fully complied with.

ii. **Human Capital:** responsible for promoting effective internal communication and contributing to the deployment of awareness and training campaigns for every employee.

iii. **Strategy and Sustainability:** is in charge of monitoring the above by considering it within Grupo Peña Verde's Strategy.

As of the date of preparation of this report, Grupo Peña Verde has **not incurred any violation of applicable environmental regulations.**

SOCIAL COMMITMENT

PEÑA VERDE DAY

For the seventh consecutive year, the Company invited its employees to participate in the Peña Verde Day, with the objective of carrying out activities that contribute to the well-being of the community and the environment.

In this edition, Peña Verde Day focused on the youth of Mexico.

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

UNITE /ORANGE DAY

As it does every year, Grupo Peña Verde joined the UNiTE campaign, which seeks to eradicate violence against girls and women by raising awareness of this important issue. Thus, since November 25, the Company and its employees participated in the 16 days of activism using orange garments and elements, as well as disseminating messages that contribute to prevention.

> Grupo Peña Verde held the orange lighting of the corporate San Jeronimo and broadcast 2 messages to support this campaign.

OUR TEAM

Grupo Peña Verde is convinced that the **talent, commitment, capability, discipline, and human values** of its employees have been fundamental in achieving the financial and technical strength that has characterized it for more than 65 years. For this reason, the Company plans for the welfare of its people, develops, and promotes a work culture based on integrity, the customer, teamwork, transformation, and personal harmony.

At the date of publication of this report, Grupo Peña Verde was ranked 13th in the Great Place To Work ranking of companies between 500 and 5,000 employees.

During 2022, Grupo Peña Verde was again recognized as one of the best companies to work for in Mexico.

Great Place To Work®
Certificada
Ene-2021 - Dic-2021
MÉXICO

As of December 31, 2022, the Peña Verde community consisted of more than 974 employees, distributed in Mexico, London, the United States and Chile.

Breakdown of employees by country

Subsidiary	No. of employees under contract		No. of employees		Total employees
	Permanent	Temporary	Full-time	Part-time	
Employees in Mexico					
General de Seguros[1]	556	38	594	0	594
Servicios Administrativos Peña Verde	110	8	118	0	118
Reaseguradora Patria	115	11	126	0	126
CCSS	20	18	38	0	38
General de salud	72	16	88	0	88
Total employees in Mexico	**873**	**91**	**964**	**0**	**964**
Employees in other countries [2]					
Santiago (Chile)	5	0	5	0	5
London (United Kingdom)	5	0	5	0	5
Total employees in other countries	10	0	10	0	10
Total employees Grupo Peña Verde	**883**	**101**	**974**	**0**	**974**

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

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

Our administrative employees are hired by Servicios Administrativos Peña Verde, except for Mr. Manuel Escobedo, our CEO, who is the only employee directly employed by Peña Verde S.A.B.

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

PEÑA VERDE EXPERIENCE

We live the best labor practices in Mexico, and in each of the countries where we have a presence!

- Social responsibility and well-being projects for our employees
- Strong work culture of total respect and transparency.
- Work groups with high human value and in plural communities.
- Competitive value proposition based on equity, seeking professional development and life balance.
- Continuous training and development in all areas of the human sphere, for an integral growth.

Working, developing, and growing within Grupo Peña Verde will be one of the best experiences in your life and career!

- Succession plans that ensure business continuity by identifying and developing talent.
- Training plans to develop in the current position.
- Mobility and growth among the Group's Companies, both nationally and internationally.
- Focus on constant challenges that allow us to strengthen talent in different business units.
- Functional leadership models.
- High performance equipment
- Focus on competencies and cultural pillars.

TURNOVER AND HIRING RATE

During 2022, 252 employees left the Company and 324 new employees joined, representing a net of 72 additional employees. Thus, the consolidated turnover rate during 2022 was 25% and the consolidated hiring rate was 32%.

The 2022 turnover rates for General de Seguros, General de Salud, Reaseguradora Patria, Servicios Administrativos Peña Verde and CCSS were 25%, 26%, 19%, 19% and 69%, respectively; while the hiring rates were 23% for General de Seguros, 84% for General de Salud, 36% for Reaseguradora Patria, 27% for Servicios Administrativos Peña Verde and 90% for CCSS.

It is important to mention that CCSS's turnover and hiring rate is due to the fact that medical collaborators are generally accepted to study a specialty, which is why personnel is constantly being recruited.

Grupo Peña Verde's turnover and hiring rate by gender, age group and region is provided below:

GRUPO PEÑA VERDE

Gender	Turnover Rate	Hiring Rate
Male	52%	46%
Female	48%	54%
Total	100%	100%

GRUPO PEÑA VERDE

Age range	Turnover Rate	Hiring Rate
Under 30 years old	22%	36%
30-50 years old	65%	57%
Over 50 years old	12%	7%
Total	100%	100%

GRUPO PEÑA VERDE

Region	Turnover Rate	Hiring Rate
Mexico	100%	100%
Other countries	0%	0%
Total	100%	100%

Grupo Peña Verde has a Diversity and Inclusion Policy in which it reaffirms its position in favor of equal employment opportunities for men and women.

> At Grupo Peña Verde we believe that labor progress should be the result of the effort and capacity of each employee.

BREAKDOWN OF EMPLOYEES BY GENDER

Subsidiary	No. of male employees under contract		Total male employees
	Permanent	Temporary	
General de Seguros	290	16	306
Servicios Administrativos Peña Verde	60	3	63
Reaseguradora Patria	60	6	66
CCSS	8	7	15
General de salud	31	8	39
Total Grupo Peña Verde	**449**	**40**	**489**

Subsidiary	No. of female employees under contract		Total female employees
	Permanent	Temporary	
General de Seguros	266	22	288
Servicios Administrativos Peña Verde	50	5	55
Reaseguradora Patria	55	5	60
CCSS	12	11	23
General de salud	41	8	49
Total Grupo Peña Verde	**424**	**51**	**475**

> By the end of 2022, 50.73% of employees were men and 49.27% were women.

TRAINING

Grupo Peña Verde has a Training Policy, whose guidelines establish the path to follow to promote the training of employees in each of the subsidiaries. In this sense, this policy positions the employee as the main responsible for defining and complying with its Training Agenda.

As part of the training chain, immediate supervisors and all area managers must provide the necessary support for the training process of the employees under their direction. In addition, the Training and Organizational Development Area is responsible for monitoring and verifying the progress of training programs to ensure compliance with current guidelines, as well as alignment with the objective of providing continuity to the business through succession and career plans.

During 2022, 100% of Grupo Peña Verde's employees received a periodic evaluation of their performance and personal development or participated in training courses.

The different training opportunities to which Grupo Peña Verde employees have access are as follows:

Training agenda:

Grupo Peña Verde and external institutions provide courses, workshops, seminars, certifications, and other training activities.

Company and Job Induction Program:

A general induction to the Group and initial on-the-job training are given to new employees.

Regulatory and Corporate Governance Training:

It consists of providing mandatory courses, at least once a year, on the applicable regulations regarding compliance and corporate governance, including prevention of money laundering and terrorist financing, protection of personal data, code of ethics, contracts with third parties, regulatory filing, etc.

Additional Training:

It includes special projects, such as language programs and Accountability, your best version in action (a culture system oriented to responsibility and accountability), as well as any optional training offered by the Company.

Transition Programs:

It is provided when there are personnel movements, whether due to changes in functions, departure of collaborators or retirement.

Average hours of training per employee during 2022

Subsidiary	Training hours	Team	Training hours
GSAL	1,805 hrs.	STRATEGIC	1,234 hrs.
GSE	13,561.5 hrs.	OPERATIONAL	17,998.50 hrs.
RP	5,870 hrs.	TACTICAL	6,531 hrs.
SAPV	4,527 hrs.	**Grupo Peña Verde**	**25,763.50 hrs.**
Grupo Peña Verde	**25,763.50 hrs.**		

By Gender	Male	Female
Grupo Peña Verde	**12,180 hrs.**	**13,583.50 hrs.**

ACCOUNTABILITY, YOUR BEST VERSION IN ACTION

To continue promoting its cultural transformation process, during 2022, Grupo Peña Verde continued to rely on the "Accountability" culture system, which is oriented towards responsibility and accountability.

SAFEGUARDING THE HEALTH OF OUR EMPLOYEES

Aware of the importance of a good balance between work, personal and social life, etc., on the physical and mental well-being of employees, and therefore on their performance, during the last seven years Grupo Peña Verde has deployed multiple efforts aimed at protecting and promoting the various aspects of health.

As a reflection of this, in 2022, 17 employees (5 men and 12 women) requested parental leave and returned to work at the end of their leave (return to work rate = 100%).

In addition, of the total number of employees who returned to work after parental leave (as of December 2021), 12 continued to be part of the Peña Verde community during the 12 months following their return (retention rate = 71%).

As part of the benefits available to employees, the Company offers access to various health institutions, for example:

- **Access to the Social Security Institute**
- **Major Medical Insurance**
- **Flexible payroll deduction in case they purchase other health insurance. health insurance.**

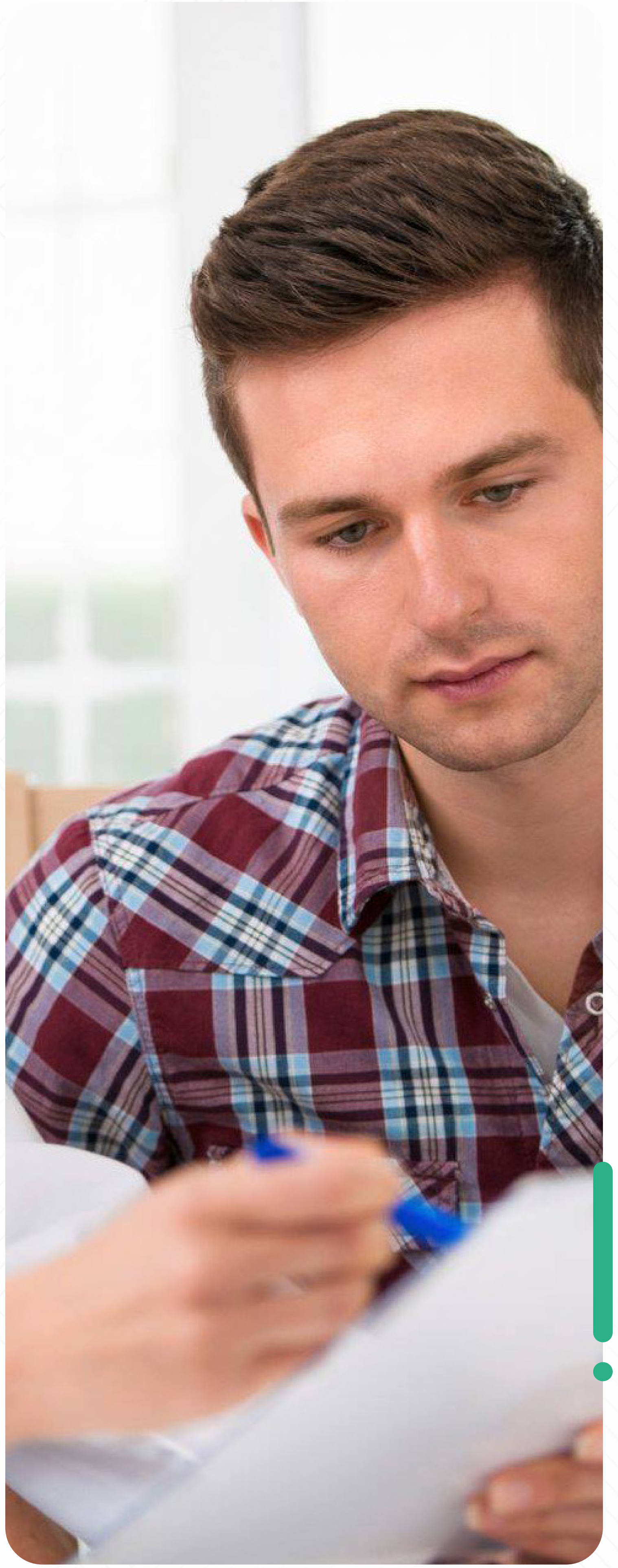
In this way, Grupo Peña Verde makes available to its employees different health institutions to which they can go for work or non-work related issues.

Employees also have access to the " Well-being Line", a phone counseling service that provides support on emotional, nutritional, administrative, legal and team management issues. The Company also offers access to therapies, as initial support, in cases of emotional problems.

In addition, to promote health prevention, several activities are carried out on a voluntary basis, among which the following stand out:

- Conferences and workshops
- Sports and meditation classes
- Free of charge medical exams for weight, eyesight, general check-up, among others.
- Health challenges
- Discounts on health products
- Discounted nutritionists

During June 2022, the NOM 035 survey was completed, and the results will be used to start defining action plans.



HEALTH PROTOCOLS

To preserve the wellbeing of its employees, the Company has several protocols in health matters, which are concentrated in an internal document that is delivered to all employees. With this, Grupo Peña Verde intends to ensure that all members of its team know the guidelines to be followed and the path to follow in case of any eventuality, for their wellbeing.

Likewise, all employees have access to the health services provided by the CCSS department during their workday. To promote continuous improvement, the department also gathers feedback from employees on the effectiveness of the service and prepares a report.

The Clinical, Human Capital and Legal Departments are in charge of reviewing the monthly statistical report of the medical service in order to propose and implement improvements.

HOW ARE THE **RISKS TO WHICH** EMPLOYEES ARE **EXPOSED IDENTIFIED**?

In the emergency of an accident, information on the probable causes is collected directly from the employee for recording and investigation.

The corresponding investigation of the basic causes of the risk is carried out in coordination with the personnel, their direct supervisor and the health and safety coordination, to prevent future accidents.

If the accident has been attended by the IMSS, the Payroll area will advise the employee to fill out the notice to qualify probable occupational risk using the form provided by the IMSS.

None of Grupo Peña Verde's activities have a high level of risk.

WHO IS RESPONSIBLE FOR **PROVIDING MEDICAL CARE?**

CCSS doctors oversee determining the type of medical service required by the employee, based on the CCSS Medical Care Traffic Light (used by the IMSS), as well as the type of emergency that may arise. They will also provide the necessary medical attention, share self-care actions, and provide medications to the employee.

MEDICAL CARE COLOR SYSTEM

PHONE MEDICAL ASSISTANCE

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 assessment in Family Medicine Unit (UMF).

SERIOUS SITUATION. Requires complementary medical attention in the emergency room.

VERY SERIOUS SITUATION. Requires complementary medical attention in the emergency room. Requires immediate transfer.

PROCESS OVERVIEW

i. As a first contact for Phone Medical Assistance, employees should contact the CCSS through the phone number established in the internal document. If, due to the seriousness of the injury, the employee is not authorized to make the call or requires immediate medical attention, this will be done at the place of the accident (aligned with the Medical Care Color System).

ii. The doctor will determine if the employee needs to be transferred to the Family Medicine Unit (UMF for its acronym in Spanish) or to the IMSS emergency room. In this case, the doctor will notify the contact that the employee has provided within the Integral Human Capital System (SICH for its acronym in Spanish) to go to the Company's facilities to accompany and transfer the employee. If the employee wishes, the transfer will be made to a private hospital, but in this case the expenses will be at the employee's expense.

> The employee is responsible for keeping his/her contact information updated, in case of any emergency, within the Integral Human Capital System (SICH).

iii. The treating doctor will make a record in the "Medical Consultation Report" as a closure of the medical attention and/or assessment provided and will notify the Organizational Development Specialist by e-mail of the cases in which there has been an emotional or psychological affectation, to follow up with the employee.

iv. The report is strictly confidential and will be kept in the control file of the CCSS (department that provides the medical service).

EMPLOYEE SAFETY

Grupo Peña Verde has a security awareness program, which includes aspects related to cybersecurity and physical security.

For the case of physical security, the Company uses different media, such as newsletters and podcasts, to share the topics that have been determined based on the periodic analysis of open sources carried out by internal personnel, with the support of suppliers specialized in the preparation of this type of reports.

The Company is also responsible for providing HR training to all Industrial Banking Police security personnel assigned to the Company's facilities.

During 2022, several initiatives were carried out for Grupo Peña Verde employees, among which the following stand out:

- "Educational moments" being informative capsules aimed at all employees with the purpose of raising awareness on various relevant topics related to situations that may arise in the organization's environment.
- At the end of 2022, the Peña Verde security week was organized. This initiative consisted of a series of presentations with the participation of invited specialists, addressing a wide range of topics, both general and specialized, with emphasis on credential theft and identity theft.

- On an ongoing basis, awareness sessions are held for new employees, as well as training sessions focused on specific topics that are relevant to the organization.

KEY EXECUTIVES

Grupo Peña Verde has an internal hierarchy that ranges from level 1 to 18, where senior executives are in classifications 16 to 18, corresponding to area directors, subsidiary directors, and corporate directors, respectively.

As of the date of publication of this report, the Group's senior management is as follows:

ANDRÉS MILLÁN DREWS

Corporate Director Asset Management and Financial Strategy

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

Academic and Professional Background: 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.

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 CEO 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.

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 Background: 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 Background: 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 Background: 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

To incentivize and compensate the effort, commitment and productivity of its employees, Grupo Peña Verde has 3 remuneration policies (bonuses) designed according to the operations of its subsidiaries.

PEÑA VERDE ADMINISTRATIVE SERVICES

Performance Bonus

The Human Capital Area oversees managing the application process of this policy, which is subject to the approval of the Evaluation and Compensation Committee.

The bonus applies exclusively to employees with a permanent contract and a minimum seniority of 6 months.

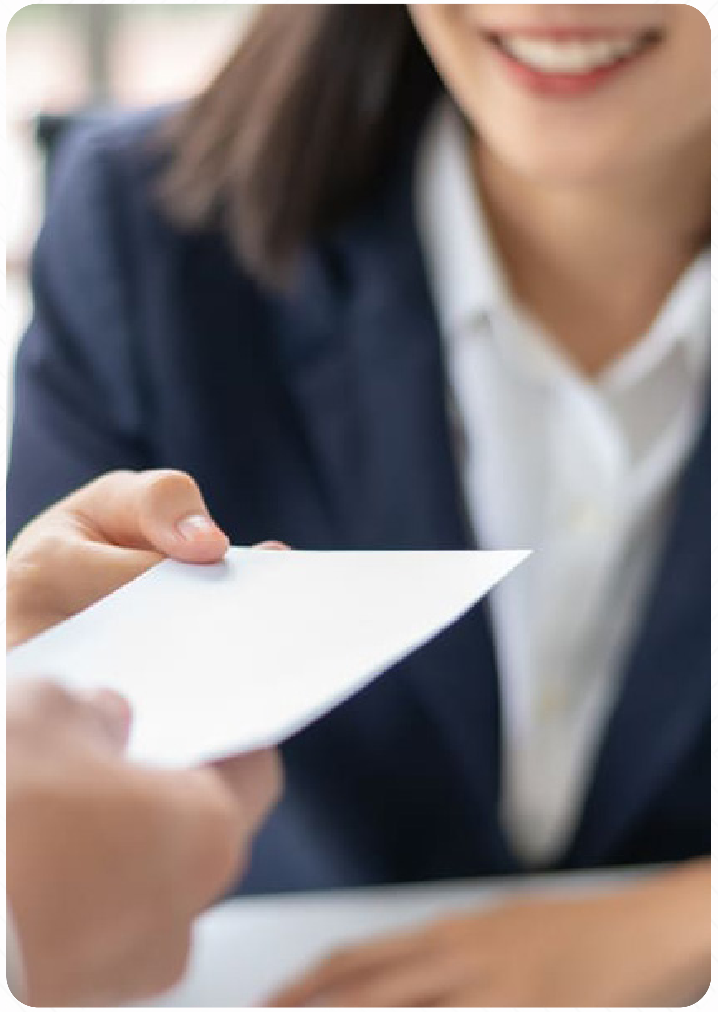
The bonus calculation process is performed in February of the year following the evaluation period and payment is made no later than the second half of April of the same year. In this respect, the amount to be received for the performance bonus is linked to the:

- The hierarchical level of the employee
- Result obtained in the performance evaluation.
- Salary recorded during the month of December of the evaluated period.

It is important to mention that:

i. The maximum amount is in line with industry practice, based on information provided by an external expert in competitive remuneration studies;

ii. Penalties are applied if the Ethics Committee or the Legal Department has filed an administrative report against the employee being evaluated.



HIERARCHY

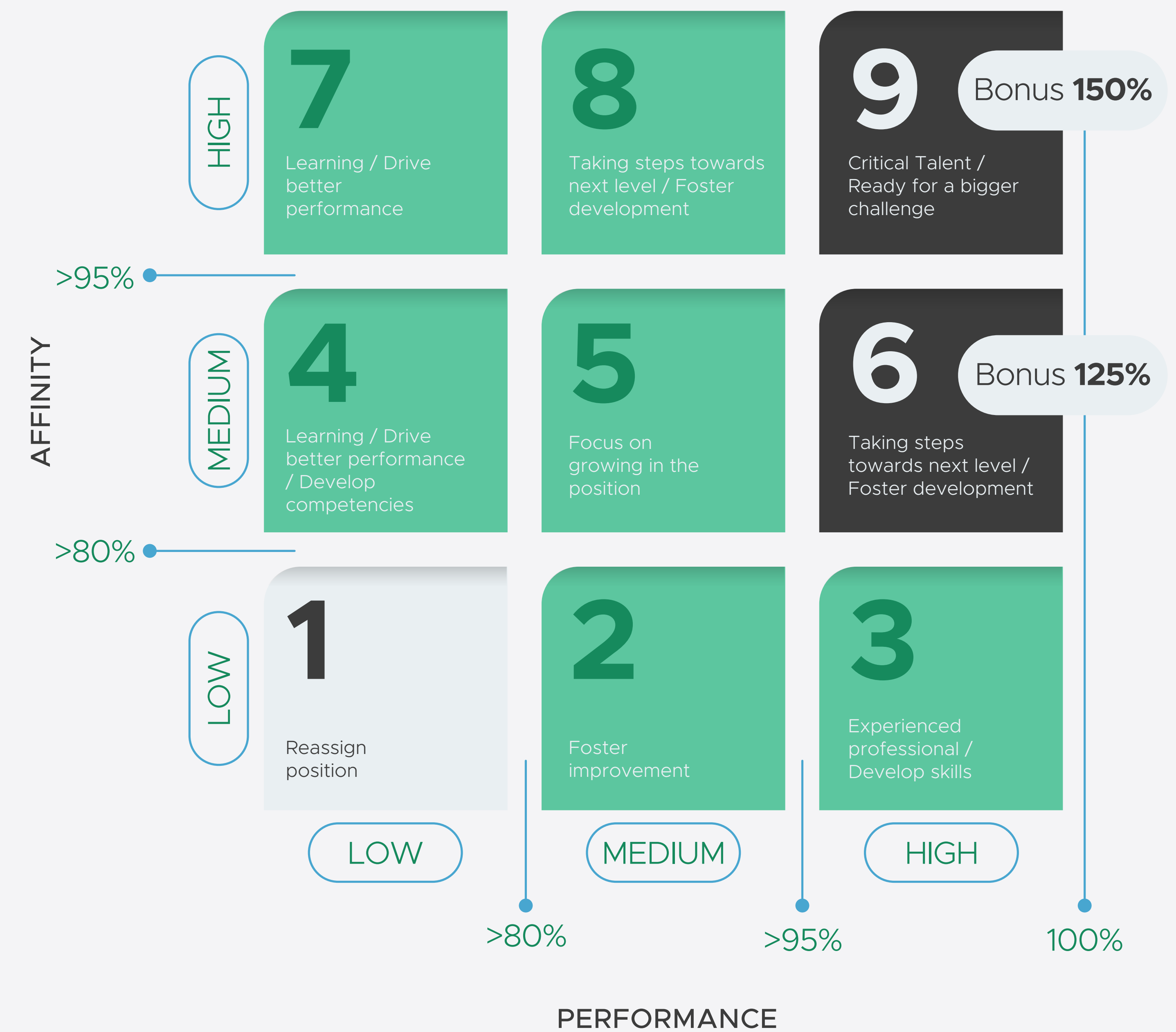
Position Level	Target Months to Pay
Vice President	6
General Manager / Chief Executive Officer	4.4
Director / Deputy Director	3
Manager	2.5
Deputy Manager	2
Supervisor / Team Leader / Specialist / Coordinator	1.5
Executive / Analysts	1

COMPONENTS OF THE PERFORMANCE EVALUATION

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 will be eligible for a extra bonus, who, based on their Performance Result and Affinity Result, must be located in quadrants 6 and 9 of the following Talent Matrix:



Performance is evaluated based on the following factors:

- Compliance with strategic and area management indicators aligned to key results.
- Performance evaluation by adherence to culture pillars and/or competencies.
- Qualification of Area Strategic Initiatives

The Affinity score is defined based on the attachment to the job profile and cultural pillars.

REASEGURADORA PATRIA

Underwriting bonus

Grupo Peña Verde values the effort and commitment of its employees and has therefore established a underwriting bonus that is calculated based on two fundamental indicators. First, it considers the budgetary compliance of retention bonuses, which reflects the ability to adequately manage the assigned resources. Secondly, the budgetary compliance of the technical result to retention is evaluated, which demonstrates the performance in the technical and operational areas. Each subscriber is evaluated at company level and in his or her area of responsibility, thus promoting interdepartmental collaboration that fosters joint growth in all areas.

This evaluation scheme ensures that each subscriber contributes to the individual value of his or her area and, in turn, to the overall value of the company. In an equitable approach, each level of compliance contributes 50% to the subscriber's total bonus. To ensure a sustainable reward, weighted compliance is multiplied by bonus months and spread over a 3-year period, dividing the bonus into thirds that are paid annually.

With this system, Grupo Peña Verde promotes excellence in performance and teamwork, rewarding the effort and dedication of its employees in a fair and sustainable manner. This creates an environment of motivation and joint growth that strengthens the solidity and success of the organization.

GENERAL DE SEGUROS

It is the responsibility of the Human Capital Area to manage the incentive application process based on the report of the commercial goals provided by the Sales Department.

> To participate in this compensation scheme, the employee must be active at the time of payment.

For Branch Managers, Regional Directors and Area Managers, the calculation is based on the last monthly salary of the year to be evaluated, and the incentive allocation process is performed monthly.

For Office Managers and Commercial Executives, the incentive is calculated based on the number of monthly insurance policies and is assigned on a semi-annual basis.

The amount of the bonus to be given to each employee will be authorized by the Human Resources Management and the Sales Management of the Insurance Division; such bonus will be paid in the second fortnight of the month following the evaluated period.

It is important to mention that, on an annual basis, the Sales Management establishes the monthly sales budget, which is submitted to the approval of the General Management of the Insurance Division. The following metrics are applied to this budget for each of the following employee segments:

Office Managers and Sales Executives

The incentive is paid from 100 policies per month per collaborator (with no growth limit) and is subject to the fulfillment of the assigned sales budget; payment is made per policy, Ps.50 if it comes from a current agent and Ps.100 if it comes from a recruit.

Branch Manager

The incentive is calculated each month when the sales budget of the assigned offices is met, as well as when the distribution channel is developed through the attraction of productive intermediaries. The maximum amount is 50% of the monthly salary and the criteria for its payment are as follows:

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

15% of Monthly Salary	15% of Monthly Salary	35% of Monthly Salary
Upon achievement of the Auto and/or Damage goal	Upon achievement of the People and/or Health goal	Upon achievement of the sales goal for both business lines

Meet the distribution channel development budget for the corresponding region:

5% of Monthly Salary	5% of Monthly Salary	5% of Monthly Salary
Upon achievement of the premiums paid goal from the recruitment of Delegate and Productive Promoters	Upon achievement of the premiums paid goal from the recruitment of Productive Agents	Upon achievement of the premiums goal from the recruitment from both

Regional Directors and Zone Managers

For the Regional Director and the Zone Manager to receive their commercial incentive, 75% of the managers in their zone must have credited their quarterly incentive at least once with 60% of the target amount.

In addition, the target budget must be exceeded in the following areas:

- **Half-yearly sales allocated by industry in their region**

Non-compliance per branch will penalize 15% of the incentive; for example, non-compliance in 2 branches will mean a penalty of 30% of the incentive even if there is an overall surplus.

- **Channel development in their region**

Sales obtained through recruited agents, measured in net premiums collected.

> The amount of the incentive to which the Regional Director and the Zone Manager may be entitled is 1.5 times the monthly salary.

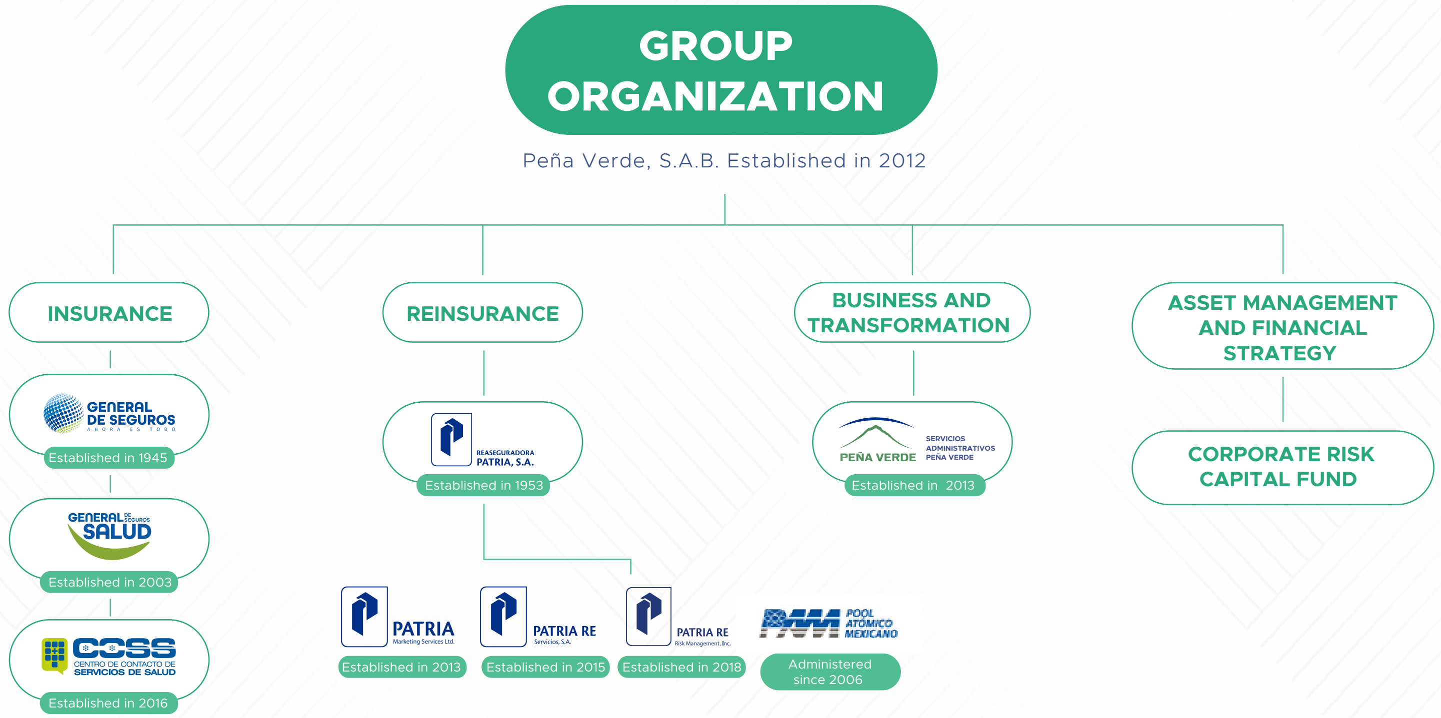
05.

CORPORATE GOVERNANCE

GRI: 2-9, 2-10, 2-11, 2-12, 2-15, 2-18, 2-20, 2-23, 2-24, 2-25, 2-26, 2-27, 2-30, 205-2 and 406-1

CORPORATE STRUCTURE

GRI 2-9, 2-10, 2-11, 2-12, 2-15, 2-18, 2-20, 2-23, 2-24, 2-25, 2-26, 2-27 and 2-30, 205-2, 406-1.



The process of setting up this structure began in 2012, when we carried out Public Offerings of Acquisition (OPAS for its acronym in spanish) for the exchange of shares to become the controlling Company of General de Seguros, S.A. and Reaseguradora Patria, S.A.

Likewise, in October of the same year, and with the objective of raising our different business areas to a new level in terms of competitiveness, we constituted Servicios Administrativos Peña Verde, S.A. de C.V., which is oriented to the integration of a participative and innovative organizational culture capable of promoting an optimal organizational performance.

In addition, in 2013, we opened Patria Re Marketing Services Ltd. (London), and, in September 2015, we incorporated Patria Corporate Member Limited (PCM) under the laws of the United Kingdom, an entity focused on capitalizing on reinsurance opportunities within the Lloyd's Bank PLC market. We also celebrated the opening of Patria Re Servicios, S.A. in Santiago, Chile.

Finally, in 2016 we incorporated CCSS - Peña Verde, S.A. de C.V., in order to participate in the auxiliary services market related to insurance; and we opened Patria Risk Management Inc. in Miami.

Grupo Peña Verde is a holding company that encompasses 4 different business areas.

As of December 31, 2022, the Company's interest in its principal subsidiaries is as follows:

COMPANY	GRUPO PEÑA VERDE'S STAKE
General de Seguros	99.5543%
Reaseguradora Patria	99.9822%
Servicios Administrativos Peña Verde	99.9999%[1]
PCM	89.1618%
CCSS – Peña Verde	99.9999%[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

At the end of 2022, the capital stock of Peña Verde, S.A.B. included a total 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. Of the shares held in treasury, 9,380,700 are subscribed.

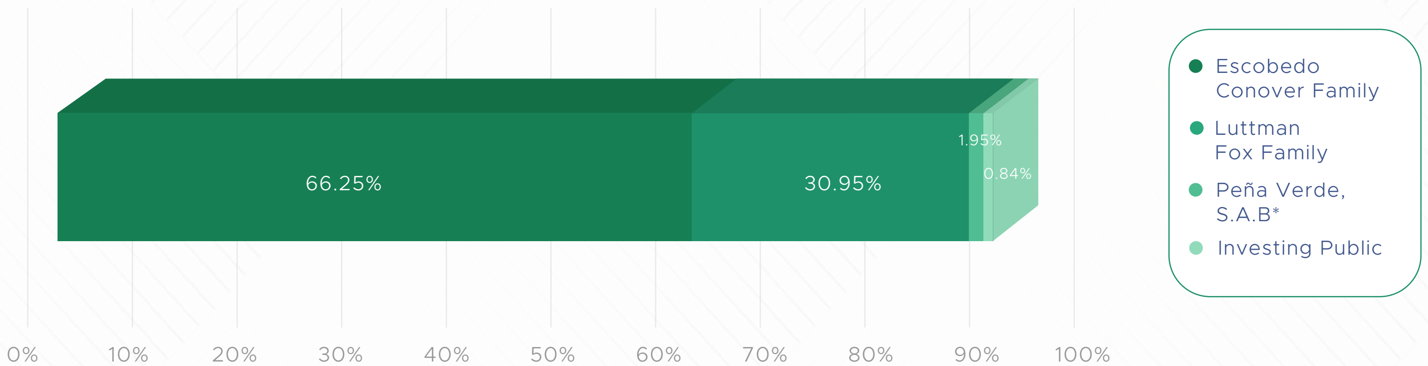
With a price of Ps.9.7, our market capitalization, as of December 31, 2022, amounted to Ps.4,624 million.

SHAREHOLDERS' MEETING

The Company's highest governance body is the Shareholders' Meeting, which provides the philosophy and risk appetite under which business must be conducted. It is also responsible for making decisions and providing the strategy to the Board of Directors so that it can supervise its correct execution throughout the value chain.

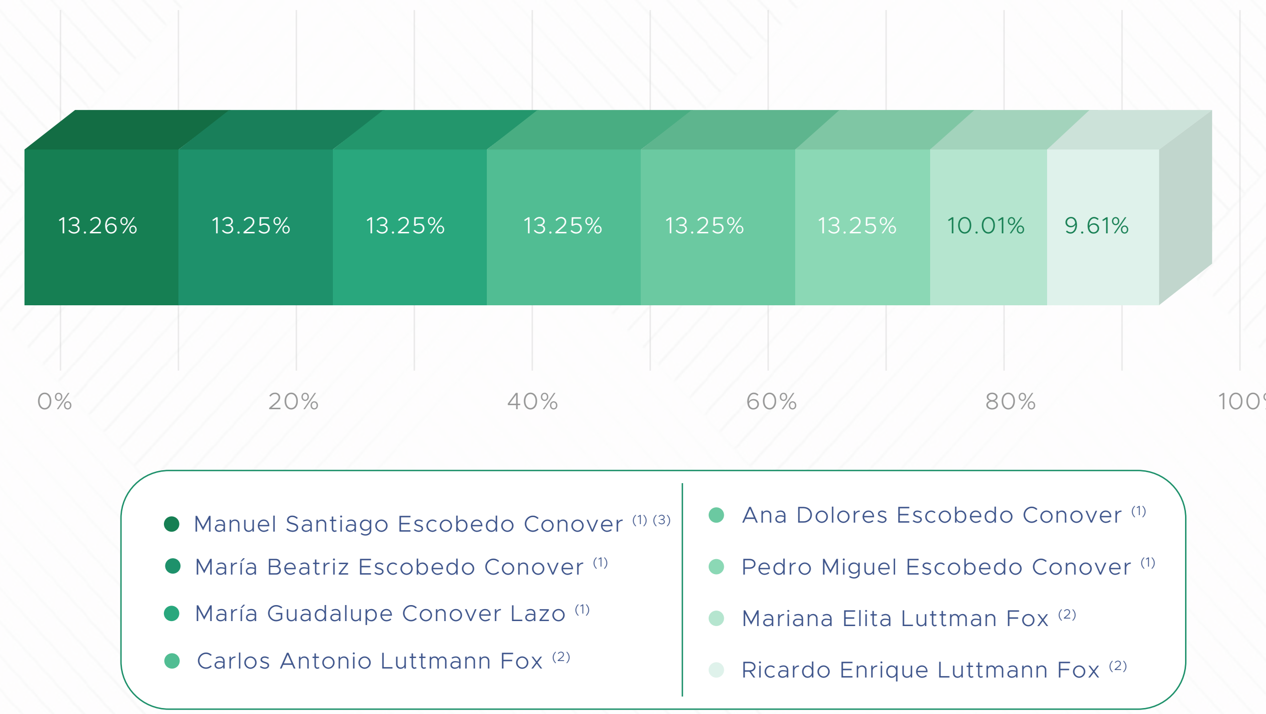
The Escobedo Conover family owns 66.26% of the Company's shares, which gives them commanding power in the Group. Another 30.95% belongs to the Luttman Fox family, who have significant influence in corporate decisions. Finally, 0.84% is distributed among the investing public and 1.95% is in Treasury.

COMPOSITION OF THE SHAREHOLDERS' MEETING

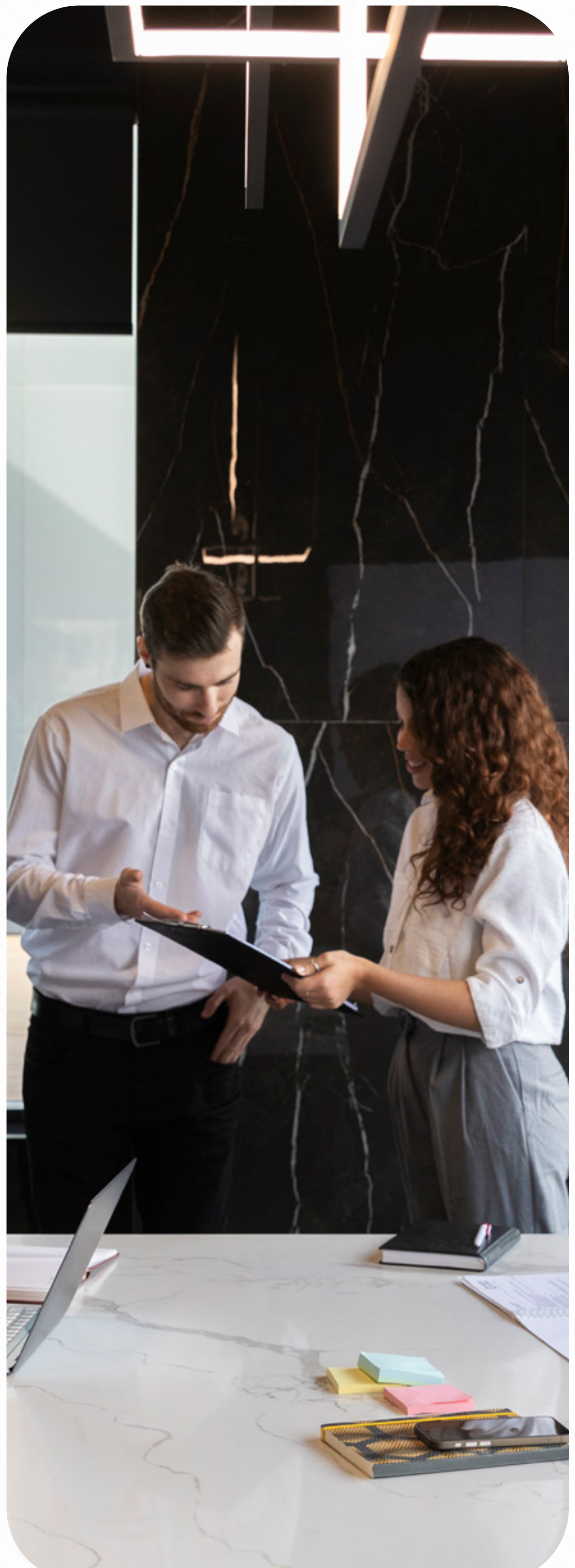


*Through the repurchase of the shares.

Individually, the main stockholders of Grupo Peña Verde and their respective participation, as of the end of 2022, are presented below:



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



BOARD OF DIRECTORS

This material references disclosures 2-11, 2-12, 2-18, 2-23: General Disclosures 2021

The Board of Directors has the objective of ensuring the correct management and proper control of Grupo Peña Verde's corporate governance. For this reason, the Board is comprised of visionary, efficient, strategic, and proactive directors who are responsible for overseeing the management, conduct and execution of all of the Company's businesses lines.

In order to guarantee the strength and effectiveness of corporate governance, the directors are trained each year in economic and governance matters related to the insurance and reinsurance sector, in addition to being provided with the necessary information about each subsidiary.

Furthermore, at the end of each session, the Board conducts a self-survey of its performance by means of a performance form. In this way, the necessary actions for improvement are determined based on the results obtained.

In addition, in order to ensure its optimal functioning, the Board of Directors is supported by various Committees under its direction. In this way, the members of the Board of Directors and the Committees are nominated and selected in accordance with guidelines that take into consideration various criteria such as:

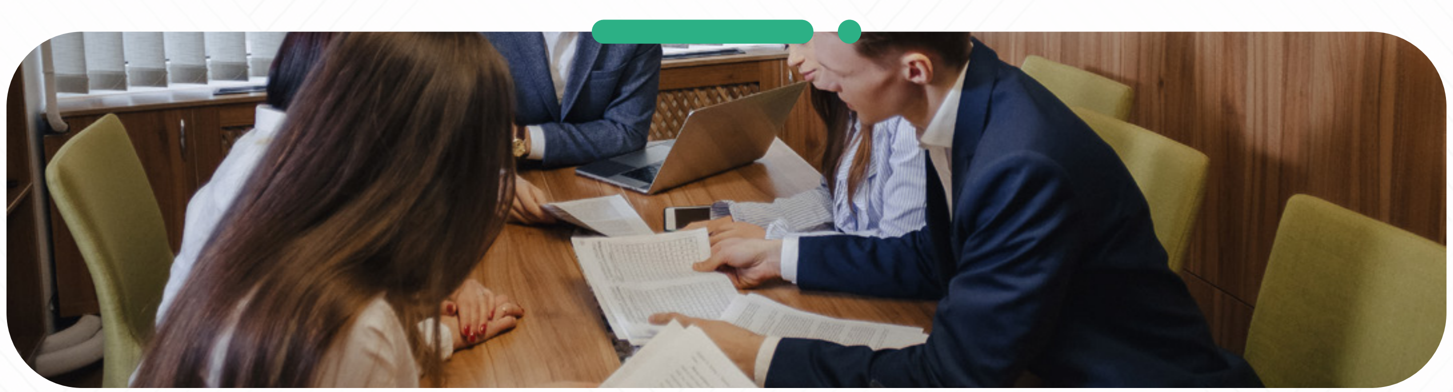
Member	Position	Alternate
Enrique Zorrilla Fullaondo	Chairman	Luis Carlos Ferezin
Álvaro Mancera Corcuera	Director	Luz María Gabriela Hernández Cardoso
Antonio Souza Saldívar	Director	Xavier Marc Meric de Bellefon
José Antonio Martí Cotarelo	Director	Pablo de la Peza Berríos
Lorenzo Lazo Margain	Director	Juan Manuel Gironella García
Alejandro Alfonso Díaz	Director	

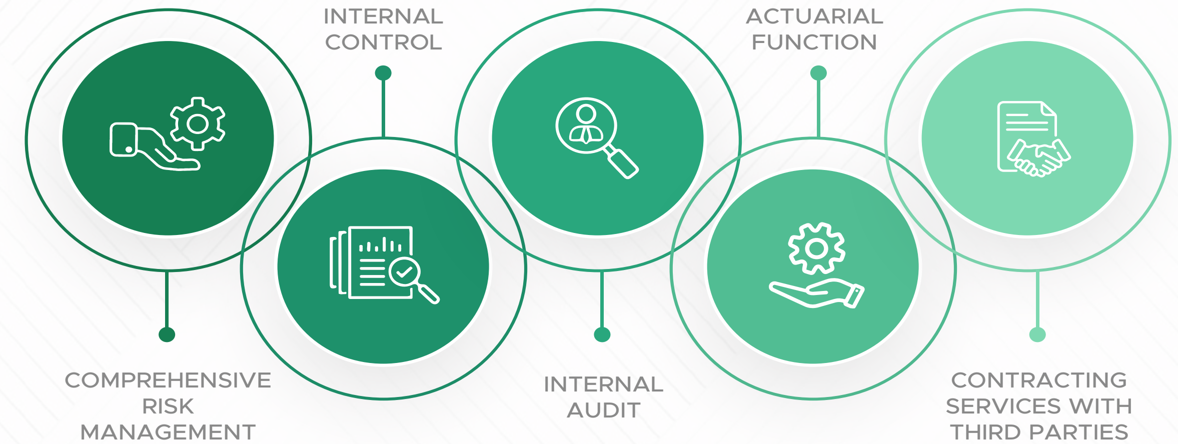
All directors, including the Charmain, qualify as independent in accordance with the Mexican Securities Market Law

COMMITTEES

This material references Disclosures 2-9, 2-20 and 2-27: General Disclosures 2021.

Grupo Peña Verde has a corporate governance system that guarantees inclusive, participatory, and representative decision-making through 5 organic committees, 2 of which are regulatory, in charge of supporting the Board of Directors.





EVALUATION AND COMPENSATION COMMITTEE

Purpose

The Evaluation and Compensation Committee verifies that the Group has the necessary talent and organizational culture, mainly in key positions such as senior management, in order to encourage the Company's competitiveness, with a focus on sustainable growth.

TECHNOLOGY AND TRANSFORMATION COMMITTEE

Purpose

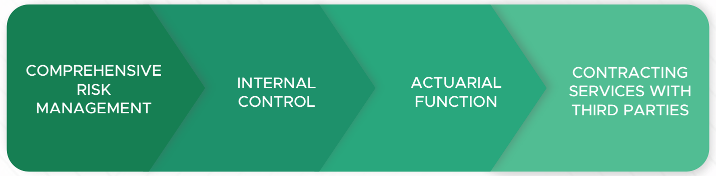
Through the incorporation of new technologies and market trends in the Company's operating processes (comprehensive digitalization of the Group), it seeks to generate greater value for customers and the various stakeholders.

PLANNING AND STRATEGY COMMITTEE

Purpose

It is responsible for providing support to the Chairman's Office in the execution and development of the business strategy, as well as in the implementation of adequate corporate governance and internal control.

As a result of the Planning and Strategy Committee's adherence to Article 69 of Mexico's Insurance and Bonding Institutions Law (LISF, for its Spanish acronym), in order to implement corporate governance and internal control, policies and procedures have been established related to:



AUDIT AND CORPORATE PRACTICES COMMITTEE

Purpose

To oversee Grupo Peña Verde's compliance with the internal regulations established by the Board of Directors, as well as with the applicable legal and administrative provisions. Likewise, it will verify that financial and operating information is issued and disclosed in a responsible and transparent manner.

The Audit and Corporate Practices Committee supports the Board of Directors with the **Internal Audit.**

INVESTMENT AND FINANCING COMMITTEE

Purpose

Establishes the Company's investment policy and strategy based on current regulations and adhering to the thresholds proposed by the Risk Committee, which have been approved by the Board of Directors.

In addition to these five committees, Grupo Peña Verde has created two other committees for specific operational purposes, considering that their importance merits it:

FISCAL COMMITTEE

Purpose

To oversee that all subsidiaries fully comply with current tax regulations; and analyze initiatives and their effects on the operation. For this reason, this committee assesses the latent risks in this area, as well as defining and approving all of Peña Verde S.A.B.'s tax guidelines and standardizes them among subsidiaries.

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

The Fiscal Committee meets at least every two months as it has the faculty to meet extraordinarily to discuss urgent matters for approval.

At the end of 2022, Grupo Peña Verde does not have a tax strategy generally established for the Group.

- The Fiscal Committee is assisted by two specialized external advisors who belong to renowned firms in tax matters. -

SUSTAINABILITY TASK GROUP

Following up on the Peña Verde's strong Environmental, Social and Governance commitment, the Company has a Sustainability Working Group whose main purpose is to ensure that the strategy and its execution maintain a sustainable focus. This group reports directly to the Planning and Strategy Committee.

ETHICS

The Company's Code of Ethics and Business Conduct (the "Code") includes 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 among customers.

This allows all those who make up the Group to base their daily operations on ethical principles that are aligned with the mission, vision, and values of each of its subsidiaries.

In addition, all contractual documentation is structured to fully comply with and safeguard the human and fundamental rights of policyholders, clients, employees and all those related to the Group and its companies, thus aligning ourselves with the 2011 reform on human rights.

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 order to ensure that those who are part of the Group adhere to the guidelines established by the Code, all new employees are provided with a physical copy that they are required to read. In addition to the previously mentioned, each year the Company organizes training workshops to promote the familiarization of employees with the Code, which are evaluated at the end of the activities to detect areas of opportunity and solve them in order to achieve full understanding of the Code.

In this regard, the Compliance Area oversees the proper adherence of employees to the principles established by the Code of Ethics and the 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.

Therefore, all employees have the facility to ask the Human Resource and Legal Departments for all the necessary advice on how to proceed in the event of a possible fault or violation of the Code.

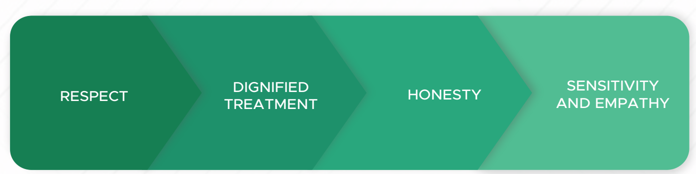
The Group has an ethics line that is in charge of the Legal Area which is supported by an Ethics Committee to analyze and establish a course of action for any cases that may arise.

KEY PRINCIPLES OF THE CODE

Respect for others

We base our hiring, remuneration, promotion, and employment decisions on factors such as talent, skills, qualifications and performance, excluding factors related to race, sex, skin color, religion, age, nationality, sexual orientation, gender identity, disability and any other reason unrelated to the aforementioned factors.

With all this, the Company seeks to ensure a workplace free of discrimination, retaliation of any kind or harassment, which is distinguished by:



During the period, 1 case of discrimination was recorded, which proceeded to a diagnosis where more information was requested from the complainant, which was followed up, no further information was provided by the complainant, closing the case as unsubstantiated.

Conduct in the workplace

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

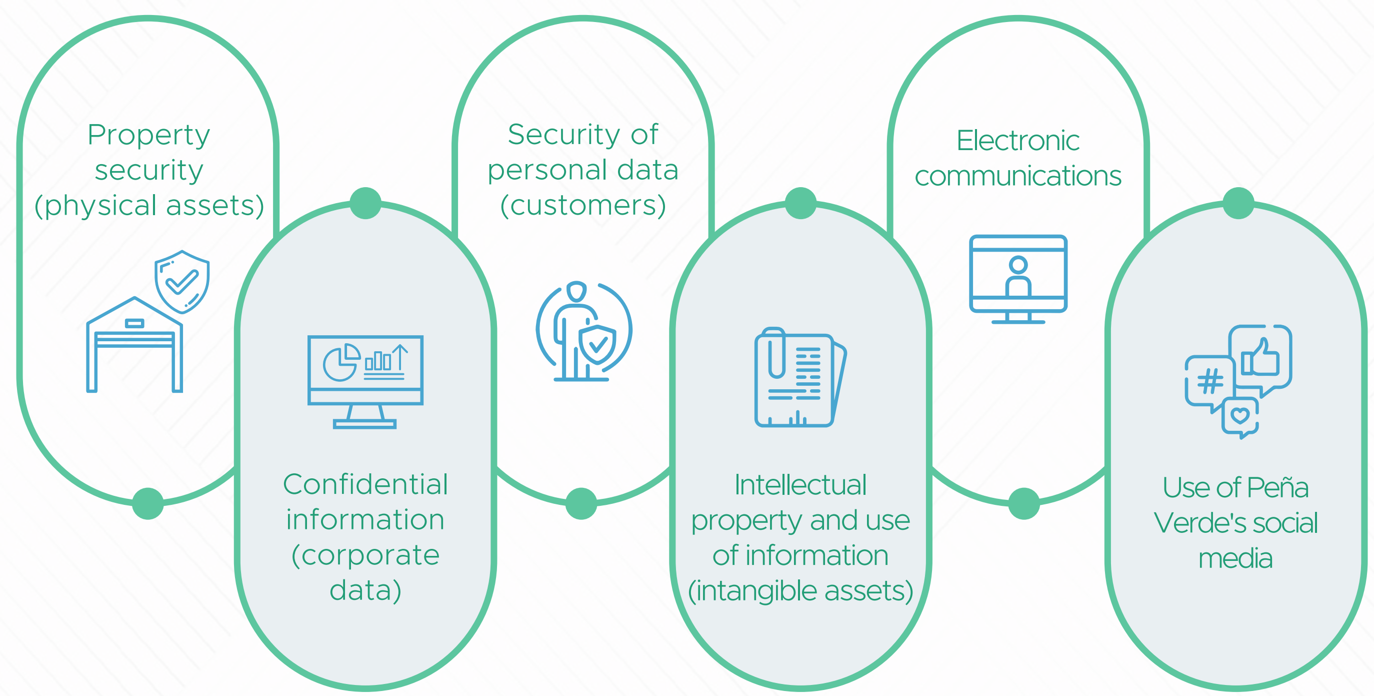
The Company is always open to dialogue to promote the well-being of its employees.

Labor relations and working conditions

Grupo Peña Verde recognizes and respects the right of its employees to associate in order to encourage collective bargaining, as long as the terms established in the collective bargaining agreements are respected.

Idea assets

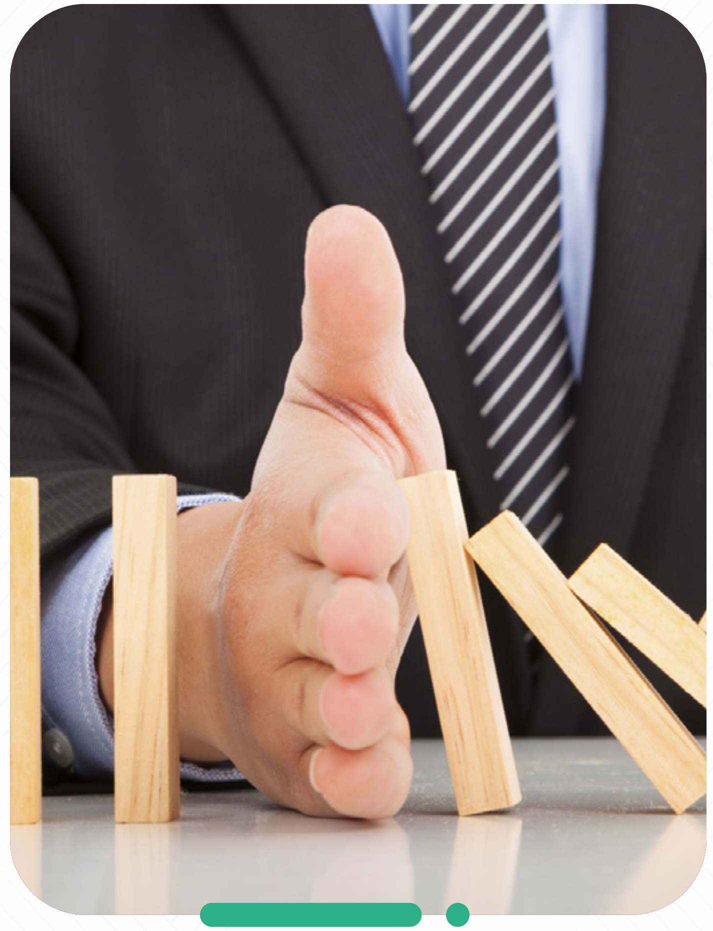
Due to the nature of Grupo Peña Verde's business, the Company considers it extremely important to have rules and controls that regulate, among other things, the access, handling, and authorization of use of its tangible and intangible assets. These regulations include:



Third-party Services Policy

Only those third parties with integrity and good reputation, and who are aware of and adhere to Grupo Peña Verde's Code of Conduct and Ethics for suppliers, may be considered as potential service providers for the Group.

In this regard, and since all contracts with third parties state that such has no labor dependance on Grupo Peña Verde, suppliers undertake to comply with all labor and employer obligations in accordance with the provisions of current legislation.



POLICIES RELATED TO REGULATORY COMPLIANCE

Anti-corruption policy

Grupo Peña Verde does not allow, either directly or through third parties, the realization, concealment and/or promotion of any act of bribery, corruption, collusion, blackmail, and any activity that involves offering or granting to any person a payment in cash or in kind, advantages, privileges, provision of services, assumption of debts or obligations, or excessive courtesies.

By virtue of the foregoing, the necessary measures are taken to prevent and avoid acts of corruption, both at the Group level and in each subsidiary, considering the following principles:

Proportionality	Top-level commitment	Risk assessment	Due diligence	Communication	Monitoring and review
Establishment of controls in accordance with the risks	Employees must be engaged and committed to comply with the established measures	Risks must be adequately identified and managed	Procedures are in place to select, manage, and evaluate all those who act on behalf of Grupo Peña Verde	All Code measures must be conveyed to those involved	Follow-up on the communication, awareness, and enforcement of the measures established in accordance with these principles

Gifts and hospitality

It is not allowed to receive 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

Donations will not be 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. For this reason, all donations are reviewed and approved by the Head of the Corporate Legal Department.

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 ensures that it works exclusively with reputable customers and suppliers, whose business and resources are within the applicable legal framework. In this regard, the Company does its part to not enable or assist transactions with resources of illicit origin, the financing of terrorism or any other financial crime.

Specific actions 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

The Group's Human Rights Policy provides a precise and clear framework to ensure the dignified treatment of all people related to the Company.

Diversity and Inclusion Policy

The Company's Diversity and Inclusion Policy establishes the necessary guidelines to continue promoting equal opportunities and better decision-making.

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 the Company 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

All transactions between related parties must be carried out at market value and strictly adhere to the Policies for Transactions with Related Parties and Entities, in force and approved by our Board of Directors.

We consider related parties to be:

Individuals or legal entities that directly or indirectly control 2% or more of the shares representing the capital of Peña Verde S.A.B. or any of the Group's companies, according to the most recent shareholders' registry.

Members of the management of Peña Verde or any of its subsidiaries.

Spouses and persons related to the persons mentioned in the two previous points.

The Chief Executive Officer or his equivalent and persons holding positions with the two hierarchical levels below those of the Chief Executive Officer, as well as their spouses, ascendants and descendants in the first degree.

The legal entities, as well as the directors and officers of Peña Verde or its subsidiaries, that directly or indirectly control 10% or more of the securities representing the Group's capital.

The legal entities in which the officers of the institutions are directors or administrators or occupy any of the first three hierarchical levels in such legal entities.

The legal entities in which any of the persons mentioned in the preceding points directly or indirectly control 10% or more of the securities representing the Group's capital or in which they have the Power of Command.

06.

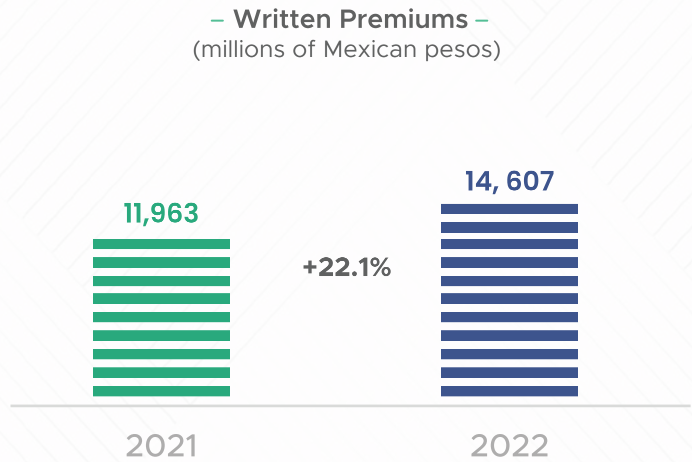
2022 IN FIGURES

GRI 201-1

INCOME STATEMENT SUMMARY

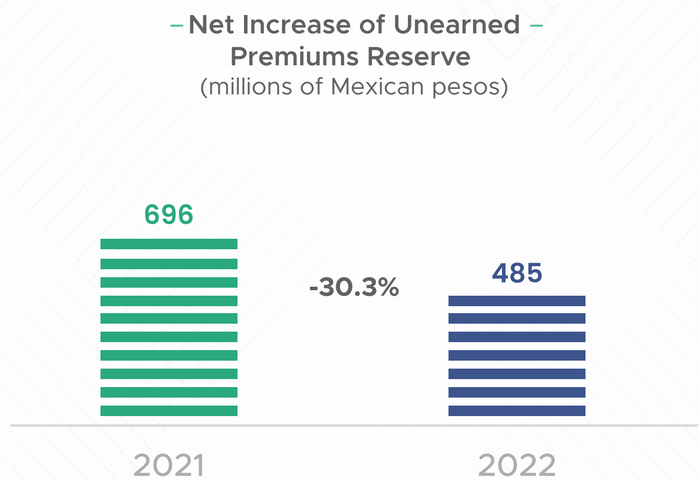
Written Premiums

During 2022, written premiums totaled Ps. 14,607 million, up 22.1% compared to Ps. 11,963 million in 2021, driven by the performance of Reaseguradora Patria (+27.2%), which continued to boost its market share in the markets where it operates, and General de Seguros (+22.9%), which continued to win new business and renewals thanks to the commercial area's follow-up.



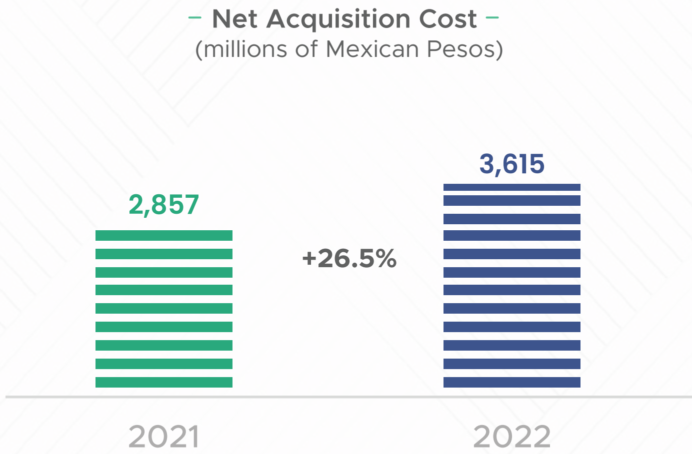
Net Increase of Unearned Premiums Reserve

The increase in the Reserve for Unearned Premiums was Ps.485 million in 2022 vs. Ps.696 million in 2021.



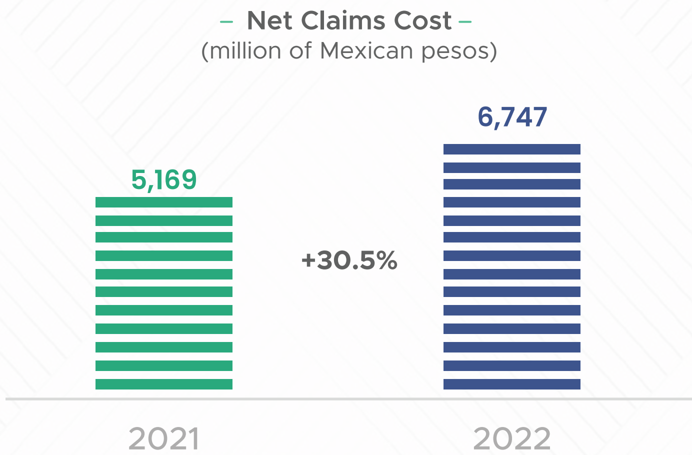
Net Acquisition Cost

Net acquisition cost increased 26.5%, from Ps. 2,857 million in 2021 to Ps. 3,615 million in 2022. This as a result of the increase in Reaseguradora Patria in this item due to the growth in commissions for reinsurance taken out paid to ceding companies and the higher costs of excess of loss coverage that protects the Company's retention.



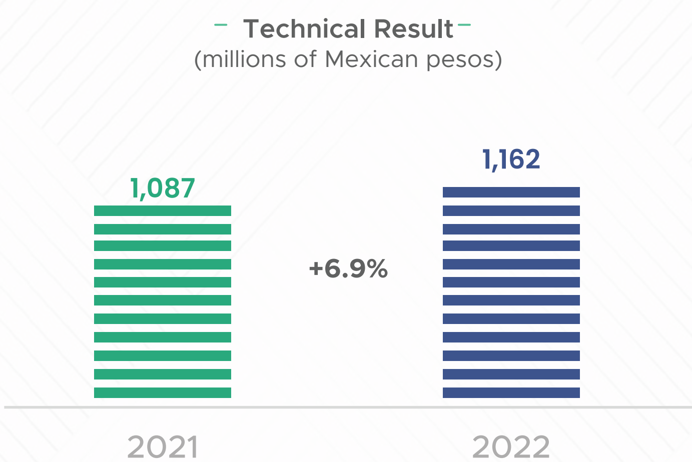
Net Claims Cost

Net Claims Cost increased from Ps. 5,169 million in 2021 to Ps. 6,747 million in 2022, representing an increase of 30.5%, which is explained by the increase in claims of both General de Seguros (+42.2%) and Reaseguradora Patria (+27.3%).



Technical Result

During 2022, technical income totaled Ps. 1,162 million, 6.9% higher than the Ps. 1,087 million obtained in 2021, mainly due to the higher written premiums during the period.

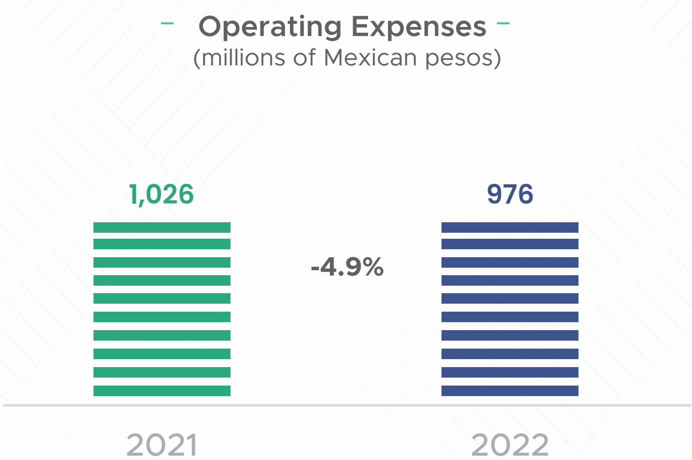


Other Technical Reserves

In 2022, the net increase in other technical reserves (mainly comprised of catastrophe reserves) was Ps. 1,096 million, 19.9% higher than the Ps. 914 million in 2021. This performance is mainly due to the higher origination of reserves in both divisions (insurance and reinsurance), following the increase in written premiums, highlighting the increase in catastrophic reserves in Reaseguradora Patria (+13.7%).

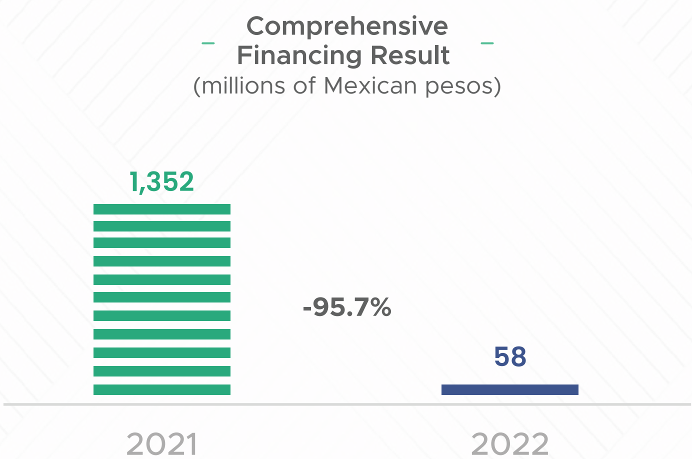
Operating Expenses

During 2022, operating expenses decreased 4.9%, from Ps.1,026 million in 2021 to Ps.976 million, thanks to greater administrative and operating efficiencies generated throughout the year.



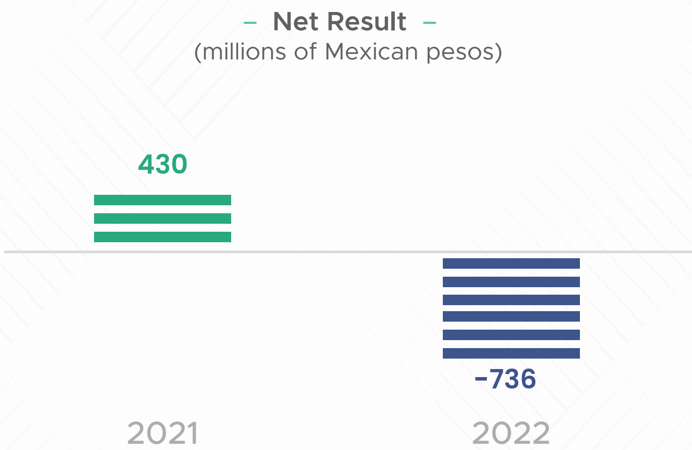
Comprehensive Financing Result

During 2022, the Comprehensive Financing Result recorded a gain of Ps.58 million vs. the gain of Ps.1,352 million obtained in 2021. This result derives from the effects of the high volatility of the stock markets during the first months of the year, higher interest rates and the exchange rate, on the valuation of the Company's investments.



Net Result

As a consequence of the high loss ratio recorded in the last quarter of 2022, as well as the performance of Grupo Peña Verde's investment portfolio within the equity markets (affected by geopolitical and macroeconomic issues), the result for fiscal year 2022 resulted in a net loss of Ps. 736 million compared to the net income of Ps. 430 million that the Company recorded in fiscal year 2021.

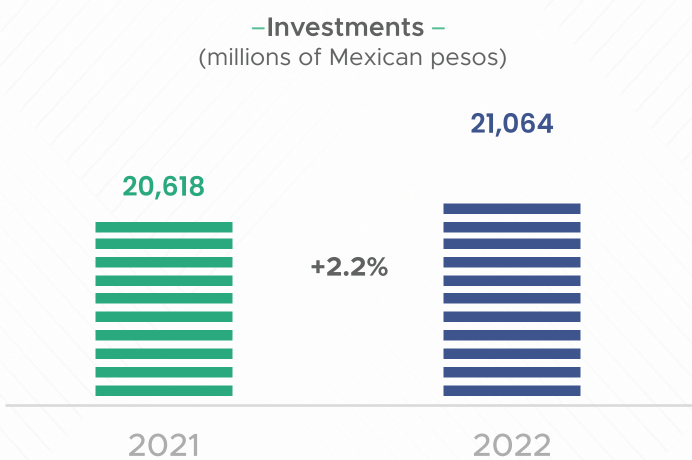


BALANCE SHEET SUMMARY

Investments

The Company's investment balance increased 2.2%, from Ps. 20,618 million at the end of 2021 to Ps. 21,064 million at December 31, 2022, and consisted mainly of Ps. 13,996 million in government securities and Ps. 2,902 million in equity instruments.

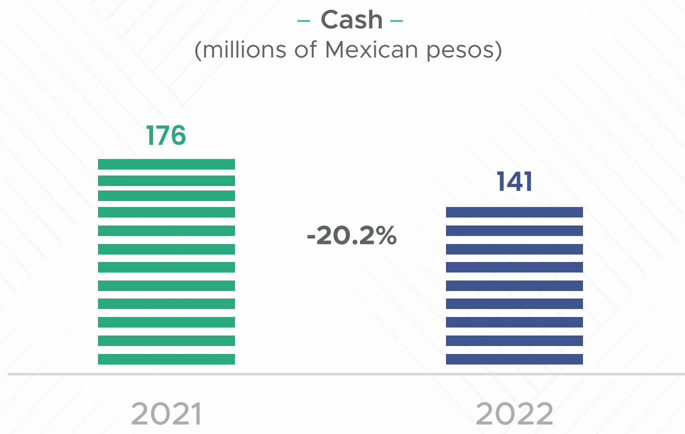
During 2022, Grupo Peña Verde made progress in implementing a methodology that allows it to select investments based on social and environmental criteria, thus moving toward a more sustainable portfolio.



Cash

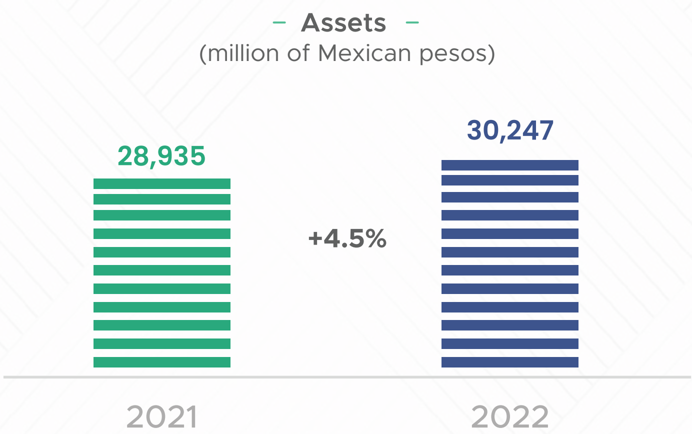
As of December 31, 2022, the cash balance was Ps. 141 million, compared to Ps. 176 million in the same period of 2021. This variation is in line with the Company's strategy of directing resources to where they will generate the most value (in this case to investment accounts to obtain short-term returns).

It should be remembered that, due to the nature of Grupo Peña Verde's business, this movement is not highly significant for the analysis as it could be for companies in other sectors.



Assets

As of December 31, 2022, assets amounted to Ps. 30,247 million, representing an increase of 4.5% compared to Ps. 28,935 million in the same period of 2021, which was mainly driven by a 37.7% increase in government securities, given the search for lower risk exposure in the Group's consolidated portfolio, reducing equity positions and increasing investment in fixed income, in addition to a reduction in the duration of bonds.

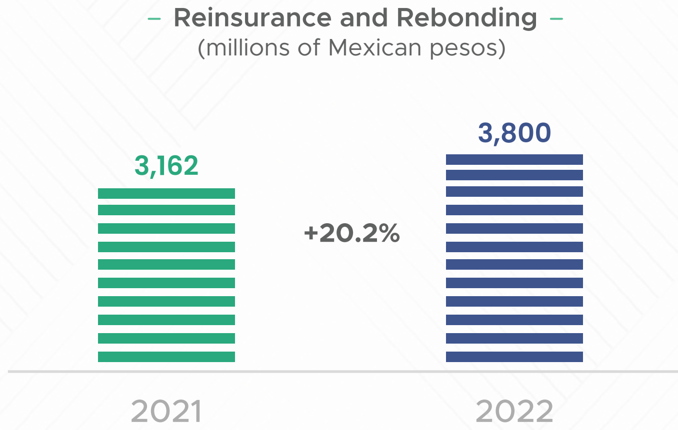


Technical Reserves

Technical reserves totaled Ps. 20,660 million at the end of 2022, growing 10.1% compared to the Ps. 18,769 million recorded at the end of 2021. This was mainly due to increases in the contingency reserve (+20.3%) and premiums on deposit (+62.7%).

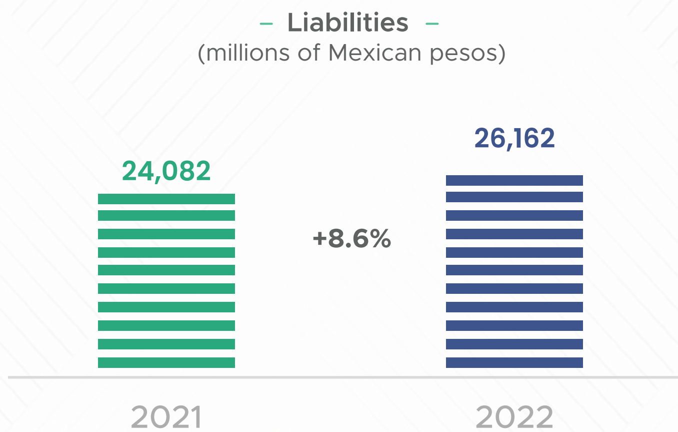
Reinsurance and Rebonding

As a result of the growth in the business portfolio of both subsidiaries (Reaseguradora Patria and General de Seguros), the reinsurance and rebonding account totaled Ps. 3,800 million at the end of 2022, representing an increase of 20.2% compared to the same period of the previous year.



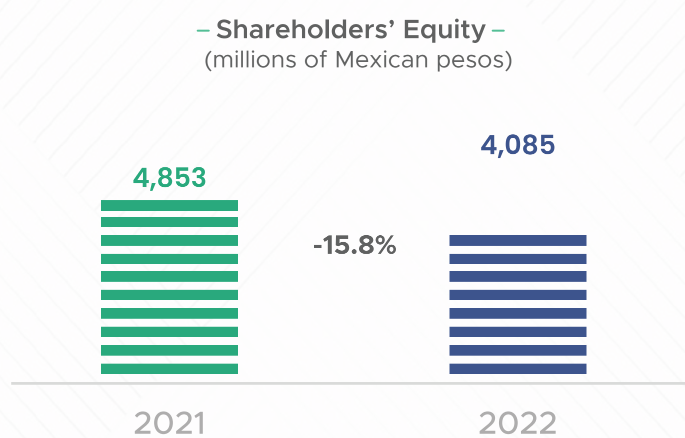
Liabilities

The Company's liabilities increased from Ps. 24,082 million at the end of 2021 to Ps. 26,162 million at December 31, 2022, an increase of 8.6%, mainly due to the higher generation of technical reserves.

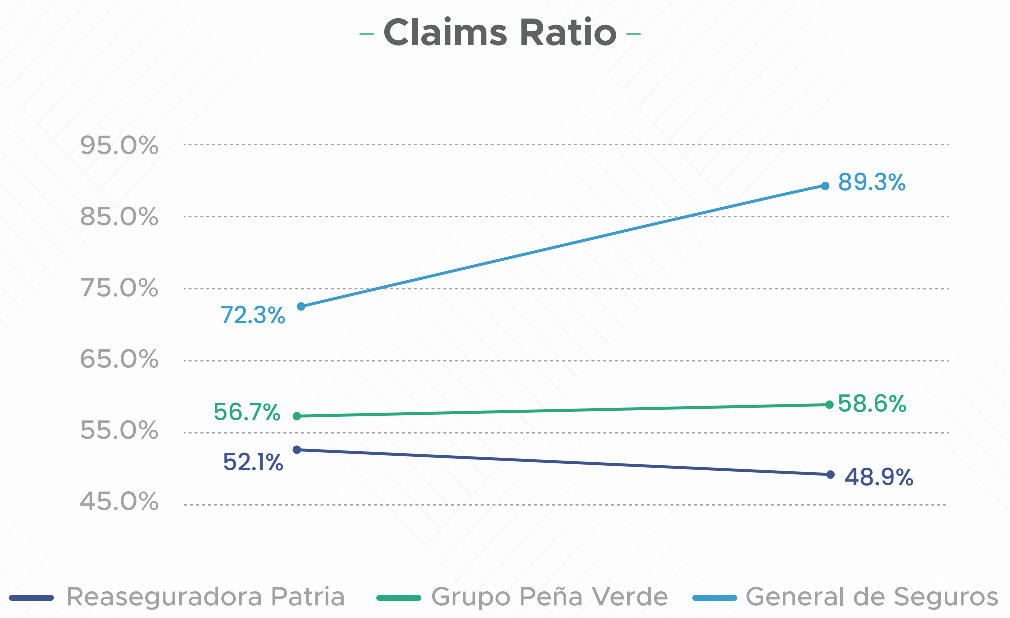


Shareholders' Equity

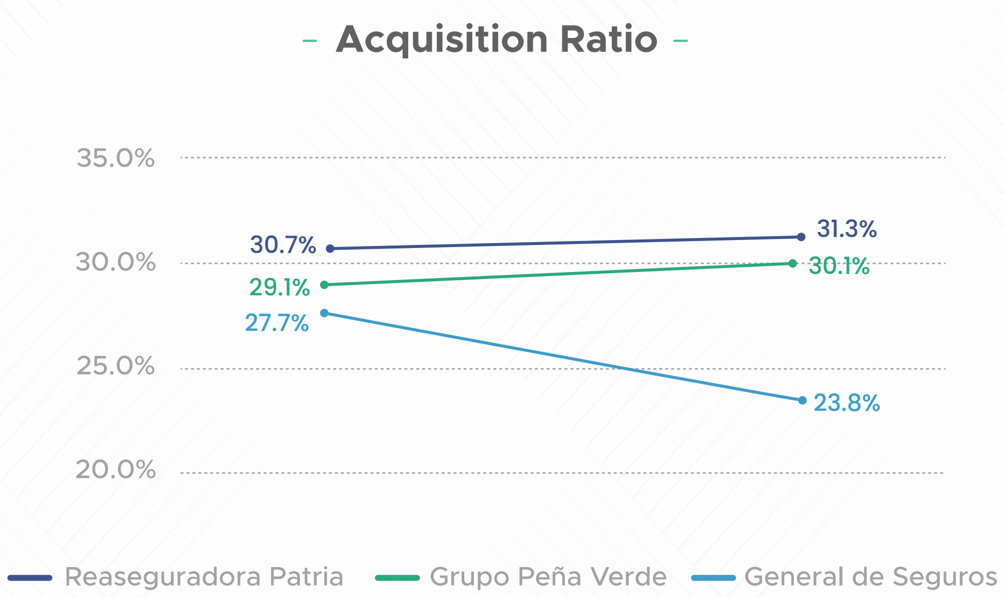
At the end of 2022, shareholders' equity decreased 15.8% vs. 2021, totaling Ps. 4,085 million, due to the net loss recorded during the year, as both divisions suffered from increases in post-pandemic claims, inflationary pressures, financial market volatility and higher interest rates.



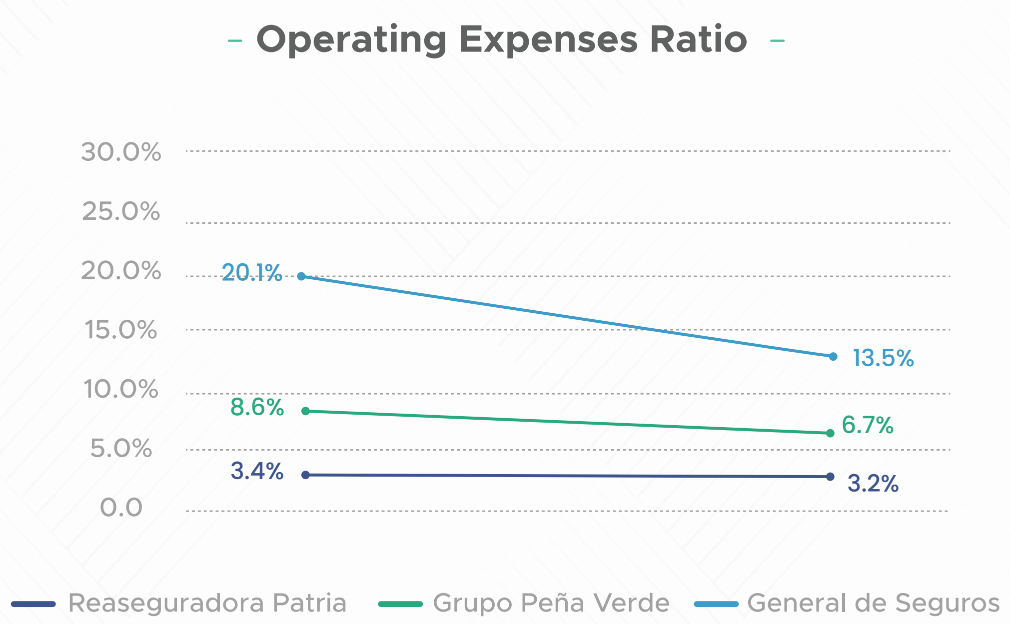
KEY PERFORMANCE RATIOS



Grupo Peña Verde's claim ratio (measured as net claims cost divided by retained earned premiums) increased 183 bps YoY to 58.6%, due to the increase in General de Seguros' claims ratio.

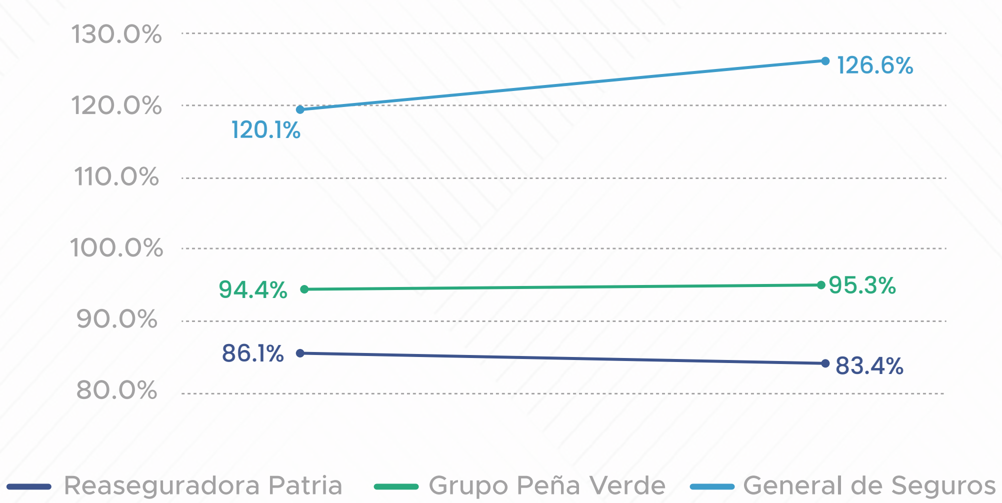


Grupo Peña Verde's acquisition ratio (measured as net acquisition cost over retained premiums) increased 97 bps. compared to 2021, standing at 30.1%, as net acquisition cost grew in greater proportion than retained premiums.

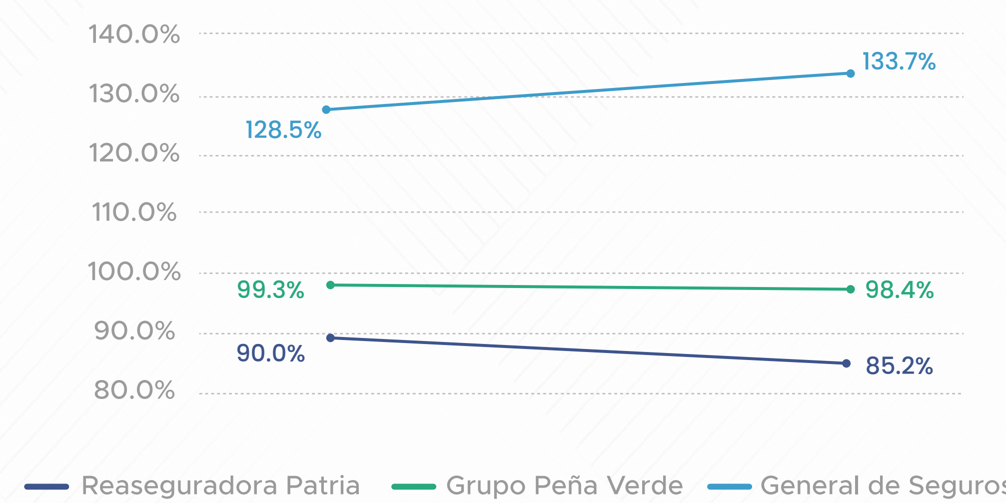


As a result of the operating efficiencies generated throughout 2022, mainly in General de Seguros, as of December 31, 2022, Grupo Peña Verde's Operating Expenses Ratio decreased by 189 bps. on an annual comparative basis to 6.7%.

Combined Ratio

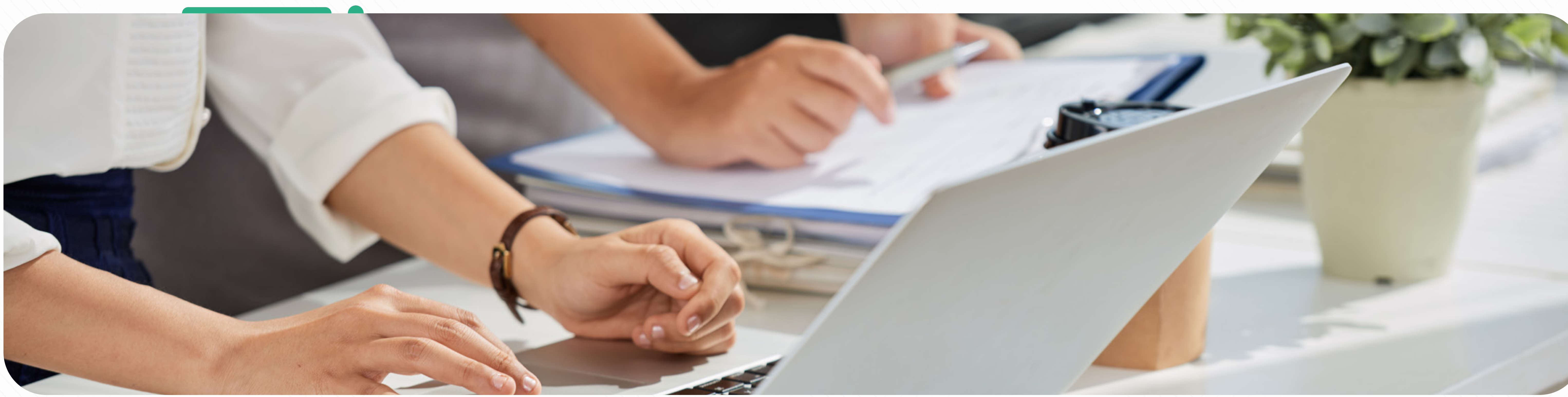


Adjusted Combined Ratio



At the end of 2022, Grupo Peña Verde's Combined Ratio, which represents the sum of the previous 3 ratios, was 95.3%, an increase of 91 bps. compared to year-end 2021.

The adjusted combined ratio (measured as the sum of acquisition costs, claims and operating expenses over earned retained premiums) is presented for comparative purposes with international ratios. In 2022, Grupo Peña Verde's adjusted combined ratio was 98.4% vs. 99.3% in 2021 (-94 bps.).



07.

ABOUT THIS REPORT

MATERIALITY AND PREPARATION

GRI 201-1

Grupo Peña Verde prepares, for the third consecutive time, its Annual Sustainability Report. This report was published in August 2023 and covers the year beginning January 1st, 2022 and ending December 31st, 2022.

The content of this report has been prepared based on the 2021 GRI (Global Reporting Initiative) standards and the reporting principles established for the preparation of high quality reports:

Accuracy:

The content presented details of Grupo Peña Verde's performance in the economic, social and sustainable areas, with information properly identified by subtopic, supported by visual elements to facilitate the understanding to its stakeholders.

Clarity:

The content of these reports was written to be presented in a simple and straightforward manner, with two indexes: one to help stakeholders find relevant information and the other to identify compliance with GRI standards.

Balance:

Grupo Peña Verde believes that the information presented fairly explains the operating performance obtained, without omitting actions in which there is an area of opportunity for improvement or that have had a negative impact in 2022.

Comparability:

The reports include the historical information needed to clearly indicate the development of Grupo Peña Verde in the relevant topics mentioned, which will be maintained in future editions.

Completeness:

Sufficient information to evaluate the impacts of Grupo Peña Verde during the reporting period.

Timeliness:

Grupo Peña Verde initiated the preparation of this report in advance, seeking to make available to its stakeholders the information for fiscal year 2022 in the appropriate time and manner, in line with the accepted customs in the publication of this type of documents.

Sustainability context:

Information on the organization's impacts in the full context of sustainability (the three ESG pillars).

Verifiability:

Collect, document, consolidate and analyze information so it can be evaluated to determine its quality and traceability.

The subsidiaries comprising the Group are listed below:

- General de Seguros S.A. (General de Seguros)
- Reaseguradora Patria, S.A. (Reaseguradora Patria)
- General de Salud, Compañía de Seguros, S.A. (General de Salud)
- Servicios Administrativos Peña Verde, S.A. de C.V. (Servicios Peña Verde)
- Patria Corporate Member Limited (PCM o Patria Corporate)
- CCSS Peña Verde, S.A. de C.V. (CCSS)

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

In order to give greater reliability to the information provided in this report, the external verification letter on the GRI Standarts and the External Auditors' report on the Group's financial information is attached.

For any questions or clarification please contact us at:
kzhurtador@sapv.com.mx

GRI Content Index

GRI Standard	Disclosure	Section	Pages
GRI 2: General Disclosures			
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Verification Letter

GRI 2-5

VERT
DESARROLLO SUSTENTABLE

PEÑA VERDE's Annual Sustainability Report, 2022
External and Independent Verification Letter

To the stakeholders of *PEÑA VERDE, S.A.B.*, the following is issued as an opinion of *Vert, Desarrollo Sustentable* (Vert), regarding PEÑA VERDE's 2022 Annual Sustainability Report.

Vert's objective is to issue an independent verification of the contents of this report, based on the *Global Reporting Initiative standards*.

Verification Methodology:

In order to have a full understanding of the structure of the reports, Vert held meetings with PEÑA VERDE's Investor Relations team (responsible for the preparation of the report in question), who in turn provided a communication link with the other departments of the Company, so that Vert could request the information required for its verification from various PEÑA VERDE collaborators.

Likewise, the coherence of the qualitative and quantitative information included in this report was reviewed.

At last, the correct application of the topics was validated based on the GRI 2021 Standard Elaboration Guidelines, verifying their veracity, traceability and materiality, based on the information provided by PEÑA VERDE and its team, establishing the basis for compliance with the principles of accuracy, poise, clarity, completeness, comparability, timeliness, the context of sustainability and reliability, in these and subsequent reports.

Conclusions:

As a result of the verification process, it was concluded that the Annual Sustainability Report 2022 of *PEÑA VERDE S.A.B.* was prepared with reference to the GRI 2021 Standards. No evidence was found that would lead us to believe that compliance and adherence to the GRI methodology has not been adequately carried out, or that there are inaccuracies in the information presented or that any material issue has been intentionally omitted.

Miguel Bermejo Rocher (Partner)

About this verification

Vert's associates have the fundamental preparation to examine and validate the correct compliance with the necessary guidelines for the preparation and publication of Sustainability Reports, which allows them to express a professional opinion on the adherence of all non-financial content of the report to the GRI 2021 standards, always based on the principles of independence, objectivity, and confidentiality. Vert does not make any commitment regarding the information gathering processes implemented in this report. This verification is issued on October 5, 2023, and will be valid as long as no modifications or publications are made after this date.

Peña Verde, S. A. B. and subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

Peña Verde, S. A. B.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Stockholders
(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, 2022 and 2021, 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 ($5,672,899), outstanding provisions for incurred but not reported claims and adjustment expenses amounting to ($1,983,889), contingency reserves amounting to ($335,387) and catastrophic reserve amounting to ($8,309,190).

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. 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, 2022, 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 13, 2023.

Peña Verde, S.A.B. and subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021
(Thousands of Mexican pesos)

Asset	2022		2021	
Investments:				
Securities (note 6):				
Government	$ 13,995,930		9,692,404	
Corporate, fixed income	1,202,869		2,079,021	
Corporate, variable income	2,902,078		4,270,620	
Foreign	1,573,295		2,575,192	
Restricted cash	586,365	20,260,537	765,309	19,382,546
Receivable under repurchase agreement (note 6)		39,824		506,384
Loan portfolio, net:				
Current	10,306		7,183	
Allowance for loan losses	(257)	10,049	(161)	7,022
Properties, net (note 7)		753,401		721,602
		21,063,811		20,617,554
Employee benefits investment (note 13)		186,253		209,280
Cash and cash equivalents:				
Cash and cash in banks		140,689		176,409
Accounts receivable:				
Premiums (note 8)	2,426,987		2,987,099	
Premiums for property and casualty subsidy (note 8)	4,939		4,940	
Agents and adjusters	17,452		11,644	
Notes receivables	632		975	
Receivables from bond responsibilities in claims paid			61,803	
Other	292,187		202,401	
Allowance for doubtful accounts	(97,659)	2,644,538	(92,917)	3,175,945

Asset	2022		2021	
Reinsurers and bonds reinsurers, net (note 9):				
Current	2,625,392		1,617,939	
Retained deposits	275,408		190,669	
Reinsurance's share on technical reserves	2,463,392		2,061,585	
(-) Credit risk allowance for foreign and bonds reinsurers	(3,986)		(3,465)	
Reinsurers and bonds brokers	1,540		-	
(-) Allowance for doubtful accounts (note 3s)	100,318	5,462,064	72,110	3,938,838
Permanent investments:				
Other		48,734		48,628
Other assets:				
Furniture and equipment, net (note 10)	26,532		34,543	
Foreclosed assets, net	608		608	
Sundry (note 10)	525,771		566,585	
Amortizable intangible assets, net	147,763	700,674	166,510	768,246
Total assets	$	30,246,763		28,934,900

Liabilities and Stockholders’ Equity	2022		2021	
Liabilities:				
Technical reserves:				
Current risk:				
Life	$ 828,947		852,737	
Accidents and health	456,215		347,529	
Property and casualty	3,796,508		3,468,059	
Bonds in force	591,229	5,672,899	575,192	5,243,517
Outstanding claims provision:				
For expired policies and pending payment claims	4,196,517		3,519,109	
For claims incurred but not reported and adjustment expenses	1,983,889		2,006,899	
Insurance funds under management	12,739		38,556	
Premiums collected in advance	72,335	6,265,480	44,449	5,609,013
Contingency reserve		412,695		335,388
Catastrophic reserve		8,309,190		7,580,638
		20,660,264		18,768,556
Employee benefits (note 13)				
Creditors:		228,055		224,319
Agents and adjusters				
Loss funds under management	310,524		271,437	
Bond responsibilities accruals	1,854		1,933	
Sundry	-		152,145	
	273,344	585,722	287,474	712,989
Reinsurers and bonds reinsurers (note 9):				
Current				
Retained deposits	3,538,954		2,840,824	
Other shares	-		8,850	
Reinsurers and bonds brokers	259,725		311,451	
	878	3,799,557	1,312	3,162,437
Other liabilities:				
Employee statutory profit sharing				
Income tax payable (note 14)	12,914		16,872	
Other obligations	37,347		73,364	
Deferred credits (note 14)	389,165		358,365	
Total liabilities	448,580	888,006	765,241	1,213,842
		26,161,604		24,082,143
Stockholders’ equity (note 15):				
Controlling interest:				
Capital stock				
Equity reserve:		422,608		422,608
Statutory reserve				
Repurchase of own shares	2,592		2,592	
Additional paid-in capital	151		151	
	959,576	962,319	959,576	962,319

Liabilities and Stockholders’ Equity	2022	2021
Valuation surplus	177,455	149,539
Cumulative translation effect	50,890	59,622
Retained earnings	3,194,480	2,804,863
Net income	(736,356)	429,527
Total controlling interest	4,071,396	4,828,478
Non-controlling interest	13,763	24,279
Total stockholders’ equity	4,085,159	4,852,757
Commitments and contingent liabilities (note 19)		
Subsequent event (note 21)		
Total liabilities and stockholders’ equity	$ 30,246,763	$ 28,934,900

Peña Verde, S. A. B. and subsidiaries

CONSOLIDATED STATEMANTS OF INCOME

Years ended December 31, 2022 and 2021

	2022	2022	2021	2021
Premiums:				
Written (notes 9 and 11)	$	14,606,938		11,962,572
Less ceded (note 9)		2,597,677		2,153,601
Retained premiums		12,009,261		9,808,971
Less net increase in current risks reserve and bonds in force		485,344		696,376
Earned retained premiums		11,523,917		9,112,595
Less:				
Net acquisition cost:				
Agent commissions	439,778		351,405	
Additional compensation to agents	227,846		230,753	
Commissions from reinsurance and bonds reinsurance taken	2,271,483		1,636,575	
Commissions from reinsurance and bonds reinsurance ceded	(646,141)		(415,348)	
Non-proportional reinsurance cost	715,590		535,481	
Other	606,208	3,614,764	518,340	2,857,206
Net cost of claims and other outstanding obligations:				
Claims and other outstanding obligations	6,864,400		5,095,233	
Recovered claims from non-proportional reinsurance contracts	(292,073)		(98,975)	
Bonds claims	175,007	6,747,334	172,334	5,168,592
Technical income		1,161,819		1,086,797
Net increase in other technical reserves:				
Catastrophic risks	992,088		849,262	
Contingency reserve	103,613		64,424	
Other reserves	191	1,095,892	610	914,296
Gross income		65,927		172,501
Net operating expenses:				
Administrative and operating	512,316		506,180	
Personnel remuneration and fringe benefits	416,317		497,496	
Depreciation and amortization	47,476	976,109	22,188	1,025,864
Operating loss		(910,182)		(853,363)
Comprehensive financial result:				
Investment in securities	604,674		576,338	
Gain on sale of investments	378,848		427,275	
Investment securities valuation	(908,341)		163,117	
Premium surcharges	29,357		25,129	
Credit risk allowance for foreign reinsurers	(345)		7,019	
Credit risk reserves	238		(18)	
Other	35,250		10,419	
Foreign exchange result	(82,130)	57,551	142,591	1,351,870
(Loss) Income before income tax and non-controlling interest		(852,631)		498,507
Income tax (note 14)		105,989		(68,607)
(Loss) Consolidated net income		(746,642)		429,900
Non-controlling interest		10,286		(373)
(Loss) Net controlling interest income	$	(736,356)		429,527

See accompanying notes to consolidated financial statements.

Peña Verde, S. A. B. and subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2022 and 2021

	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, 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 15f)	-	-	-	-	(13,055)	-	-	-	(588)	(13,643)
Dividend payments (notes 15d)	-	-	-	-	(19,000)	-	-	-	-	(19,000)
Items related to the comprehensive income (note 15c):										
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
Items related to stockholders' decisions:										
Transfer of prior year's net income	-	-	-	-	429,527	(429,527)	-	-	-	-
Dividends paid (note 15d)	-	-	-	-	(39,910)	(39,910)	-	-	-	(39,910)
Items related to the comprehensive income (note 14c):										
Surplus valuation from subsidiaries's properties	-	-	-	-	-	-	35,630	-	213	35,843
Surplus valuation from subsidiaries's investments	-	-	-	-	-	-	48,281	-	761	49,042
Deferred income taxes for the year	-	-	-	-	-	-	(31,047)	-	(377)	(31,424)
Result from investment valuation	-	-	-	-	-	-	(24,948)	-	(4)	(24,952)
Other	-	-	-	-	-	-	-	-	(823)	(823)
Conversion effects	-	-	-	-	-	-	-	(8,732)	-	(8,732)
Net loss for the year	-	-	-	-	-	(736,356)	-	-	(10,286)	(746,642)
Balances as of December 31, 2022	$ 422,608	$ 2,592	$ 151	$ 959,576	$ 3,194,480	$ (736,356)	$ 177,455	$ 50,890	$ 13,763	$ 4,085,159

See accompanying notes to consolidated financial statements.

Peña Verde, S. A. B. and subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021

	2022	2021
(Loss) Net controlling interest income	$ (736,356)	429,527
Items not requiring cash:		
Unrealized (gain) loss on valuation coming from investing and financing activities	908,341	(163,117)
Allowance for doubtful accounts	(22,849)	(10,562)
Depreciation and amortization	47,476	22,188
Adjustment or increase related to technical reserves	1,091,933	1,920,021
Current and deferred income tax	105,989	68,607
Non - controlling interest	(10,286)	373
Subtotal	1,384,248	2,267,037
Operating activities:		
Changes in investment securities	(1,811,280)	(2,310,011)
Changes in repurchase agreements	466,560	(314,697)
Changes in loan portfolio	(3,123)	(649)
Changes in other premiums receivable	560,113	(74,814)
Changes in debtors	(33,448)	(76,228)
Changes in reinsurers and bonds reinsurers	(455,072)	391,603
Changes in other operating assets	62,075	(345,254)
Changes in contractual obligations and expenses related to claims	446,249	509,870
Changes in other operating liabilities	(593,554)	(116,877)
Net cash flows from operating activities	22,768	(70,020)
Investment activities:		
Acquisition of intangible assets	-	(22,723)
Selling (acquisition) of property, furniture and equipment	(9,617)	1,367
Net cash used in investment activities	(9,617)	(21,356)
Financing activities:		
Movement in no-controlling interest	(230)	(5,874)
Other	-	-
Dividends paid	(39,910)	(19,000)
Repurchase of shares from subsidiary	-	(13,055)
Net cash used in financing activities	(40,140)	(37,929)
Net decrease in cash and cash equivalents	(26,989)	(129,305)
Effects due to changes in the value of cash	(8,731)	(50,105)
	(35,720)	(179,410)
Cash and cash equivalents:		
At beginning of year	176,409	355,819
At end of year	$ 140,689	176,40

See accompanying notes to consolidated financial statements.

Peña Verde, S. A. B. and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021
(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.

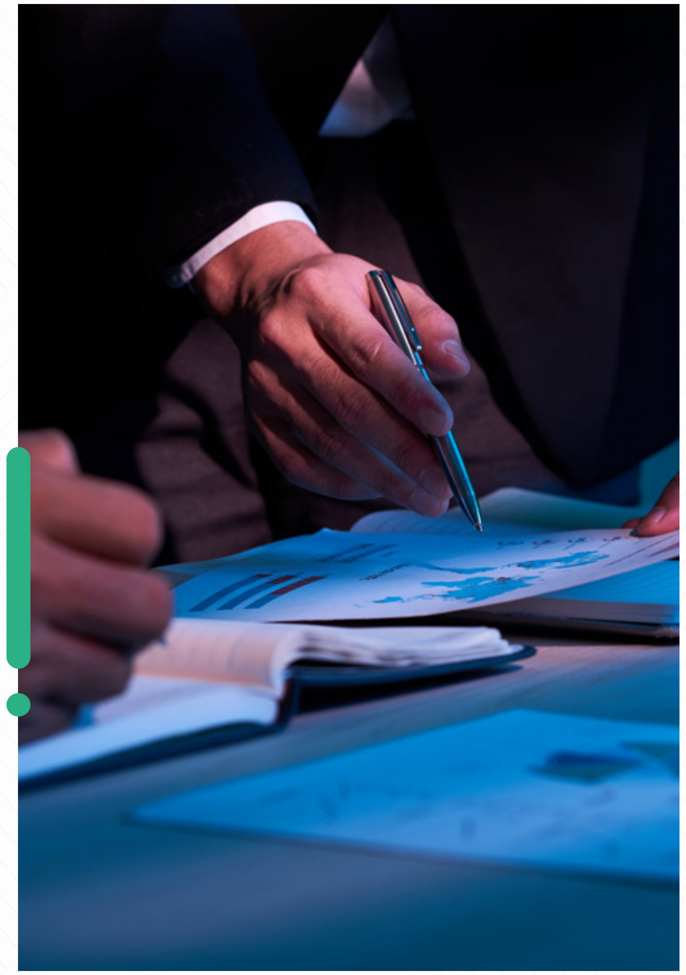
c. Property and casualty, in the lines of miscellaneous and professional liability, marine and inland marine, fire, automobile, credit, multiple peril, agricultural and earthquake and other catastrophic risks.

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, 2022 and 2021, include the financial information of Peña Verde and its subsidiaries. The activities of its subsidiaries of Peña Verde are described below:

- 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.
- 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 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 and of Providers of Specialized Services or Specialized Works (REPSE), by its acronym in Spanish.
- Patria Corporate Member Limited (PCM or 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, 2022, the Institution's subsidiaries have the following credit rating:

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

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

Authorization

On April 13, 2023, 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 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 on the following page.

- Notes 3(h) and 4 - Leases: determination of whether an arrangement contains a lease.
- Notes 3(e), 4 and 6 - Investments in financial instruments: definition of the business model: Financial Instrument to Collect or Sell (IFCV by its Spanish acronym) or Negotiable Financial Instrument (IFN by its Spanish acronym).

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) – Technical reserves: 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: actuarial assumptions.

Determination of fair value

Some of the Institution's accounting policies and disclosures require the measurement of the fair values of both financial and non-financial assets and liabilities.

The Institution has an established control framework related to the measurement of fair values. This includes authorization by the Board of Directors to engage a pricing provider.

When measuring the fair value of an asset or liability, the Institution uses observable market data whenever possible. Fair values are classified into different levels within a fair value hierarchy that is based on the inputs (observability of inputs) used in the valuation techniques, as follows:

Level 1: quoted prices (non-adjusted) in active markets for identical assets or liabilities.

Level 2: inputs different to the quoted prices included in Level 1, which are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., from prices).

Level 3: data or inputs to measure the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability are classified in different levels of the fair value hierarchy, then the fair value measurement is classified in its totality in the same level of the fair value hierarchy as the lowest observable input that is significant to the overall measurement.

According to the accounting criteria, the market value or price is the amount that can be obtained from the sale or the amount to be paid for the acquisition of a financial instrument in an organized or recognized stock market. For purposes of this criterion, the market value or price of a security listed in the Mexican market will be that which is provided by the price providers. In the case of securities listed on international stock exchanges, the market value or price will be that which is disclosed by such agencies (price providers) through official publications.

The Institution recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The following notes include additional information about the assumptions made in measuring fair values:

- Notes 3(e) and 6 - Financial instruments.

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 is responsible for the inspection and supervision of insurance institutions and reviews the annual consolidated financial statements and other periodic information that the institutions must prepare.

(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, as established by FRS B-10 "Effects of inflation", include the recognition of the effects of inflation in the financial information until December 31, 2007. The percentage of annual and cumulative inflation for the last three fiscal years and the values of the Investment Unit (UDI), which is the unit of account whose value is determined by the Bank of Mexico (Central Bank) based on inflation, used to determine inflation, are shown below:

		Inflation	
December 31	UDI	Yearly	Cumulative
2022	7.6468	7.58%	19.50%
2021	7.1082	7.36%	13.87%
2020	6.6055	3.15%	11.19%

(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, 2022 and 2021, 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) Cash and cash equivalents-

Cash and cash equivalents include deposits in bank accounts in Mexican pesos, dollars, and pounds sterling. At the date of the consolidated financial statements, interest earned, and valuation gains or losses are included in the results of the fiscal year, as part of the comprehensive financing result.

The checks (both domestic and foreign) that have not been effectively cashed two working days after having been deposited, and those that, having been deposited, have been returned, should be recorded against the balance of sundry debtors. Forty-five days after the entry in sundry accounts receivable and if such checks have not been recovered or cashed, they should be charged directly to results. In the case of checks issued prior to the date of the financial statements that are pending delivery to the beneficiaries, they should be reincorporated to cash line, recognizing the corresponding liability.

(e) Financial instruments-

i. Recognition and initial measurement

Financial assets and liabilities - including accounts receivable and payable - are initially recognized when these assets are originated or acquired, or when these liabilities are issued or assumed, both contractually.

Financial assets and financial liabilities (unless it is a account receivable or payable without a significant financing component) are initially measured and recognized at fair value, plus transaction costs directly attributable to their acquisition or issue when subsequently measured at amortized cost. An account receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets - Policy applicable as of January 1, 2022

On initial recognition, financial assets are classified into the following categories, according to the business model and the characteristics of their contractual cash flows, as shown below:

- IFCV, measured at fair value with changes in Comprehensive Income (UI), which are intended both to collect the contractual flows of principal and interest, and to obtain a profit on their sale when it is appropriate.

- IFN, measured at fair value through profit or loss (VRCR), which represent the investment in debt or equity financial instruments, and whose purpose is to obtain a profit between the purchase and sale price.

The classification of financial assets is based on both the business model and the characteristics of their contractual flows. Based on the business model, a financial asset, or a type of financial asset (a portfolio) can be managed under:

- A business model that seeks both the recovery of contractual flows, as in the previous model, and to obtain a profit through the sale of financial assets, which implies the displacement of a combined model for the management of these financial assets.

- A model that seeks to obtain a maximum return through the purchase and sale of financial assets.

Financial assets are not reclassified after initial recognition, except if the Institution changes its business model, in which case all affected financial assets are reclassified to the new category at the time that the change in the business model has occurred.

The reclassification of investments in financial instruments between categories is applied prospectively from the date of the change in the business model, without modifying any previously recognized gains or losses, such as interest or impairment losses.

When the Institution reclassifies its investments in financial instruments in accordance with the aforementioned, it must request authorization in writing to the Commission within 10 working days after the authorization issued for such purposes by the Board of Directors of the Institution, explaining in detail the change in the business model that justifies it.

An investment in a debt instrument is measured at fair value with changes in UI if both of the following conditions are satisfied and it is not classified as measured at fair value through profit or loss:

- The financial asset is maintained within a business model whose objective is achieved both by obtaining the contractual cash flows and by selling the financial assets.

- The contractual terms of the financial asset give rise, at specified dates, to cash flows that are represented only by payments of principal and interest on the principal amount outstanding (SPPI).

Todos los activos financieros no clasificados como medidos al costo amortizado o a valor razonable con cambios en la UI como se describe anteriormente, son medidos a valor razonable con cambios en resultados. La Institución no podrá optar por la excepción considerada en las NIF de designar irrevocablemente en su reconocimiento inicial a un instrumento financiero para cobrar o vender, para ser valuado subsecuentemente a su valor razonable con efectos en el resultado neto.

All financial assets not classified as measured at amortized cost or at fair value with changes in UI as described earlier, are measured at fair value through profit or loss. The Institution may not opt for the exception considered in the FRS of irrevocably designating at initial recognition a financial instrument to be collected or sold, to be subsequently valued at fair value through net income.

On initial recognition of an equity instrument that is not held for trading (NTI), the Institution may irrevocably elect to present the subsequent changes in fair value in comprehensive income. This election is made on an instrument-by-instrument basis.

Financial Assets: Business Model Assessment - Policy applicable as of January 1, 2022

The Institution performs an assessment of the objective of the business model in which a financial asset is held at the portfolio level, as this is the best reflection of the way in which the business is managed, and information is delivered to Management. The information considered includes:

- Las políticas y los objetivos señalados para el portafolio y la operación de esas políticas en la práctica. Estas incluyen si la estrategia de la Administración se enfoca en cobrar ingresos por intereses contractuales, mantener un perfil de tasa de interés concreto o coordinar la duración de los activos financieros con la de los pasivos que dichos activos están financiando o las salidas de efectivo esperadas, o realizar flujos de efectivo mediante la venta de los activos.

- How portfolio performance is evaluated and reported to the Institution's Management.

- The risks that affect the performance of the business model (and the financial assets held in the business model) and, in particular, the way in which these risks are managed.

- How business managers are compensated (for example, if compensation is based on the fair value of the assets under management or on the contractual cash flows obtained).

- The frequency, volume, and opportunity of sales in prior periods, the reasons for those sales and expectations about future sales activity.

The transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Institution's continuing recognition of the assets.

The financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

Financial assets: Assessment of whether the contractual cash flows are only payments of principal and interest (SPPI) - Policy applicable as of January 1, 2022

For purposes of this evaluation, the "principal" amount is defined as the fair value of the financial asset at the time of initial recognition. The "interest" is defined as the compensation for the time value of money and for the credit risk associated with the principal amount outstanding, over a specified period of time and for other basic lending risks and costs (for example, liquidity risk and administrative costs), as well as a profit margin.

In assessing if the contractual cash flows are only payments of principal and interest (SPPI), the Institution considers the contractual terms of the instrument. This includes assessing if a financial asset contains a contractual condition that would change the opportunity or amount of the contractual cash flows in a way that would not satisfy this condition.

When making this evaluation, the Institution considers:

- Contingent events that would change the amount or timing of cash flows.

- Terms that could adjust the coupon rate, including variable rate features.

- Prepayment and extension features.

- Terms that limit the Institution's entitlement to cash flows from specific assets (for example, "non-recourse" features).

A prepayment feature is consistent with the principal and interest-only payment criterion if the prepayment amount represents substantially the unpaid principal and interest on the principal amount, which may include reasonable additional compensation for early termination of the contract. Additionally, in the case of a financial asset acquired at a significant discount or premium to its contractual nominal amount, a feature that permits or requires prepayment of an amount that substantially represents the contractual nominal amount and accrued (but unpaid) contractual interest (which may also include additional reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

The equity instruments that generate cash flows that do not satisfy the SPPI criterion are measured at fair value through profit or loss. The dividends are recognized in results, unless they clearly represent a recovery in the cost of the investment, in which case they are recognized in UI.

On derecognition of these instruments, the cumulative gain or loss recognized in UI is not recognized in the results of operations for the period.

Financial Assets: Subsequent Measurement and Gains and Losses - Policy applicable before January 1, 2022

IFN. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the results of operations (VRCR).

IFCV. These assets are subsequently measured at fair value. The interest income calculated under the effective interest method, foreign currency translation gains and losses and impairment are recognized in the results of operations. Other net gains and losses are recognized in UI. On derecognition, gains and losses accumulated in the UI are reclassified to results.

Investments in securities - Policy applicable before January 1, 2022

The Commission regulates the basis on which the Institution carries out its investments, for which purpose it has established an accounting and valuation criterion, which classifies investments according to management's intention to hold them, as mentioned below:

- Securities for trading purposes.

- Securities available for sale.

Investment Securities: Subsequent measurement and gains and losses - Policy applicable before January 1, 2022

- Securities for trading purposes

Are those debt or equity securities held by the Institution in its own position with the intention of covering claims and operating expenses; therefore, from the moment of investing in them, the intention is to trade them in the short term, and in the case of debt securities on dates prior to their 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 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 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 recognized 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.

Financial liabilities: Classification, subsequent measurement, gains and losses

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Interest income and foreign currency translation gains and losses are recognized in results. Any gain or loss on derecognition is recognized in results of operations.

iii. Account derecognition

Financial assets

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.

The Institution participates in transactions in which it transfers assets recognized in its consolidated balance sheet but retains all or substantially all the risks and rewards of the transferred financial assets. In these cases, the transferred financial assets are not derecognized.

Financial liabilities

The Institution derecognizes a financial liability when its contractual obligations are paid or cancelled, or when they have expired. The Institution also derecognizes a financial liability when its conditions are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized based on the new conditions at fair value.

On derecognition of a financial liability, the difference between the book value of the extinguished financial liability and the compensation paid (including non-cash assets transferred or liabilities assumed) is recognized in results.

iv. Compensation

A financial asset and a financial liability are offset, so that their net amount is presented in the consolidated balance sheet, when and only when the Institution currently has a legally enforceable right to set off the recognized amounts and intends to liquidate them on a net basis, or to realize the asset and liquidate the liability simultaneously.

Impairment - Policy applicable beginning January 1, 2022

Financial instruments

The Institution recognizes allowances for expected credit losses for:

- Financial assets measured at amortized cost.

- Investments in debt instruments measured at fair value with changes in CI.

The Institution measures loss allowances at an amount equal to expected credit losses over the life of the asset, except for the following, which is measured as the amount of expected credit losses for twelve months:

- Debt instruments that are determined to have a low credit risk at the date of the financial statements.

- Other debt instruments and bank balances for which the credit risk (i.e., the risk of default occurring during the expected life of the financial instrument) has not increased significantly since initial recognition.

Allowances for losses on other receivables are always measured at an amount equal to the expected credit losses over the life of the receivable.

In determining if the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Institution considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Institution's historical experience and an informed credit assessment and including forward-looking information.

The Institution assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due, except in cases in which the Institution has information that the risk has not increased significantly.

The Institution considers that a financial asset is in default when:

- The borrower is not expected to pay its credit obligations to the Institution, without recourse by the Institution such as actions for foreclosure of the guarantee (if any).

- The financial asset is 90 days past due, or when the Institution has reasonable and supported information to consider that a longer term is a more appropriate criterion. .

The Institution considers that a debt instrument has a low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Lifetime expected credit losses are the credit losses resulting from all possible events of default during the expected life of a financial instrument, based on past events, current conditions, and forecasts of future economic conditions.

Twelve-month expected credit losses are the portion of expected credit losses during the lifetime of the asset that arise from events of default that are possible within 12 months after the date of the financial statements (or a shorter period if the instrument has a shorter life than twelve months). The maximum period considered in estimating expected credit losses is the maximum contractual period during which the Institution is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are the probability-weighted average of credit losses and are measured as the present value of cash shortfalls (i.e., the difference between the cash flow owed to the Institution in accordance with the contract and the cash flows it expects to receive).

Expected credit losses are discounted using the effective interest rate of the financial asset.

Credit-impaired financial assets

At the date of the financial statements, the Institution assesses if the financial assets recorded at amortized cost and debt instruments at fair value with changes in UI have credit impairment. A financial asset has a “credit impairment” when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

The evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulties of the issuer or the borrower.

- A breach of contract, such as a default or a late payment of more than 90 days.

- The restructuring of a loan or advances by the Institution on terms that the Institution would not otherwise consider.

- The borrower is probably going to enter bankruptcy or another form of financial reorganization.

- The disappearance of an active market for the financial asset in question, due to financial difficulties.

Presentation of the allowance for expected credit losses in the consolidated balance sheet

Loss allowances for financial assets measured at amortized cost are deducted from the gross book value of the assets.

In the case of debt instruments at fair value with changes in the CI, the allowance for loss must be recognized before incorporating the change in their fair value, with a charge to results, being recognized in the CI.

Punishments

The gross book value of a financial asset is written off (partially or in full) to the extent that there is no realistic possibility of recovery. For customers, the Institution normally has a policy of writing off the gross book value when the financial asset has a remaining maturity of 180 days, based on the historical experience of recoveries of similar assets. For corporate customers, the Institution makes an individual assessment regarding the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However, financial assets that are written off may be subject to legal actions in order to comply with the Institution’s procedures for the recovery of amounts owed.

Policy applicable before January 1, 2022

The Institution evaluated at the consolidated balance sheet date if there is any objective evidence that a security is impaired, if there was objective and non-temporary evidence that the financial instrument was impaired, the corresponding loss was determined and recognized.

Unrealized valuation results –

Valuation results recognized before the investment is redeemed or sold will be considered unrealized and, consequently, will not be eligible for capitalization or distribution of dividends to stockholders until they are realized in 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. .

(f) Debtors-

Premiums receivable–

For insurance operations

Pursuant to Commission Provisions 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

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.

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

Credits-

The balance to be recorded in the loans or credits will be the amount effectively granted to the borrower and, if applicable, the insurance that has been financed. Any interest accrued in accordance with the loan payment schedule will be added to this amount.

In cases in which interest is collected in advance, it will be recognized as an advance collection under deferred credits and prepayments, which will be amortized during the life of the loan under the straight-line method against results for the year, under the line-item interest on loans.

Loans or credits are grouped into current and past due, according to the type of credit, i.e., unrestricted, and restricted credits, whether secured by mortgages for urban real estate or secured by pledged certificates or securities and, in turn, classified according to the nature of the transaction.

Overdue portfolio–

The Unpaid balance in accordance with the conditions established in the Credit agreements, will be recorded as Past Due Portfolio when:

1. It is known that the borrower is declared in mercantile process, in accordance with the Law of Mercantile Processes.

2. Its amortizations have not been paid in full in accordance with the terms originally agreed upon, considering the following:

   I. If the debts consist of loans with a single payment of principal and interest at maturity and are 30 or more calendar days past due.

   II. If the debts refer to loans with a single payment of principal at maturity and with periodic interest payments and are 90 or more calendar days after the respective interest payment is due, or 30 or more calendar days after the principal payment is due.

   III. If the debts consist of loans with periodic partial payments of principal and interest, including housing loans, and are 90 or more calendar days past due.

Past-due loans that are restructured will remain in the past-due portfolio as long as there is no evidence of sustained payment.

Loans over one year with a single payment of principal and interest at maturity that are restructured during the term of the loan will be considered past due.

The renewals in which the borrower has not paid on time the total accrued interest according to the terms and conditions originally agreed, and 25% of the original amount of the loan, will be considered as past due as long as there is no evidence of sustained payment.

In the case of renewals in which the extension of the term is made during the term of the Credit, the 25% referred to in the preceding paragraph must be calculated on the original amount of the Credit that should have been covered at that date.

Preventive estimate for credit risks–

The Institution’s management makes the allowance for loan losses based on Chapter 8.14 of the Circular. This allowance must be calculated and recorded on a monthly basis, affecting the allowance for credit risks on the asset side against the sub-caption of credit risks provisions, which is part of the Comprehensive Financing Result.

The commercial loan portfolio is rated quarterly, monthly in the case of housing loans, applying a methodology that considers the probability of default, loss severity and exposure to default, recognizing the effect on the reserve in the results of operations under the caption “Comprehensive financing 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.

Accounts receivable–

Institutions must adhere in the first instance to the accounting criteria issued by the Commission and observe the criteria set forth in FRS C-3 "Accounts Receivable" and FRS C-16 "Impairment of financial instruments receivable" of the FRS issued by the Mexican Financial Reporting Standards Board, A.C. (CINIF by its Spanish acronym), as long as this is not contrary to the provisions of the LISF, and the administrative provisions derived therefrom.

Institutions must observe the criteria indicated in FRS C-3, which will only be applicable to the "other accounts receivable" referred to in paragraph 20.1 of FRS C-3.

Preventive allowance for accounts receivable–

Institutions must create, if necessary, an estimate reflecting their level of irrecoverability. This estimate must be obtained by applying the provisions of paragraph 42 of FRS C-16 "Impairment of financial instruments receivable", when the institutions use the practical solutions referred to in paragraph 42.6 of FRS C-16, the creation of estimates must be for the total amount of the receivable and must not exceed the following terms:

- 60 calendar days after their initial registration, when they correspond to unidentified debtors.

- 90 calendar days after their initial recording, when they correspond to identified debtors.

(g) 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 consolidated 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 mentioned are as follows:

	Various	
December 31,	Years	Rates
Property	Various	Various
Transportation equipment	4	25%
Office furniture and equipment	10	10%
Computer equipment	4 y 3.33	25% y 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.

(h) Leases–

Policy applicable as of January 1, 2022

At the beginning of a contract, the Institution assesses if a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for compensation. To assess if a contract conveys the right to control the use of an identified asset, the Institution uses the definition of a lease in FRS D-5.

At inception or modification of a contract that contains a lease component, the Institution allocates the compensation in the contract to each lease or service component based on their relative independent prices. However, for property leases, the Institution has elected not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

The Institution recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of the costs to dismantle or restore the underlying asset or the site on which it is located, less lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Institution at the end of the lease term or the cost of the right-of-use asset reflects that the Institution will execute a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically written down for impairment losses, if applicable, and adjusted for certain revaluations of the lease liability such as changes in the amount of rent due to inflation adjustment.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, the Institution's incremental financing rate. Generally, the Institution uses its incremental interest rate as the discount rate.

Lease payments included in the valuation of lease liabilities comprise the following:

- Fixed payments, including payments in fixed substance.

- Variable lease payments that depend on an index or rate, initially valued using the index or rate at the commencement date.

- Amounts expected to be paid under a residual value guarantee.

- The exercise price under a purchase option that the Institution is reasonably certain to execute, lease payments in an optional renewal period if the Institution is reasonably certain to execute an extension option and penalties for early termination of a lease unless the Institution is reasonably certain not to terminate early.

The lease liability is valued at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Institution's estimate of the amount expected to be paid under a residual value guarantee, if the Institution changes its assessment of whether it will execute a purchase, extension, or termination option or if there is a modified fixed-instance lease payment. When the lease liability is remeasured in this manner, a corresponding adjustment is made to the book value of the right-of-use asset or is recorded in results if the book value of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low value assets

The Institution has decided not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Institution recognizes the lease payments associated with these leases as a straight-line expense over the lease term.

(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 straightline basis over their estimated useful life of 6 and 10 years.

(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 established in Chapter 5.1.5 and 5.1.6. of the CUSF.

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

Reserve for current risks–

The Institution registered with the Commission the technical notes and the actuarial methods used for creating and measuring the current risk reserve in terms of the provisions of Chapter 5.5. of the CUSF.

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 nonaccrued 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 nonaccrued 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 (RM)–

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 factor.
- 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-riskfree 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 subline 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:

- 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-

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.

(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, 2022 and 2021, 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 13).

(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) Restatement of capital stock and cumulative earning-

Until December 31, 2007, it was determined by multiplying the capital stock contributions and cumulative results by NCPI factors, which measure the cumulative inflation from the dates on which the contributions were made, and the profits or losses were generated until year-end 2007, when the Company changed to a non-inflationary economic environment in accordance with FRS B-10 "Effects of Inflation". The amounts thus obtained represented the constant values of the stockholders' investment.

(r) Surplus from valuation-

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

(s) 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 2022 and 2021, Reaseguradora Patria recorded in the balance sheet an "Allowance for doubtful accounts" amounting to $100,318 and $72,110, respectively and a debit (credit), respectively, to "Administrative and operating expenses" for ($28,208) and ($94,660), 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, automobile, earthquake, hydrometeorological risk, life, bonds lines and other catastrophic risks.

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.

Reinsurance operations profit sharing -

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.

(t) 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.

Reinsurance taken

Las operaciones derivadas de las aceptaciones de reaseguro, 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.

Reinsurance ceded

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, motor, earthquake and other catastrophic risks.

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.

(u) 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.

(v) 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.

(w) 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 currencies are recorded at the exchange rate in effect at the dates of execution or settlement. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated balance sheet date. Exchange differences incurred in connection with assets or liabilities contracted in foreign currencies are taken to income for the year.

(x) 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.

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

(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) Accounting Changes-

The accounting changes recognized retrospectively by the Institution in 2022 were derived from the adoption of the following FRS issued by CINIF:

As of January 1, 2022, the Institution has adopted the following standards relating to financial instruments.

- FRS B-17 "Determination of fair value" (with respect to financial instruments)
- FRS C-2 "Investment in financial instruments"
- FRS C-3 "Accounts receivable
- FRS C-16 "Impairment of financial instruments receivable"
- FRS C-19 "Financial instruments payable"

The requirements of these standards represent a significant change with respect to the previous regulations; however, no important effects were generated for the Institution.

The nature and effects of the key changes to the Institution's accounting policies are summarized as follows:

FRS B-17 "Determination of fair value"-. The Institution applied FRS B-17 in the determination of fair value. This FRS establishes the valuation and disclosure standards in the determination of fair value, in its initial and subsequent recognition, if the fair value is required or permitted by other particular FRS. Where applicable, changes in valuation or disclosure are recognized prospectively. This FRS was applied, except as established in the specific criteria defined in the "Insurance and Bonding Circular" (CUSF by its Spanish acronym).

FRS C-2 "Investment in financial instruments"-. The Institution applied FRS C-2, regarding the application of the standards related to the recording, valuation and presentation in the financial statements of its investments in financial instruments, as follows:

a. The Institution determined the business model used for the management of its investments in financial instruments, in order to classify them appropriately.
b. As a result of the analysis, the Institution determined its business model, the financial instrument assets were classified for valuation and recording in one of the following categories: IFN & IFCV (by their Spanish acronym).

c. Valuation results that were recognized before the investment was redeemed or sold are considered unrealized and consequently, are not subject to capitalization or distribution of dividends to stockholders until they are realized in cash.

d. The exception to irrevocably designate at initial recognition a financial instrument to be collected or sold, to be subsequently measured at fair value through net income referred to in FRS C-2, is not applicable to insurance companies.

e. Insurance companies that reclassified their investments in financial instruments must request authorization in writing to the Commission within 10 business days following the authorization issued by the Board of Directors of the insurance companies, explaining in detail the change in the business model that justifies it.

f. The insurance companies, for the identification and recognition of impairment adjustments, followed the provisions of FRS C-2 "Investment in financial instruments", issued by the CINIF.

FRS C-3 "Accounts Receivable" the Insurance Institutions must adhere in the first instance to the criteria established in FRS C-3 "Accounts Receivable", of the FRS issued by the CINIF, as long as it is not contrary to the provisions of the LISF and the administrative provisions derived therefrom.

FRS C-16 "Impairment of financial instruments receivable"-. The insurance companies observed the criteria indicated in FRS C-16 "Impairment of financial instruments receivable", which establishes the standards for the accounting recognition of impairment losses on all financial instruments receivable (IFC by its Spanish acronym); it indicates when and how an expected impairment loss should be recognized and establishes the methodology for its determination.

The main changes included in this FRS consist of determining when and how the expected impairment losses of CFCs should be recognized, among them:

- Impairment losses of an IFC should be recognized when an increase in credit risk leads to the conclusion that a portion of the IFC's future cash flows will not be recovered.
- The expected loss is recognized based on the entity's historical credit loss experience, current conditions and reasonable and supportable forecasts of various quantifiable future events that could affect the amount of future cash flows of the IFCs.
- IFCs that accrue interest, establishes how much and when the amount of the IFC is estimated to be recovered, since the recoverable amount must be at its present value.
- The IFCPI was not derecognized as a result of the renegotiation, it is appropriate to continue valuing the financial instrument using the original effective interest rate, which should only be modified by the effect of the renegotiation costs.

The Commission establishes certain clarifications 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 recoverable cash flows was adjusted when the rate was modified in accordance with FRS C-20.

b. Expected credit losses due to impairment of investments in IFCV financial instruments were determined in accordance with FRS C-16.

c. With respect to settlement accounts receivable, in those cases in which the amount receivable was not realized within 30 calendar days from the date on which it was recorded in settlement accounts, it was reclassified as past-due portfolio and the allowance for doubtful accounts or difficult to collect expected credit losses corresponding to the aforementioned amounts receivable was simultaneously recorded, following the provisions of FRS C-16.

d. The insurance companies created an estimate reflecting the degree of irrecoverability of accounts receivable as defined in accounting criteria B-8 "Accounts receivable", such estimate was obtained by applying the provisions of FRS C-16.

FRS C-19 "Financial instruments payable"-. The Insurance Institutions observed the criteria indicated in FRS C-19 "Financial instruments payable".

For the initial recognition of any financial instrument payable, the provisions of FRS C-19, regarding the use of the market rate as the effective interest rate in the valuation of the financial instrument payable when both rates are substantially different, are not applicable.

The exception to irrevocably designate upon initial recognition a financial instrument payable to be subsequently measured at fair value through net income is not applicable to insurance companies.

Among the main features of this FRS are the following:

- When restructuring a liability, without substantially modifying the future cash flows to settle the liability, the costs and commissions incurred in this process affected the amount of the liability and were amortized over a modified effective interest rate, instead of directly affecting net income or loss.
- The provisions of IFRIC 19 "Extinguishment of Financial Liabilities with Equity Instruments", which was not included in the existing standards, were incorporated.
- The effect of extinguishing a financial liability was presented as a financial result in the consolidated statement of income.
- The concepts of amortized cost of financial liabilities and the effective interest method, based on the effective interest rate, were used.
- It was established that it is not required to recalculate the effective rate in the event of a variable interest rate of the financial instrument that does not produce material effects.
- Gains or losses on derecognition of liabilities and the effects of renegotiation of financial instruments to collect principal and interest were presented as part of the results of operations.

Changes in accounting policies resulting from the adoption of the new standards on financial instruments did not have material adoption effects.

The following evaluations have been made on the basis of the facts and circumstances existing at the date of initial application:

- Determining the business model in which a financial asset is held.

- SPPI tests for financial assets, in order to conclude whether the terms of the contracts covering the financial assets do not violate the provisions of FRS C-2, C-3 and C-20, so that they are eligible to be subject to impairment tests under FRS C-16.

- If an investment in a debt instrument had a low credit risk at the date of initial application of the new standards, the Institution assumed that the credit risk of the asset had not increased significantly since its initial recognition.

The following tables show the original measurement categories under the previous standards and the new measurement categories under the new standards for each class of the Institution's financial assets and financial liabilities as of January 1, 2022.

	Note	Original classification under previous regulations	New classification	Original carrying amount	New carrying amount
Cash and cash equivalents	-	Availabilities	Cash and cash equivalents	$ 176,409	$ 176,409
Sovereign debt instruments	6	To finance the operation	IFN	9,692,404	5,312,590
Sovereign debt instruments	6	To finance the operation	IFCV	-	4,379,814
Corporate debt instruments	6	To finance the operation	IFN	2,079,021	1,556,451
Corporate debt instruments	6	To finance the operation	IFCV	-	522,570
Equity Instruments	6	To finance the operation	IFN	4,270,620	4,270,620
Foreign securities	6	To finance the operation	IFN	2,575,192	2,199,582
Foreign securities	6	To finance the operation	IFCV	-	375,610
Restricted values	6	To finance the operation	IFN	765,309	765,309
Repurchase agreements	6	Repurchase agreements	IFN	506,384	506,384
Accounts receivable - other		Other financial assets	Other financial assets	202,401	202,401
Total financial assets				$ **20,267,740**	$ **20,267,740**

	Note	Original classification under previous regulations	New classification	Original carrying amount	New carrying amount
Creditors and sundry creditors	-	Accounts payable	Other financial liabilities	$ 287,474	$ 287,474
Other obligations	-	Other accounts payable	Other financial liabilities	358,365	358,365
Total financial liabilities				$ **645,839**	$ **645,839**

FRS C-9 "Provisions, Contingencies and Commitments"-. The application of this FRS did not generate accounting changes in the financial statements. The main aspects covered by this FRS include the following.

- The scope was reduced by relocating the topic related to the accounting treatment of financial liabilities in FRS C-19 "Financial instruments payable".
- The definition of "liability" was modified by eliminating the qualifier "virtually unavoidable" and including the term "probable".
- The terminology used throughout the standard was updated to standardize its presentation in accordance with the rest of the FRS.
- The amount of provisions was discounted when the effect was material to the consolidated financial statements, and was considered material when disbursements were expected to be made more than twelve months after the date of the consolidated statement of financial position.

Management determined that the adoption of this FRS did not have significant effects.

FRS D-5 "Leases"- The Institution applied this FRS as of January 1, 2022. Details of the changes are disclosed as follows:

The Institution elected to apply the practical expedient contained in FRS D-5 to assess which transactions are leases, applying the requirements of FRS D-5 only to contracts that were previously identified as leases. The definition of a lease under FRS D-5 was applied only to contracts entered into or modified on or after January 1, 2022.

As a lessee, the Institution leases office and parking spaces, the Institution classified the leases as operating leases based on its assessment of whether the lease significantly transferred all the risks and rewards incidental to ownership of the underlying asset to the Institution. In accordance with FRS D-5, the Institution recognizes right-of-use assets and lease liabilities for most of these leases, i.e., these leases are on the consolidated balance sheet.

At the inception or modification of a lease containing a lease component, the Institution allocates the consideration in the lease to each lease component on the basis of its relative independent price.

Leases previously classified as operating leases:

Previously, the Institution classified property leases as operating leases. On transition, for these leases, the lease liabilities recognized were measured at the present value of the remaining lease payments, discounted at the Company's incremental financing rate as of January 1, 2022.

Right-of-use assets are valued at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments.
The Institution used some practical solutions allowed by FRS D-5 to leases previously classified as operating leases, among them:

- Applied a single discount rate to a set of leases with similar characteristics.
- Applied FRS C-9 "Provisions, contingencies and commitments" for the assessment of whether leases are onerous, adjusting the right-of-use asset by the provision for onerous leases recognized in the statement of financial position at the date of initial application.
- Did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months after the date of initial application.
- Did not recognize right-of-use assets and liabilities for leases of low-value assets.
- Excluded initial direct costs from the valuation of the right-of-use asset at the date of initial application.
- Previously unknown information or circumstances were used, such as determining the lease term, when the contract contains options to extend or terminate the lease.

Impacts at date of adoption

The Institution recognized additional right-of-use assets and additional lease liabilities. The effects of the adoption of FRS D-5 are summarized as follows:

As of January 1, 2022	Real Estate
Assets from rights of use	$ 15,948
Lease liabilities	(15,948)

In valuing lease liabilities classified as operating leases, the Institution discounted the lease payments using its incremental interest rate as of January 1, 2022. The weighted average rate applied is 5.80%. 5.80%.

(5) Foreign Currency Position-

Monetary assets and liabilities denominated in foreign currencies, translated into the reporting currency, as of December 31, 2022 and 2021, are as follows:

Mexican pesos

	2022	2021
Assets	$ 17,228,339	$ 13,608,334
Liabilities	(13,894,781)	(10,540,862)
Active position, net	$ **3,333,558**	$ 3,067,472

The exchange rates published by Banco de México used in the different conversion processes in relation to the reporting currency as of December 31, 2022 and 2021, are as follows:

Exchange rate (pesos)

Country of origin	Moneda	2022	2021
United States	Dollar	19.4715	20.4672
United King	Pound	23.4223	27.7218

As of December 31, 2022 and 2021 the Institution had no foreign exchange risk protection instruments.

(6) Financial Instruments-

As of December 31, 2022 and 2021, financial instruments are analyzed as follows:

	2022	2021
IFN:		
Sovereign debt instruments	$ 3,349,334	$ 5,312,589
Corporate debt instruments	1,102,592	1,556,451
Foreign debt instruments	1,305,742	1,840,597
Equity instruments	2,902,078	4,270,621
Foreign Equity Instruments	70,976	358,985
Restricted values	586,365	765,309
Instruments under repurchase agreements	39,824	506,384
Total IFN	$ 9,356,911	$ 14,610,936
IFCV:		
Sovereign debt instruments	$ 10,646,596	$ 4,379,814
Corporate debt instruments	100,27	522,569
Sovereign debt instruments	196,577	375,610
Total IFCV	$ 10,943,450	$ 5,277,994

Sovereign debt instruments classified as IFN have interest rates ranging from 0.375% to 10.55% (0.20% to 5.17% in 2021) and maturities ranging from 0.01 days to 36.2 years (3 days to 20.5 years in 2021).

Debt instruments classified as IFN have interest rates ranging from 3.5% to 11.85% (0.03% to 9.90% in 2021) and maturities ranging from 0.01 days to 3.42 years (3 days to 20.5 years in 2021).

Corporate debt instruments classified as IFN have interest rates ranging from 1.03% to 1.70% (0.43% to 5.37% in 2021) and maturities ranging from 1 day to 2 years (25 days to 3 years in 2021).

As of December 31, 2022 and 2021, financial instruments are analyzed as follows:

A. Accounting classifications and fair values

The tables below show the carrying amounts and fair values of financial assets and financial liabilities at December 31, 2022 and 2021, including their levels in the fair value hierarchy and based on the business models determined by the Institution. The tables do not include information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Corporate debt instruments		Sovereign debt instruments	
	2022	2021	2022	2021
Book value				
IFCV	$ 100,277	$ 522,570	$ 10,646,596	$ 4,379,814
IFN	1,102,592	1,556,451	3,349,334	5,312,589
Total	$ 1,202,869	$ 2,079,021	$ 13,995,930	$ 9,692,403
Fair Value:				
Level 1	$ 1,083,948	$ 1,551,827	$ 2,656,236	$ 5,277,245
Level 2	100,276	508,549	11,332,280	4,408,339
Level 3	18,645	18,645	7,414	6,819
Total	$ 1,202,869	$ 2,079,021	$ 13,995,930	$ 9,692,403

B. Measurement of fair values

i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used to measure fair values Level 2 and Level 3 for financial instruments measured at fair value in the consolidated balance sheet as well as the significant unobservable inputs used.

Financial instruments measured at fair value:

Type	Valuation technique
Sovereign debt instruments	*Market comparison: Fair value is estimated by considering (i) prices provided by the price vendor that reflect current or recent quotations for identical instruments in active markets and (ii) prices provided by the price vendor that reflect current or recent quotations for similar instruments in active markets.*
Corporate debt instruments	*Market comparison: Fair value is estimated by considering (i) prices provided by the price vendor that reflect current or recent quotations for identical instruments in active markets and (ii) prices provided by the price vendor that reflect current or recent quotations for similar instruments in active markets.*

ii. Transfers between Level 1 and Level 2

As of December 31, 2022, corporate debt instruments were transferred at fair value through comprehensive income from Level 1 to Level 2 because quoted market prices for these debt instruments were no longer regularly available. In order to determine the fair value of the debt instruments, management used a valuation technique in which all significant inputs were based on observable market data.

			Level		Amount	
Security type	Issuer	Series	2022	2021	2022	2021
1	CMOCTEZ	*	1	2	$ 385,281	$ 455,650
S	UDIBONO	461108	1	2	127,915	135,412
1	ALEATIC	*	2	1	356,452	206,782
LD	BONDESD	241024	1	2	1,000	14,455
LD	BONDESD	240404	2	1	50,296	768
M	BONOS	230309	1	2	101,391	102,311
CD	SHF	21-4	2	1	1,607	1,605
S	UDIBONO	351122	1	2	31,275	32,314

As of December 31, 2021, no transfers from Level 2 to Level 1 have been made.

C. Risk management

As part of the corporate governance system, the Institution has established a comprehensive risk management system, which includes the definition and categorization of the risks to which the Institution may be exposed, considering at least the following:

i. The risk of underwriting insurance and reinsurance- 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 Institution's Board of Directors has overall responsibility for the establishment and supervision of comprehensive risk management policies. The Board of Directors has implemented a comprehensive risk management system that is part of the organizational structure of the Institution, which is integrated into the decision-making processes and is supported by the internal control system, for which purpose it has designated a specific area of the Institution that is responsible for designing, implementing and monitoring the comprehensive risk management system (Risk Management Area), In addition, the Risk Management Committee has been established to supervise the Institution's risk management policies and regularly reports to the Board of Directors on its activities.

The Institution's risk management policies are established to identify and analyze the risks faced by the Institution, establish appropriate risk limits and controls, and monitor risks and compliance with limits. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Institution's activities.

The Institution, through its training and management procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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.

Credit Risk

Credit risk represents the potential loss that an issuer of a financial instrument may cause to a counterparty by failing to meet its obligations, and arises mainly from accounts receivable and investments in debt instruments.

The carrying amount of financial assets represents the maximum exposure to credit risk.

Impairment loss

Impairment losses on financial assets were as follows.

	2022	2021
Impairment loss on other accounts receivable	$ 6,675	$ 6,313

Cash and cash equivalents

The Institution maintained cash and cash equivalents of $140,689 at December 31, 2022 ($176,409 in 2021). Cash and cash equivalents are held with banks and financial institutions, which are rated A+(mex) by Fitch.

Impairment of cash and cash equivalents has been measured based on the 12-month expected credit loss and reflects the short-term maturities of the exposures. The Institution considers its cash and cash equivalents to have a low credit risk based on the external credit ratings of the counterparties.

Investments in securities greater than 3% of portfolio value -

As of December 31, 2022 and 2021, the amounts corresponding to the same type of investments in securities representing 3% or more of the value of the total investment portfolio of the Institution are shown in the following page.

Issuer	Series	Securities	Market value	Depositary
2022				
Securities of private companies				
IFN:				
GCC	*	5,551,132	$ 723,868	INVEX

Issuer	Series	Securities	Market value	Depositary
2021				
Government securities				
IFN:				
NAFI236	220818	30,000	$ 612,518	INVEX
UMS22F	2022F	66,187	1,452,867	INVEX INC.
MEXA89	250130	60,000	1,322,081	INVEX INC.
Securities of private companies				
IFN				
GAP	B	4,095,983	$ 1,155,723	BANCO INVEX, S. A.
GCC	*	7,514,283	1,190,638	BANCO INVEX, S. A.

As of December 31, 2022 and 2021, there are no investments in securities held with persons with whom the Institution maintains patrimonial ties (affiliates, subsidiaries, joint ventures, etc.).

(7) Property-

As of December 31, 2022 and 2021, property is summarized as follows:

	2022	2021
Land	$ 101,592	$ 101,592
Buildings	123,549	123,549
Special facilities	1,293	1,293
	226,434	226,434
Net valuation	587,522	551,678
Accumulated depreciation	(60,555)	(56,510)
	$ 753,401	**$ 721,602**

During fiscal years 2022 and 2021, the Institution performed appraisals on its real estate, resulting in an increase of $35,844 and $39,902, respectively. Depreciation is calculated based on the remaining useful life over the restated value of the buildings, determined with the latest appraisals performed. The depreciation rate applicable for 2022 and 2021 was 2% to 2.04% and 1.11% to 1.32%, respectively.

(8) Premiums receivable –

Premiums-

As of December 31, 2022 and 2021, this item is analyzed as follows:

	2022	2021
Life:		
Individual	$ 53,658	$ 50,444
Group and collective	131,091	150,752
	184,749	201,196
Accidents and health	688,785	547,562
Property and casualty	1,516,101	2,202,199
Bonds	37,352	36,142
	2,426,987	2,987,099
Property and casualty subsidy	4,939	4,940
	$ 2,431,926	**$ 2,992,039**

As of December 31, 2022 and 2021, this item represents 9.36% and 10.34% of total consolidated assets, respectively.

(9) Reinsurers and bods reinsurers-

(a) Reinsurance assumed

Premiums taken in reinsurance for the years ended December 31, 2022 and 2021 are analyzed as follows (see note 11):

	Reaseguradora		**General de Seguros**		**PCM**		**Consolidated**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Life:								
Individual	$ 76,662	$ 86,878	$ -	$ -	$ -	$ -	$ 76,662	$ 86,878
Group and collective	792,492	424,897	-	-	-	-	792,492	424,897
Life	869,154	511,775	-	-	-	-	869,154	511,775
Accidents and health	132,932	87,218	-	-	767	4,688	133,699	91,906
Property and casualty								
Liability	351,323	229,263	-	1,911	-	5,786	351,323	236,960
Ocean marine and in land	825,056	570,375	-	9	(3,621)	131,835	821,435	702,219
Fire	3,247,275	2,571,608	-	3,046	(195,311)	91,661	3,051,964	2,666,315
Earthquake	2,490,937	2,131,711	-	1,118	-	-	2,490,937	2,132,829
Agricultural	840,441	474,963	-	2,000	-	-	840,441	476,963
Automobile	229,038	180,619	14,058	-	-	-	243,096	180,619
Credit	68,304	41,991	-	-	-	-	68,304	41,991
Miscellaneous	940,688	977,709	-	7,214	2,315	22,807	943,003	1,007,730
Property and casualty	8,993,062	7,178,239	14,058	15,298	(196,617)	252,089	8,810,503	7,445,626
Bonds	1,065,570	883,271	-	-	-	-	1,065,570	883,271
	$ 11,060,718	**$ 8,660,503**	**$ 14,058**	**$ 15,298**	**$ (195,850)**	**$ 256,777**	**$ 10,878,926**	**$ 8,932,578**

(b) Retroceded / ceded reinsurance business

Premiums ceded and retroceded for the years ended December 31, 2022 and 2021 are analyzed as follows:

	Reaseguradora		General de Seguros		PCM		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
Life:								
Individual	$ 10,099	$ 13,995	$ 64,155	$ 11,440	$ -	$ -	$ 74,254	$ 25,435
Group and collective	18,735	9,867	-	82,589	-	-	18,735	92,456
Life	28,834	23,862	64,155	94,029	-	-	92,989	117,891
Accidents and health	2,683	4,610	262,226	187	(51)	(14,461)	264,858	(9,664)
Property and casualty								
Liability	127,554	54,980	-	77,671	-	(8,471)	127,554	124,180
Ocean marine and in land	149,759	-	-	51,390	3,033	856	152,792	52,246
Fire	716,893	490,821	-	47,029	683	25,811	717,576	563,661
Earthquake and hurricane	732,613	688,987	-	34,607	-	-	732,613	723,594
Agricultural	27,769	11,427	-	165,842	-	-	27,769	177,269
Automobile	20,783	25,083	-	-	-	-	20,783	25,083
Credit	19,953	8,248	-	-	-	-	19,953	8,248
Miscellaneous	(223,893)	132,135	498,307	38,003	(202)	(178)	274,212	169,960
Property and casualty	1,571,421	1,411,681	498,307	414,542	3,503	18,018	2,073,231	1,844,241
Bonds	154,973	201,133	-	-	-	-	154,973	201,133
Retroceded premiums	-	-	11,626	-	-	-	11,626	-
	$ **1,757,911**	$ **1,641,286**	$ **836,314**	$ **508,758**	$ **3,452**	$ **3,557**	$ **2,597,677**	$ **2,153,601**

10) Other assets-

The Institution's furniture and equipment as of December 31, 2022 and 2021, is analyzed as follows:

	2022	2021
Office furniture and equipment	$ 49,666	$ 47,740
Computer equipment	85,039	83,001
Transportation equipment	45,647	49,519
Other	2,707	2,711
Art pieces	1,104	1,104
	184,163	184,075
Less accumulated depreciation	157,631	149,532
	$ **26,532**	$ **34,543**

The item "Others" as of December 31, 2022 and 2021, is summarized as follows:

	2022	2021
Salvage inventory	$ 21,527	$ 11,639
Insurance premiums and bonds	148,954	255,819
Licenses and software and development	46,864	-
Recoverable taxes	265,408	177,209
Assets under lease	51,520	-
Other	(8,502)	121,918
	$ 525,771	**$ 566,585**

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

Premiums issued -

During 2022 and 2021, the written premiums by the Institution are as follows:

	2022	2021
Life:		
Individual	$ 142,436	$ 137,468
Group and collective	451,114	568,608
Life	593,550	706,076
Accidents and health	1,110,711	554,577
Property and casualty:		
Liability	78,089	104,015
Ocean marine and in land	126,586	97,796
Fire	91,330	79,467
Earthquake and hurricane	69,303	60,796
Automobile	1,283,022	1,151,635
Miscellaneous	98,173	86,915
Agricultural and livestock	277,248	188,717
Property and casualty	2,023,751	1,769,341
Reinsurance taken (note 9a)	10,878,926	8,932,578
	$14,606,938	**$ 11,962,572**

Premiums Issued in advance-

At the end of fiscal years 2022 and 2021, the Institution issued advance premiums whose terms begin in fiscal year 2022 or 2021, respectively. The following is a detail of the transactions related to the advance premiums issued:

	2022	2021
Premiums issued in advance		
Property and casualty:		
Liability	$ 5,275	$ -
Automobile	14,387	6,452
	19,662	6,452
Accidents and health	57,534	74,657
Property and property and casualty:		
Liability	792	520
Automobile	46,979	48,529
Ocean marine and in land	2,808	124
Fire	182	32
Agricultural	181	1,511
Miscellaneous	10,832	6,568
Total premiums in advance issued	$ 138,970	$ 138,393
Premiums in advance ceded		
Property and casualty:		
Liability	$ 218	$ 283
Automobile	66	163
Ocean marine and inland	142	45
Fire	132	16
Agricultural	167	715
Miscellaneous	2,967	2,186
Total ceded premiums in advance	$ 3,692	$ 3,408
Increase in the current risks reserve, net of reinsurance	$ (122,047)	$ (109,983)
Agent commissions	13,232	12,151
Policy charges	4,473	4,805

The balances as of December 31, 2022 and 2021, shown in the consolidated balance sheets, related to prepaid premiums written are as follows:

	2022	2021
Premiums receivable	$ 164,641	$ 166,182
Reinsurer's share on technical reserve	3,692	3,408
Insurance current	(3,692)	(3,408)
Current risks reserve	(122,047)	(109,983)
Rights	(4,473)	(4,805)
Premium surcharges	(1,256)	(1,185)
Unearned commissions	(13,232)	(12,151)
Value added tax to be accrued	(19,942)	(21,799)

(12) 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 15b).

The following page shows the coverage of the aforementioned requirements of General de Seguros, General de Salud and Reaseguradora Patria:

Coverage of statutory requirements

Statutory Requirements	Surplus			Coverage Index		
	2022	2021	2020	2022	2021	2020
General de Seguros						
Technical reserves [1]	$ 508,297	$ 317,093	$ 412,406	1.1	1.1	1.1
Solvency capital requirement [2]	$ 303,677	$ 607,466	$ 317,401	1.6	1.9	1.6
Minimum capital requirement [3]	$ 1,131,800	$ 1,002,986	$ 2,067,572	7.9	7.7	14.9
General de Salud						
Technical reserves [1]	$ 82,875	$ 45,243	$ 170,020	1.2	1.1	1.6
Solvency capital requirement [2]	$ 16,396	$ 36,855	$ 120,084	1.1	1.5	3.3
Minimum capital requirement [3]	$ 125,162	$ 149,077	$ 263,438	11.3	14.2	25.2
Reaseguradora Patria						
Technical reserves [1]	$ 1,291,000	$ 945,903	$ 879,498	1.1	1.1	1.1
Solvency capital requirement [2]	$ 625,165	$ 343,775	$ 536,200	1.4	1.2	1.5
Minimum capital requirement [3]	$ 1,869,571	$ 1,315,762	$ 1,045,224	19	14.6	12.2

[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.

(13) 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.

General de Seguros' policy for funding pension plans is to contribute the maximum amount deductible for income tax purposes according to the projected unit credit method.

Cash flows-

The benefits paid in General de Seguros as of December 31, 2022 and 2021 were as follows:

	Contributions to funds		Benefits paid	
	2022	2021	2022	2021
Seniority premium	$ 1,579	$ 1,717	$ -	$ -
Pension plan	5,759	7,357	11,889	8,019
	7,338	9,074	11,889	8,019

Reaseguradora Patria

(a) ***Short-term direct benefits-***

Corresponds to accrued accrued remunerations that are regularly granted and paid to employees, such as salaries, vacations, vacation premiums and bonuses.

(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 changes in cost-sharing in relation to the established plan, which are consistent with the Institution's expressed intention to increase the retiree contribution rate annually, in accordance with the expected inflation for the year. Reaseguradora Patria's policy is to fund the cost of these medical benefits on a discretionary basis, as determined by Management.

The benefits paid were as follows:

	2022	2021
Pension Plan	$ 4,444	$ 4,236

The components of defined benefit cost for the years ended December 31, 2022 and 2021 are as follows:

	Seniority Premium		Legal Compensation		Pension Plan	
	2022	2021	2022	2021	2022	2021
Current service cost (CSC)	$ 1,762	$ 1,840	$ 3,828	$ 4,141	$ 3,650	$ 6,785
Net interest on defined benefits net liability (DBNL)	219	227	2,763	1,814	1,079	1,549
Recycling of remeasurements of DBNL recognized in comprehensive income	(13,391)	(1,110)	17,991	(325)	(8,944)	(16,528)
Defined benefit cost	**$ (11,410)**	**$ 957**	**$ 24,582**	**$ 5,630**	**$ (4,215)**	**$ (8,194)**
Beginning balance of DBNL	$ 2,794	$ 3,554	$ 37,220	$ 31,590	$ 13,908	$ 24,525
Defined benefit cost	(11,487)	1,196	24,922	5,460	(2,489)	(807)
Recognized actuarial gains	905	148	(340)	170	(1,753)	(6,535)
Losses of plan assets	(827)	(387)	-	-	27	(852)
Contributions to plan	(1,579)	(1,717)	-	-	(5,759)	(7,357)
Transfers of plan assets by increasing maximum obligation	-	-	-	-	4,086	4,934
Ending balance of DBNL	**$ (10,194)**	**$ 2,794**	**$ 61,802**	**$ 37,220**	**$ 8,020**	**$ 13,908**
Amount of defined benefit obligations (DBO)	$ 17,079	$ 12,268	$ 61,802	$ 37,220	$ 156,329	$ 180,143
Plan assets	(27,273)	(9,474)	-	-	(148,309)	(166,235)
Financial position of the obligation	**$ (10,194)**	**$ 2,794**	**$ 61,802**	**$ 37,220**	**$ 8,020**	**$ 13,908**

As of December 31, 2022 and 2021, the balance of employee benefits by entity is summarized as follows:

	Peña Verde	General de Seguros	Reaseguradora Patria	SAPV	CCSS Peña Verde	Total
As of December 31, 2022						
DBO amount	$ 18,452	$ 152,057	$ 49,360	$ 13,741	$ 1,600	$ 235,210
Plan assets	-	(129,467)	(38,965)	(7,150)	-	(175,582)
Overhead as a restricted investment	-	-	(9,191)	-	-	(9,191)
Employee loans	-	-	(990)	-	-	(990)
Guaranteed minimum benefit subaccount balance"	-	(312)	-	-	-	(312)
Insufficiency in registry	-	(7,233)	-	(100)	-	(7,333)
Accounting records	**$ 18,452**	**$ 15,045**	**$ 214**	**$ 6,491**	**$ 1,600**	**$ 41,802**

	Peña Verde	General de Seguros	Reaseguradora Patria	SAPV	CCSS Peña Verde	Total
As of December 31, 2021						
DBO amount	$ 15,248	$ 152,362	$ 49,831	$ 10,167	$ 2,023	$ 229,631
Plan assets	-	(127,108)	(43,381)	(5,220)	-	(175,709)
Overhead as a restricted investment	-	-	(38,015)	-	-	(38,015)
Employee loans	-	-	(318)	-	-	(318)
Guaranteed minimum benefit subaccount balance"	-	(91)	-	-	-	(91)
Insufficiency in registry	-	(459)	-	-	-	(459)
Accounting records	**$ 15,248**	**$ 24,704**	**$ 31,883**	**$ 4,947**	**$ 2,023**	**$ 15,039**

As of December 31, 2022 and 2021, the defined contribution of General de Seguros amounts to $92,840 and $77,227, respectively.

The actual rates used in the actuarial projections as of December 31, 2022 and 2021 are as follows:

	Nominal discount rate used in calculating the present value of obligations		Rate of increase in future salary levels		Expected rate of return on plan assets		Average remaining service life of employees (Applicable for retirement benefits)	
	2022	2021	2022	2021	2022	2021	2022	2021
Peña Verde	9.27%	7.89%	Floating	5.00%	9.27%	7.89%	8 years	10 years
Reaseguradora Patria	9.46%	8.05%	5.00%	5.00%	9.46%	8.45%	28 years	23 years
General de Seguros	9.43%	8.20%	Floating	5.00%	9.43%	8.20%	10 years	14 years
General de Salud	8.29%	8.29%	5.00%	5.00%	8.29%	8.29%	19 years	19 years
CCSS Peña Verde	9.74%	7.75%	Floating	5.00%	9.74%	7.75%	3 years	4 years
Servicios Peña Verde	9.43%	8.13%	Floating	5.00%	9.43%	8.13%	11 years	12 years

(14) 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:

	2022	2021
Income statement:		
IT current	$ 149,485	$ 110,803
IT current	(255,474)	(44,109)
	$ (105,989)	$ 66,694
Other Comprehensive Income (OCI):		
IT deferred	$ 24,736	$ 21,590

The following is a condensed version of the individual reconciliations between the accounting income before income tax and employee profit sharing for the years ended December 31, 2022 and 2021 of General de Seguros, General de Salud, as well as Reaseguradora Patria, Servicios Peña Verde, CCSS Peña Verde and Peña Verde:

	General de Seguros	General de Salud	Peña Verde	CCSS Peña Verde	SAPV	Reaseguradora Patria	Total
2022							
Taxable income (loss)	$ (177,926)	$ (3,494)	$ (13,570)	$ 5,274	$ 21,271	$ 500,114	
ESPS Paid	-	-	-	-	(1,762)	(11,142)	
Amortization of tax losses	-	-	-	(5,274)	-	-	
IT results	(177,926)	(3,494)	(13,570)	-	19,509	488,972	
Rate	-	-	-	-	30%	30%	
IT current	-	-	-	-	5,853	146,692	152,545
(Insufficiency) excess in provision	-	-	-	-	700	(3,760)	(3,060)
IT	$ -	$ -	$ -	$ -	$ 6,553	$ 142,932	$ 149,485

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

b. **ESPS**

For purposes of Reaseguradora Patria, as of December 31, 2021, the ESPS incurred amounts to Ps14,952, which was determined in accordance with the process established in the decree published in the Official Gazette of the Federation (DOF) on April 23, 2021, which amends, adds and repeals various labor and tax provisions related to personal subcontracting. As of December 31, 2020, the ESPS accrued amounts to $10,059.

The expense (benefit) for ESPS on a legal and deferred basis is summarized as follows:

	2022	2021
Income statement:		
Current	$ 11,585	$ 14,952
Deferred	(137,363)	4,689
	$ (125,778)	$ 19,641
OCI:		
Deferred	$ 6,690	$ 2,478

Until 2020, ESPS was calculated on the same basis as income tax, without deducting the expense for the year for ESPS paid.

The determined ESPS for the years ended December 31, 2022 and 2021 is as follows.

	General de Seguros	General de Salud	CCSS Peña Verde	SAPV	Total
2022					
Taxable income (loss) for IT	$	$	$ 5,086	$ 17,743	$ 22,829
Plus (less):					
ESPS paid					
Non-deductible social security					
ESPS base	$	$	$ 5,086	$ 17,743	$ 22,829
ESPS Rate			10%	10%	10%
Current ESPS			509	1,774	2,283
Excess (insufficiency) in provision			(267)	(686)	(953)
ESPS in income statement			242	1,088	1,330

	General de Seguros		General de Salud		CCSS Peña Verde		SAPV		Total	
2021										
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

The tax effects of temporary differences that give rise to significant portions of deferred IT and ESPS assets and liabilities, as of December 31, 2022 and 2021, are as follows:

	2022				2021			
	ISR		PTU		ISR		PTU	
Deferred (liabilities) assets:								
Plus (less):								
Financial instruments valuation	$	(366,497)	$	(75,212)	$	(649,395)	$	(174,412)
Property		(147,202)		(30,594)		(140,674)		(33,764)
Furniture and equipment		770		(523)		(903)		(330)
Credit risk allowance for mortgage and unsecured		22		2		6		1
Monthly reinsurance estimates		(30,095)		(2,127)		(21,633)		(2,995)
Credit risk allowance for foreign reinsurers		668		47		615		85
Allowance for doubtful accounts		29,247		9,749		28,342		9,448
Amortized expenses		4,722		624		1,033		344
Payments in advance		(115)		-		8,754		-
Premiums collected in advance		20,953		5,080		20,551		5,361
Employee benefits		7,203		1,423		10,630		2,735
Long-term current risk reserves		(15,676)		(5,225)		(963)		(321)
Net ESPS		24,137		-		65,586		-
Lease		-		-		706		235
Bonuses		11,169		3,023		8,803		2,595
Accruals		127,786		38,022		116,834		35,268
Other		-		-		2,394		-
Sundry		(30,681)		(10,227)		8,724		2,907
Tax losses carry forwards		123,898		-		60,473		-
Net deferred liability		(239,691)		(65,938)		(480,117)		(152,843)
Valuation reserve (CCSS Peña Verde)		(14,935)		(533)		(13,122)		(349)
Excess in provision		(9,772)		(488)		(1,897)		(44,440)
Deferred liability net	$	(264,398)	$	(66,959)	$	(495,136)	$	(197,632)

The net liability for IT and deferred ESPS is recognized under the caption "Deferred credits" and "Sundry" in the consolidated balance sheet. The net movements for the recognition of the deferred liability were (credits) charges to the consolidated results of 2022 and 2021, for ($255,474) and ($44,109) of IT and ($137,363) and $7,571 of ESPS; and charges to equity "Valuation surplus" for $24,736 and $21,540 of IT and $6,690 and $6,797 of ESPS, respectively.

In assessing the recoverability of deferred assets, management considers the probability that some or all of the deferred assets will not be recovered. The ultimate realization of deferred assets depends on the generation of taxable income in the periods in which the temporary differences are deductible. In making this assessment, management considers the expected reversal of deferred liabilities, projected taxable income and planning strategies..

As of December 31, 2022, tax loss carryforwards expire as follows:

Company	Year		Tax losses carry forward
CCSS – Peña Verde	2026	$	17,816
CCSS – Peña Verde	2027		17,605
CCSS – Peña Verde	2028		2,738
CCSS – Peña Verde	2029		2,939
CCSS – Peña Verde	2030		1,427
CCSS – Peña Verde	2031		830
Peña Verde S. A. B.	2030		11,791
Peña Verde S. A. B.	2031		13,960
General de Seguros	2031		121,003
General de Seguros	2032		177,926
General de Salud	2031		41,427
General de Salud	2032		3,494
		$	412,956

(15) Stockholders' Equity-

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

a. *Estructura del capital contable-*

As of December 31, 2022 and 2021 the capital stock amounts to $422,608 and is comprised of 476,678,213 common, nominative, single series shares, without par value.

b. *Minimum paid-in capital*

LInsurance companies must have a minimum paid-in capital for each operation or line of business authorized, which is disclosed by the Commission.

In 2022 and 2021, the minimum paid-in capital required of insurance institutions operating exclusively in reinsurance is 50% of that required of an insurance institution for each operation carried out, except for reinsurance, for which the requirement is 100%.

As of December 31, 2022, General de Seguros (in addition to General de Salud) and Reaseguradora Patria have covered the minimum capital requirement of $176,559 and $103,873, respectively, equivalent to 24,838,600 and 14,613,140, respectively, investment units (UDI, which is a unit of account whose value is updated for inflation and determined by the Bank of Mexico) valued at $7.108233 pesos, which was the value of the UDI as of December 31, 2021.

As of December 31, 2021, General de Seguros (in addition to General de Salud) and Reaseguradora Patria have covered the minimum capital requirement of $164,073 and $96,528, respectively, equivalent to 24,838,600 and 14,613,140, respectively, investment units (UDI, which is a unit of account whose value is updated for inflation and determined by the Bank of Mexico) valued at $6.605597 pesos, which was the value of the UDI as of December 31, 2020.

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:

	2022	2021
Net income (loss)	$ (736,356)	$ 429,527
Property valuation surplus	35,630	39,662
Valuation surplus related to long-term current risk reserves	48,281	32,029
Deferred taxes for the year	(31,047)	(28,779)
Result from valuation of investments	(24,948)	-
Translation effect	(8,732)	(50,105)
Non-controlling interest	(10,516)	(5,501)
Comprehensive income (loss)	**$ (727,688)**	**$ 416,833**

d. *Dividends-*

On September 21, 2022, the General Ordinary Stockholders' Meeting declared dividends from prior years' earnings in the amount of $39,910, which were paid on September 30, 2022.

On April 30, 2021, the General Ordinary Stockholders' Meeting resolved to declare dividends from prior years' earnings in the amount of $19,000, which were paid on June 30, 2021..

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 set aside to increase the legal reserve until it reaches one-fifth of paid-in capital. As of December 31, 2022, the legal reserve amounted to $2,592, which 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, at least 10% of net profits shall be set aside to constitute a reserve fund up to an amount equal to the amount of paid-in capital..

In accordance with the provisions of the Commission, the results from the valuation of investments in securities recognized before the investment is redeemed or sold will be considered unrealized and, consequently, will not be eligible for capitalization or distribution of dividends to stockholders until they are realized in cash.

The restated amount, on a tax basis, of the contributions made by the stockholders may be reimbursed to them free of tax to the extent that such amount is equal to or greater than stockholders' equity.

Profits on which income tax has not been paid and other stockholders' equity accounts will give rise to the payment of income tax, in the event of distribution, at the rate of 30%, and therefore the shareholders will only be able to dispose of 70% of the aforementioned amounts.

The Institution may not distribute dividends until it receives them 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.

(16) Segment information-

Insurance operations

Operating segments are defined as the components of an enterprise engaged in the production and sale of goods and services that are subject to risks and rewards that are different from those associated with other business segments.

As mentioned in note 1, the main objective of General de Seguros and General de Salud is to carry out insurance and reinsurance operations in various lines of business within the national territory; consequently, the management of General de Seguros and General de Salud internally evaluate their results and performance for each line of business in order to make financial decisions.

The main indicator used by the management of General de Seguros and General de Salud to evaluate performance is the technical result by line of business. This indicator presents selected financial information by operating line, which is consistent with that analyzed by management for decision making.

The accounting policies applied for the determination of the financial information by operating line of business are consistent with those described in note 3. The information by operating segments is presented based on the management approach in accordance with FRS B-5 "Financial Information by Segments", such management approach is delimited by each line of business in which General de Seguros y General de Salud operates. The selected information of the consolidated statement of income by line of business for the years ended December 31, 2022 and 2021, is shown as follows:

2022 Line item	Life	Accidents and health	Motor	Agricultural	Property and casualty	Total
Premiums written	$ 593,550	$ 1,110,711	$ 1,283,022	$ 278,138	$ 462,592	$ 3,728,013
Premiums ceded	(47,482)	(649)	(120)	(242,680)	(129,973)	(420,904)
Retained premiums	546,068	1,110,062	1,282,902	35,458	332,619	3,307,109
Decrease (increase) in current reserve	8,724	(122,466)	(90,352)	(15,011)	4,475	(214,630)
Earned premiums	554,792	987,596	1,192,550	20,447	337,094	3,092,479
Earned premiums	(636,791)	(719,589)	(1,542,348)	(25,787)	(170,227)	(3,094,742)
Resultado técnico	**$ (81,999)**	**$ 268,007**	**$ (349,798)**	**$ (5,340)**	**$ 166,867**	**$ (2,263)**

2022 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
Earned premiums	(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)**

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 decisionmaking, 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 consolidated statement of income by geographic operating segment for the years ended December 31, 2022 and 2021 of Reaseguradora Patria and PCM is as follows:

December 31, 2022	México and Caribbean	Latin America	Overseas	Overseas PCM	Total
Premiums taken	$ 2,904,158	$ 4,489,228	$ 3,681,389	$ (195,850)	$ 10,878,925
Premiums retroceded	(783,154)	(438,381)	(951,786)	(3,452)	(2,176,773)
Retained premiums	2,121,004	4,050,847	2,729,603	(199,302)	8,702,152
Decrease (increase)in current risk reserve	97,370	(149,238)	(213,748)	(5,098)	(270,714)
Earned retained premiums	2,218,374	3,901,609	2,515,855	(204,400)	8,431,438
Net acquisition cost	(936,844)	(1,344,367)	(643,254)	275	(2,924,190)
Net cost of claims and other outstanding obligations	(1,260,027)	(1,807,721)	(1,267,987)	(7,431)	(4,343,166)
Technical result	$ **21,503**	$ **749,521**	$ **604,614**	$ **(211,556)**	$ **1,164,082**

December 31, 2021	México and Caribbean	Latin America	Overseas	Overseas PCM	Total
Primas tomadas	$ 2,535,165	$ 3,380,681	$ 2,744,657	$ 256,777	$ 8,917,280
Primas retrocedidas	(235,911)	(845,123)	(560,252)	(3,557)	(1,644,843)
Primas de retención	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**

(17) (Loss) Earnings per share-

As of December 31, 2022 and 2021, the Institution has 476,678,213 common shares.

The formula applied by the Institution to determine the (loss) earnings per share consists of determining the factor of the period for which the issued shares were outstanding, which corresponds to the division between the number of days in which the shares were outstanding and the total days of the period.

The determined factor is applied to the total issued shares determining the equivalence to the period in which they were outstanding, the result is added to the number of shares outstanding at the beginning of the period, calculating the weighted average number of shares outstanding..

Finally, (loss) earnings per share is the result of dividing (loss) earnings attributable to shares by the weighted average number of shares outstanding.

Determination of basic (loss) earnings per common share

Year	Net income (loss) of the year	Weighted average outstanding shares	(Loss) Earnings per share (pesos)
2022	$ (736,356)	$ 476,678,213	(1.54)
2021	$ 429,527	$ 476,678,213	0.90

Share in subsidiaries-

The main subsidiaries are as follows:

Subsidiaries	2022	2021
General de Seguros	98.4475%	98.4475%
Reaseguradora Patria	99.9822%	99.9822%
Servicios Peña Verde	99.9999%	99.9999%
PCM	89.1618%	89.1618%
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.

(19) 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.

In the event that the tax authorities review the prices and reject the amounts determined, they may demand, in addition to the collection of the tax and the corresponding accessories (updating and surcharges), fines on the omitted contributions, which may be up to 100% of the updated amount of the contributions.

(20) Contingent commissions to agents

In 2022 and 2021, the Institution maintained agreements for the payment of contingent commissions with intermediaries and legal entities as described in this note. The total amount of payments made under such agreements in 2022 and 2021 amounted to $303,543 and $287,140, respectively, representing 10.2% and 10.5% for General de Seguros, 2.7% and 4.3% for General de Salud, of its premium written in 2022 and 2021, respectively.

Contingent commissions are understood to be payments or compensation to individuals or legal entities that participated in the intermediation or intervened in the contracting of insurance products with General de Seguros and General de Salud, in addition to the direct commissions or compensation considered in the design of the products.

General de Seguros and General de Salud entered into agreements for the payment of contingent commissions with individuals, corporations and other non-agents as follows:

a. For life products, agreements have been entered into related to the volume of premiums, portfolio conservation and the generation of new business. For all products, the basis and criteria for participation in the agreements, as well as for the determination of contingent commissions, are directly related to the premiums paid for each year. Contingent commission payments under these agreements are paid on a quarterly and annual basis.

b. For major medical expense products, there are agreements related to the volume of premiums, growth, claims and the generation of new business. For all products, the basis and criteria for participation in the agreements, as well as for the determination of contingent commissions, are directly related to the premiums paid and the loss ratio for each year. Contingent commission payments under these agreements are paid on a quarterly and annual basis.

c. For property and casualty products, there are agreements related to premium volume, growth and loss experience, where the basis and criteria for participation in the agreements as well as the determination of contingent commissions are directly related to premiums paid and loss experience for each year. Contingent commission payments under these agreements are paid on an annual basis.

d. For other intermediaries that are not agents, compensation agreements have been entered into whereby the bases are determined on fixed amounts that depend on the volume of their annual sales. Contingent commission payments under such agreements are paid on a monthly basis.

e. For health products, the entire sales force also participates in an annual contest whose prize is payable in kind through attendance at conventions. The requirements for this contest are based on the level of production, number of new business and a maximum claims ceiling.

The Institution or its shareholders do not hold any interest in the capital stock of the legal entities with which the Institution has entered into agreements for the payment of contingent commissions.

The Institution also has contracts with legal entities that it calls "Promoters", who participate in the recruitment of agents, their training as well as in the follow-up of their sales goals. The contracts with these legal entities establish a bonus on the total sales of the independent individual agents they are coordinating.

(21) Subsequent event –

The Institution or its shareholders do not hold any interest in the capital stock of the legal entities with which the Institution has entered into agreements for the payment of contingent commissions.

The Institution also has contracts with legal entities that it calls "Promoters", who participate in the recruitment of agents, their training as well as in the follow-up of their sales goals. The contracts with these legal entities establish a bonus on the total sales of the independent individual agents they are coordinating.

(22) Recently issued regulatory pronouncements –

The CINIF has issued the following FRS and Improvements:

FRS B-14 Earnings per share - Becomes effective for fiscal years beginning on or after January 1, 2023, allowing early application. It clarifies the determination of earnings per share (EPS). Management estimates that the adoption of this new FRS will not generate significant effects..

Deferral in the application of Financial Reporting Standards

On November 28, 2022, Amending Circular 12/22 was published in the Official Gazette of the Federation, which establishes that Financial Reporting Standards D-1 "Revenues from contracts with customers" and D-2 "Costs from contracts with customers", issued by CINIF, will become effective on January 1, 2024.

Improvements to FRS 2023

In December 2022, the CINIF issued the document called "Improvements to MFRS 2023", which contains specific amendments to some existing MFRS. The main improvements that generate accounting changes are as follows:

FRS B-15 Translation of foreign currencies- Becomes effective for years beginning on or after January 1, 2023, allowing its early application. Any changes generated must be recognized in accordance with FRS B-1 Accounting Changes and Error Corrections. It makes modifications to the practical expedient of the NIF that allows the preparation of financial statements without the effects of translation to functional currency. This improvement specifies which entities and in which cases this option may be exercised, establishing that an entity that has no subsidiaries or controlling entity or that is a subsidiary, associate or joint venture, may prepare its financial statements without translation to the functional currency, provided that they are financial statements exclusively for tax and legal purposes and do not have users that require the preparation of financial statements considering the effects of translation to the functional currency.

Management believes that the adoption of this FRS will not have a material impact on the financial statements.

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