PEÑA VERDE

ANNUAL REPORT SUSTAINABILITY 2020

PEÑA VERDE

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ANNUAL REPORT SUSTAINABILITY **2020**

MESSAGE FROM THE CHAIRMAN

LETTER TO SHAREHOLDERS

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

Dear Shareholders:

As Chairman of Peña Verde, and on behalf of the Board, I would like to greet and welcome you to our first annual report.

2020 was an unprecedented year that shocked the entire humanity and will be remembered in history primarily for the disastrous loss of millions of human lives due to the COVID-19 pandemic, and also for the profound worldwide economic crisis (3.5% contraction), where Mexico was one of the most severely hit economies with a drop of more than 8.5%.

During the year, the global insurance sector showed signs of resilience in the face of the health contingency and the economic downturn, while in Mexico it contracted 2.7% in real terms according to the Mexican Association of Insurance Institutions (*Asociación Mexicana de Instituciones de Seguros, AMIS* for its Spanish acronym).

In this scenario, so unfavorable for business management, Peña Verde demonstrated the organizational strength and financial soundness required to meet the challenges of 2020, both at the consolidated level and in each of its subsidiaries.

We took decisive steps forward in each component of the Transformation strategy. In Cultural Transformation, we stepped up training in cultural pillars, the new performance evaluation model, succession and talent development plans, and corporate governance initiatives and the comprehensive restructuring of the Boards.

Convinced that the future of the industry lies in digitization, business transformation initiatives and technologies such as SAVIA, MOVA, TEKKU, CONECTA and the consolidation of the Business Support and Transformation and Asset Management and Financial Strategy teams remained on track.

On the financial front, I would like to highlight some of the most relevant financial results of Grupo Peña Verde as of December 2020:

1. At the end of December 2020, Grupo Peña Verde's written premiums reached Ps.10,226.6 million, 24.5% higher than in the same period last year, mainly driven by Reaseguradora Patria's 41.2% year-over-year growth.

2. The Company's combined ratio, calculated as the sum of the acquisition ratio (28.3%), claims ratio (58.7%) and operating ratio (8.9%), was 95.9%, 1.9 pp. above that reported in 4Q19.

3. Despite these results, we did not come out unscathed by the uncertainty brought about by the pandemic and its subsequent economic crisis, whose impact caused us to underperform, as at the end of 2020 the Company recorded a Ps.195.5 million net loss. Nevertheless, it is relevant to note that the underwriting result and most of the key operating metrics exceeded the figures set forth in the "2020-2025 Strategic Plan: Sustainable Profitability" to which we are committed.

The global economy is expected to recover during 2021, conditioned by the successful delivery of effective COVID-19 vaccines and continued flexible fiscal, financial, and monetary conditions. For Mexico, forecasts also suggest an optimistic economic recovery. At Peña Verde, despite the encouraging results achieved in 2020, we will continue to operate with caution in the face of the projected recovery of the economy, paying special attention to those variables that directly impact our business.

On behalf of the Board of Peña Verde, I am pleased to reiterate my gratitude to you, our shareholders, for the trust you have placed in us to guide the Company's future. I would also like to thank the Board of Directors and all of the Group's employees, as the results attained are the product of their effort, dedication, perseverance, and tenacity.

Enrique Julio Zorrilla Fullaondo

Chairman of Peña Verde

CORPORATE PROFILE

EXECUTIVE SUMMARY

This material references Disclosures 102-1, 102-2:a, 102-3, 102-5 and 102-6 from GRI 102: General Disclosures 2016

Grupo Peña Verde is a portfolio of companies primarily dedicated to risk management, drawing for this purpose from our Insurance and Reinsurance Divisions. Our wide scope in the industry covers comprehensively the management of risk from its inception to its final placement.

The aspects of risk management in which we focus on is financial and property risks, primarily those related to accidental and unpredictable events, for the sake of implementing solutions that allow our clients to move forward in the face of this type of eventuality.

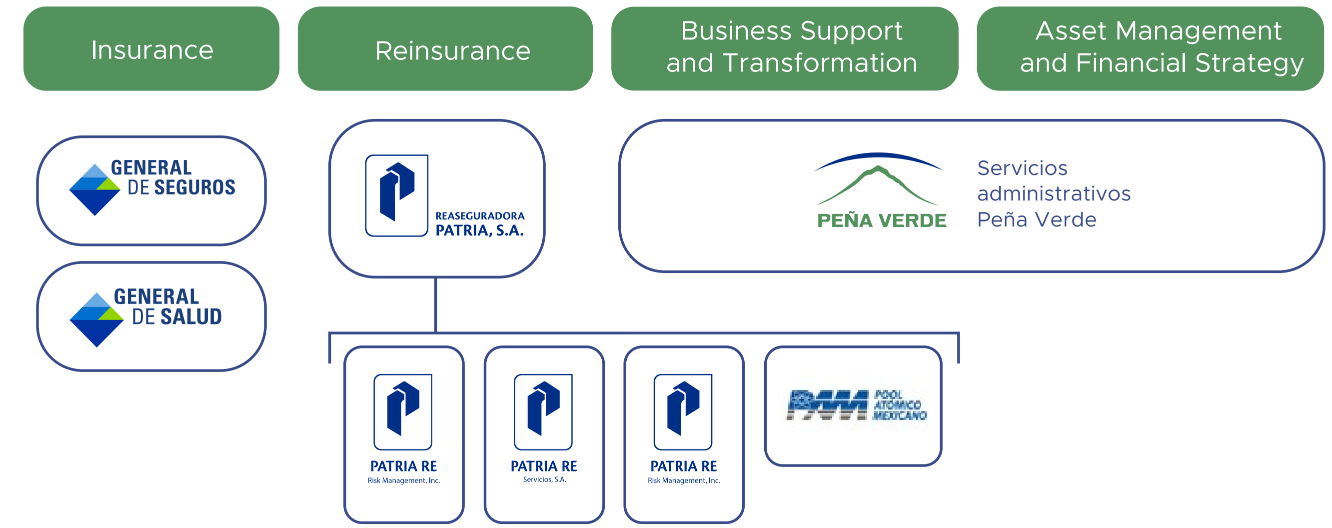
The main activities of our Group are carried out through three main companies:General de Seguros, General de Salud and Reaseguradora Patria which are part of a corporate entity, with the aim of fostering the development of the businesses and their consolidation, ensuring a solid and institutional corporate governance that contributes to the above, and consequently seize the synergies and economies of scale generated by our business portfolio.

Our corporate name is Peña Verde, S. A. B. and our commercial name is Peña Verde, we are a Mexican company with indefinite duration, incorporated on April 16, 1971 under the name Mining Exploration Consultants, S. A., which changed its name to Peña Verde, S.A. in 1978, and finally became a publicly traded corporation in 2012 following the acquisition of Reaseguradora Patria, S. A. B. and General de Seguros, S. A. B. Our stock is listed on the Mexican Stock Exchange under the ticker symbol PV.

We are headquartered at Periférico Sur 2771, Col. San Jerónimo Lídice, Alcaldía La Magdalena Contreras, postal code 10200, Mexico City, with phone number 5683-4900. We also have corporate premises (mainly for General de Seguros) at Avenida Patriotismo #266, Col. San Pedro de los Pinos, C.P. 03800, Mexico City.

BUSINESS DIVISIONS

This material references Disclosures 102-2, 102-3, 102-4, 102-6, 102-7:a.v, 102-10:a.i and 102-16 from GRI 102: General Disclosures 2016



We have four business divisions, the Insurance and Reinsurance Divisions to conduct our risk management activities; the Business Support and Transformation Division (BST), which seeks to lead the Group to a prompt and cost efficient operation by virtue of technological and cultural transformation, and finally, the Asset Management and Financial Strategy Division (AMFS), whose main objective is to integrate efficient capital management in a common area.

The Insurance Division is formed by General de Seguros, which consolidates General de Salud and other subsidiaries, and the Reinsurance Division comprises Reaseguradora Patria, its Mexican and international operations, which are conducted through various subsidiaries.

Separately The BST and AMFS Divisions are part of Servicios Administrativos Peña Verde, a subsidiary incorporated with the purpose of building a participative and innovative organizational culture at Grupo Peña Verde, using a strategy that enhances organizational performance and combines experiences, in favor of strengthening our business areas towards high competitiveness and consolidate our position as a solid group capable of competing in the international market.

Therefore, we center our endeavors on two levers of value creation: on the one hand, we have our operations to generate resources that we can invest and an operating margin; and on the other hand, we have investment portfolios that support profit margins and diversify the risk we are incurring.

Insurance

General de Seguros

A Mexican company with a journey of more than 48 years in the Mexican insurance market, that has provided its clients alternatives for coverage of life, health and medical expense (through General de Salud), car and physical damages, as well as being one of the few companies that offer insurance for the agricultural sector (faithful to its commitment to Mexico and its countryside). It is also authorized to perform activities of credit insurance and reinsurance.

General de Seguros is known for its broad insurance portfolio suited to the protection needs of its clients at competitive rates, coupled with its guaranteed timely and efficient service.

Its proven track record propelled General de Seguros, S. A. B. to reach the **#33 position** in the Mexican insurance market at the end of 2020, considering the amount of direct .

Mission

To support our clients so that they can carry on with their lives and personal projects.

Vision

To be a well-known company, distinguished for our knack of listening, understanding and serving our customers and business partners.

Values

INTEGRITY

The essence that **makes us act with rectitude and honesty**, which enables us to feel proud of our contribution.

PROFESSIONALISM

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

INITIATIVE

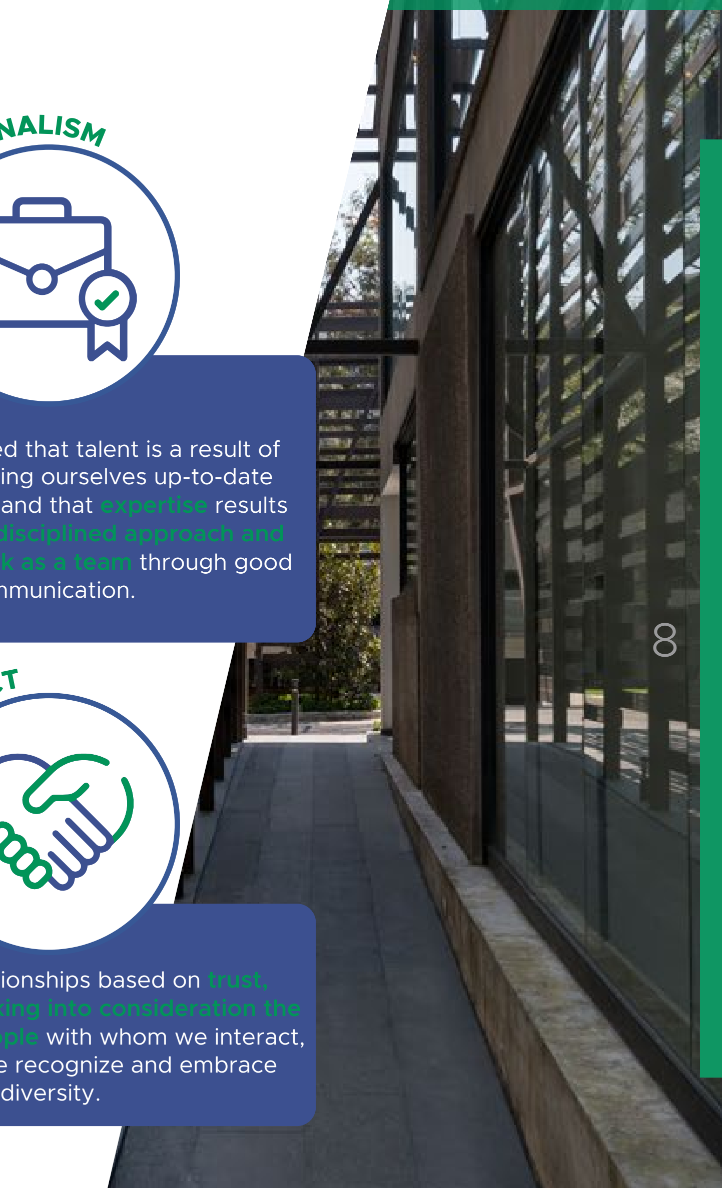
We believe in what we do and we face the future with optimism and confidence. Therefore, we act **swiftly before environmental changes and challenges**, and we also search for business opportunities in which we can add value.

RESPECT

We foster relationships based on **trust, openness and taking into consideration the dignity of the people** with whom we interact, which means we recognize and embrace diversity.

ENTHUSIASM

We define work as a series of challenges that **allow us to measure our scope and expand it.** This activity demands the best of those who pursue it and is very enjoyable when approached with a positive attitude and firm desire of delivering results.



General de Salud

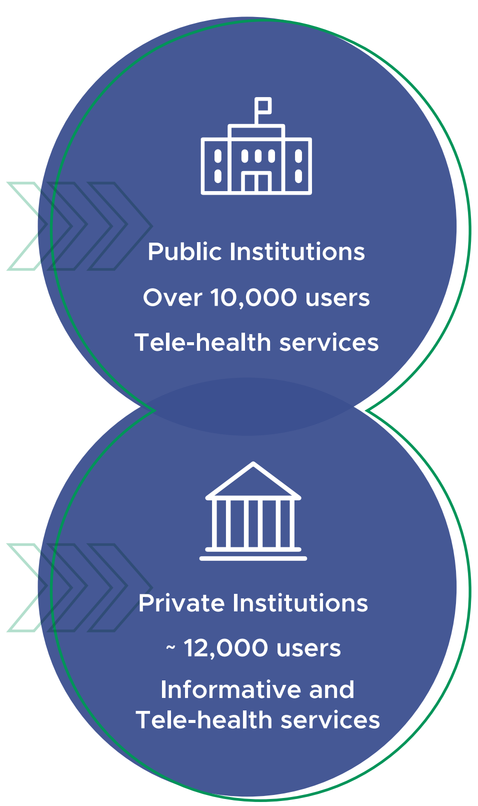
A Mexican insurance company, subsidiary of General de Seguros, which has achieved an outstanding track record and financial soundness with more than 15 years of experience and dedicated service vocation in the health industry.

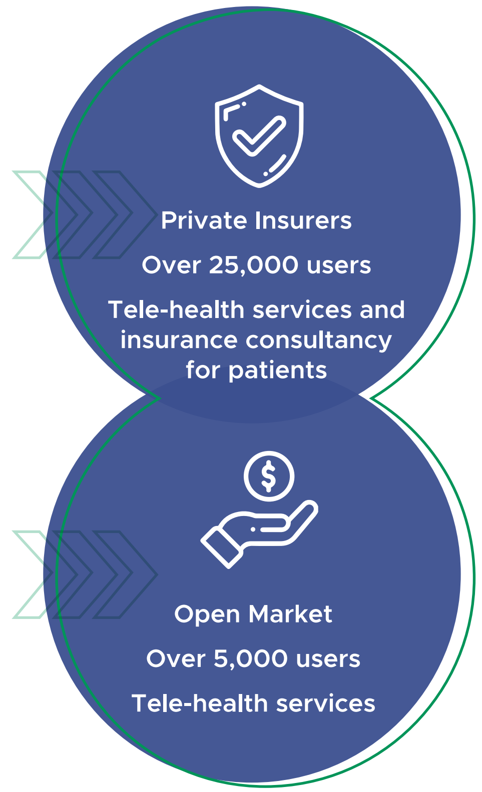
Its products are designed to cover both personal needs and those of SMEs (group plans), ranging from a primary plan (prevention and medical consultation) to comprehensive coverage that includes ancillary services, maternity, dental, hospitalization, etc.

CCSS (Spanish acronym for Health Services Contact Center)

CCSS - Peña Verde, S. A. de C. V. is a company specialized in tele-health services, whose purpose is to ensure its users the appropriate level of medical care, to increase efficiency and reduce health costs.

CCSS serves more than 52,000 users in Mexico, from both public and private institutions.





Reinsurance

Reaseguradora Patria

Reaseguradora Patria is the oldest reinsurance company in Latin America. Since 1953, it has collaborated with the risk management of the reinsurance industry through comprehensive services and personalized advice on economic, technical and administrative topics. Its main business partners are insurance companies, surety companies and reinsurance brokers.

Patria's geographical footprint extends to other countries, with operations in Chile, the United States and the United Kingdom, the latter through Patria Corporate Member, Ltd (PCM).

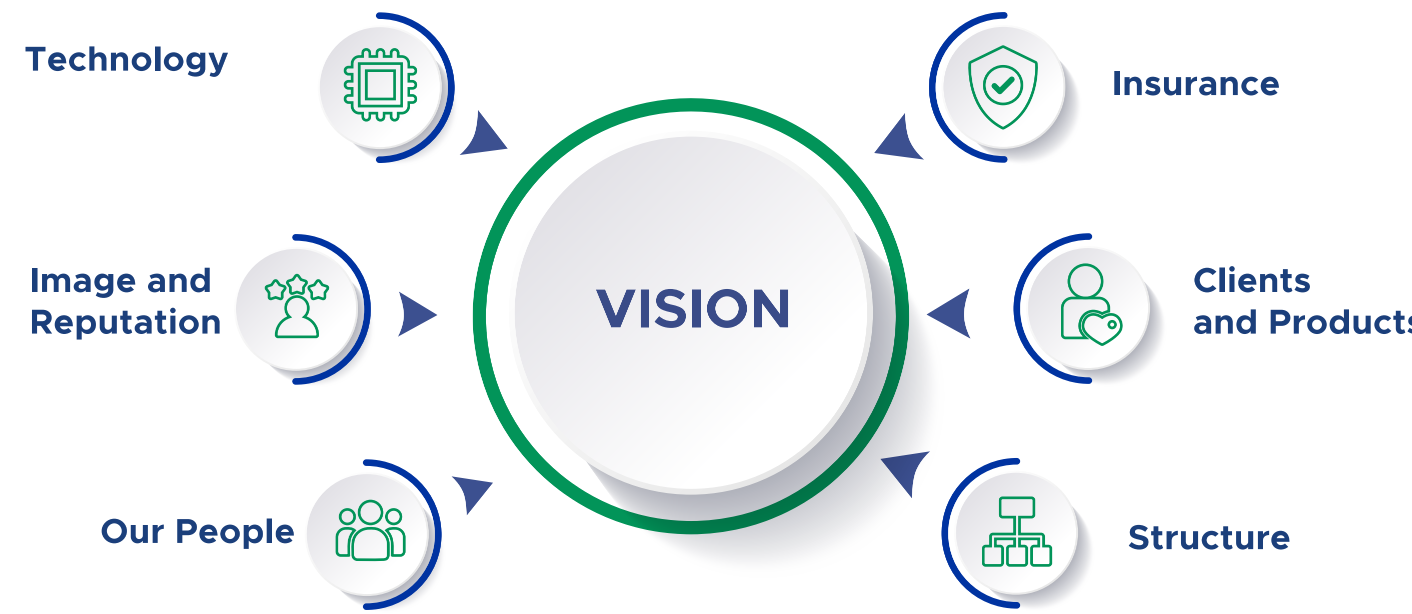
In this sense, it is worth noting that on November 13, 2020, we announced the closure of PCM's operations in the Lloyd's reinsurance market in the United Kingdom

Mission

To participate in the business risk administration through comprehensive reinsurance services and personalized consultancy on economic, technical and administrative matters to build long-term business relationships for the benefit of our clients, stockholders, contributors, partners and the society in general.

Vision

Reaseguradora Patria has a comprehensive vision that encompasses different components with specific objectives for each one:



Values

INITIATIVE

We act rapidly in the face of change and business challenges and search for business opportunities where we can add value and anticipate or adapt ourselves quickly. We are creative and open minded towards new market demands, the risks we assume and the decisions we make.

COMMITMENT

We fulfill our agreements and obligations with responsibility and opportunity. We give the best of ourselves and always keep our word and the company´s reputation to come up to what is expected from us seeking to build long-term relationships.

PROFESSIONALISM

We look forward to be the best in what we do so we strive to be constantly up to date. We also evaluate our performance with self-criticism and follow the rules and standards with discipline. We have truthful communication withour people so that they are able to transmit knowledge and expertise based on the clients´ expectations and needs.

INTEGRITY

We always act with a strict adherence to the ethical principles of the company and fulfill our commitments before our shareholders, clients, employees, business partners and society in general. At the same time, we assume with responsibility the consequences of our actions and decisions. We know for sure that what we say must be consistent with what we do.

RESPECT

We encourage those relationships based on trust, an open mind and consideration towards those with whom we interact. That is why we respect and accept diversity.

Business Support and Transformation Division (BST)

This newly-formed division seeks to coordinate efforts to achieve a technological and cultural transition in our Group, by way of two major strategic initiatives: our "Technology Plan" and "Cultural Transformation".

Technology Plan:

- Lead us to an **efficient operation in terms of time and cost**
- While being flexible to **support future business growth**
- **Integrating new solutions** that are impossible as of today due to lack of capacity
- **Stabilizing technological investment** consistent with market standards in innovation projects

Cultural Transformation:

- Moving from a hierarchy-based culture with a focus on people, to a culture that encourages flexibility, innovation, risk-taking, centered on individual and collective results, thus generating **a measuring-oriented culture** through:
  - An **assesment model aligned with the strategy**
  - Driving a **culture of accountability**

Asset Management and Financial Strategy Division (AMFS)

To integrate in our efficient management of capital a common area, given it is as a scarce asset, with the aim of attaining higher returns than those offered by the market by means of building and sustaining an optimal capital structure, we recently established the Asset Management and Financial Strategy Division.

Among the activities performed by this Division are: Investment Portfolio Management, Corporate Finance, Administration and Finance, and Procurement.

By managing these activities in a single area, we pursue a holistic vision by having a Division that has the whole picture of our finances. Some of the benefits of consolidating this area into the AMFS Vice Presidency are: i) cost reduction, ii) efficiency in financial and strategic communication, and iii) standardization of processes without losing the know-how and neglecting to the needs of each of our divisions.

WHO WE ARE

This material references Disclosures 102-12, 102-13 and 102-16 from GRI 102: General Disclosures 2016

The Peña Verde Spirit

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

We are a solid, trustworthy and secure Mexican company to invest in and to work for. We have the sufficient flexibility and innovative capacity to face, and capitalize on, the opportunities and challenges that allow us to generate the profits that our shareholders, business partners, employees and customers expect of us.

Our Purpose

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

Our Mission

We lead a business portfolio and projects in the area of comprehensive risk management.

Our Vision

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

Our Values

INTEGRITY:
We adhere to the **ethical rules of Peña Verde**, fulfilling the commitments we have to our stakeholders, clients, employees, business partners and society as a whole.

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

ENTHUSIASM:
We view our work as a series of challenges that allow us to **measure our scope and expand it.**

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

RESPECT:
We foster relationships based on trust, **openness and taking into consideration the dignity of (the people with whom we interact) others**, which means we recognize and embrace diversity.

Cultural Principles

THE CUSTOMER 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 creating solutions.

Strengths and Competencies

COMPETENCIES:

- Measuring-based culture
- Operational integrity
- Clear and consistent communication
- Ability to dialogue
- Teamwork
- Culture of respect
- Inclusive environment
- Customer centered
- Flexibility and promptness to change (Cultural Transformation)

STRENGTHS:

- Sound financial position
- Robust corporate governance in constant development
- Solid financial results

Memberships and External Initiatives

Through General de Seguros y Reaseguradora Patria we are members of:

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

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

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

Pursuant to our commitment to Corporate Social Responsibility, we are engaged with the following Civil Associations:

- UN Global Compact
- Mexican Food Bank (BAMX for its Spanish acronym)
- Banco de Tapitas A.C.

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

- Great Place to Work (certified since 2015)
- Mexican Business Coordinating Council
- Insurtech Alliance

With the same goal in mind, we are in striving to implement the following standards:

- ISO 19600 Compliance Management Systems
- ISO 27001 Information Security Management
- ISO 31000 Risk Management
- Mexican law NOM 035* (oriented to detect psychosocial risks within an organization, mandatory for all Mexican companies)

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

Our Path

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

1945 Aseguradora de Crédito S.A., the founding company of General de Seguros S.A, begins operations

1946 Aseguradora de Crédito S.A., joins the Mexican Stock Exchange

1953 A group of Mexican and Norwegian investors (Storebrand) creates Reaseguradora Patria S.A.

1959 Reaseguradora Patria S.A., joins the Mexican Stock Exchange

1971 We start operating as a company under the name Mining Exploration Consultants, S. A., Aseguradora de Crédito S.A. is acquired by a group of officials and agents from the insurance sector

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

1978 We adopted the name Peña Verde S.A.

1992 Storebrand exits Reaseguradora Patria

2003 General de Salud S.A. begins operation

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

2009 We adopted the form of sociedad anónima de capital variable, as defined by the Mexican Corporations Lawalidad
As a merging company, we 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. y Comercializadora Peñasco, S. A. de C. V., which were owned by our stockholders

To carry out a series of tender offers in order 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 bylaws and adopt the form of a publicly traded corporation (sociedad anónima bursátil as defined by the Mexican Corporations Law)

On September 19, the tender offers concluded, resulting in the acquistion of an 85.8% stake in General de Seguros and a 99.97% stake in Reaseguradora Patria

2012

We joined the Mexican Stock Exchange under ticker symbol PV

We formed Servicios Administrativos Peña Verde, S. A. de C. V., (SAPV), maintaining a 99.98% stake

2013

We conducted the delisting process of Reaseguradora Patria, S.A.B.

We opened Patria Re Marketing Services Ltd. (London)

2015

We opened Patria Re Servicios SA (Santiago, Chile)

In november, we launched Patria Corporate Member, Ltd. (PCM), in London, England, which is exclusively authorized to conduct reinsurance business within the Lloyds market, and in December we received authorization to kickoff operations

2016

We launched CCSS - Peña Verde, S. A. de C. V., better known as Centro de Contacto de Servicios de Salud, a tele-health services center, maintaining a 99.99% stake

We acquired 4,232,181 shares of General de Seguros, S. A. B., increasing our stake to 98.14%

2018

We opened Patria Risk Management, Inc. (Miami)

2019

Our assets exceed Ps.22 billion for the first time

2020

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

RECENT DEVELOPMENTS

This material references Disclosure 102-10:a from GRI 102: General Disclosures 2016

During 2020 we took important steps towards strengthening our corporate governance, making changes to the chain of command and, above all, substantially increasing the independence of our Board, as we approved that this governing body, the most important after the Shareholders' Meeting, should be composed exclusively of independent Directors.

In addition to our strides for best practices, we have reinforced our commitment to sustainability through our adherence to the United Nations Global Compact, with the aim of supporting in the achievement of the Sustainable Development Goals pursued by this organization.

Likewise, it is relevant to underscore that our financial soundness and strong operating performance was acknowledged by the agencies AM Best and Fitch Ratings with the reaffirmation of our credit ratings (and updated outlook), both for the Group and its subsidiaries. It also stands out that Reaseguradora Patria was awarded with "Most Responsible Reinsurer Mexico 2020" distinctive by Capital Finance International.

All of the above, without neglecting the health of our associates (whom represent our most valuable asset), as in April we announced and comprehensively deployed the required health protocols to continue with business as usual while coping with challenges related to COVID-19.

01 **January 15th, 2020**

We announced the incoporation to our managment team of Mr. Andrés Millán Drews, who has more than 25 years of experience in the financial sector, as Vice President of Asset Management and Financial Strategy, effective November 01, 2019

02 **January 15th, 2020**

We informed that, with effects on February 3, 2020 and after more than 4 years as CEO of Servicios Administrativos Peña Verde Administrative Services, María Cristina Rohde Faraudo, decided to step down from the Company

03 **April 15th, 2020**

We announced the protocols implemented to suit our operation to the needs of the sanitary emergency following the outbreak of COVID-19, with the clear goal of ensuring optimum hygiene conditions in each of our premises, and thus safeguard the well-being and health of the entire work team

04 **On May 1st, 2020**

We informed on the rating granted by Fitch Ratings to Peña Verde, S.A.B. and our subsidiary Reaseguradora Patria, which were downgraded from BBB to BBB- and A- to BBB+, respectively. The decision was grounded on the effects of the COVID-19 pandemic and Mexico's lower sovereign rating

05 **On October 2nd, 2020**

Capital Finance International, a well-known print and digital magazine specializing in economics, business and finance based in London, United Kingdom, awarded Reaseguradora Patria the recognition of "Most Responsible Reinsurer Mexico 2020", for the profound expertise, trustworthiness and integrity that features our subsidiary when managing commercial risks, as well as for its sense of responsibility, the cornerstone of its corporate culture.

06 **On November 6th, 2020**

We reported that AM Best reaffirmed the credit ratings of Peña Verde S.A.B., Reaseguradora Patria, S.A., General de Seguros, S.A.B. and General de Salud, Compañía de Seguros S.A. This ratification attests our strong balance sheets, efficient operating performance, neutral business profiles and appropriate risk management.

07 **On November 12th, 2020:**

We announced the run-off of Patria Corporate Member on the Lloyd's Reinsurance Market in the United Kingdom

08 **On November 18th, 2020**

We communicated our adherence to the United Nations Global Compact - Mexico 2020 network, which encourages private and public sectors and civil society in general to align their strategies and operations with Ten Universally Accepted Principles in four important areas: Human Rights, Labor Standards, Environment and Anti-Corruption, as well as to contribute to the consecution of Sustainable Development Goals (SDGs). To inform on our advances in this area, we will issue a Progress Report addressed to stakeholders and said Organization

09 **On December 18th, 2020**

We reported changes approved by our shareholders aimed towards bolstering corporate governance. Therefore, the Boards of Peña Verde and Subsidiaries will be comprised solely of Independent Directors, establishing as guidelines for their appointment the expertise, aptitudes and professional prestige

10 **On April 30th, 2021**

We informed on changes in our corporate structure. In this sense, the Board of Reaseguradora Patria ratified that, as of April 1 of this 2021, Mr. Francisco Martínez Cillero assumes the position of Chief Executive Officer of Reaseguradora Patria

ANNUAL REPORT SUSTAINABILITY **2020**

Our Operations

INTRODUCTORY MESSAGE FROM REASEGURADORA PATRIA'S CHAIRMAN

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

Dear shareholders:

World Economic Outlook

2020 was marked by the dramatic slowdown of the world economy. According to data reported by the economic agencies of each country, the contraction to a greater or lesser extent is widespread and growth forecasts for 2021 remain conservative.

Lingering GDP declines are a serious setback to living standards against expectations prior to the COVID-19 pandemic, which has claimed more than two and a half million lives and counting. A critical aspect of combating the health crisis is to ensure that all innovations, whether in terms of screening tests, treatments, or vaccines, are produced on a scale that will benefit all countries. Globally, economies will face an uphill struggle to return to pre-pandemic levels.

On the bright side, the prospect of interest rates remaining at low levels for longer, coupled with the projected pickup in growth in 2021, could ease the debt service burden of many countries. According to the short-term projections of the World Economic Outlook, global growth for 2021 is expected to be around 5.5 %, which implies a limited improvement in economic activity projected for 2020 - 2025, both in advanced economies and in developing and emerging market economies.

Mexico's credit ratings for 2021 are 'BBB' with negative outlook by S&P; 'BBB-' with stable outlook by Fitch, which since March 2020 as well as S&P cut by one notch, followed by Moody's, which maintains a 'Baa1' rating with negative outlook. The adjustment is mainly due to the downgrade of PEMEX's credit rating and the country's sovereign debt, in view of the deterioration in investor confidence and the economic outlook, as well as the risks to public finances derived from the energy policy.

Insurance Market

In the insurance industry, many expect the current economic backdrop to bolster a market that was already transforming, albeit at a slower pace. However, today the insurance industry is accelerating its digitalization process, in some cases redefining its business model and, on top of that, the pandemic also stressed the need to offer new tailor-made products: cyber insurance, insurance based on automobile mileage, life insurance and medical expenses with specific coverage, among others.

On the other hand, the historical behavior of claims in segments such as medical expenses and automobiles shifted, the former due to a lag in the attention of medical consultations, treatments, and surgeries for non-COVID related illnesses and the latter due to the sudden change in the use of vehicles due to quarantines.

In the opposite direction, we had to face new claims caused by the pandemic across multiple business lines such as life, medical expenses, interruption of economic activities in some markets, cancellation of events, unemployment, among others. These claims are estimated at more than US$105,000 million and if we consider the investment losses that the sector has incurred, it is estimated that the total loss will be approximately US$203,000 million.

In Mexico, the loss due to the pandemic has already been ranked as the second worst in history, amounting to US$1,279 million at the end of February 2021, only surpassed by the losses compensated for damages caused by Hurricane Wilma in 2005 (US$2,325 million). Overall, however, the global industry will be able to endure the impact on profits caused by the crisis.

Moreover, the pandemic has hit the industry at a time of tightening property and casualty rates, a trend that is expected to continue, particularly in commercial risk portfolios, as capital becomes scarcer. This, and the expected rebound in insurance demand, should raise profits over the long run.

In this regard, current trends in the global insurance industry include:

› Increased risk awareness:

Although pandemics are known to be a peak risk, the crisis is increasing awareness of the value of different insurance lines and customer groups globally. Pandemics will not be fully insurable, but the health crisis will raise awareness of the associated financial risks and spur innovation of new coverages.

› Accelerating digital transformation:

Quarantine and the implementation of social distancing measures have underscored the importance and value of digitalization across the entire value chain. Distribution models must digitize in order to maintain sales. Usage-based insurance products are likely to become more attractive as they adapt quickly to changes in behavior or business volume. In addition, digital claims management and damage appraisal methods will become more important, as they allow claims to continue to be settled efficiently in a mobility-restricted environment.

Globalization and parallel supply chains:

The pandemic has spotlighted the risk of undiversified supply chains. While the redundancy of supply chains, their offshoring and relocation will lead to higher costs, these changes will also offer insurance growth opportunities in countries where new production is located, including property, casualty, engineering, and surety.

Reinsurance Market

2020 will be remembered as another challenging year for the global reinsurance industry, due to significant pandemic-related losses, natural catastrophe claims and lower investment returns, so again, the industry will not be able to cover its cost of capital.

This follows three previous years in which the industry has struggled to cover its cost of capital due to large natural catastrophe losses, adverse loss trends in certain U.S. liability coverages, and fierce competition among reinsurers, creating difficult business conditions for the industry but at the same time posing new challenges and opportunities.

As 2020 began, expectations were that reinsurance was on the right track and reinsurers would improve their results. However, the COVID-19 losses and the resulting market volatility became, in this instance, the main factor dragging down results, so that once again, the industry's expected performance was negatively impacted.

The market headed into the December 2020 and January 2021 renewal season with a sense of fear from cedents and a sense of opportunity from reinsurers, which prompted a number of capital increases by both existing and new reinsurers.

Poor underwriting results in previous years, compounded by interest rate reductions and emerging COVID-19 losses, suggest that reinsurers were indeed able to quietly push pricing and improve terms and conditions in the 2020 year-end renewals. Negotiations centered on the fact that while some business lines and regions have shown poor results, other markets have generated consistent profitable returns for reinsurers.

Global reinsurance capital also recovered quickly during 2020 from a combination of improving investment markets, retained earnings and new capital inflows, finishing 3% higher than at the end of 2019, giving cedents and brokers hope that there is a tougher, but thoroughly solid market to support them today.

Reinsurance has been focused on seeking adequate margins for its capacity in short-tail covers, resulting in a reluctance to back operating or working covers. Conversely, pricing pressure and the availability of loss-free high layer capacity decreased and became easier for cedents to underwrite.

The worsening environment and low interest rates have impacted pricing in all long-tail lines, particularly for excess of loss due to their higher exposure to claims inflation, with reinsurers seeking substantial price increases.

Reinsurers pushing for improved terms and conditions in these contracts have met with increased confidence from cedents to retain more of their own portfolios, now that many insurers believe they have reached an adequate level of rates. At the same time, brokers are increasingly attracting additional new capacity from inside and outside the market to long-tail portfolios, and these, by generating competition, of course improve initial rates and terms. This has put further pressure on established reinsurers who have weathered several years of a weak market but were largely unable to reduce ceding commissions as they had planned prior to the renewals.

A major concern has been the lack of clarity around COVID-19 losses that were only reported at the end of the renewal process or not reported at all in an increasing number of reinsurance programs. The technical issues around primary policy coverage and the wording of reinsurance contracts are complex and, in many cases, still in the early stages of deliberation.

Reasonably, rather than trying to solve complex problems in tight renewal deadlines, most programs renewed without considering any potential COVID-19 losses, freeing time for more thoughtful discussions to take place over the next 12 months and for negotiations to be postponed for subsequent renewals, where reinsurers have been clear and forthright in incorporating communicable disease exclusions.

On the other hand, a shortage of capacity in casualty retrocession markets had been forecast, based on the expectation that locked-in capital would affect ILS markets, but in reality, this has not happened to the extent expected with some funds even managing to increase their assets under management.

With the improvement in the terms and conditions of reinsurance written, some reinsurers adjusted their retrocession strategies and sought less coverage by increasing their retention. Rates increased and capacity was generally constrained, but buyers were able to obtain capacity through increased catastrophe bond issuance and the growth of legacy reinsurance capacity, which was poised to allocate more capital in light of improved pricing and structures.

An efficient market always finds an appropriate balance between supply and demand, as well as the requirements of different parties, and the renewal season of late 2020 and early 2021 has proven that the global reinsurance market continues to operate efficiently.

Reinsurers have voiced some disappointment that they have not achieved all the improvements they sought across their portfolios but are pleased that the persistent downward trend that has market past years has been halted and reversed. For cedents, terms and conditions have generally been reasonable, with the greatest distress points centered on renovations that were clearly in need of improvement.

Conditions appear poised to extend through 2021, taking into account the following key factors over the next 12 months:

Adverse Factors:

- **Legacy soft market in some regions and business lines**
- **COVID-19 pandemic loss growth**
- **Increased losses from natural catastrophes and climate change concerns**
- **Technical reserve criteria to be updated**
- **Global recession leading to lower premium estimates**
- **Financial market volatility**
- **Technical risk premiums vs. market premiums, due to entry of new players to reinsurance panels where they did not previously participate**
- **Higher retrocession costs**

Supporting Factors:

- **Strong capitalization**
- **Proven resilience**
- **Segments benefiting from low claims due to the pandemic, such as automobiles and medical expenses for non-COVID diseases**
- **Increased demand for reinsurance coverage**
- **New opportunities and solutions: Cyber, social unrest, online sales distribution channels, space overhaul, parametric coverages, among others**

As with the direct insurance sector, the reality is that the way we work will evolve more rapidly than it would have before COVID-19, and already the entire market is updating operating models for the future.

It is no doubt 2020 brought great economic and social upheaval to most of society, but it must be noted that the future for our industry

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globally is perhaps more optimistic than the challenges faced by so many other industries, and even, as has been mentioned, with new growth opportunities.

Strategic and Corporate Aspects

The Board has assisted in the formulation, approval, and oversight of the execution of the Organization's strategic guidelines and takes part in the review and adoption of the policies required for the business' development, while being informed of the different actions implemented by the Organization.

For this purpose, it was supported by several committees, such as the Audit, Risk, Retrocession, Underwriting, Communication and Control, Investment, and the Committee for the Protection of Personal Data.

Regarding the corporate governance system, during 2020 we pushed forward the restructuring of the Boards to make them entirely composed of independent directors with extensive experience and reputation, visionary, efficient, strategic, results-oriented, who not only adapt to change, but also promote it by ensuring that the decision-making process is inclusive and representative, fostering transparency and accountability.

The members of the Board were appointed following the Group's guidelines and the review of suitability criteria. The Board stands out for its work, experience, and independence, since it is the body responsible for overseeing the management, operation, and execution of the Company's business with the support of the corresponding Committees.

In this way, we ensure an efficient and transparent operation within the framework of ethics, integrity, investor confidence, and sustainable performance.

With the purpose of further strengthening corporate governance, we developed a training program for board members in economic and governance issues related to the insurance and reinsurance industry, as well as onboarding.

In line with the above, a proposal was drafted for the organization of boards and committees, a structure that will allow the decisions made to be effectively implemented, bringing direct benefits to our clients.

Corporate governance and internal control are one of the cornerstones contributing to the achievement of Grupo Peña Verde's 2020-2025 Business Plan: Sustainable Profitability.

Acknowledgement

I would like to thank our officers and employees for their valuable cooperation and dedication and express our gratitude to you, dear shareholders, for the trust you have always placed in our Organization.

Juan Manuel Gironella García

Reaseguradora Patria's Chairman

SERVICES AND PATENTS

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

In Peña Verde, we are engaged in the acquisition of all kinds of shares or equity interests all kinds of companies, domestic or foreign, the provision on our own behalf or on behalf of third parties of all kinds of services, including administrative, accounting, advisory, commercial, financial, and operational services.

Our main activity is risk management, in which we participate through the Insurance and Reinsurance Divisions (made up of our subsidiaries General de Seguros and General de Salud, and Reaseguradora Patria and subsidiaries, respectively), covering all aspects from the origination to the final underwriting, and including complementary services with a low capital cost and linked to new technologies and digital strategies.

In addition to the aforementioned, we have registered with the Mexican Institute of Industrial Property (*Instituto Mexicano de la Propiedad Industrial, known as IMPI for its Spanish acronym*) several trademarks, which provide a sense of belonging and commercialization to the services we provide; the most important being **PEÑA VERDE, S.A.B.** since it is the name of the Group.

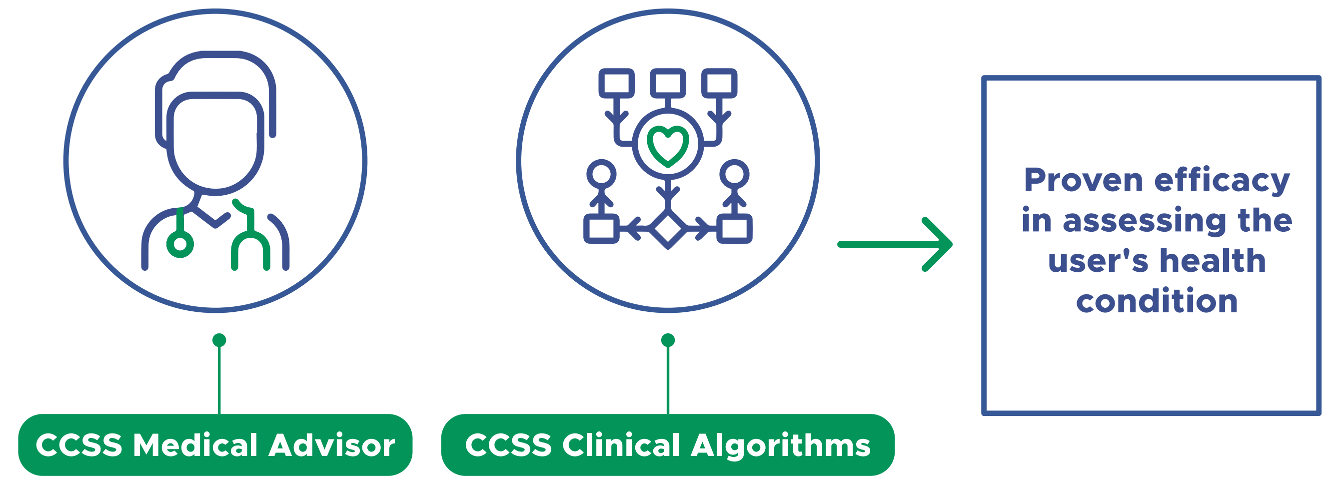
Insurance Division

Through General de Seguros, we operate in life, personal accident, liability, fire, earthquake, and other catastrophic risks, agricultural and animal, marine and transportation, automobile, and miscellaneous insurance, as well as credit insurance and reinsurance.

Part of the risks assumed are covered by reinsurance companies, with **General de Seguros holding contracts with top class companies.**

Through its subsidiary General de Salud, Compañía de Seguros S. A., we offer health and medical expenses insurance. And to support this business we have CCSS (Centro de Contacto de Servicios de Salud), which provides over-the-phone medical guidance services through the use of clinical algorithms, comprising more than 190 protocols.

In this regard, through a call with a qualified medical advisor CCSS can:



In this way:

- We generate direct savings in health services
- We enhance operational efficiency of health services
- We attain high user satisfaction and confidence in the service

General de Seguros, S.A.B. has a network of 3,079 insurance agents to offer its insurance services, with which 89.7% of sales are achieved. The agents are independent and are compensated through commissions and incentives according to the achievement of their sales goals; the rest of the sales are achieved through brokers.

Patents of General de Seguros

GENERAL DE SALUD

GENERAL DE SEGUROS

Donde tú estés... estamos Contigo

Hogar Protegido Seguros de Daños

MultiSalud Primario

PROTECCIÓN Respira

Plan Recupera Multi-Salud

LINC TRAINING

GENERAL DE FIANZAS

ESTACIÓN SEGURA Gasolineras

Plan Estación Segura

GDS SEGUROS

General de Seguros, S.A.

GDS

General de Seguros

Vidauto

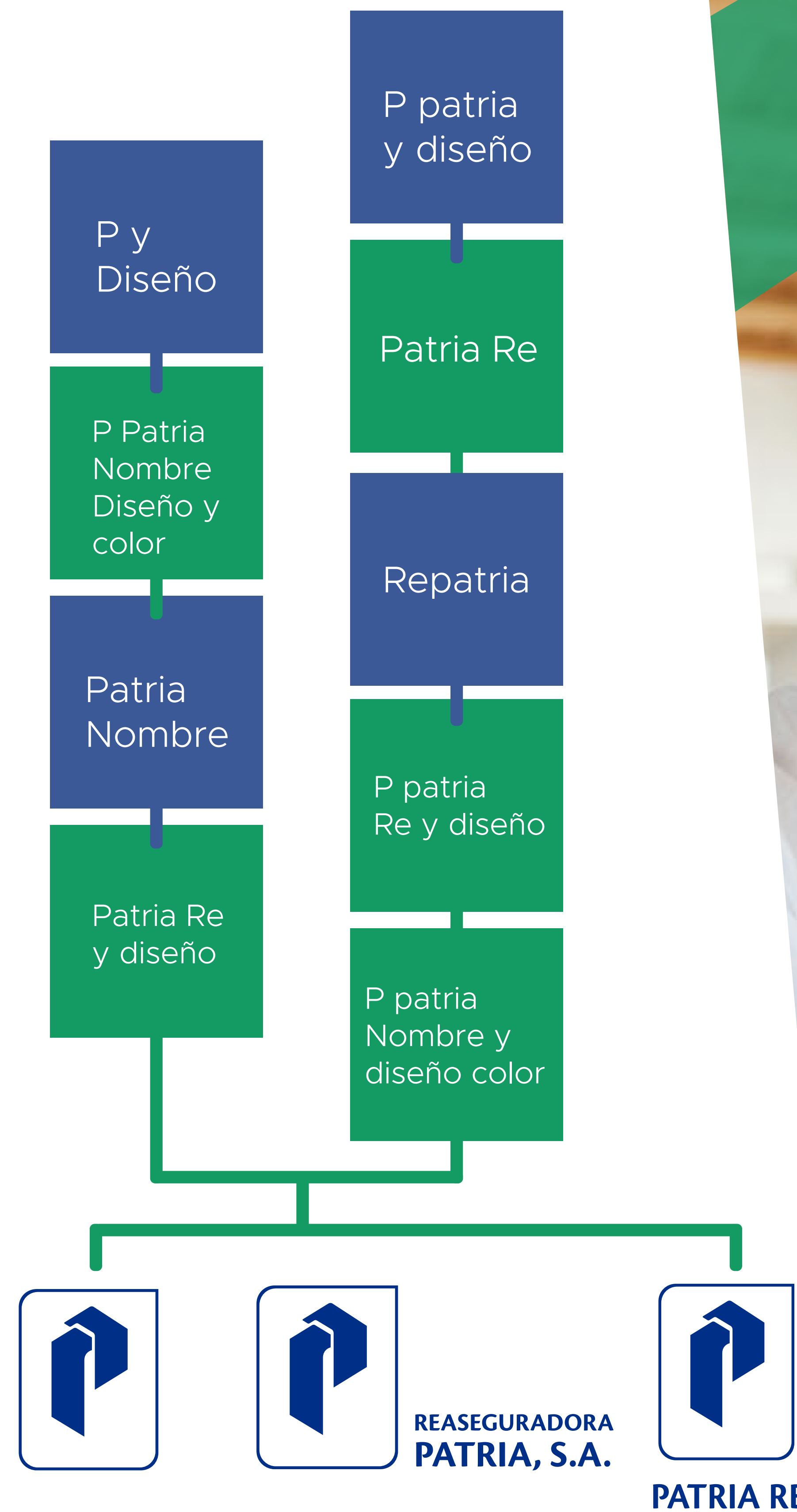
Seguro Responsable

Reinsurance Division

Reaseguradora Patria is an insurance institution authorized by Mexico's Insurance and Bonding Commission (*Comisión Nacional de Seguros y Finanzas*, known as CNSF for its Spanish acronym) to engage in various reinsurance and rebonding operations. To this end, the Subsidiary directly negotiates with domestic and foreign insurance and reinsurance institutions, and through reinsurance intermediaries.

- Agricultural
- Credit
- Miscellaneous
- Works of Art
- Life
- Automobile
- Energy
- Space
- Fire
- Automobile Warranties
- Technical Lines
- Maritime and Transportation
- Personal Accident
- Terrorism
- Civil Liability
- Aviation, Hull, and Civil Liability

Patents of Reaseguradora Patria



GEOGRAPHICAL FOOTPRINT

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

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

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Main Clients

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

In line with our corporate structure, Grupo Peña Verde does not directly produce goods or sell services; therefore, we do not have a portfolio of major customers.

In the case of General Seguros, no client accounts for more than 5% of total written premiums of this subsidiary, given the highly diversified nature of its product sales.

The same applies to Reaseguradora Patria, which as a result of its policy of diversifying reinsurance premiums in most insurance and bonding institutions in the markets where it operates, does not have clients exceeding 5% of written premiums.

However, for illustrative purposes, as of December 31, 2020, our main customers are shown below:

Company	Country
AIG Chile Compañía de Seguros Generales S.A.	Chile
Allianz Global Corporate and Specialty SE	Germany
Austral Resseguradora, S.A.	Brazil
AXA Colpatria Seguros S. A.	Colombia
Axa Corporate Solutions Assurance	France
BCI Compañía Seguros Generales S.A.	Chile
BMG Seguros, S.A.	Brazil
Brickell Underwriting Agency LLC	United States
Elseco Limited	United Arab Emirates
General de Seguros, S.A.B.	Mexico
Grupo Mexicano de Seguros, S.A. de C.V.	Mexico
Grupo Nacional Provincial, S.A.B.	Mexico
Guardian General Insurance Company	Trinidad and Tobago
HDI Seguros, S.A.	Chile
HDI Seguros, S.A. de C.V.	Mexico
Instituto Nacional de Seguros	Costa Rica
Interamericana de Seguros S.A.	Honduras
La Previsora S.A. Compañía de Seguros	Colombia
Nación Seguros S.A.	Argentina
Nacional de Seguros S.A. Compañía de Seguros Generales	Colombia
PICC Property and Casualty Company Limited	China
Punto Sur Sociedad Argentina de Reaseguros S.A.	Argentina
RIMAC Seguros y Reaseguros, S.A.	Peru
Seguros Afirme, S. A. de C.V. Afirme Grupo Financiero	Mexico
Seguros Atlántida, S.A.	Honduras
Seguros Atlas, S. A.	Mexico
Seguros Banorte, S.A. de C.V., Grupo Financiero Banorte	Mexico
Seguros del Estado S.A.	Colombia
Seguros e Inversiones, S.A.	El Salvador
Seguros el Potosí, S. A.	Mexico
Seguros el Roble, S.A.	Guatemala
Seguros Inbursa, S.A., Grupo Financiero Inbursa	Mexico
Seguros Sucre, S.A.	Ecuador
Sirius International Insurance Corporation	Sweden
Terra Brasis Resseguros	Brazil
Trust International Insurance and Reinsurance Company BSC	Bahraini
XS Latam LLC	XS Latam LLC

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RISK MANAGEMENT

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

In order to maintain the pace required to proactively identify emerging risks that could affect the organization, we have integrated into our corporate governance the Comprehensive Risk Management System, which includes all the policies, procedures, rules, structures, information systems, and people within the Group that identify, evaluate, monitor, mitigate, and control the risks arising from both external and internal sources, whose effects may have an impact on our operations both individually and in the aggregate.

Comprehensive Risk Management is an ongoing process that involves:

For this reason, the Risk Committees of each of the companies that make up our Group meet on a monthly basis to report the status of the risks to the Senior Management and the Board, who will decide the course of action to be taken. This requires excellent communication with the entities bearing the risks (underwriting, investments, operations, among others) and the areas responsible for detecting, mitigating, or preventing the occurrence of events (administration, reinsurance, systems, among others); as well as with the authorities, whether regulatory, academic, or experts who can provide new approaches to existing risks or the detection of new ones.

We mainly evaluate risks related to: **Anti-Money Laundering, Anti-Corruption, Corporate Practices, and Conflict of Interest.**

1 The identification of risks.

2 The evaluation of the exposure to these risks

3 The management of these exposures to achieve the Company's objectives

4 La creación de valor con el cumplimiento de estos objetivos

We have identified the various risks to which the Group as a whole and its subsidiaries are exposed; however, since it is very unlikely that all these variables will occur under their worst-case scenario simultaneously (given the correlation between them), we have classified these risks based on their potential impact to elaborate on the risk management performed, as shown below:

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

Bonds		• Financial Crisis (Latin America) • Political Risk	• Exchange Rate
Diverse			• 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

Additionally, in line with the sound risk management that distinguishes us, the Board has defined an exposure limit for the following risks:

- Risk
  - Underwritten Risk
    - Non-catastrophic
      - VaR/EOF
      - VaR/BEL
    - Catastrophic
      - OEP/Catastrophe Reserves
      - AEP/ Catastrophe Reserves
  - Market Risk
    - Consolidated Portfolio
    - Shares
    - Debt in MXN
    - Debt in USD
    - Inflation-linked Debt
  - Credit Risk
    - Bonds
    - Reinsurers
    - Loans
      - Unsecured and to Agents
      - Mortgage Loans
      - To Employees
      - Commercial
  - Liquidity Risk

It is important to point out that emerging risks (such as climate change), given their high degree of uncertainty, can generate large losses that cannot be accurately measured; therefore, they could jeopardize our solvency or the execution of our business plan.

For this reason, and with the purpose of being good corporate citizens, we seek to follow the best environmental practices to become a national and regional benchmark in Human Rights, Labor Standards, Environment, and Anti-Corruption. Therefore, since October 2020, we are part of the United Nations Global Compact, the largest corporate sustainability initiative in the world; thus, ratifying our commitment to be sustainable and responsible.

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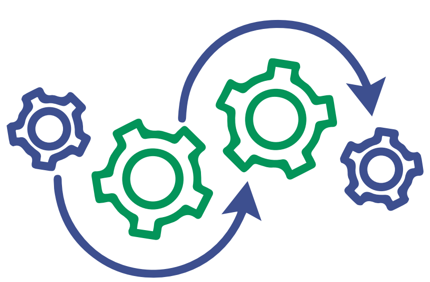
Although, during 2020, Grupo Peña Verde's efforts were largely focused on minimizing COVID-related impacts, we were able to continue moving forward on other fronts:

We approved and published the new Code of Ethics of Grupo Peña Verde, which consists of a set of principles that we are committed to follow, in order to reinforce and maintain an ethical mindset and conduct in accordance with the values of each of the companies that make up our Group.



We continue with the survey and evaluation of operational risks in all the companies that make up our Group, an initiative that will result in the first list of operational risks, as well as the maintenance, control, and prevention of the possible occurrence of loss events. This will shorten the time for the management and improvement of different processes and assist more quickly in any contingency and/or vulnerability found in them. It will also forecast quantitative and qualitative results that will lead to better decision making.

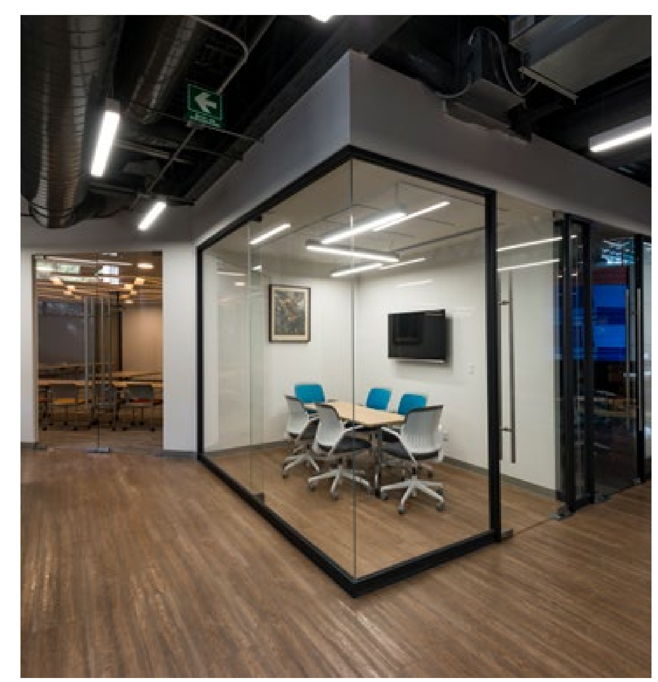
INTERNAL CONTROL

This material references Disclosures 102-11 and 102-12 from GRI 102: General Disclosures 2016 and 103-2:a from GRI 103: Management Approach 2016

During 2020, we continued to strive for continuous improvement through the redesign of processes and the issuance of corporate policies and procedures applicable to all the companies that make up the Group, with the aim of strengthening their internal control framework.

Our best practices in operational risk management consist of identifying and managing the risks and/or vulnerabilities of the processes before they arise.

As mentioned before, we continue with the survey and evaluation of operational risks in all the companies that make up our Group (operational risk inventory), which will contribute to shorten the time for the management and improvement of different processes and assist more quickly in any contingency and/or vulnerability found in them.



General de Seguros

The following are the most important processes that were implemented in 2020 to further strengthen General de Seguros' internal control:

a) Evaluation of the Internal Control to the processes of Line of Business of Damages - Miscellaneous, Agricultural, Auto Line of Business, Agents Administrative & People Line of Business, based on the COSO control framework (Risk Based Control Framework) & COBIT 5 (IT Governance)

b) Visit to several branches throughout the country to assess the understanding of the operational processes and the identification of controls implemented in them

c) Self-assessment of controls to the Call Center & Control Desk processes

d) Follow-up of the implementation of the Remediation Plans

e) Design and implementation of a work plan for inspections in the critical processes of General de Seguros for 2020, identifying risks and controls

f) Execution of the recommendations made by the CNSF, as well as by the Internal Control System itself

Reaseguradora Patria

Reaseguradora Patria is currently restructuring its administrative processes in order to optimize operations and enhance the internal control framework. This process will also entail the adoption of operational efficiency and control indicators, which will allow us to follow up on irregularities and take timely action.

Furthermore, Reaseguradora Patria uses an Internal Control System based on the COSO (Committee of Sponsoring Organizations of the Treadway) reference framework, ensuring that business objectives are met and that applicable regulations are complied with, which is based on the following elements:

Control Framework

The internal control framework comprises the commitment to integrity and ethical values, assignment of authority, professional competence, and accountability based on responsibilities, as well as integrity and professional conduct, preventing conflicts of interest in the Company's activities

Information and communication

There are policies and procedures relevant to the Institution, which are duly authorized, thus complying with the regulations

Control activities

Aimed at mitigating the inherent risks identified to comply with the objectives and goals of the institution

Risk Assessment

The risks associated with the processes are identified alongside those responsible for them, to evaluate and determine their qualification

Supervisory activities

Their purpose is to report in a timely manner on the internal control deficiencies identified and the response to them

BUSINESS MODEL AND STRATEGY

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

Business Model

Our business model can be analyzed from two different perspectives which complement each other:

Holistic Perspective

It consists of analyzing Grupo Peña Verde as a single, vertically integrated company, dedicated to integral risk management with sustainability as its strategic backbone. We manage risks from their origination with the client (B2C - Multi-branch Insurance Division) to the transfer of risk (B2B - Reinsurance Division), with an efficient management of the investment and/or financing portfolio, and the support of an entity that promotes transformation, control, and business assistance.

Investment Portfolio

This vision treats Grupo Peña Verde as an investment portfolio that allocates its capital to the businesses with the best returns. We oversee the optimization of risk-return in risk management (Insurance or Reinsurance Division), compared to the return on investment or in complementary assets that complies with applicable corporate governance and seeks to generate economies of scale to maximize the returns on each investment. Under this view, the key task of the Insurance and Reinsurance Divisions is to capture the float.

2020-2025 Business Plan: Sustainable Profitability

In 2020, we drafted our 2020-2025 Business Plan, Sustainable Profit, which was presented and approved by the Boards of Peña Verde, S.A.B., and its subsidiaries, and is monitored through the strategic roadmap and Balanced Scorecard (BSC) indicators.

The Sustainable Profitability Plan envisages a strategy of company profitability and revenue doubling growth, making us as an attractive and prominent investment project for the Mexican and Latin American market that generates liquidity for shareholders.

We formulated this plan on the following 5 strategic priorities:

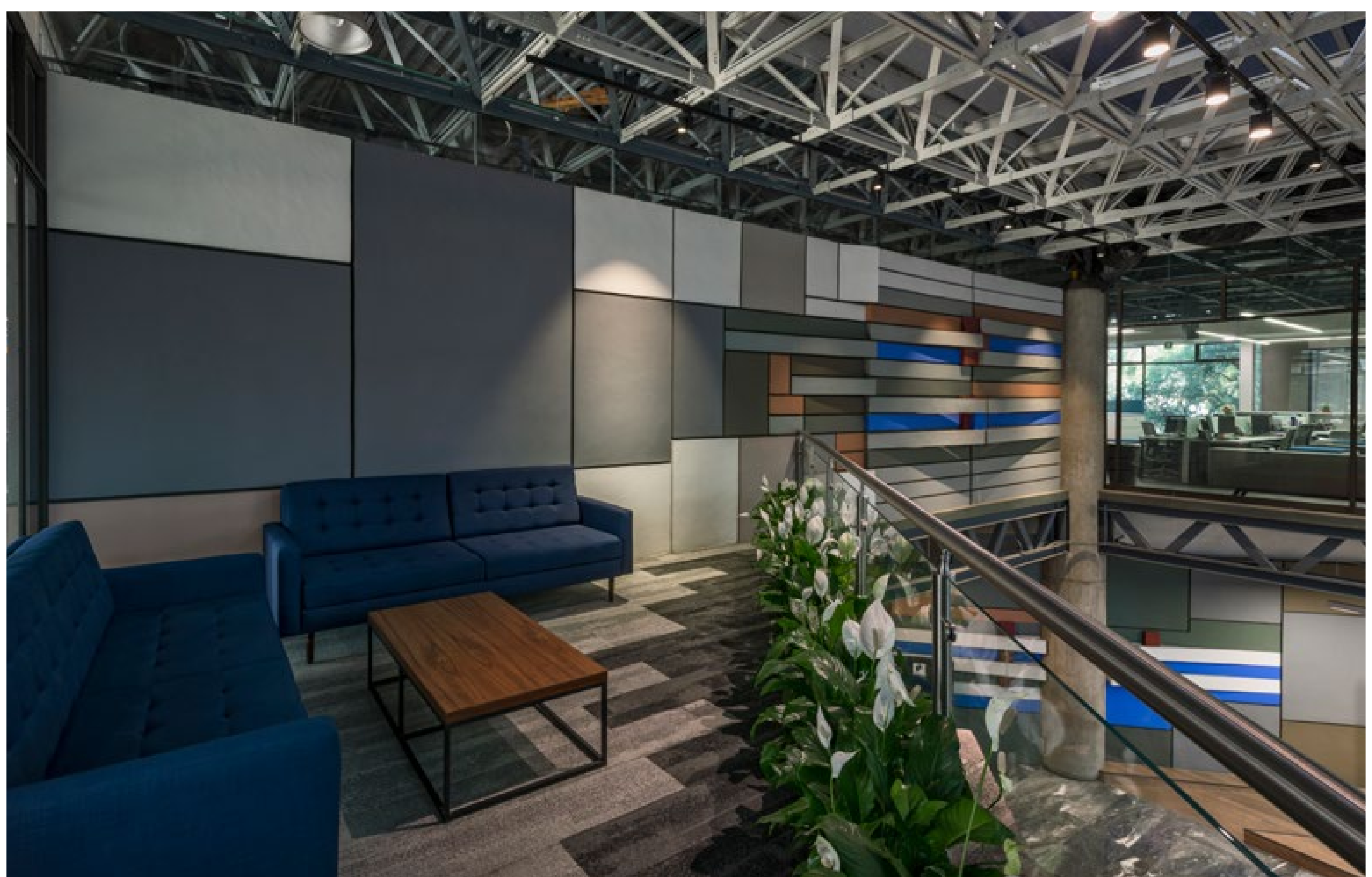
1. **Insurance Division:** To be profitable in the Insurance Division

2. **Reinsurance Division:** Strengthen internal control and integrate synergies in the Reinsurance Division

3. **AMFS Division:** Consolidate a robust, efficient, and functional financing and capital allocation structure; and implement a successful asset management strategy

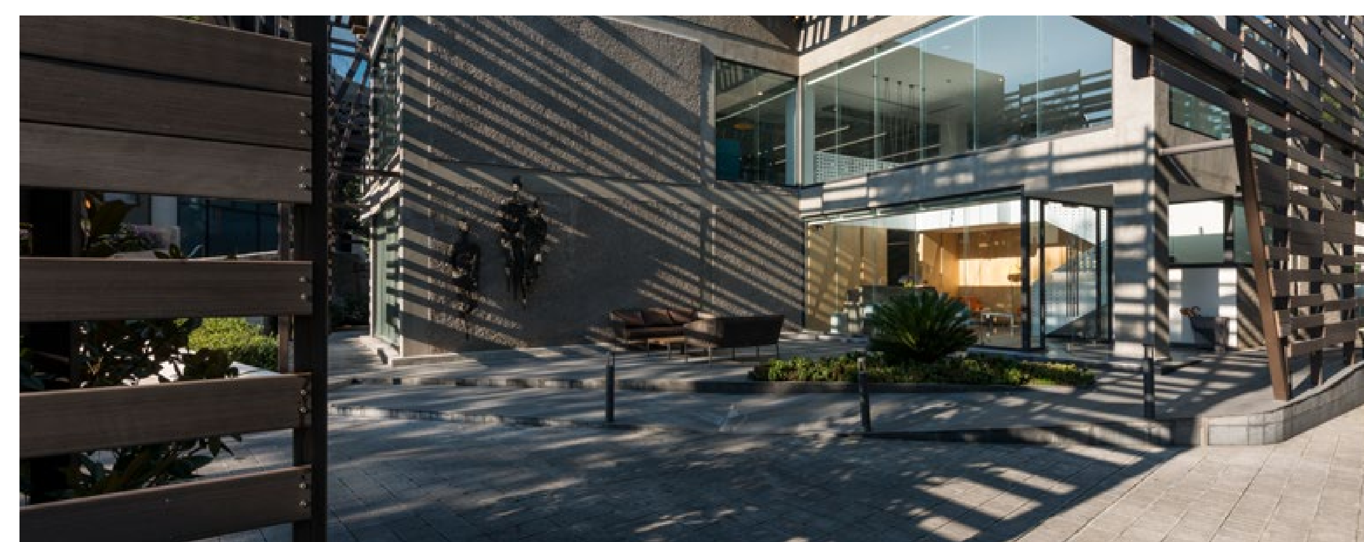
4. **BST Division:** Continue our technological and cultural transformation

5. **Grupo Peña Verde:** Maintain a highly engaged and committed corporate governance



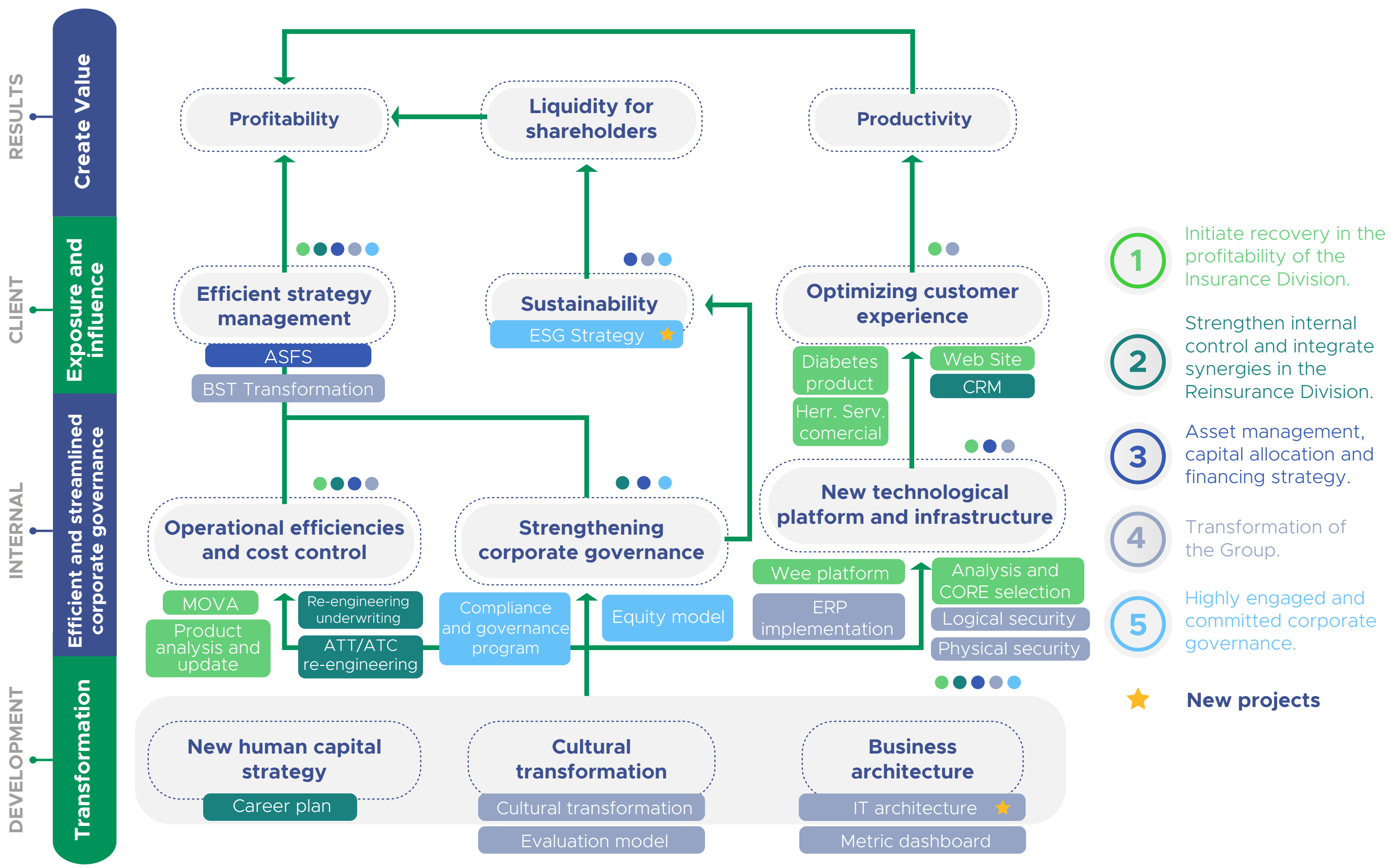
In order to achieve these priorities, we defined the following strategic objectives:

RESULTS	Create Value	**PROFITABILITY** Be a Group with competitive solvency and returns on investment.	**LIQUIDITY FOR SHAREHOLDERS** Generate dividends and be an issuer with liquid securities.	**PRODUCTIVITY** Productive business units with profitability above their peers.
CLIENT	Exposure and influence	**EFFICIENT STRATEGY MANAGEMENT** Effectively and comprehensively manage the strategy of the company and all its business units.	**SUSTAINABILITY** Creating social and economic value by adopting sustainability principles.	**OPTIMIZING CUSTOMER EXPERIENCE** Generate value and a satisfactory experience for our customers.
INTERNAL	Efficient and streamlined corporate governance	**OPERATIONAL EFFICIENCIES AND COST CONTROL** Generate process improvements to optimize costs and resources.	**STRENGTHENING CORPORATE GOVERNANCE** Institutional corporate governance committed to the highest standards of control, sustainability, and compliance.	**NEW TECHNOLOGICAL PLATFORM AND INFRASTRUCTURE** Transformation of the technological architecture, strengthening of cybersecurity measures, and new core systems.
DEVELOPMENT	Transformation	**NEW HUMAN CAPITAL STRATEGY** Committed high-performance teams working under an effective management system.	**CULTURAL TRANSFORMATION** Complete the process of transforming people, the way of doing business and the use of technology.	**BUSINESS ARCHITECTURE** Design and implementation of a new business architecture to support the Group's growth.



ANNUAL REPORT SUSTAINABILITY **2020**

We will seek to achieve these objectives by adhering the following strategic roadmap and supported by the initiatives mentioned above:



Annual Evaluation of Strategy Execution

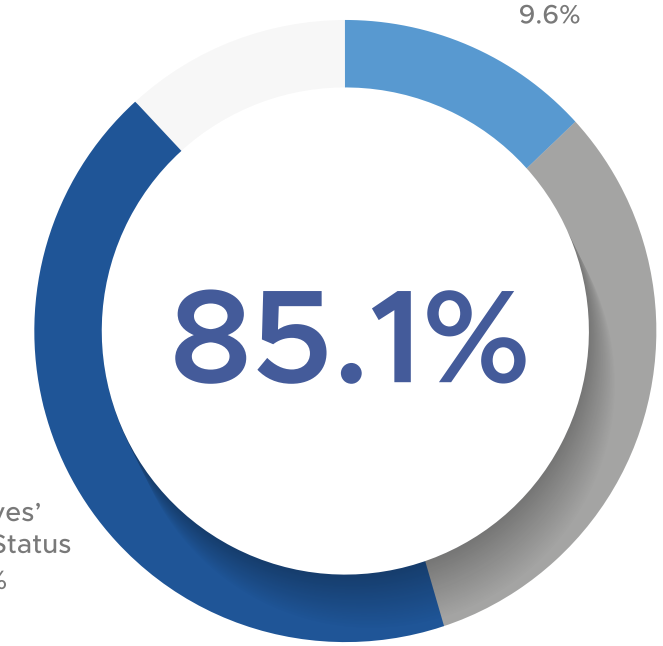
In order to determine the impact on the management of our strategy at the executive level, we designed the Strategy Achievement indicator, which quantitatively measures the three main elements that make up its tracking:

- **Strategy Communication:** Through the percentage of employees who were trained during the corporate culture workshops at the strategic, tactical, and operational levels, with specific weightings for each one.
- **Rating of the portfolio of initiatives:** The projects executed by the Group are rated using a project diagnostic form with a scale from 0 to 5. The annual rating is the average of all initiatives.
- **Achievement of strategic objectives:** We evaluate the progress achieved in our specific objectives, assigning grades from 1 to 3 depending on the degree of completion. The final grade is calculated by dividing the points achieved over the maximum number of points possible.

We calculate this metric through a weighted average composed of the scores achieved in the previously mentioned points, and we evaluate it with a scale from 0 to 100%, where "0%" represents the minimum level of achievement of the objective, and "100%" represents the maximum value of completion.

2020 Evaluation Results

		GPV 85.1%
Strategy Communication (SC)	10%	96.4%
Strategic Level	50%	97%
Tactical Level	30%	99%
Operational Level	20%	91%
Rating of the Portfolio of Initiatives (RPI)	40%	82.4%
Rating of the Company's Portfolio	100	4.12
Achievement of Strategic Objectives	50%	84.95%
Overall result of the Company's achievement of objectives, obtained from the Group's BSC	100%	0.85



In addition, we established a number of specific objectives to quantify the progress achieved in the Insurance and Reinsurance Divisions.

2025 Specific Objectives – Insurance Division

Objective

To build an operationally sound insurance company that will enable us to contribute to the Group's objectives, while being highly capable of managing risks and generating value.

TRANSFORMATION OF THE SERVICE MODEL

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

Target segment

SMEs and individual insurances with basic retail products

Strategic lines

- Customer experience and channels
- New operational capabilities

Strategic initiatives

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

What do we expect from this Division?

- **Written Premiums:** To increase from Ps.2,500 million in 2019 to >Ps.5,000 million in 2025.
- **Combined Ration:** Reach levels of around 90%.
- **FY Net Income:** Achieve a net income greater than Ps.400 million by 2025.

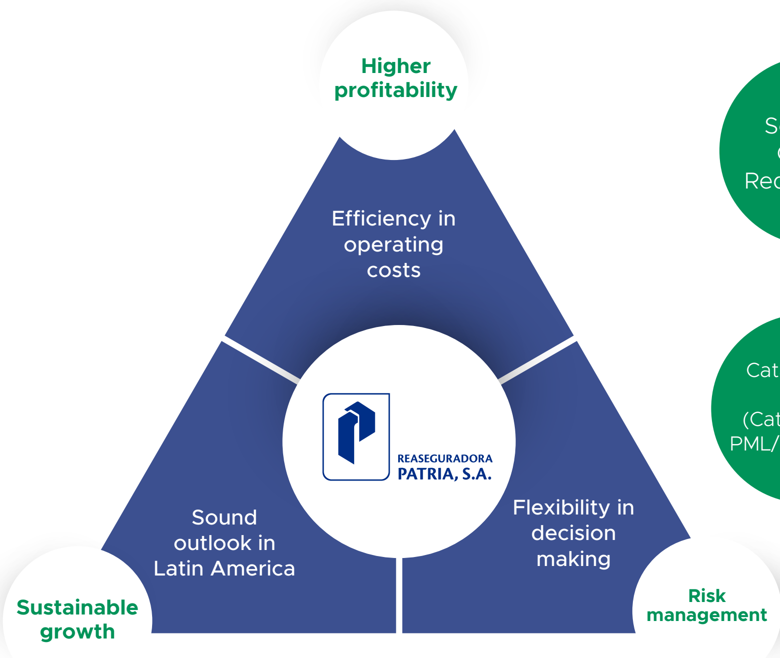
2025 Specific Objectives – Reinsurance Division

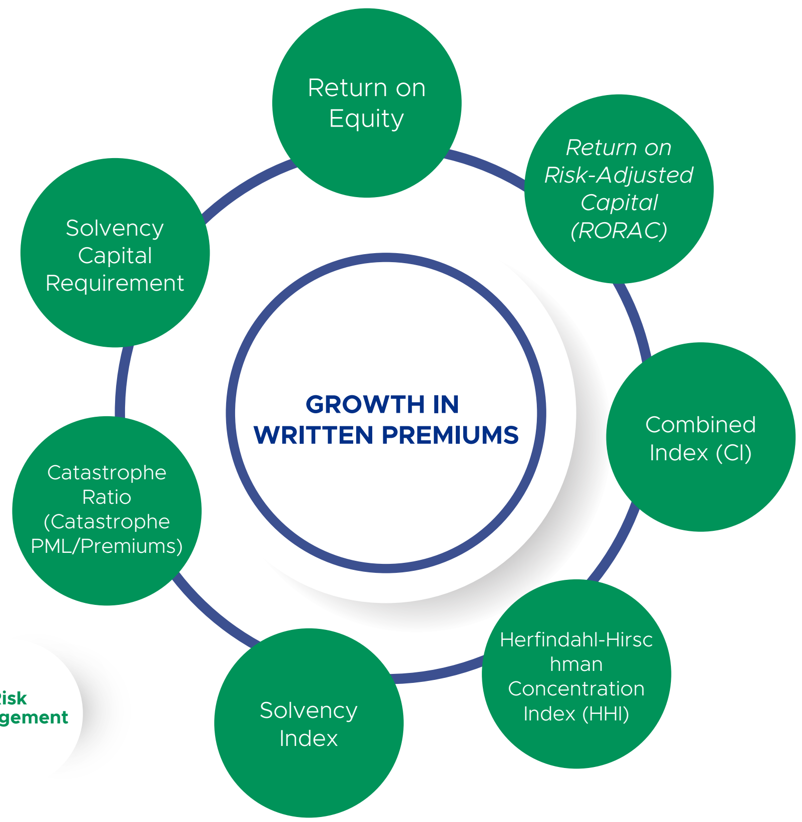
Strategic guidelines to 2025:

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

Strategic levers:

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





What do we expect from this Division?

- **Written Premiums:** To increase from Ps.5,700 million in 2019 to >Ps.11,000 million in 2025
- **Combined Ration:** To be below the 90% threshold
- **FY Net Income:** Achieve a net income greater than Ps.400 million by 2025

Commitment to Corporate Sustainability

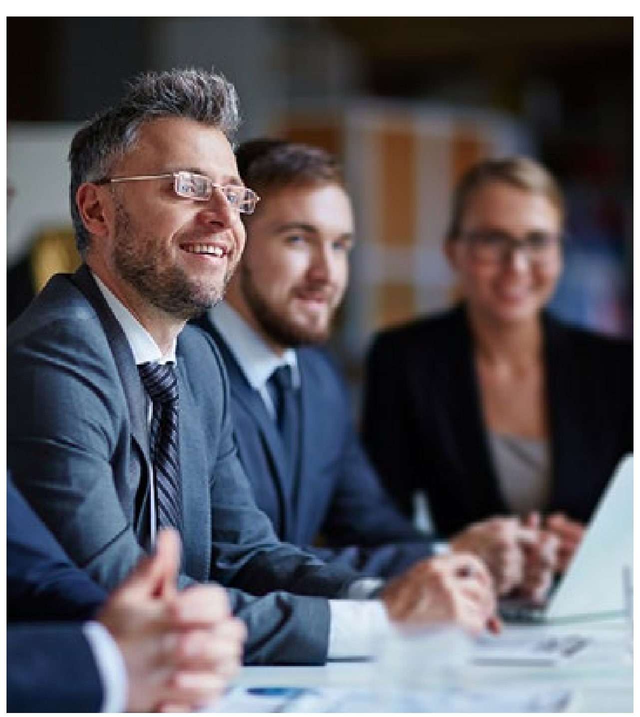
STAKEHOLDERS

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

We adhere to the best corporate practices on the environmental, social and corporate governance fronts (ESG) at Grupo Peña Verde. In this sense, for the sake of being "good corporate citizens", we make sure these practices are measurable and verifiable, as well as a capable of supporting the self-improvement of our companies.

In such efforts, we have identified those groups or individuals whose economic, environmental and social interests, directly or indirectly, affect or may be affected by our operations, thus maintaining a close touch with them to support our responsible actions towards all stakeholders.

Our main stakeholders along with a description of the key topics and concerns they have raised, the means of engagement we use to notify and/or consult on their activities and our areas that provide attention to each stakeholder group are depicted in the following table:



Stakeholder	Means of Engagement	Key Topics and Concerns	Related Area
Shareholders	Personalized support General meeting E-mail Annual filings Annual reports Quarterly earnings release Website Telephone Videoconference	ESG performance Financial perfomance Operating performance	Finance General management Corporate governance and regulations Investor relations
Authorities	E-mail Physical meeting Telephone Videoconference	Authorizations Agreements Regulatory compliance	Corporate governance and regulations Investor relations
Customers	Personalized support E-mail Satisfaction survey Advertising Social media Website Telephone	Customer service Coverage Ancillary services Office locations	Customer service Insurance Security Reinsurance IT
Associates	Personalized support Trainings Working climate surveys Grievance and complaints line Workshops and campaigns	Work conditions Organizational culture Financial performance Operating performance	Human resources Strategy and sustainability Training and development Corporate governance and regulations Security Bussiness support and transformation
Community	Personalized support E-mail Events Social media Website Telephone	Environmental footprint Social integration Office locations	Strategy and sustainability Bussiness support and transformation
Financial institutions	Personalized support E-mail Annual filings Annual reports Quarterly earnings release Website Telephone Videoconference	Financial performance Operating performance	Finance Investor relations
Suppliers	Personalized support E-mail Grievance and complaints line Videoconference	Supplier contracts Supplier trainings Ethics	Logistics

Frecuency: Constant Regular Annual

ANNUAL REPORT SUSTAINABILITY **2020**

ENVIRONMENTAL COMMITMENT

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

Since we are primarily oriented towards the insurance sector (featured, among other things, by an ecological footprint that is certainly smaller than that of other industries), the environmental impact of our operations is not deemed significant.

Nonetheless, aware of the strong correlation between climate risks and the insurance industry, in October 2020 we joined the United Nations Global Compact, the world's largest corporate sustainability initiative. Through this membership, we seek to serve as nationwide reference in the areas of Human Rights, Labor Standards, Environmental Care and Anti-Corruption, while reaffirming our commitment to being a sustainable and responsible group.

To reduce our ecological footprint, we are currently developing an Environmental Policy and a Waste Management Program, based on the provisions of the Mexican Law for the Prevention and Comprehensive Management of Waste, the Mexico City Solid Waste Law, and Mexican environmental protection standard NOM-087-ECOL-SSA-2002. These endeavors include encouraging the reduction of waste generation and increasing the awareness of reuse and recycling.

Likewise, we are deploying initiatives to digitalize our operation and consequently minimize the amount of waste generated:

In 2020 we printed the following advertising materials: 2,600 Brochures and **1,000** Posters, which is **40%** less printed of that printed in **2019.**

We digitized all the incentive program flyers we distribute to the sales force, achieving a **100%** cut in printed paper vs. 2019.

To minimize energy consumption, all the lighting in our offices is LED, and we also have highly efficient air conditioning equipment.

With regards to fuel consumed, this mainly corresponds to that required for transportation equipment and emergency power plants, which also use natural gas; while with respect to water, there is no use other than that required to keep our buildings in operation (garden watering, toilets, cleaning, etc.).

During 2020, we consumed a total of:

62,337.6 megajoules of non-renewable fuels

2,204 megaliters of water (considering only the premises located in Patriotismo)

335,766 kWh (considering only the premises located in Patriotismo)

Note: The source of the data is the sum of the inputs in the respective bills.

Environmental Compliance

The responsibility for our environmental topics falls on several areas:

i) Compliance, together with the operating and service areas of our headquarters, monitors and ensures complete conformity with the applicable legislation

ii) Human Resources supports internal communication and contributes to the deployment of training and awareness campaigns

iii) Strategy and Sustainability oversees the above noted by adding this topic into our Corporate Sustainability Strategy

As of the date of this report, **we have not incurred in any violation of the aforementioned laws,** and in general, none in environmental matters.

SOCIAL COMMITMENT

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

Día Peña Verde

Día Peña Verde is a single-day annual event that we hold since 2016, in which we invite all our associates to voluntarily take part in activities that contribute to the environment and the community, promoting a positive experience and boosting the wellbeing for society.

In 2020, due to the COVID-19 pandemic, it was necessary to adapt Día Peña Verde activities to a virtual format, extending its duration for a month and thus resulting in the creation of Mes Peña Verde, in which our associates had the opportunity to show their support and solidarity by donating resources, where total amount would then be doubled by the Group for subsequent donation to the Food Bank of Mexico.

The resources jointly donated by Grupo Peña Verde and its associates amounted to Ps.374,927.25, which was used to purchase 7 tons of rice and 5.7 tons of beans, later comprised into 3,168 food packages that benefited 12,732 people in the communities of Veracruz.

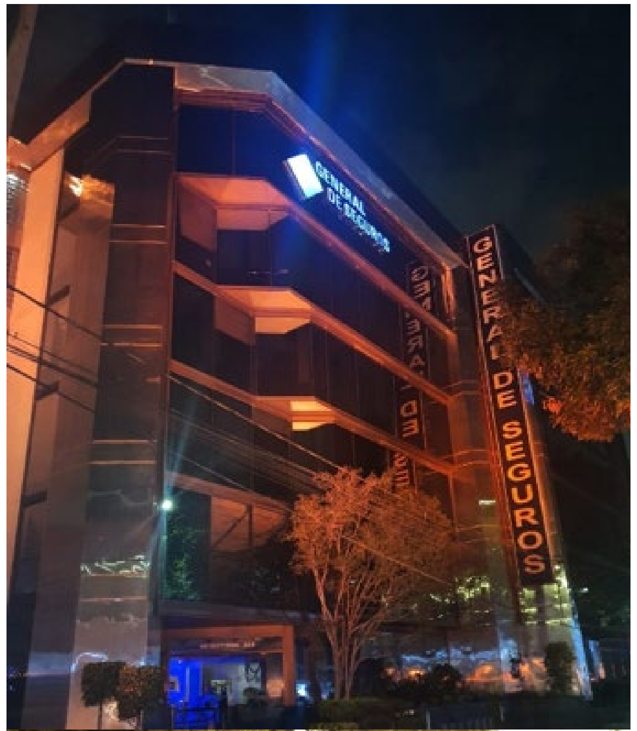
Impact on SDGs of *Mes Peña Verde*

UNiTE / Orange Day

We joined the UNiTE to End Violence against Women campaign, launched in 2008 by the UN Secretary-General as an effort to raise public awareness and increase the authorities' will and resources allocated to prevent, respond to and punish violence against women.

As part of these efforts, we participate in the 16 days of activism against gender-based violence that begin on November 25 each year with the Orange Day, in which, through the use of orange clothing, orange-painted objects and the dissemination of messages in favor of prevention, activists, governments and United Nations partners are called upon to encourage the population and address the issues related to preventing and ending violence against women and girls.

Therefore, we painted our headquarters in San Jeronimo and Patriotismo orange, for the purpose of spotlighting this severe problem, as well as rejecting it and being engaged in its eradication. We also posted of support in our media (internal and external).



OUR TEAM

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

Our business community with offices in Mexico, London, Miami and Chile is made up of over 900 associates.

All our offices are guided by one common goal: to be the international reference in our impact areas. More than 65 years of experience sustain our financial and technical expertise, supported by solid work teams with great human qualities.

As for our human capital management, we have developed, and live by, a work culture based on integrity, quality work, customer service, facing challenges, transformation and a passion for our work; we strive for harmony in our personal lives, and treasure the value of human relationships.

At Peña Verde, we think about our people as we plan, this is why we have been recognized as a Great Place to Work in Mexico, in the banking, insurance and finance sector.

We conduct work climate surveys following the Great Place to Work methodology, aiming to identify different aspects of the work environment (pride, companionship, trust, credibility and communication) and step in to promote and generate a better organizational climate for companies, teams and individuals.

Associates Breakdown by Country

Subsidiary	# of Associates with Permanent Contract	# of Associates with Temporary Contract	Total Associates
Associates in Mexico			
General de Seguros [1]	608	53	660
Servicios Administrativos Peña Verde	102	3	105
Reaseguradora Patria	100	4	104
CCSS	23	6	29
General de Salud	1	0	1
Total Associates in Mexico	833	66	899
International Associates[2]			
Santiago (Chile)	7	0	7
Miami (United States)	1	0	1
Londres (United Kingdom)	4	0	4
Total International Associates	12	0	12
Grupo Peña Verde's Total Associates	**845**	**66**	**911**

(1)Only subsidiary with associates in entities other than Mexico City
(2)All international associates are contracted to Reaseguradora Patria

Our activities are carried out exclusively by our associates

All of our administrative associates are hired by Servicios Administrativos Peña Verde, with the exception of Mr. Manuel Escobedo, our CEO, **who is the only associate directly hired by Peña Verde S.A.B.**

All quantitative information on our associates team **was downloaded directly from the DELSIP program (payroll administration system)**

General de Seguros' Associates Breakdown by Entity

Entity	# of Associates
Aguascalientes	5
Baja California	27
Chihuahua	20
Mexico City	441
Coahuila	15
Durango	3
Guadalajara	16
Guanajuato	13
Michoacan	6
Nuevo Leon	14
Puebla	9
Queretaro	7
Sinaloa	10
Sonora	45
Veracruz	12
Yucatan	17

Peña Verde Experience

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

- Social responsibility and wellbeing projects for our associates
- Strong work culture of total respect and transparency
- Working groups with a high human value and in many communities
- Competitive value proposal based on equality, and we strive to provide professional development and a life-work balance
- Continuous training and development in all areas of the human sphere, to achieve comprehensive growth.

The work, your personal development and growth at Peña Verde, will make up some of the best experiences in our associates' personal and professional lives!

- Career paths driven by personalized development programs
- Training plans to develop in the associate in its respective position
- Mobility and growth among the group's companies at the national and international levels
- We focus on constant challenges that allow us to bolster talent in the different business units
- Functional leadership models
- High-performance teams
- Focus on aptitudes and cultural pillars

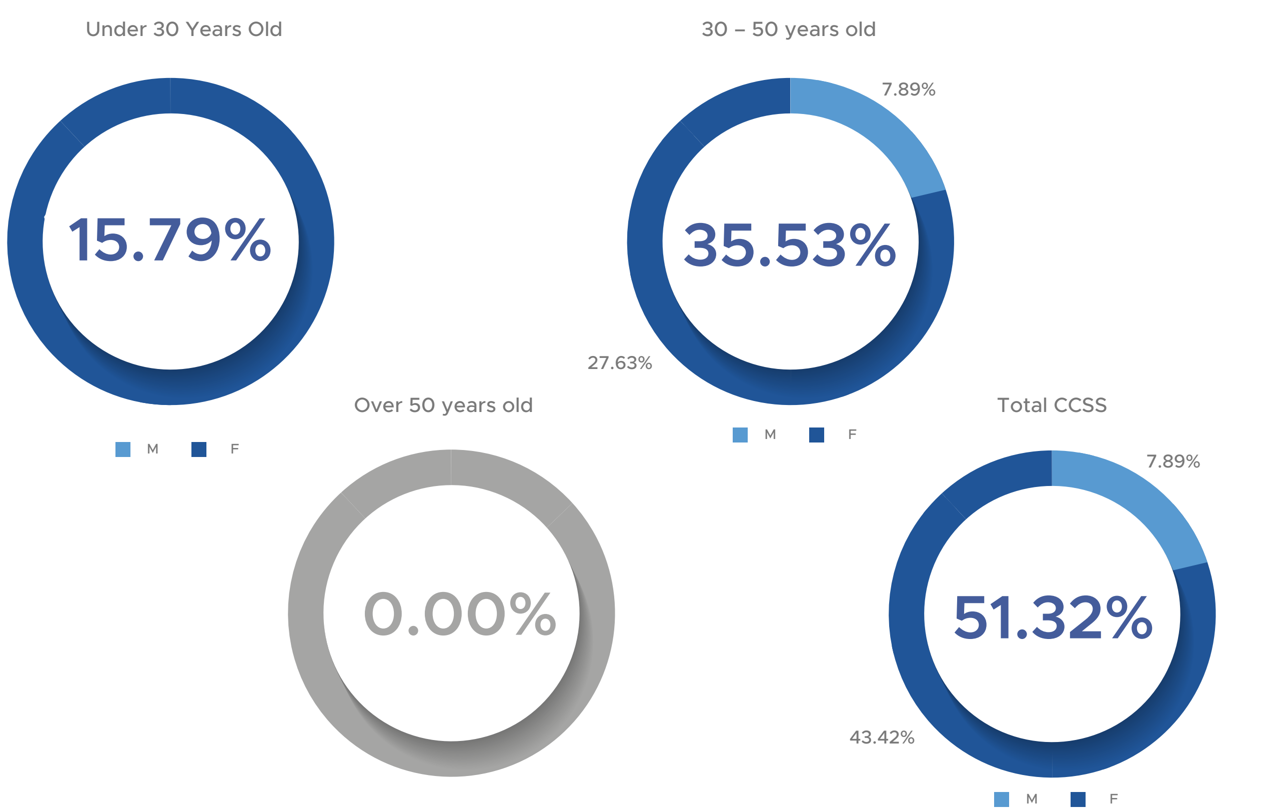
ANNUAL REPORT SUSTAINABILITY **2020**

Turnover Rate

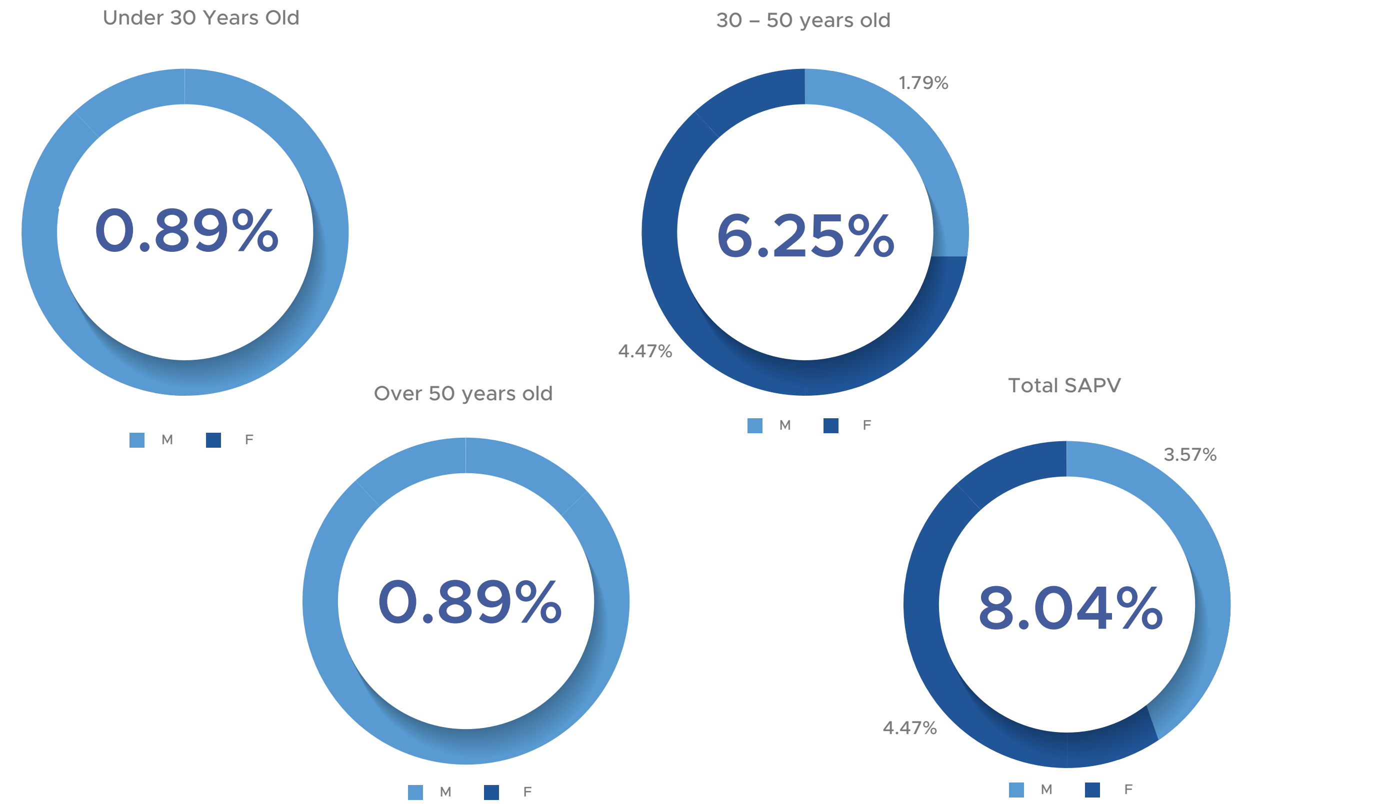
- Our consolidated turnover rate in 2020 was 14.5%
- CCSS posted the highest turnover rate among our subsidiaries at 51.32%. However, it is necessary to underscore that a significant portion of this rate corresponds to medical associates who have been accepted to study a specialty
- The lowest was that of Reaseguradora Patria with 5.89%
- Turning to General de Seguros, the region with the highest impact in the turnover rate was Mexico City with 9.19% (where it has the largest number of employees).

Below is a breakdown of the turnover rate of our subsidiaries, as well as the consolidated turnover rate of the Group, by age group and gender:

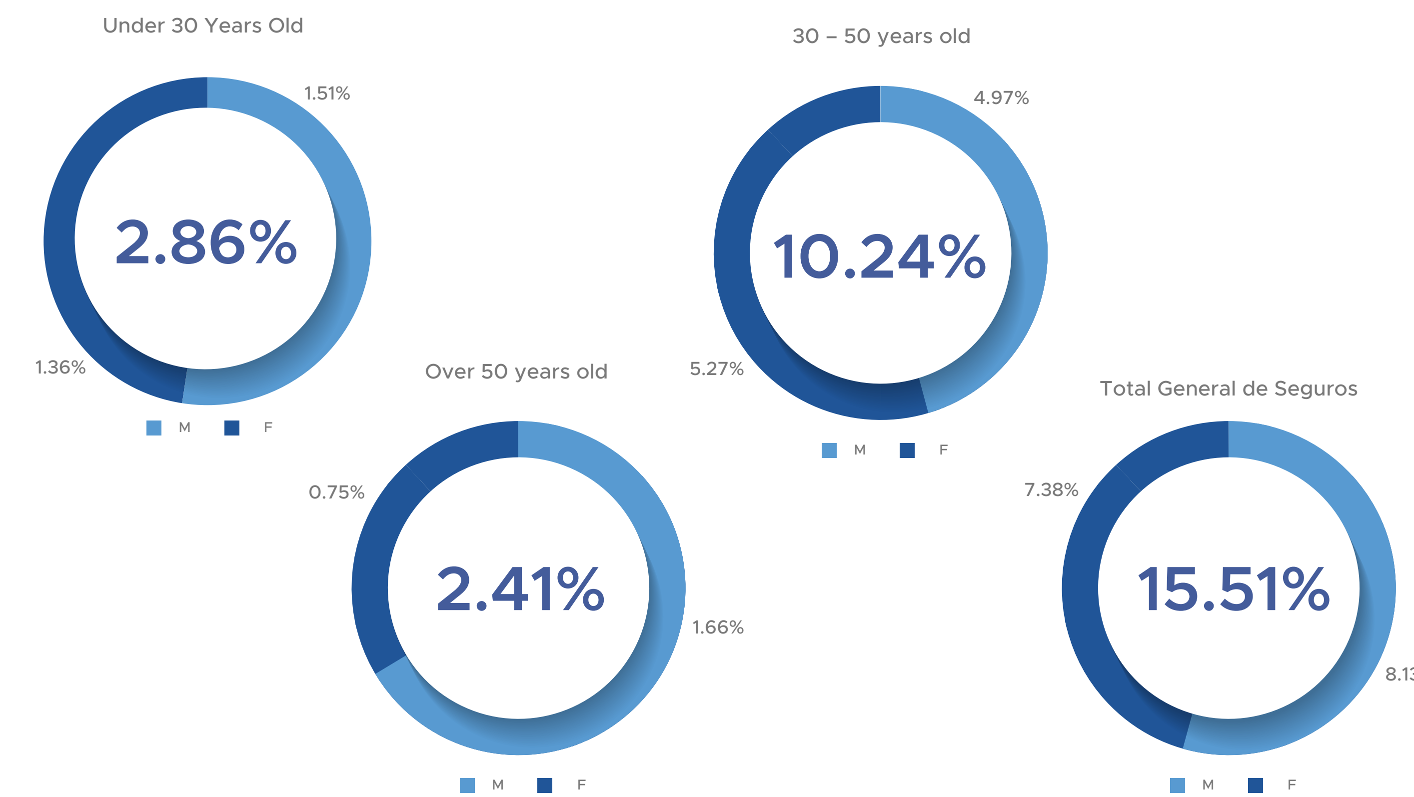
CCSS



Servicios Administrativos Peña Verde



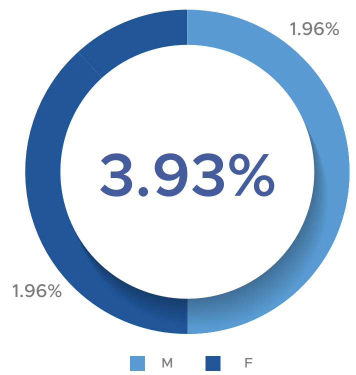
General de Seguros



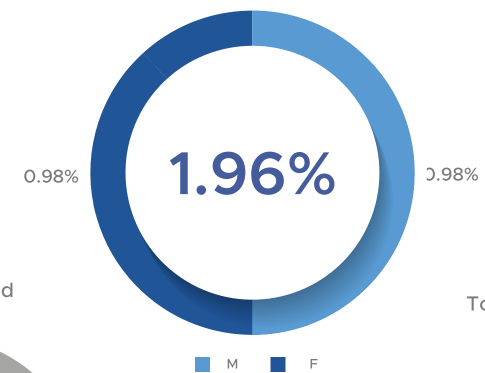
ANNUAL REPORT SUSTAINABILITY **2020**

Reaseguradora Patria

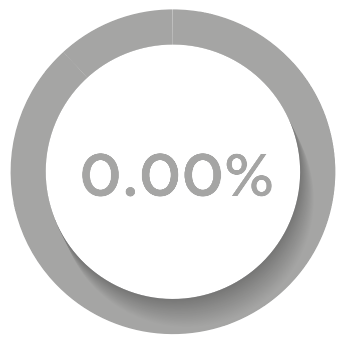
Under 30 Years Old



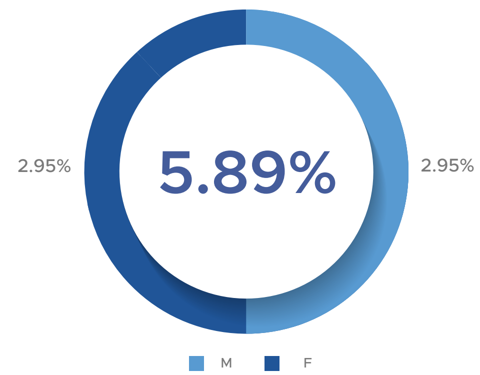
30 – 50 years old



Over 50 years old

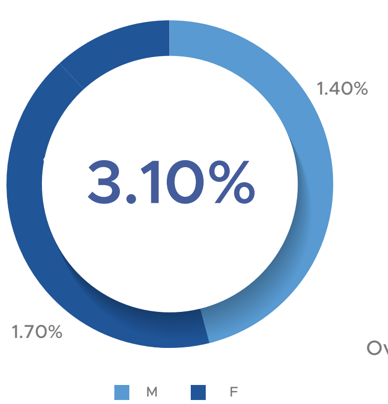


Total Reaseguradora Patria

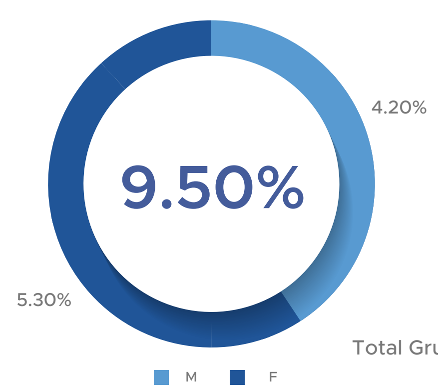


Grupo Peña Verde

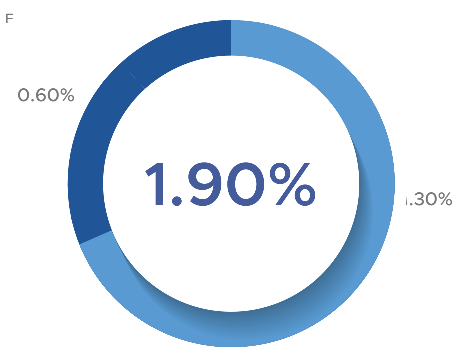
Under 30 Years Old



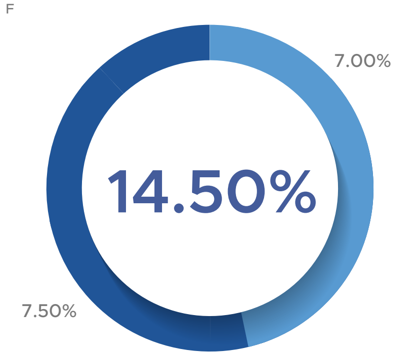
30 – 50 years old



Over 50 years old



Total Grupo Peña Verde



We believe that men and women should enjoy equal opportunities to perform and that their career growth should be solely by reason of hard work and talent, which is why we are currently developing an Integral Diversity and Equality policy.

Associates Breakdown by Gender (%)

ASSOCIATES	% OF MALE ASSOCIATES WITH PERMANENT CONTRACTS	% OF MALE ASSOCIATES WITH TEMPORARY CONTRACTS	% OF MALE ASSOCIATES	% OF FEMALE ASSOCIATES WITH PERMANENT CONTRACTS	% OF FEMALE ASSOCIATES WITH TEMPORARY CONTRACTS	% OF FEMALE ASSOCIATES
GENERAL DE SEGUROS	49.8%	3.6%	**53.5%**	42.1%	4.4%	**46.5%**
SERVICIOS ADMINISTRATIVOS PEÑA VERDE	48.6%	1.9%	**50.5%**	48.6%	1.0%	**49.5%**
REASEGURADORA PATRIA	52.6%	1.7%	**54.3%**	44.0%	1.7%	**45.7%**
CCSS	34.5%	3.4%	**37.9%**	44.8%	17.2%	**62.1%**
GENERAL DE SALUD	100.0%	0.0%	**100.0%**	0.0%	0.0%	**0.0%**
GRUPO PEÑA VERDE	49.6%	3.2%	**52.8%**	43.1%	4.1%	**47.2%**

Aside from 1 CCSS associate (male), **all associates are hired on a full-time basis.**

ANNUAL REPORT SUSTAINABILITY **2020**

Training

We have a training policy with clearly defined guidelines to manage the forming process of our associates in each of our subsidiaries.

This policy demands proactivity from the associates, as he/she will be the key responsible for the drafting and execution of his/her Training Agenda. On the other hand, area managers and immediate supervisors are in charge of encouraging and supporting the development and training of the associates under their lead.

The Training Area is responsible for ensuring that development programs in line with the strategic objective of securing the continuity of our business, as well of the succession programs and career plans. It is also responsible for overseeing the training and development programs,and ensuring compliance with the established policy and process.

During 2020, 100% of our associates participated either in the periodical assessment of performance and professional development or in a training course

Training Agenda

Responsibles for the preparation of the Agenda:

- The respective associate
- Immediate superior and area leader
- Training Area

How are the Training Agendas and the specific needs of the position and area established?

The Training Needs Diagnosis (TND) process is carried out to determine the fields of development of each associate based on the results of their performance evaluation, career path, culture, regulations and specific needs of the area.

Who prepares and authorizes the Agenda?

Each associate selects the training he/she deems adequate based on the results of the performance evaluation, and the immediate supervisor is responsible for validation and fine tuning. Finally, the Training Area adds mandatory training courses related to general topics, culture and regulations, on par of conducting an analysis of the required learning resources and available budget to prepare and submit the definitive version. This process is carried out using the Company's Human Resources System.

How is the training process conducted?

- The Training Department guides each associate in the scheduling of all internal and external activities
- Training activities (courses, workshops, seminars, certifications, etc.) are programmed and carried out, selecting the resources and learning modality in accordance with the topic. These activities can be provided by the Group itself or by external institutions.

Associate responsibilities

- 80% attendance and achieve a minimum average of 80/100 of participation in the programs.
- In the event that he/she does fails the any training programs evaluation, he/she must cover expenses related either to a special exam or repeating the course, should that be determined by the institution.
- Should the associate not attain the minimum passing grade or the required attendance percentage, he/she will lose his/her right to benefit from our learning resources

Other Training Programs

Company Induction: For new associates, comprises general induction course and initial on-the-job training.

Courses on Regulatory and Corporate Governance Issues: Mandatory courses (at least once a year) on our compliance and corporate governance regulations (prevention of money laundering and terrorist financing, protection of personal data, code of ethics, contracts with third parties, regulatory reporting, etc.).

Other Courses: Includes special projects (e.g. language program, Accountability your best version in action) or any optional training offered by the Company.

Transition Program: Conducted upon relocation of personnel, whether due to changes in functions, employee departures or retirement.

Average Training Hours per Associate per Year

COMPANY	STRATEGIC TEAM	TACTICAL TEAM	OPERATING TEAM
Servicios Administrativos Peña Verde	16 hours	14 hours	14 hours
General de Seguros	16 hours	17 hours	16 hours
Reaseguradora Patria	17 hours	16 hours	16 hours
Grupo Peña Verde	**16 hours**	**16 hours**	**15 hours**

Accountability, your best version in action

As part of our ongoing cultural transformation process, we deployed a culture system geared towards promoting responsibility for own actions known as Accountability. For this, the executive managament prepared on the subject to develop the cultural pillars.

Implementation

January: The management team put the experience it gained into practice with a 15-week cultural adoption plan.

Febraury to June: We convened with over 50 associates to invite them to become culture facilitators, of which 17 accepted the challenge of taking a supporting role in the cultural transition of Grupo Peña Verde. Their training consisted of:

8 hours of coaching to develop mentoring skills

16 hours of training to deliver the workshop "Culture Shift"

12 hours de coaching

August to November: We delivered over 60 "Culture Shift" workshops to more than 800 employees from Mexico, Chile and London

SUMMARY OF 2020 ACHIEVEMENTS

Over 500 cumulative hours of training

806 associates sensitized on cultural transformation

Integration of cultural transformation into our key results we are looking for by 2025:
i) Premiums written > Ps.20,000 million
ii) ROE > 6% at the rate of Mexican Federal Treasury Certificates
iii) Operating margin > 8%.

A Human Resources area more in tune with the transformation strategy through the adherence to 16 Accountability best practices and commited to the achievement of the performance evaluation indicators (KPIs)

Safeguarding the Health of our Associates

Through our Human Resources Area, we strive to ensure that all our associates are healthy, both mentally and physically, supporting them in living their life to the fullest and to thrive in all its aspects (work, personal, social, etc.). That is why in the last 5 years we have revised our policies, to protect and raise awareness on different aspects of health.

Parental Leave

During 2020, a total of 7 men and 9 women took their parental leave (100% of entitled associates), **which all returned to work by the end of the year (return to work rate = 100%).**

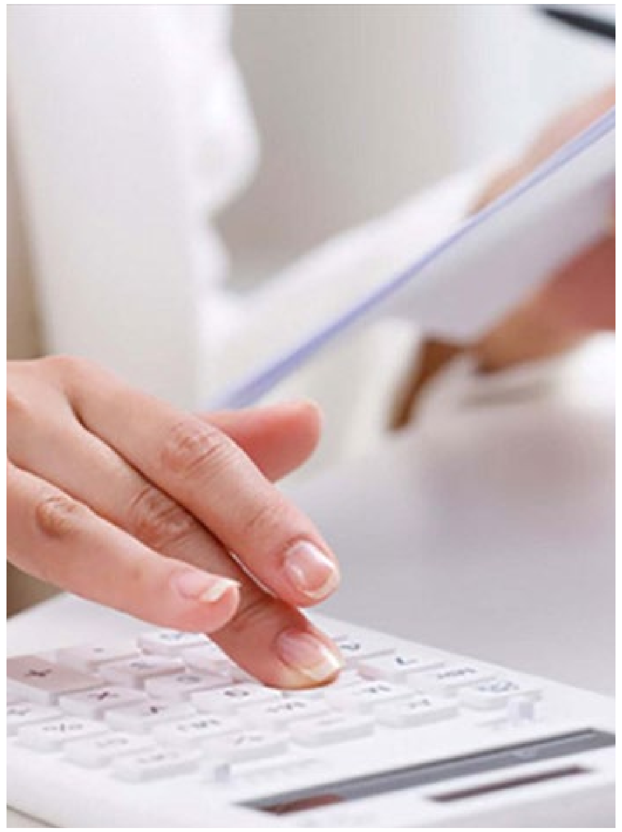
As part of associate perks, we provide different means to access healthcare (including but not limited to those covered by official regulations) which the can exercise for work-and-non-work-related issues. Among these we find the affiliation to Mexican Social Welfare Institute (IMSS), major medical insurance (subscribed with our companies) and the offering of a payroll discount scheme for the purchase of health insurance with an external provider.

We also have a Wellness Line with 5 types of telephone counseling (emotional, nutritional, administrative, legal and team management) while offering some support on emotional issues by means of therapy sessions.

As a preventative measure, we carry out different voluntary initiatives to improve the health of associates, such as conferences and workshops, free tests (weight, vision, general check-up, among others), discounts on health products, sports and meditation courses, health challenges, discounts on professional nutritional counseling, among others.

By 2020, with the entry into force of NOM 035 STPS, we began to conduct surveys to detect and identify psychosocial risks and traumatic events that associates may experience during work.

With the results of these surveys we will strive to deploy, starting in 2021, actions to prevent, mitigate and control these risks at three levels: i) within the Group in general, ii) in each area and iii) individually.



Health Protocols

Our health protocols are properly outlined in an internal document which copy is given to each associate.

We have a health care service available to all our associates during working day. The service is managed by CCSS, which is also responsible of collecting feedback on its effectiveness from associates.

To this end, the medical service will prepare a monthly statistical report of the cases attended to review it with the areas of Health, Human Resources and Legal, and thus propose and implement improvements in the medical service.

How are the risks to which associates are exposed identified?

During our path, we have identified a number occupational hazards to which our associates are exposed. This risk identification process was primarily empirical, since, given the nature of our operations, there are no activities that outstand for its high exposure to risk.

- In case of accident, information on the probable causes is collected directly from the associated for recording and investigation.
- The basic causes of risk are jointly investigated by the personnel who was present, the injured associate's immediate supervisor and the Health and Safety areas to prevent future accidents
- In the event that the injured associate was treated at any of IMSS' facilities, the Payroll Area will advise the corresponding person on how to complete the notice to assess the probable occupational hazard using the form provided by the IMSS (previously filled out by the associate)

Who is responsible for providing medical care?

CCSS physicians will identify the risk level of the accident according to the CCSS Medical Care Traffic Light (used by the IMSS), as well as determining the type of medical aid needed by the associate. Moreover, CCSS Physicians will administer the necessary medical treatment (subject to the accident's risk level), indicate self-care recommendations and provide the associate with medications.

Medical Care Traffic Light

Telephone Medical Counseling

Sevice considerations	Riskless accident	Mild accident	Moderately severe accident	Severe accident	Very severe accident
Telephone medical counseling	●	●	●		
Visit to CCSS physician		●	●		
Medicine (provided by CCSS physician)		●	●	●	●
Notice to family member (for pick-up)			●	●	●
On-site medical aid				●	●
Ambulance and transfer to external medical facility					●
CCSS physician accompaniment during transfer to hospital					●
Entry in Medical Consultation Data Log	●	●	●	●	●
Medical emergency exit pass				●	●

- The civil protection brigade and the medical service are responsible for supporting in any medical emergency that may occur during the workday, providing first aid to the associate
- It is our responsibility to supply the necessary materials and medicines for emergency medical aid, as well as to restock inventory

Process overview

- Associates must contact CCSS as the first step to receive medical telephone counseling by dialing the telephone number outlined in the internal document. If, due to the seriousness of the injury, the associate is unable to call or requires immediate medical aid this will be done at the place of the accident (see Medical Orientation Traffic Light and its informative table).
- If during the medical care, the CCSS physician determines that the associate must be transferred to an IMSS general hospital or to an urgent care center of the same Institute, the physician will notify a family member to come to our facilities to accompany and transport the associate to his/her assigned IMSS general hospital or urgent care center. The associate may request transfer to a private hospital, but in this case the expenses will be borne by the associate

The associate is responsible for updating his/her contact data for emergencies. **This data is stored at our Integral Human Resources System**

- The treating physician will make an entry in the “Medical Consultation Data Log” as the final step of the medical care and/or assessment provided, and will notify by e-mail to the Organizational Development Specialist all cases in which an emotional or psychological affectation (stress, depression, anxiety, any psychosocial risk and/or psychological disorder) has been detected or observed, either as a cause or consequence of physical or emotional health issues, for further follow up with the associate
- The data log is strictly confidential and CCSS, which provides the medical service, is responsible for its management

Associate Safety

We have a security awareness program that comprises aspects related to cybersecurity and physical security.

For physical security specifically, we use different media, such as newsletters and podcasts. The topics to be addressed are determined based on the periodic analysis of information from open sources conducted by our internal personnel with the support of providers specialized in the preparation of this type of reports.

In addition, we ensure that the security elements of the Industrial Banking Police assigned to our facilities receive training in human rights (14% of the elements). And we are currently implementing an awareness-raising program whose itinerary includes a human rights workshop for all security personnel for the second half of 2021.

KEY EXECUTIVES

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

For the purpose of classifying our associates by level, we have an internal categorization that ranges from level 1 to 18. In this sense, we consider as senior executives of Grupo Peña Verde the members of classifications 16 to 18, which correspond to area directors, directors of subsidiaries and vice presidents of our divisions, respectively.

Following is a brief infographic on our key executives as of the date of this report:

Manuel Santiago Escobedo Conover
CEO of Grupo Peña Verde

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

Academic and Professional Track Record: 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.

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Andrés Millán Drews
Vice President of Asset Management and Financial Strategy Division

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

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

Thomas James Cunningham
Vice President of Reinsurance Division (CEO of Patria RE)

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

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

Juan Ignacio Gil Antón
Vice President of Insurance Division (CEO of General de Seguros)

Career at Peña Verde: Mr. Ignacio Gil is Vice President of Insurance of Peña Verde since 2018, being in charge of the General Management of General de Seguros. Previously, he worked as a consultant in strategic planning (2017 to 2018).

Academic and Professional Track Record: With a degree in Economics from ITAM and a diploma in Advanced Program in Management of Public Entities from the National Institute of Public Administration, Mr. Gil has an extensive career in the Mexican public sector, having served in the Ministries of Finance and Public Credit, Tourism, Commerce and Industrial Development, as well as INEGI and the National Insurance and Bonding Commission. From 1999 to 2017, Mr. Gil consolidated a successful career at Grupo Nacional Provincial, performing as director of various departments throughout his tenure. He has also been an advisor to different associations and is a permanent external counselor of the Executive Committee of the CCE.

Francisco Fernando Martínez Cillero
CEO of Reaseguradora Patria (Mexico and Chile)

Career at Peña Verde: 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 recently (April 2021) assumed the position of Chief Executive Officer, both at Reaseguradora Patria..

Academic and Professional Track Record: Mr. Martínez holds a degree in Actuarial Science and a Master's degree in Accounting from ITAM. 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
Executive Director of Business Support and Transformation Division

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

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

REMUNERATION

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

We have 3 remuneration policies (bonuses), which are adapted to the operations of our different subsidiaries.

Servicios Administrativos Peña Verde

Performance Bonus

Our Human Resources Area oversees the calculation and payment processes, both subject to the approval of the Evaluation and Compensation Committee.

To qualify for the bonus, the associate must be on permanent contract and have at least 6 months of seniority.

The bonus calculation process is conducted in February of the year following the period evaluated and is settled no later than the second half of April of such year.

The top number of salary months to qualify for (Target) is established in accordance to the hierarchical level and will be aligned with industry practice based on market information provided by an external consultant specialized in competitive compensation studies.

Position Levels	Target
Vice President	6
General Manager / Chief Executive Officer	4.4
Director/ Deputy director	3
Manager	2.5
Deputy Manager	2
Supervisor / Leader / Specialist / Coordinator	1.5
Executive / Analysts	1

Performance Bonus Amount

Result of Performance Evaluation per component X Target X Salary perceived by the associate during December of the period evaluated.

It is relevant to note that penalties are applied in the event that the Ethics Committee or the Legal Department has filed administrative proceedings against the associate being evaluated.

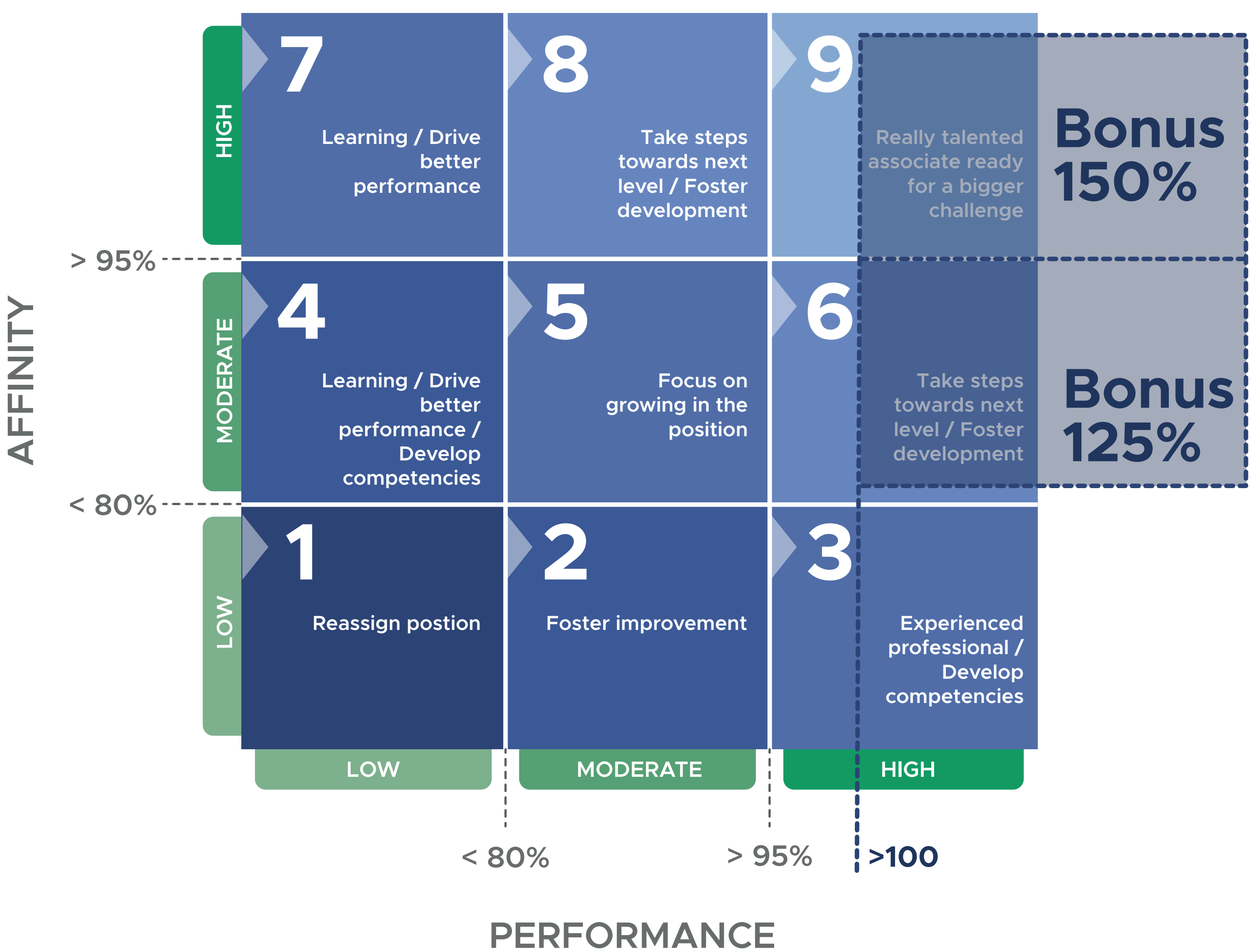
Performance Evaluation Components

Aspect to be Evaluated	Weighting for Associates with Dependent Personnel	Weighting for Associates Without Dependents
Contribution to Key Results	40%	40%
Strategy Achievement	30%	20%
Competencies and Cultural Pillars	20%	25%
Training and Development	10%	15%

Extra Bonus

Associates who, based on their Performance Result and Affinity Result, are located in quadrants 6 and 9 of the Talent Matrix (described below) will be eligible for an extra bonus. The number of associates eligible for this bonus shall not exceed 5% of the total workforce.

Talent Matrix



a) If located in quadrant 6, target bonus will be 125%
b) If located in quadrant 9, target bonus will be 150%

The following factors are taken into account to evaluate the X-axis:

- Achievement of strategic and area management KPIs aligned with key results.
- Performance evaluation by adherence to culture and/or competency pillars
- Grade of Area Strategic Initiatives

The Affinity Result ("Y" axis) is determined based on the adherence to the job profile and cultural pillars.

Reaseguradora Patria

Bonus per Priemiums Written

The Corporate Deputy Director of Risks is responsible for preparing and sending to the Corporate Deputy Director of Compensation and Talent Attraction the primary evaluation report with the technical results of the Subsidiary.

The Corporate Deputy Director of Compensation and Talent Attraction is responsible for notifying the Payroll Area and the Underwriting Sub-Directorates of the corresponding amounts that each associate will receive as a bonus.

The Chief Executive Officer is responsible for reviewing the calculation of the bonus and its approval, the latter together with the Evaluation and Compensation Committee.

To qualify for this bonus, associates most hold any of these positions within the Underwriting Area: Development Supervisor, Assistant Manager, Manager, Assistant Director and Director; and have a minimum seniority of 12 months.

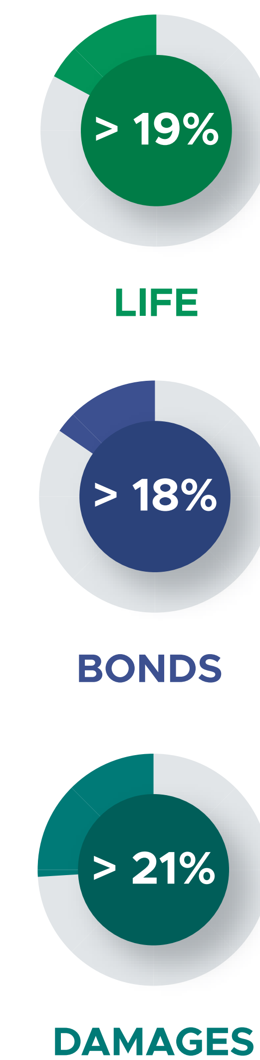
The maximum limit of the amount authorized for the bonus must be equal to the amount of Employee Participation in Profit-Sharing (PTU for its Spanish acronym) plus the authorized bonus amount (which must be equal to or less than the number of months authorized to be paid) multiplied by 1.5.

The amount of this incentive must be adjusted proportionally when the PTU exceeds the amount established in the number of months to be paid, but under no circumstances will it affect the PTU settlement.

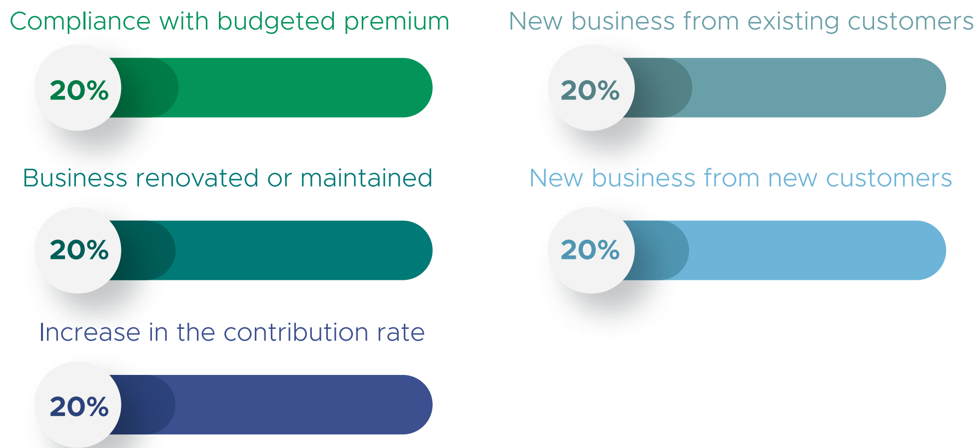
The Underwriting Deputy Managers are responsible for notifying associates of the authorized amount and for providing feedback on strengths, areas for improvement and the action plan to be followed. The Payroll Area must settle the bonus in the second half of July.

The Corporate Deputy Director of Risk will prepare a comprehensive report of technical results with the year-end exchange rate of all currencies and with the premium by type of reinsurance, using information obtained from the SIREC (Spanish acronym for Integrated Reinsurance and Accounting System) database, in order to obtain the increase rates in premium by geographic region, comparing the past 5 years.

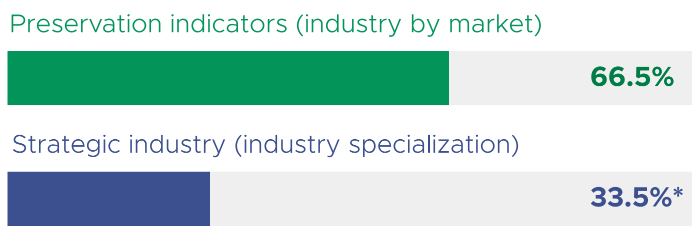
- The target increases by industry in each region are as follows:



- It will also calculate the grade of compliance by industry and region for the last year with the following weightings:



- The following weightings should be considered for the calculation of the bonus:



*For the calculation of the bonus for associates who do not have the strategic industry indicator, they will only qualify the market indicator.

The months of salary to be received correspond to the **direct influence** that each hierarchical level has on the objectives and strategic plans of the Organization.

POSITION LEVEL	MONTHS TO BE PAID
Director	3
Deputy director	3
Manager	2.5
Deputy manager	2
Development supervisor	1.5

General de Seguros

It is the responsibility of the Human Resources Area to manage the process of calculation and payment of the commercial incentive and of the Sales Department to report the results on commercial goals on which the incentive calculation is based.

In order to participate in this scheme, the associate must be active during the period of payment.

For Branch Managers, Regional Directors and Zone Managers, the calculation is based on the associate's last monthly salary for the year to be evaluated, and the incentive payment process is performed monthly. While for Office Managers and Commercial Executives the calculation is based on the number of monthly policies and is conducted on semi-annual basis.

The amount to be paid is authorized by the Human Resources Management and the Sales Management of the Insurance Division, and is settled in the second fortnight of the month following the period evaluated.

The monthly sales budget is established annually by the Sales Management and authorized by the General Management of the Insurance Division. The following metrics are applied to this budget for each of the following associate segments:

Office Managers and Sales Executives

The incentive is paid from 100 policies per month per associate (with no growth limit), regardless of the mix between Current Agents and Recruits, is subject to compliance with the assigned sales budget and the payment is made per policy according to the following matrix:

PRODUCT	NEW POLICY FROM EXISTING AGENT (PS.)	NEW POLICY FROM RECRUIT (PS.)
Autos individuales	50	100
PyMEs	50	100
Salud individual	50	100

Branch Manager

The target amount is 50% of the monthly salary and is calculated monthly by meeting the sales budget of the assigned offices, as well as by developing the distribution network through the attraction and incorporation of productive intermediaries. The criteria for payment are as follows:

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

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

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

35%
OF MONTHLY SALARY
If the sales goal for both lines of business is met, the associate will be subject to a total incentive equivalent

Comply with the network development budget for your region:

5%
OF MONTHLY SALARY
Upon compliance with the premiums paid goal obtained from the Delegate Promoter and Productive Promoter Recruitment

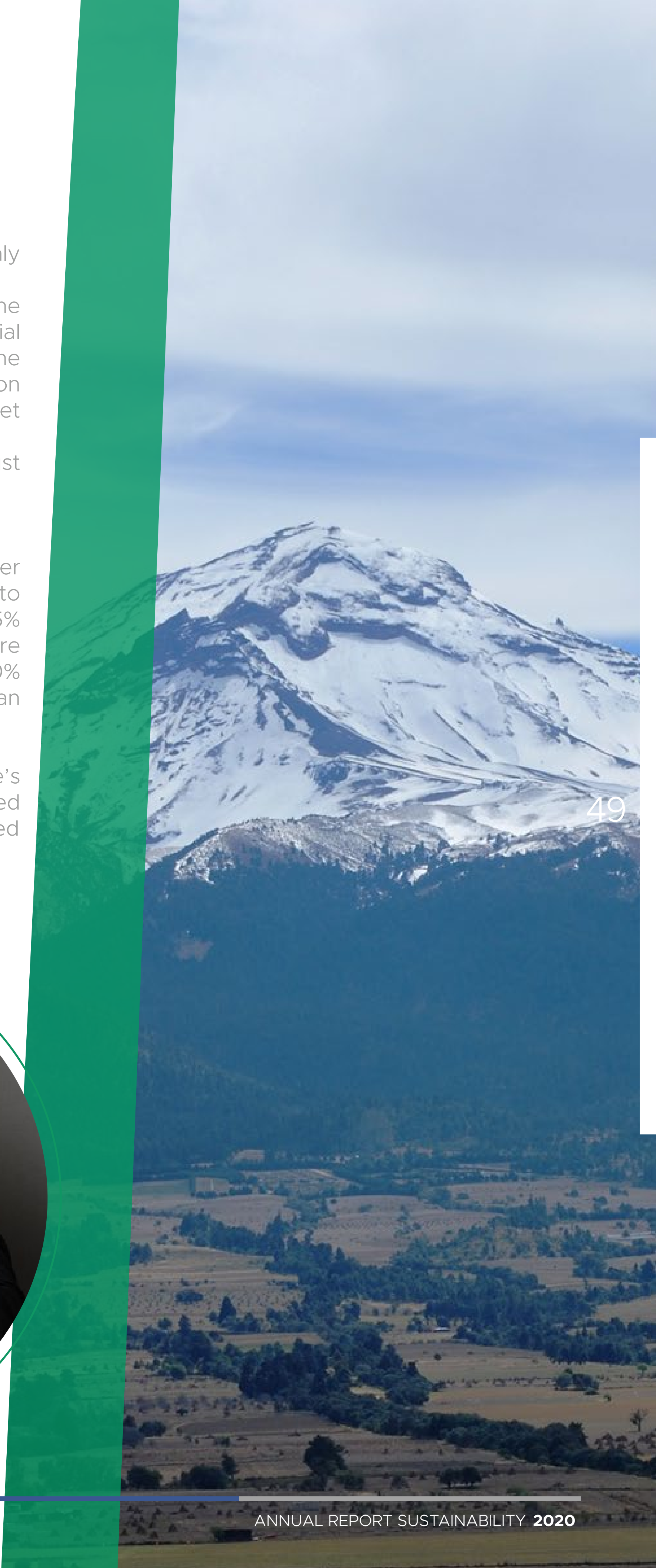
5%
OF MONTHLY SALARY
Upon meeting the premiums paid goal obtained from the Productive Agent recruitment

25%
OF MONTHLY SALARY
In the event of meeting the goal of premiums paid by the recruit in both areas, the associate will be subject to a total incentive equivalent

Regional Directors and Zone Managers

The target amount is 1.5 times the monthly salary.
In order for the Regional Director and the Zone Manager to be eligible for the commercial incentive, 75% of the managers in their zone must have earned their quarterly incentive on at least one occasion with 60% of the target amount.
To be eligible, the following items must exceed budget compliance:

- Semi-annual sales allocated per industry in associate's region - failure to comply per industry will result in a 15% penalty on each incentive; for example, failure to comply in 2 industries will result in a 30% penalty on the incentive even in case of an overall surplus
- Channel development in associate's region - sales obtained through recruited agents, measured by net premiums collected



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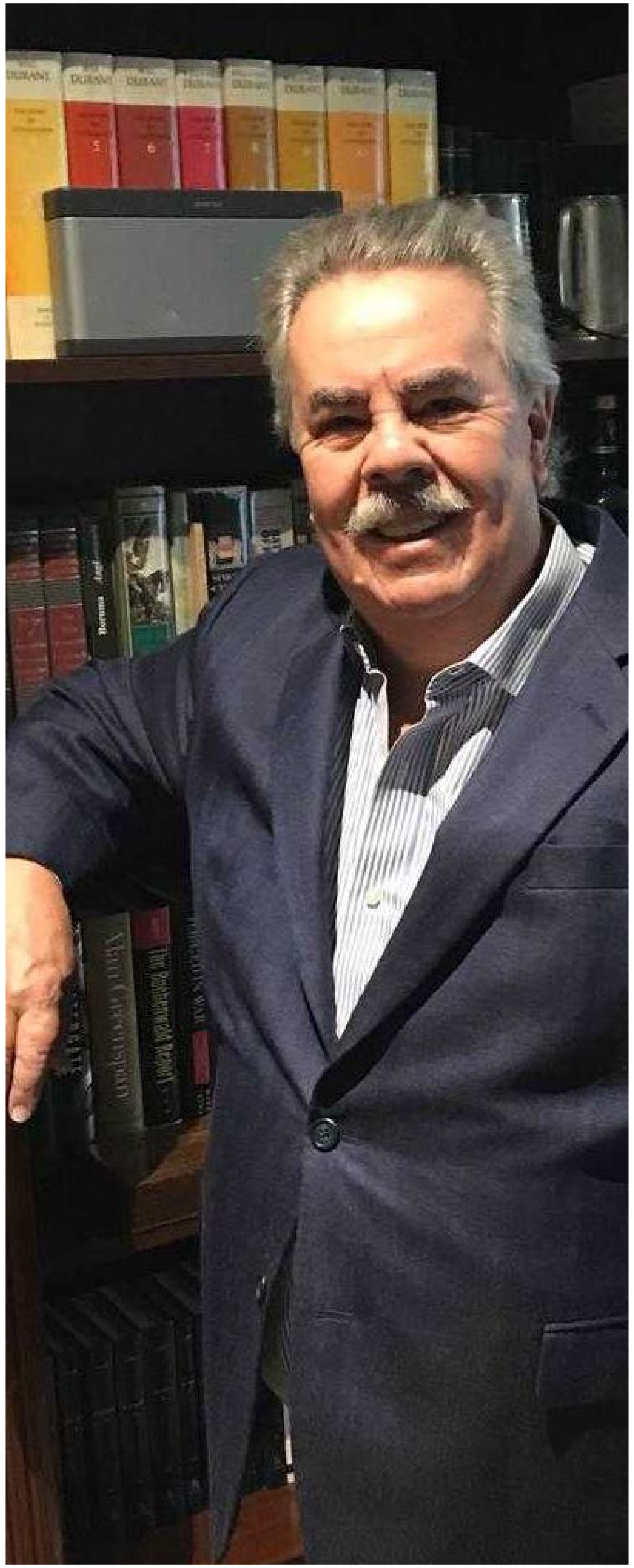
CORPORATE Governance



INTRODUCTORY MESSAGE FROM GENERAL DE SEGUROS' CHAIRMAN

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

Dear shareholders:

Globally, 2020 was characterized by a strong health and economic crisis, as well as by a high level of uncertainty derived from the unknown dynamics and evolution of the COVID-19 pandemic. This, coupled with the fact that we live in an ever-changing environment due to the digital revolution and the demographic and socio-political changes that our country, market and labor force are undergoing, means that our operations now demand a great deal of agility and initiative.

I would now like to discuss the most relevant results and activities from each pillar of our strategic roadmap.

Learning and Development

From a learning and development standpoint, Peña Verde aspires to be a group committed to a continuous process of cultural, business, and technological transformation.

All the Group's companies realize that the future of the insurance industry is digital and will therefore have to transform themselves accordingly. We know and are well aware that digital transformation can significantly improve our performance and give rise to entirely new business models that will shake up the different sectors. We are taking concrete steps towards this process.

As for the strategic objective of having committed high-performance teams working through an effective management system, during 2020 a new performance evaluation model was developed and implemented, which fosters a results-based culture. This model promotes the importance of measuring the impact of individual work in achieving results at the Group level. Likewise, we evaluated the alignment to the culture based on compliance with the cultural pillars and accountability practices.

Regarding the compliance culture, we implemented a follow-up indicator for all remediation plans established by the Group's control areas. Likewise, we will continue our efforts to reduce to a minimum the observations made by the authorities.

On the design and implementation of a new corporate structure to support the Group's growth, the foundations are being laid to establish the new business, data, communications, and application architectures. This was achieved mainly through SAVIA, which consisted of the implementation of SAP's S/4HANA software throughout the organization as an enterprise resource planning system, and which began operating in the last quarter of 2020; and MOVA, an initiative that seeks to enhance value proposal through customer service, rates, and broker experience in the Insurance Division.

In addition, during 2020, we launched TEKKU, the technological transformation program (which has already started the operation of the SAP support desk), the demand management system, and the initiatives to mitigate technological risk (priority zero), which will be completed during the first half of 2021.

At the end of the year, the implementation of the "Solutions" software was completed, which will allow the investment area to focus on more analytical tasks, freeing the operational side of the business to an automated system. Finally, the plan to implement security standards applicable to the Group's people, assets and information reached 45% progress, 5.0% ahead of schedule.

Corporate Front

We believe that corporate governance is a fundamental and strategic function that must consolidate and catalyze the business development function, since, like two sides of a coin, both aspects are essential to the creation of value in our group. The authority necessary for good corporate governance must be exercised effectively but always supported by an attitude of service and respect for others.

In this regard, during 2020 we pushed forward the restructuring of the Boards to make them entirely composed of independent directors with extensive experience and reputation, visionary, efficient, strategic, results-oriented, who not only adapt to change, but also promote it by ensuring that the decision-making process is inclusive and representative, fostering transparency and accountability.

The members of the Board were appointed following the Group's guidelines and the review of suitability criteria. In this way, we ensure an efficient and transparent operation within the framework of ethics, integrity, investor confidence, and sustainable performance.

In line with the above, a proposal was drafted for the organization of boards and committees, a structure that will allow the decisions made to be effectively implemented, bringing direct benefits to our clients.

The Company's corporate governance and internal control comply with Article 69 of Mexico's Insurance and Bonding Institutions Law (*Ley de Instituciones de Seguros y de Fianzas*, known as LISF for its Spanish acronym), and are one of the cornerstones contributing to the achievement of Grupo Peña Verde's 2020-2025 Business Plan: Sustainable Profitability.

Additionally, we started working to comply with the ISO 31000 standard (risk management) and the consequent implementation of COSO ERM in 2025, achieving a progress of 27.5% in the roadmap.

One of the pillars of the transformation is the technological infrastructure, which must be modernized together with the strengthening of cybersecurity measures and the implementation of new CORE systems. Elaborating further on this topic, the Insurance Division continues with the implementation of the Wee platform, General de Salud', which

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seeks to enhance the value of services by providing more effective digital handling of health claims, and with the selection of the new CORE platform of General de Seguros, through the CONECTA initiative.

Customer Front

From a client perspective, we seek to be a group with visibility and influence in our markets.

During 2020, Mexico's sovereign risk ratings were downgraded as rating agencies considered that the effect of the COVID-19 shock would push Mexico into a recession in 2020, and that the recovery would be constrained by the factors that the agencies had identified as limiting growth prior to the pandemic. Notwithstanding this, Peña Verde and its subsidiaries retained their credit ratings, which are higher to that of Mexico.

Since customers are key stakeholders, it is a priority to manage the company's strategy and that of all its business units in an effective and comprehensive manner. In this regard, Grupo Peña Verde's 2020-2025 Business Plan, labelled "Sustainable Profit", was presented and approved by the Boards of Peña Verde and its subsidiaries, following up on its compliance through the strategic roadmap and the indicators of the Balanced Scorecard (BSC).

In addition, the SET and GAEF Divisions implemented initiatives to support compliance with the strategy. GAEF incorporated the Administration and Finance area into its structure and began a restructuring plan to generate synergies among the Group's subsidiaries, consolidate operating efficiencies and improve transparency and control. Meanwhile, SET implemented a new form of invoicing among the Group's companies in order to mitigate the fiscal risks detected at the beginning of the year.

The creation of social and economic value, through the adoption of sustainability standards, is also a priority for the Group. In this regard, we have initiated the development of a methodology to make sustainable investments to contribute to the fulfillment of our strategic objective. During 2021, sustainable indicators will be included in the BSC, such as sustainable savings and investments in sustainable development.

Lastly, we cannot overlook the importance of generating value and a satisfactory experience for our end customers, which is the foundation on which the Group is built.

In this sense, efforts have been made in the Insurance Division to improve the customer experience, such as the Digital Channel, which consists of our own direct sales portal to market automobile insurance; the launch of AMAE, the first 100% digital health insurance product in Mexico for people with diabetes mellitus II; as well as the redesign of the web portal to make it more accessible and useful to customers and brokers. In the case of the Reinsurance Division, we are working on the implementation of a CRM (customer relationship management) system, which seeks to identify and classify clients to offer products tailored to their needs and detect business opportunities.

Financial Front

Peña Verde aspires to be a Group that generates value for its stakeholders and target markets, with sound financial strength, solvency, and suitable liquidity. To this end, it is a priority to have productive business units with adequate operating margins.

During FY2020, the credit rating processes were carried out, maintaining A.M. Best's national scale rating at "aaa.MX" with a stable outlook, backed by the Group's support, strong capitalization levels, improvements in underwriting performance, consistent cash flow from investment activities, experienced management team, and a solid reinsurance program.

At year-end, the Group has the financial solvency and allowable equity necessary to cover the solvency capital requirement (SCR), maintaining a coverage ratio of 1.6 times the SCR, a technical reserves coverage of 1.1 times and minimum capital of 14.9 times, in addition to Ps.944 million in N4 assets.

Words of thanks

We are aware of the global situation and we are working to tackle these challenges. All our companies are well managed, and we are confident in our abilities to achieve our goals. The results attained so far are not the result of chance, but of the great effort and commitment of all the people who collaborate, believe in, and are committed to Peña Verde. In the current economic and social backdrop, we reiterate our commitment to our clients and collaborators, as well as to society.

I want to acknowledge the great commitment we are all putting into to build our company, overcome this crisis and continue providing the services we have committed to deliver.

Pablo de la Peza Berríos
General de Seguros' Chairman

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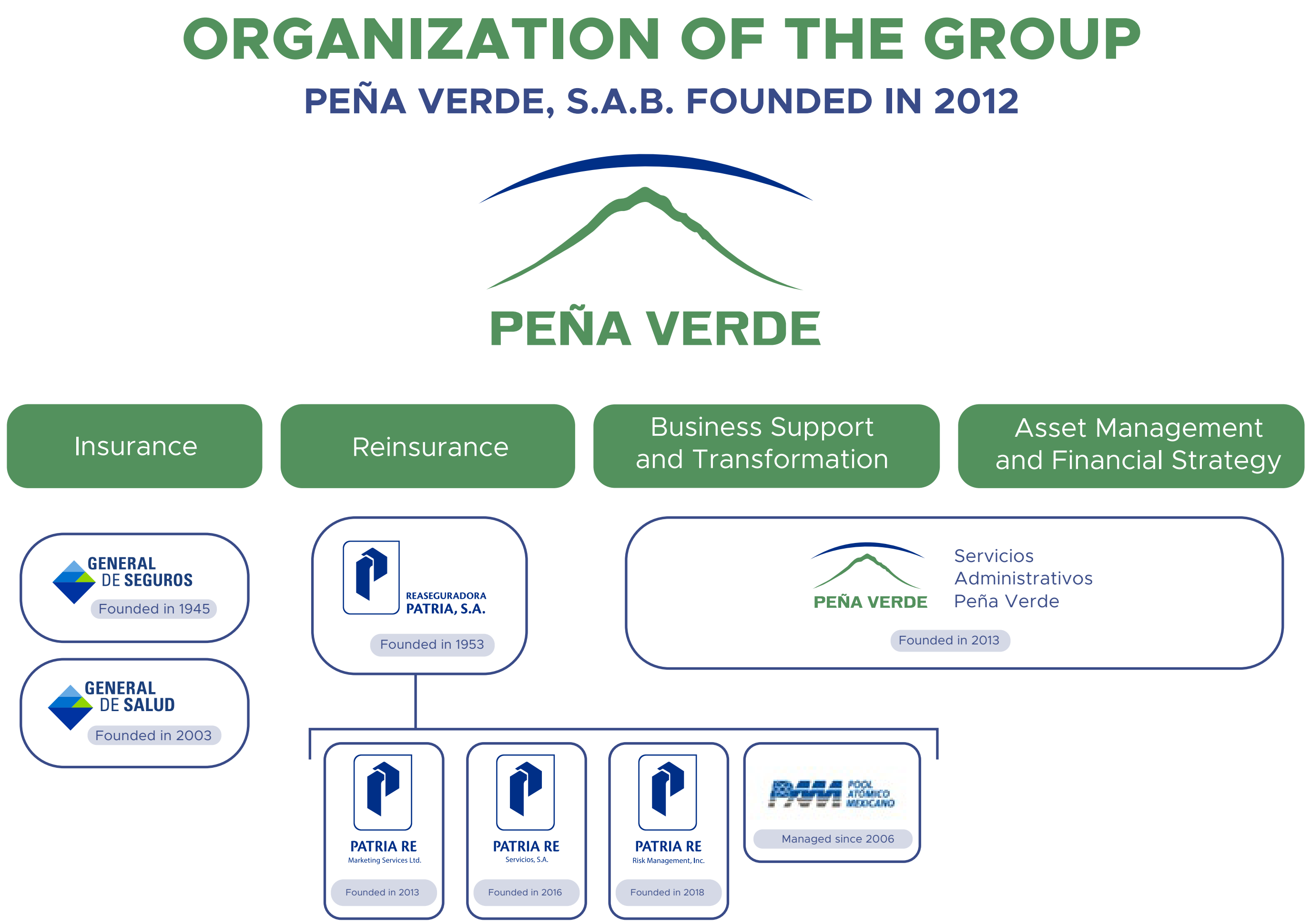
CORPORATE STRUCTURE

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

As a holding company, we divide our subsidiaries into four different business lines, as shown in the following diagram:



This structure began to take shape in 2012, when we carried our takeover bids for General de Seguros, S.A.B. and Reaseguradora Patria, S.A.B., becoming a holding company incorporating these entities.

Likewise, with the objective of boosting the competitiveness of our different business areas to a new level, on October 23 of the same year, we created Servicios Administrativos Peña Verde, S.A. de C.V., which is geared towards the integration of a participative and innovative organizational culture with a strategy focused on organizational performance.

This effort contributed to our consolidation as a solid group striving for national and international expansion, since on September 25, 2015, we established Patria Corporate Member Limited (PCM) under the laws of the United Kingdom, whose main purpose is to carry out reinsurance activities in the Lloyds Bank PLC market.

Finally, in 2016, we incorporated CCSS - Peña Verde, S.A. de C.V., whose purpose is to participate in the ancillary services market related to insurance.

As of December 31, 2020, our stake in our main subsidiaries is as follows:

COMPANY	GRUPO PEÑA VERDE'S OWNERSHIP
Servicios Administrativos Peña Verde	99.9999%(1)
Reaseguradora Patria	99.98229825%
General de Seguros	98.14644%
CCSS-Peña Verde	99.9800%(2)

(1) The remaining 0.0001% is owned by Reaseguradora Patria.
(2) The remaining 0.0200% is owned by Servicios Administrativos Peña Verde.

SHAREHOLDING STRUCTURE

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

The shares representing our capital stock are common, ordinary, nominative, single series shares without par value.

As of December 31, 2020, the capital stock of Peña Verde S.A.B. was represented by 642,431,282 single series shares, of which 476,678,213 were outstanding and 165,753,069 were held in treasury. Of the 165,753,069 treasury shares, 9,380,700 are subscribed.

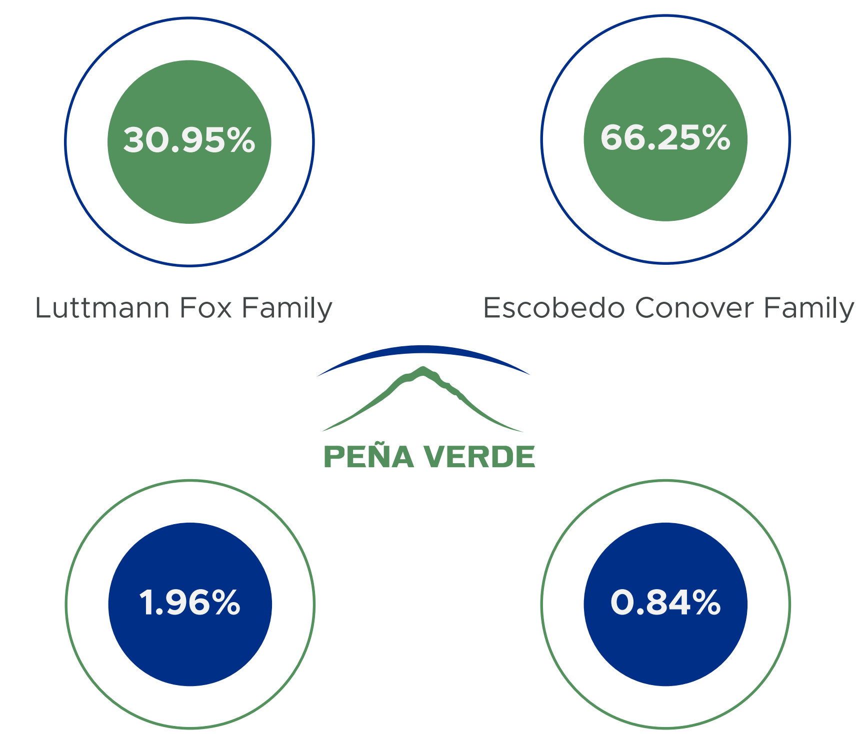
At a share price of **Ps.10.18**, our year-end market capitalization amounted to **Ps.4,853 million.**

Shareholders' Meeting

The Shareholders' Meeting is our supreme governance body, which provides us with the philosophy on how to do business and decides the risk appetite for our business. The Meeting is also responsible for decision-making and for providing the mandate to the Board of Directors for the proper execution of strategies throughout our value chain.

The Escobedo Conover family, who are the Group's controlling party, holds 66.25% of our shareholding, and another 30.95% is held by the Luttman Fox family, who have significant influence over the actions of the Company. Lastly, 0.84% is distributed among the investor public and the remaining 1.96% is in Treasury.

Composition of the Shareholders' Meeting



Below, we provide a breakdown of our main shareholders and their respective interest at the end of 2020:

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

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

BOARD OF DIRECTORS

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

Our corporate governance ensures adequate management and control through the participation of visionary, efficient, strategic, results-oriented directors and executives who not only adapt to change, but also promote it.

In this regard, we highlight the work, experience, and independence of our Board of Directors, which, supported by the relevant Committees, is the body responsible for overseeing the management and operation of all our Group's businesses. In this way, we ensure efficient and transparent operations under a framework of ethics, integrity, investor confidence and sustainable performance.

The members of the Board of Directors and the Committees are appointed in accordance with our guidelines that consider several aspects, such as:

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

In an effort to continue strengthening our corporate governance, the Board of Directors is trained annually in economic and governance issues related to the insurance and reinsurance industry, as well as any relevant field of knowledge of each of the subsidiaries.

Additionally, the Council evaluates its performance through a survey that is applied at the end of each meeting. Based on its findings, improvement actions are developed at the next scheduled meeting in the most timely and efficient manner possible.

Integration of the Board of Directors in 2020

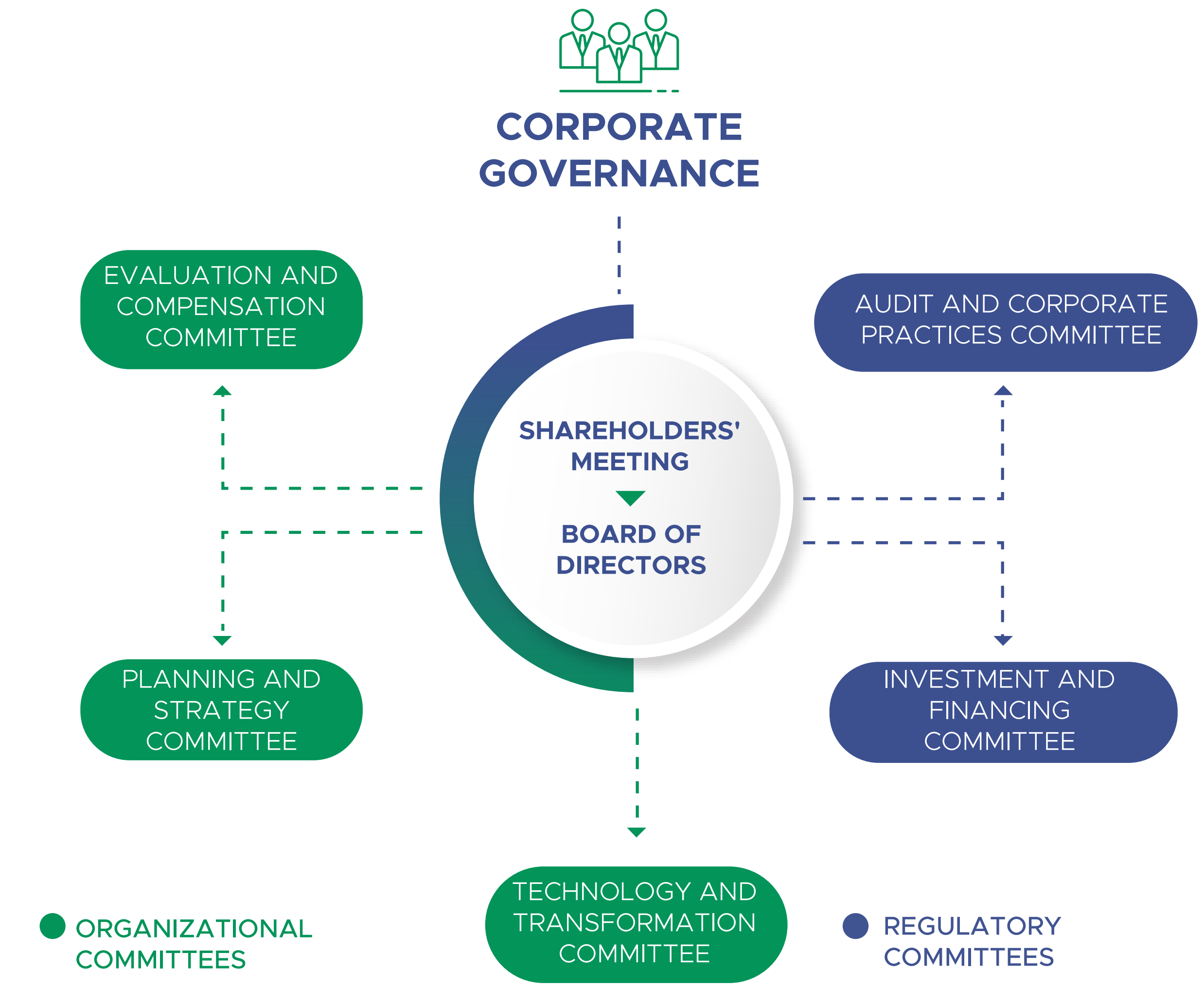
MEMBER	POSITION	ALTERNATE
Enrique Zorrilla Fullaondo	Chairman	Patricio Treviño Westendarp
Manuel Agustín Calderón de las Heras	Corporate Secretary	Laurence Wattraint Lancelle
Álvaro Mancera Corcuera	Member	Luiz Carlos Ferezin
Antonio Souza Saldívar	Member	Luz María Gabriela Hernández Cardoso
José Antonio Martí Cotarelo	Member	Xavier Marc Meric de Bellefon
Lorenzo Lazo Margain	Member	Rogelio Ramírez de la O

All members of the Board of Directors, including the Chairman, qualify as independent in accordance with the Mexican Securities Market Law.

COMMITTEES

This material references Disclosures 102-18:b, 102-20, 102-22:a.i, 102-22:a.ii and 102-22:a.v from GRI 102: General Disclosures 2016; 103 from GRI 103: Management Approach 2016; and 207-1:a.ii, 207-2:a.i, 207-2:a.ii and 207-2:a.iv from GRI 207: Tax 2019

We have a corporate governance structure that ensures inclusive, participative, and representative decision-making through 5 organic committees (2 of which are regulatory) directly supporting the Board of Directors.



OUR PILLARS

These governance bodies respond effectively to our needs as a Group as well as those of our stakeholders. Likewise, the structure allows the effective execution of the decisions made throughout our operation, generating direct benefits for our customers.

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Evaluation and Compensation Committee

Purpose

To ensure that Grupo Peña Verde has the talent (especially at senior management level and in key positions) and organizational culture necessary to grow in a sustainable and competitive manner.

Integration

Member	Position in Grupo Peña Verde	Role
Rogelio Velasco Romero	Independent Director	Committee Chairman
Janet Gallegos Junco	Human Capital Director	Committee Secretary
José Antonio Marti Cotarelo	Independent Director	Member
Anthony John Phillips	Independent Director	Member
Lilia Ivonne Hernández Garcia	Independent Director	Member

Planning and Strategy Committee

Purpose

To support the Executive Presidency in the achievement and development of the business strategy, as well as in the implementation of an adequate corporate governance and internal control.

Integration

Member	Position in Grupo Peña Verde	Role
Manuel Santiago Escobedo Conover	CEO	Committee Chairman
Enrique Zorrilla Fullaondo	Chairman	Member
Juan Manuel Gironella García	Director and Chairman of Reaseguradora Patria	Member
Pablo de la Peza Berríos	Director and Chairman of General de Seguro	Member
Alejandro Alfonso Díaz	Director and Chairman of General de Salud	Member
Astrid Jacobo Sánchez	Strategy and Sustainability Director	Committee Secretary

Note: The Committee was established during 2021.

To introduce corporate governance and internal control best practices thorough our Group, the Planning and Strategy Committee complies with Article 69 of Mexico's Insurance and Bonding Institutions Law (*Ley de Instituciones de Seguros y de Fianzas*, known as LISF for its Spanish acronym), which explicitly requires institutions to establish policies and procedures regarding:

Comprehensive Risk Management

Our **Comprehensive Risk Management System** encompasses all the policies, procedures, rules, frameworks, information systems and people in the Group that identify, evaluate, monitor, mitigate and control the risks arising from both external and internal sources and whose effects may have a significant impact on our operations, either individually and/or in aggregate.

Internal Control

The effective and permanent internal control system allows us to ensure that operations are carried out in accordance with the policies and/or procedures we have adopted at Grupo Peña Verde, in compliance with the applicable legal, regulatory, and administrative provisions, as well as the policies and standards approved by the Board of Directors, in order to foster a culture of prevention and minimize errors when carrying out our activities.

Actuarial Function

As part of the corporate governance system and in accordance with the provisions of current regulations, insurance institutions must follow actuarial rules and guidelines. In our Group, this function supports the Company's technical management and is performed by people with sufficient expertise in actuarial, financial, and statistical mathematics, as well as with the necessary knowledge on the corresponding business line operations.

The actuarial function contributes to the effective operation of the integral risk management system, in particular to model the risk on which the calculation of the solvency capital requirement is based in terms of the provisions of the LISF, as well as in the periodic self-assessment of risks and solvency.

The General Insurance and Reinsurance Divisions have actuarial officers responsible for these tasks.

Third-Party Service Engagements

We have policies and procedures regarding third-party service engagements that comply with the obligations set forth in the law, standards, and applicable legal, regulatory, and administrative provisions.

These policies seek to prevent the hiring of third parties for any operational activities when such contracting could result in:

a) Deterioration of the quality or effectiveness of the corporate governance system
b) Excessive increase in operating risk
c) Undermining the Commission's ability to carry out its inspection and oversight duties
d) Impairment of the rendering of an adequate service to the user public

Technology and Transformation Committee

Purpose

To outline the development and integral digital transformation of our Group by driving the implementation of new technologies and market trends forward, seeking to generate value for customers and stakeholders.

Integration

Member	Position in Grupo Peña Verde	Role
Manuel Santiago Escobedo Conover	Strategy and Sustainability Director	Committee Chairman
Astrid Jacobo Sánchez	Strategy and Sustainability Director	Committee Secretary
René González González	Executive Director of Business Support and Transformation Division (Head of IT)	Member
Moisés Cerezo Huitrón	Deputy Director of Technology Transformatio	Member
Thomas James Cunningham	VP of Reinsurance Division	Member
Juan Ignacio Gil Antón	VP of Insurance Division	Member
Andrés Hernando Millán Drews	VP of the Asset Management and Financial Strategy Division	Member
Luiz Carlos Ferezin	Independent Director	Member
Guillermo Güémez Sarre	Independent Director	Member
Bárbara Mair Rowberry	Independent Director	Member
Guillermo Gómez del Campo	Independent Director	Member
Ney Galicia Arrocena	Deputy Director of Security	Guest member
Isaí Gómez Flores (Axity)	IT Service Provider	Guest member

Note: The Committee was established in 2021.

Audit and Corporate Practices Committee

Purpose

To oversee our compliance with internal regulations, as devised by the Board of Directors, as well as with applicable legal and administrative provisions. It will also ensure that **financial and operating information** is prepared and reported with responsibility and transparency.

The establishment of this committee is mandatory based on article 72 of the LISF.

Integration

Member	Position in Grupo Peña Verde	Role
Lorenzo Lazo Margain	Independent Director	Committee Chairman
Manuel Agustín Calderón de las Heras	Director of Corporate Governance and Regulations	Committee Secretary
Antonio Souza Saldívar	Independent Director	Member
Patricio Treviño Westendrap	Independent Director	Member

The Audit and Corporate Practices Committee supports the Board by performing:

Internal Audit

Under a risk-based approach, the internal audit role in our Group is to design the annual audit program, which is authorized by the Audit Committee, ensuring that it is perfectly aligned with our strategic initiatives. The Committee also reviews the internal control mechanisms implemented safeguard our resources, ensure compliance with applicable legal, regulatory, and administrative provisions and, therefore, protect the interests of our users. It also proposes improvements to our operations that contribute to achieving our objectives and goals.

Investment and Financing Committee

Purpose

Formulate our investment policy and strategy in accordance with the guidelines and thresholds proposed by the Risk Committee, which have been approved by our Board of Directors in compliance with current regulations.

The establishment of this Committee is mandatory under article 248 of the LISF.

Integration

Member	Position in Grupo Peña Verde	Role
Manuel Santiago Escobedo Conover	CEO	Committee Chairman (1)
Saduj Emmanuel Muñoz Lara	Deputy Chief Investment Officer	Committee Secretary
Juan Ignacio Gil Antón	VP of Insurance Division	Member
Andrés Hernando Millán Drews	VP of Asset Management and Financial Strategy Division (Head of Investments)	Member
Fernando Francisco Miguel Álvarez del Río	CEO of General de Salud	Member
Francisco Fernando Martínez Cillero	CEO of Reaseguradora Patria	Member
Enrique Zorrilla Fullaondo	Independent Director	Member
Rogelio Ramírez de la O	Independent Director	Member
Álvaro Mancera Corcuera	Independent Director	Member
Darío Luna Plá	Director of General de Salud	Member
Verónica Alcántara Trejo	Independent Director of the Audit Committee at General de Salud	Member
Jorge Mercado Pérez	Independent Director of Reaseguradora Patria	Member
Carlos Cárdenas Guzmán	Independent Director of the Audit Committee at Reaseguradora Patria	Member
Julián Jorge Lazalde Psihas	Independent Director of General de Seguros	Member
Karl Frei Buechi	Independent Director of the Audit and Corporate Practices Committee at General de Seguros	Member
Pablo de la Peza Berríos	Independent Director of General de Seguros	Member
Manuel Agustín Calderón de las Heras	Director of Corporate Governance and Regulations	Guest member
Freddy Nolasco Ochoa	Corporate Risk Director	Guest member – Comprehensive Risk Management
José Fernando Rodríguez Gual	Internal Audit Director	Guest member

(1) Manuel Escobedo Conover has served as chairman of the committee since 2021. In 2020 the chairman was Alvaro Mancera Corcuera.

In addition to those previously mentioned, we have established different committees for specific operational purposes.

Tax Committee

The Tax Committee analyzes these identified situations and, in a collegiate manner, formulates a group-wide criterion, **framing the guidelines for supervision and follow-up for each subsidiary.**

Purpose

To analyze operational initiatives and adjustments arisen from changes to the tax legislation applicable to each of our subsidiaries. Likewise, it is responsible for the implementation of all tax changes throughout the Group.

Our Tax Committee is in charge of assessing tax risks, outlining, and approving the Company's tax rules and strategies, and standardizing the tax criteria of the different subsidiaries. In order to comply with these criteria, the Committee is strongly supported by the corporate managers of each subsidiary.

The Tax Committee meets on a bimonthly basis and may also hold extraordinary meetings should there be an urgent matter for approval. At the bimonthly meetings, regulatory compliance is monitored and progress on the objectives set is evaluated.

It is worth mentioning that we do not currently have a defined company-wide tax strategy.

Integration

Member	Position	Role
Norma Angélica Águila Pérez	Deputy Corporate Director of Administration and Finance	Committee Chairman
Christian Roberto López Yáñez	Corporate Tax Manager	Committee Secretary
Juan Adrián Martínez Armenta	Tax Manager (Insurance Division)	Member
Jorge Diego Pérez Ruiz	Tax Manager (Reinsurance Division)	Member
Gonzalo Galicia Díaz	Actuarial and Finance Director (Reinsurance)	Member
Fernando Flores Hernández Magro	Chief Financial Officer (Insurance)	Member
Manuel Agustín Calderón de las Heras	Director of Corporate Governance and Regulations	Guest member
Israel Trujillo Bravo	Corporate Legal Officer	Guest member
Moisés Senado	Tenured Expert Advisor	Guest member
Asesor Experto	Expert Advisor	Guest member

The Tax Committee is assisted by two external advisors from renowned tax firms and takes into account any **specialized opinion provided by industry specialists for decision-making purposes.**

Sustainability Committee

As of January 2021, we formally established the body responsible for the corporate sustainability strategy (aligned with ESG factors), as part of the Strategy and Sustainability Department, reporting directly to the Group's Chairman. Under this corporate sustainability strategy, we put together a Sustainability Committee that reports to our Planning and Strategy Committee.

Prior to this date, the area in charge (Social Responsibility) only managed operational activities related to the environmental, health and education and civic matters. The results of these activities were presented directly to the Company's Chairman.

ETHICS

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

We are strongly committed to the sale of intangible products, reason why trust is of utmost importance to our clients. Therefore, we abide by defined ethical principles aligned with the mission, vision, and values of each of our companies.

In addition, we adhere to the twelve principles of integrity and business ethics established in the Code of Integrity and Business Ethics of the Business Coordinating Council.

As a result of the 2011 human rights reform and as a consequence of the criteria adopted by the judiciary on human rights, all contractual and operating documentation, including that related to the settlement of claims, is oriented towards compliance with and safeguarding of the human or fundamental rights of policyholders, customers, employees, and all personnel who are part of or work with the companies of our Group.

All of the elements mentioned above were considered when drafting our Code of Ethics and Business Conduct (the "Code"), which was approved by the Audit Committees and Boards of Directors of the subsidiaries.

The Code encompasses the principles that we believe are essential to our day-to-day operations and that we expect our directors, officers, employees, advisors, agents, business partners, and all our collaborators to embrace.

Although it is not possible for the Code to cover all situations that may arise on a daily basis, it provides general guidelines that govern the way in which employees must conduct themselves when performing their duties, since a violation of the Code may result in disciplinary action, termination of contract, and civil and/or criminal actions, among other cases.
All new employees are required to read the Code, as they are given a physical copy and must sign an acknowledgment of receipt. In addition, training workshops are held annually for employees to strengthen their understanding of the Code. At the end of these workshops, employees must take a test to assess their knowledge of the Code.

The responsibility for overseeing these processes, as well as the adherence of all employees to the Code, lies with the Compliance Area.

The Code is part of our Integrity program, which enables employees to request through the Human Capital and Legal Areas the necessary advice to report unethical conduct.

Furthermore, the Legal Area is in charge of the operation of our Group's ethics line, with an Ethics Committee that analyzes and rules on solutions for the cases that arise.

In this way, we promote solid and respectful relationships among our employees, as well as between them and our suppliers, customers, and competitors, conducting all business with legality and integrity.

Code Outstanding Principles

Respect for Others

We hire, compensate, promote, and make employment decisions based on factors such as talent, skill, qualifications, and performance, without regard to ethnicity, nationality, race, gender, religion, age, sexual orientation, gender identity, disability, or any other reason unrelated to the aforementioned factors.

We seek to provide an environment and working relationships where everyone is treated with dignity, respect, honesty, and compassion, without harassment, discrimination, or retaliation of any kind; we expect our employees to act in congruence with this precept. **That is why we are proud to report that there were no cases of discrimination during 2020.**

Labor Relations and Working Conditions

We recognize the right of workers to associate in ways that allow collective bargaining in accordance with the terms established in collective bargaining agreements.

We do not interfere with, impede, or discriminate against workers who wish to associate in order to achieve collective bargaining conditions.

Conduct in the Workplace

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

Idea Assets

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

1. Property security (physical assets)
2. Confidential information (corporate data)
3. Security of personal data (customers)
4. Intellectual property and use of information (intangible assets)
5. Electronic communications
6. Use of social media

Third-Party Services Policy

The purpose of this policy is to ensure that the Group only engages third parties that have integrity and a good reputation in the industry. Any contracting must verify the foregoing and ensure that the third party reads and agrees to our Code of Ethics.

It is relevant to point out that our third-party services policy also includes a labor independence clause, in which it is stated that any engaged third party has no labor dependence on the Group or any of its subsidiaries. Moreover, suppliers declare that they will fully comply with their labor obligations in accordance with current legislation.

Likewise, the Group is about to issue its **Code of Ethics for Suppliers**, which will be required to comply with different standards on environmental, anti-corruption, labor, and human rights matters.

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Policies Related to Regulatory Compliance

Anti-Corruption Policy

The appropriate measures to prevent and avoid acts of corruption will be determined group-wide for each subsidiary considering the principles of:

- **Proportionality:** establishment of controls in accordance with operational risks.
- **Top-level commitment:** employees must be engaged and committed to comply with the established measures.
- **Risk assessment:** risks must be adequately identified and managed.
- **Due diligence:** procedures are in place to select, manage, and evaluate all those who act on our behalf.
- **Communication:** all Code measures must be conveyed to those involved.
- **Monitoring and review:** the communication, awareness and enforcement of the measures established in accordance with these principles are followed-up.

In this sense, it is forbidden to carry out, cover or promote acts of bribery, corruption, collusion, blackmail or in general any activity that involves offering or granting to any person a payment in money or in kind, advantages, privileges, loan of services, assumption of debts or obligations or excessive courtesies, directly or through third parties.

Gifts and Entertainment

It is not permitted to accept bribes, kickbacks, gratuities or other exceptional payments from any organization or individual that intends to do business with, currently does business with, or competes with Peña Verde.

Donations

No donations will be made by us when (i) they are at the request of a government official or (ii) a government official is involved in the administration of such organizations. All donations must be reviewed and approved by the Company's Chief Legal Officer.

Political Contributions

We will not make any direct or indirect contributions in any kind to political parties, movements, committees, political and trade union organizations, or their representatives and candidates, except for those specifically required by applicable laws, if any.

Anti-Money Laundering

We reaffirm our commitment to not engage in money laundering, terrorist financing, or any other financial crime, and therefore only partner with reputable customers and suppliers who have legitimate businesses and whose resources come from a legal source.

Specific actions to prevent money laundering are detailed in our **"Money Laundering and Terrorist Financing Prevention Manual"** and place special emphasis on: i) collecting and safeguarding customer identification information, ii) detecting transactions that are atypical for the customer's profile, and iii) reporting relevant, unusual and internal suspicious transactions to the authorities.

Main Measures to Prevent Conflicts of Interest

Any relationship, activity or interest that could imply or indicate an actual or probable conflict of interest must be immediately reported to the Company's Chief Legal Officer. In addition, directors, officers, and certain designated employees must complete an annual conflict of interest form. If employees have interests in businesses that buy, sell, or provide services to us, 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 our interests. An apparent conflict of interest can be as damaging to Grupo Peña Verde as a real conflict of interest.

Employees must refrain from having interests or investments that would allow them to have a significant influence in 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 our 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.

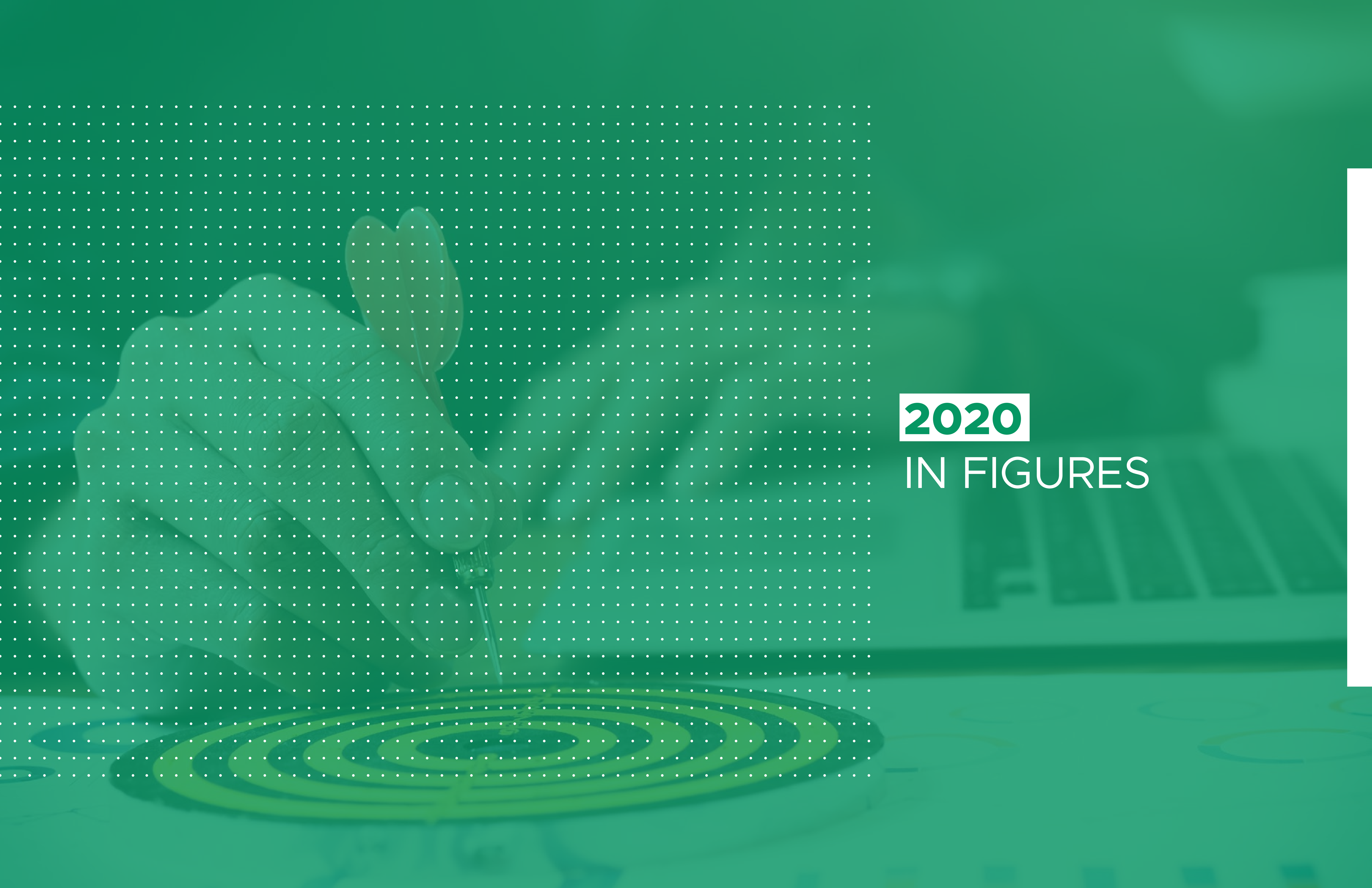
The Company's Chief Legal Officer shall be responsible for receiving in writing and handling all notices related to possible conflicts of interest; those that cannot be resolved by him/her shall be forwarded to the Audit Committee.

Related-Party Transactions

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

The following are considered to be related parties:

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



2020
IN FIGURES

INTRODUCTORY MESSAGE FROM GRUPO PEÑA VERDE'S CEO

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

I am honored to share with you the Company's performance for 2020, a year in which, despite the multi-faceted challenges brought on by the COVID-19 pandemic, we achieved an annual increase of 24.5% in written premiums, surpassing the Ps. 10 billion mark for the first time in our history.

The main driver of this result was the resilience shown by all of our subsidiaries, as their combined strengths allowed us to weather this particularly testing cycle with stability. In this regard, the strategy followed by Reaseguradora Patria, geared toward broadening its commercial outreach in the markets where it operates, was especially noteworthy, as it fueled a solid 41.2% annual growth in written premiums, totaling Ps.7,276 million. On the other hand, General de Seguros' performance remained practically unchanged on an annual basis in terms of written premiums, amounting to Ps. 2,551 million.

Although the Company posted a Ps.196 million net loss in 2020, this was largely attributable to two non-cash effects: i) the increased booking of reserves at Reaseguradora Patria on the back of strong premium growth; and, ii) the fluctuations on the financial markets where we invest, resulting from the heightened uncertainty triggered by the pandemic. Nevertheless, in light of the many headwinds we faced in 2020, we are satisfied to have offset more than 77% of the Ps. 861 million loss recorded in the first quarter of the year.

On the financial front, the Company's adjusted net worth increased 3.1% year-over-year to Ps.8,427 million. In addition, AM Best (the world's top credit rating agency focused on the insurance industry) ratified the credit ratings of Peña Verde and its subsidiaries (Reaseguradora Patria, General de Seguros and General de Salud), attesting to our sound financial health.

We are convinced that the sum of initiatives we have disclosed throughout this report will contribute to greater value creation for the benefit of our shareholders, investors, employees, and other stakeholders.

Wrapping up, I would like to thank our employees for their enormous commitment, as they are the backbone of our operations. And while in 2021 we will continue to make steady progress on the goals set out in our business plan, we will keep honoring the trust our customers have placed in us by providing them with top-quality service under the maxim: "The customer, my priority".

Manuel S. Escobedo Conover
CEO

INCOME STATEMENT SUMMARY

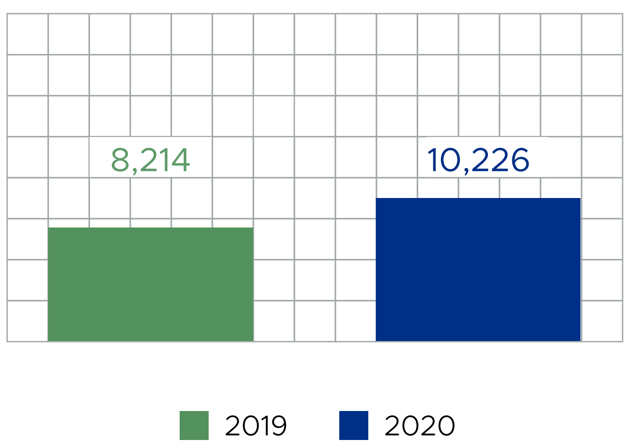
This material references Disclosure 102-7:a.iii from GRI 102: General Disclosures 2016

Written Premiums

During 2020, written premiums increased 24.5%, from Ps. 8,214 million in 2019 to Ps. 10,226 million, largely driven by Reaseguradora Patria's performance, underpinned by its strategy aimed at gaining market participation where it operates. On the other hand, written premiums by General de Seguros in 2020 remained roughly in line with 2019.

Written Premiums (millions of Mexican pesos)

+24.5%

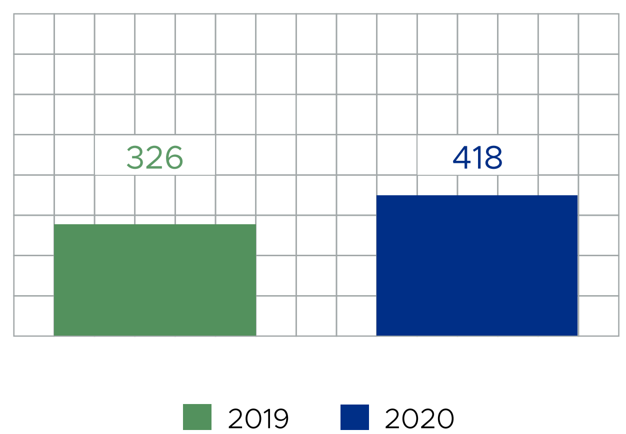


Net Increase of Unearned Premiums Reserve

The Company's unearned premiums reserve rose 28.1% in 2020, from Ps. 326 million in 2019 to Ps. 418 million.

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

+28.1%

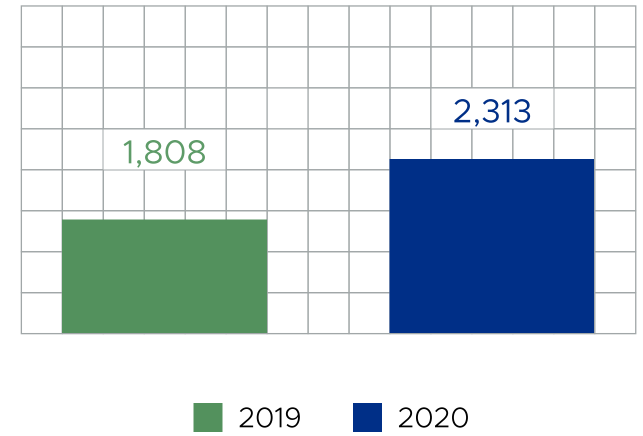


Net Acquisition Cost

2020 Net Acquisition Cost increased 27.9%, amounting to Ps. 2,313 million vs. Ps. 1,808 million in 2019, mainly due to an increase of Ps. 401 million in reinsurance commissions and an increase of Ps.160 million in stop-loss coverage expenses to safeguard the Company's retention. Net acquisition cost as a percentage of net written premiums was 28.3% in 2020, compared to 27.3% in 2019.

Net Acquisition Cost (millions of Mexican pesos)

+27.9%

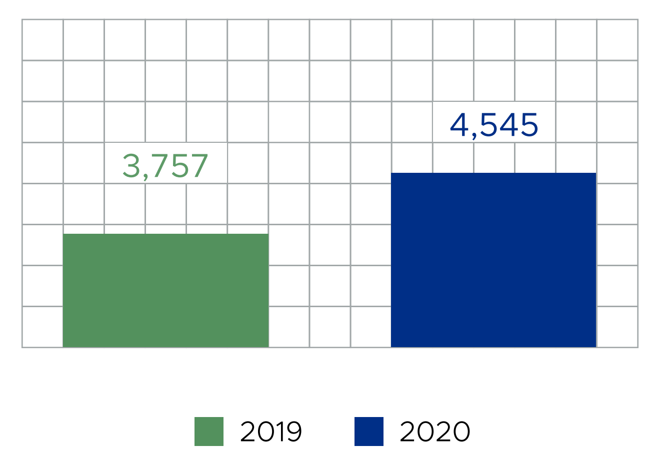


Net Claims Cost

Net Claims Cost climbed 21.0% in 2020, from Ps. 3,757 million in 2019 to Ps. 4,545 million, derived from increased claims at Reaseguradora Patria (+Ps. 1,005 million). In 2020, net claims cost as a percentage of net premiums earned was 58.7% vs. 59.6% in 2019.

Net Claims Cost (millions of Mexican pesos)

+21.0%

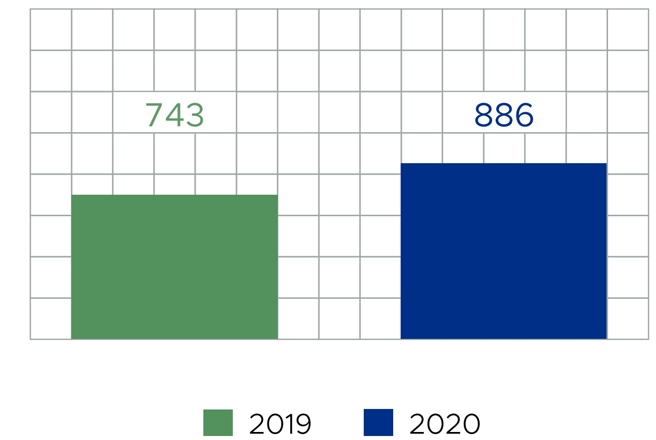


Technical Result

During 2020, the Company's technical income totaled Ps. 886 million, increasing 19.2% over the Ps. 743 million posted in 2019, supported by the surge in written premiums , which offset higher acquisition and claims costs.

Technical Result (millions of Mexican pesos)

+19.2%

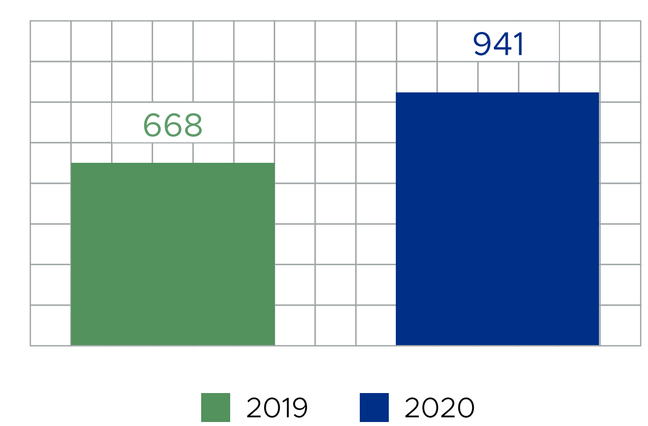


Other Technical Reserves

Other technical reserves (mostly catastrophe reserves) increased Ps. 941 million in 2020, up 40.9% from Ps. 668 million in 2019, explained by the Ps. 935 million rise in catastrophe reserve at Reaseguradora Patria.

Other Technical Reserves (millions of Mexican pesos)

+40.9%

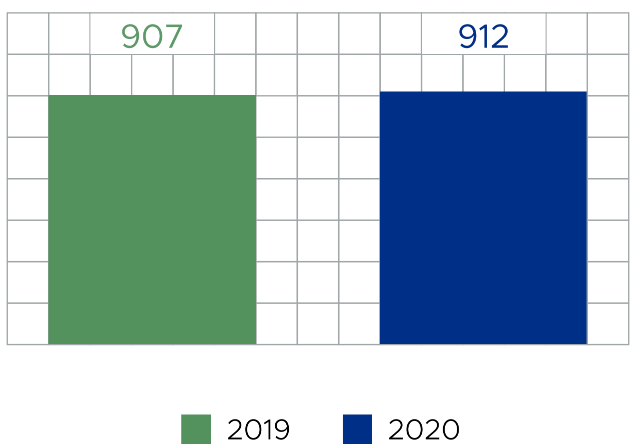


Operating Expenses

2020 operating expenses increased slightly by 0.5%, from Ps. 907 million in 2019 to Ps. 912 million, mainly due to an increase of Ps. 68 million in administrative and operating expenses. Excluding the extraordinary effect with regard to the Company's profit-sharing plan and the timely accounting of the monthly statements related to the reinsurance taken, operating expenses decreased 1.3%, totaling Ps. 868 million vs. Ps. 879 million in 2019, given the investments made for the development of an ERP system and the Company's digital and organizational transformation.

Operating Expenses (millions of Mexican pesos)

+0.5%

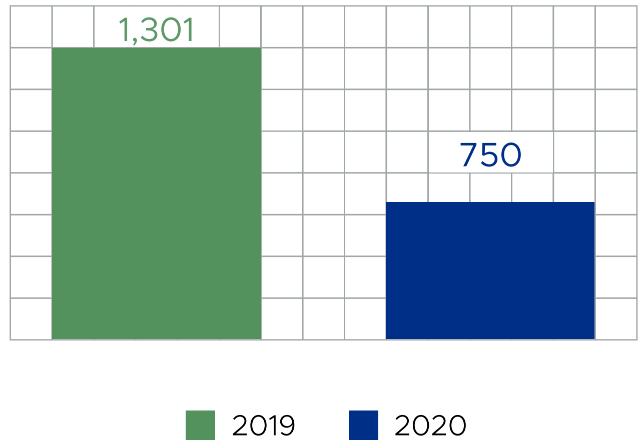


Comprehensive Financing Result

Reflecting the effects of the pandemic on equity markets and lower interest rates, the Company's Comprehensive Financing Result amounted to Ps. 750 million in 2020, 42.4% lower compared to Ps. 1,301 million in 2019.

Comprehensive Financing Result (millions of Mexican pesos)

(42.4%)

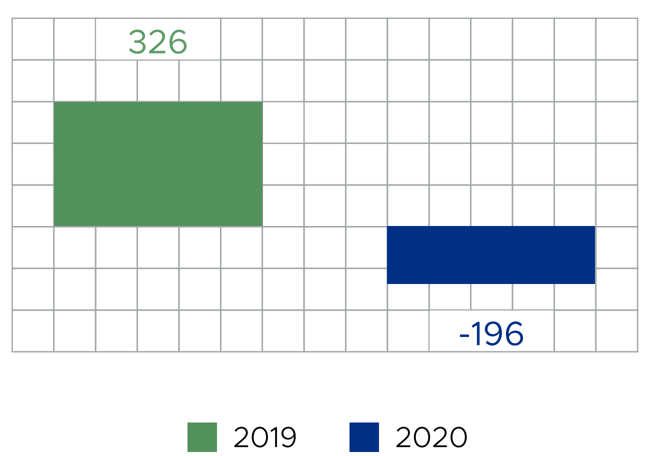


Net Result

In 2020, the Company recorded a Ps. 196 million net loss vs. a Ps. 326 net income in 2019, as the higher written premiums were not enough to completely offset the negative impact of the pandemic on the stock market performance of the Company's portfolio during 1Q20.

Net Result (millions of Mexican pesos)

(>100.0%)



BALANCE SHEET SUMMARY

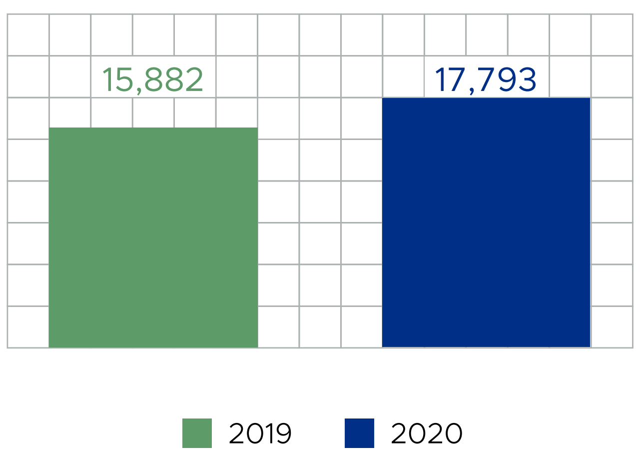
This material references Disclosure 102-7:a.iv from GRI 102: General Disclosures 2016

Investments

The Company's investments increased 12.0%, from Ps. 15,882 million in 2019 to Ps. 17,793 million in 2020, mainly comprised by Ps. 10,387 million invested in government securities and Ps. 3,979 million in variable rate debt instruments.

Investments (millions of Mexican pesos)

+12.0%

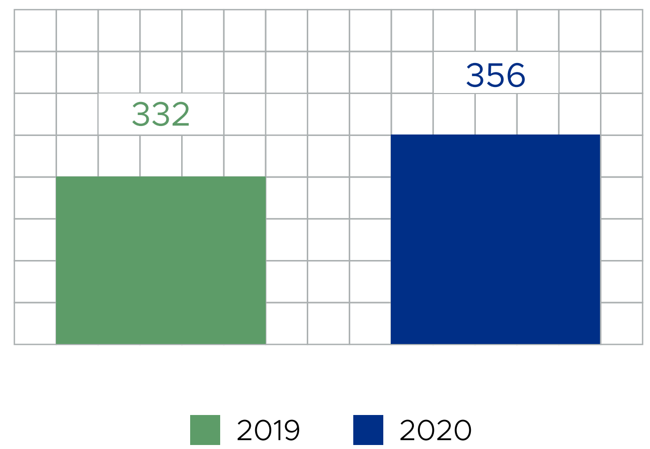


Cash

As of December 31, 2020, the Company's cash balance was Ps. 356 million, increasing 7.3% against Ps. 332 million recorded in the same period 2019.

Cash (millions of Mexican pesos)

+7.3%

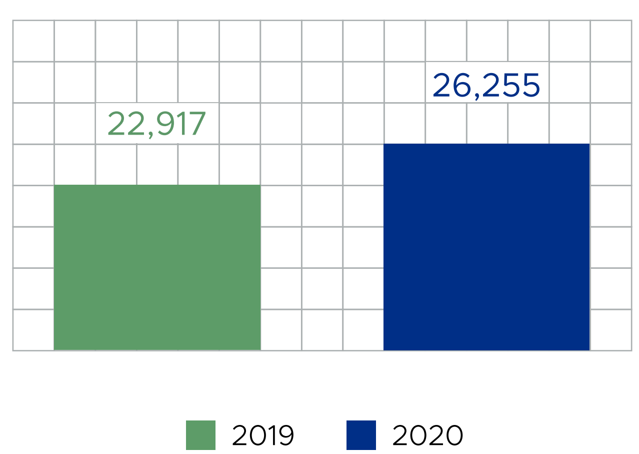


Assets

Following increases in investments (+12.0% or +Ps. 1,911 million) and accounts receivable (+24.8% or +Ps.620 million), as of December 31, 2020, Grupo Peña Verde's assets reached Ps. 26,255 million, up 14.6%, equivalent to Ps. 3,338 million, compared to 2019.

Assets (millions of Mexican pesos)

+14.6%

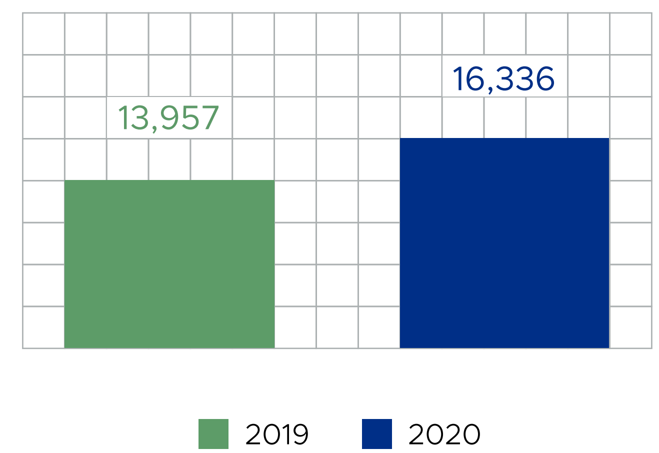


Technical Reserves

As of December 31, 2020, technical reserves totaled Ps. 16,336 million, up 17.0% compared to Ps. 13,957 million at the end of 2019, mainly because of the higher reserves for catastrophic risks (+18.6% or +Ps. 1,035 million) and for unexpired risks (+15.6% or +Ps. 617 million).

Technical Reserves (millions of Mexican pesos)

+17.0%

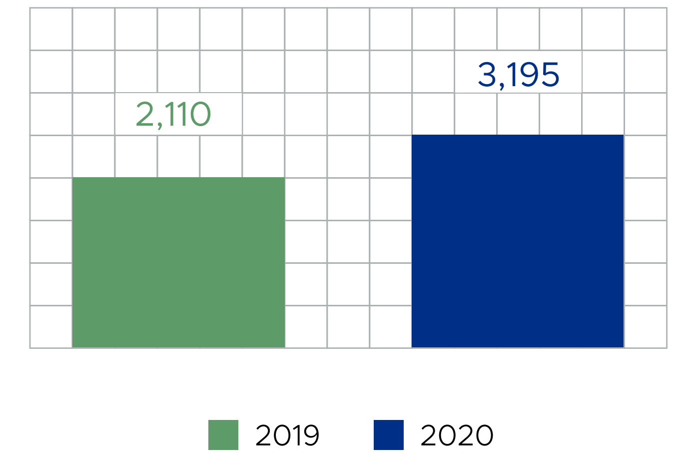


Reinsurance and Rebonding

As a result of the growth achieved in Reaseguradora Patria's business portfolio, the reinsurance and rebonding account amounted to Ps. 3,195 million at the end of 2020, an increase of 51.4% compared to the same period last year.

Reinsurance and Rebonding (millions of Mexican pesos)

+51.4%

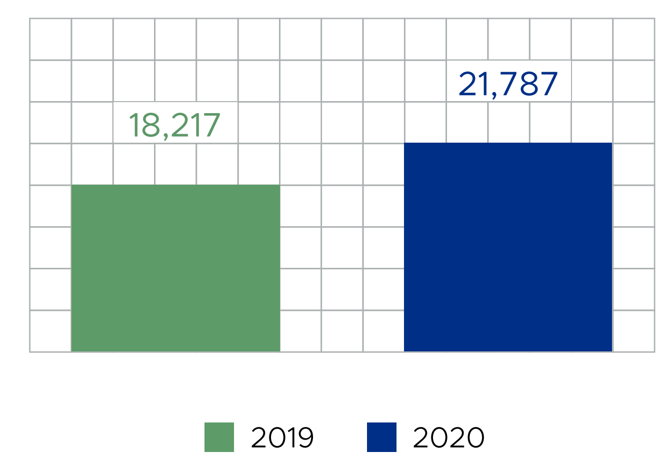


Liabilities

The Company's liabilities went from Ps. 18,217 million at the end of 2019 to Ps. 21,787 million as of December 31, 2020, up 19.6%, primarily attributed to higher technical reserves booked.

Liabilities (millions of Mexican pesos)

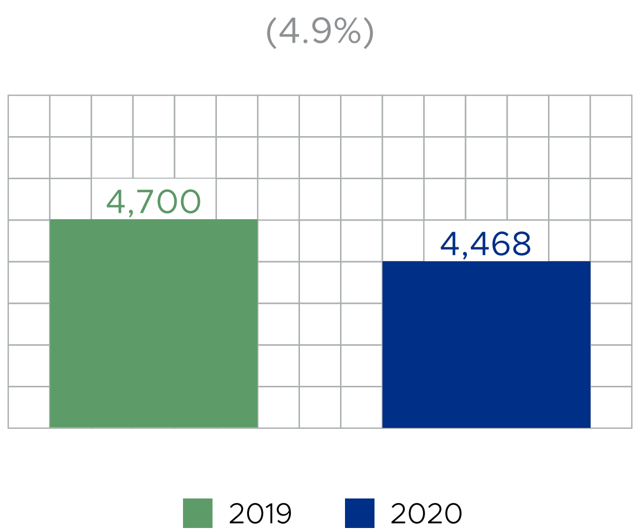
+19.6%



Shareholders’ Equity

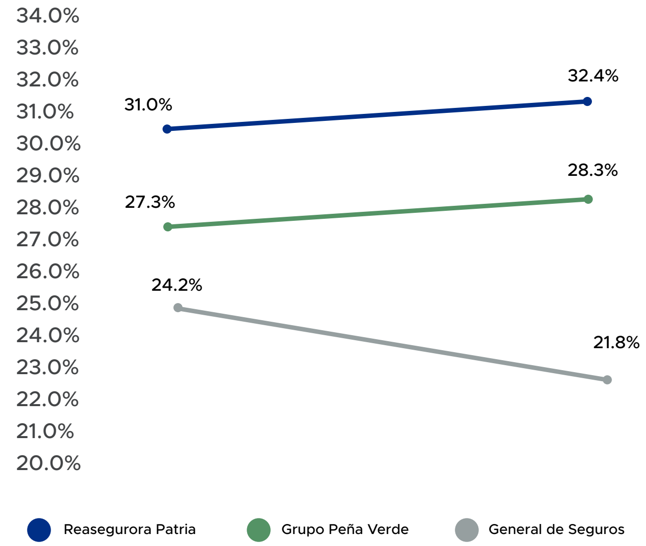
As of December 31, 2020, Grupo Peña Verde’s shareholders’ equity decreased 4.9%, totaling Ps. 4,468 million, as 1Q20 net loss heavily weighted on full-year bottom-line performance.

Shareholders’ Equity (millions of Mexican pesos)



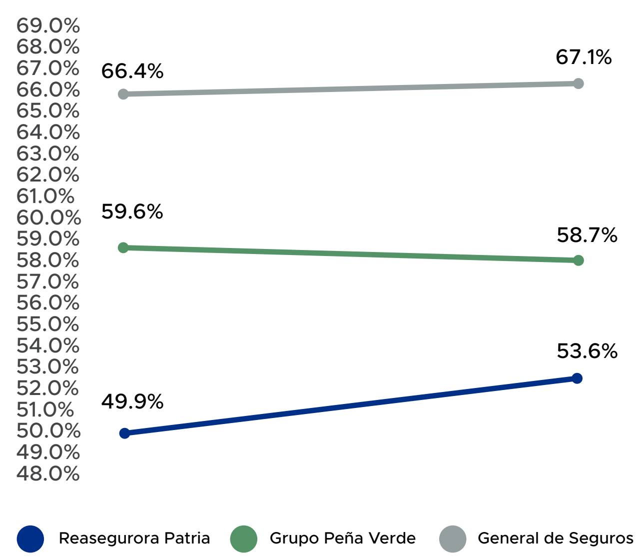
COST RATIOS

Acquisition Ratio



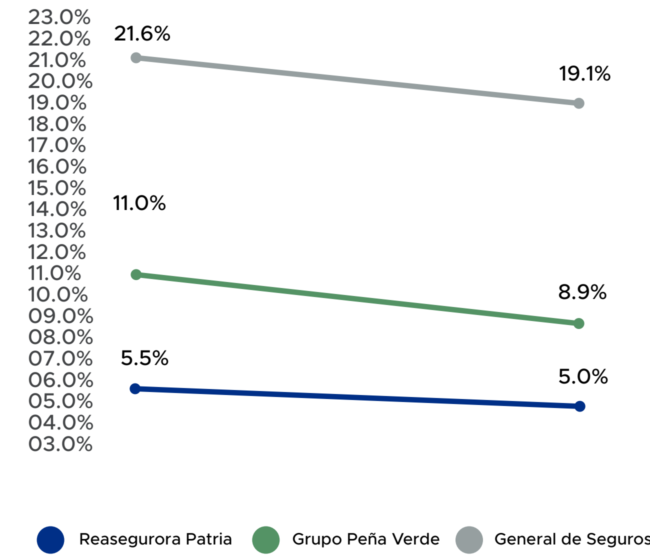
Grupo Peña Verde’s acquisition ratio, measured as net acquisition cost divided by net written premiums, expanded 100 bps. compared to 2019, standing at 28.3%, as acquisition costs (27.9%) outpaced written premiums (24.5%).

Claims Ratio



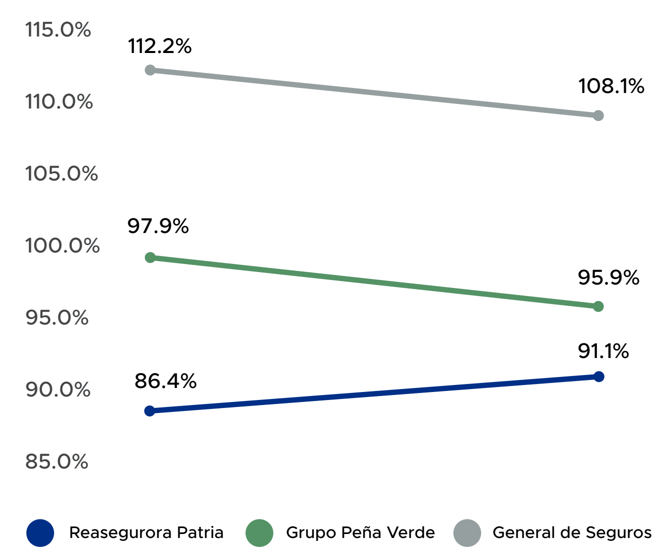
The claims ratio (net claim costs divided by premiums earned), contracted 90 bps. YoY to 58.7%, due to slightly stronger growth in premiums earned compared to claim costs.

Operating Ratio



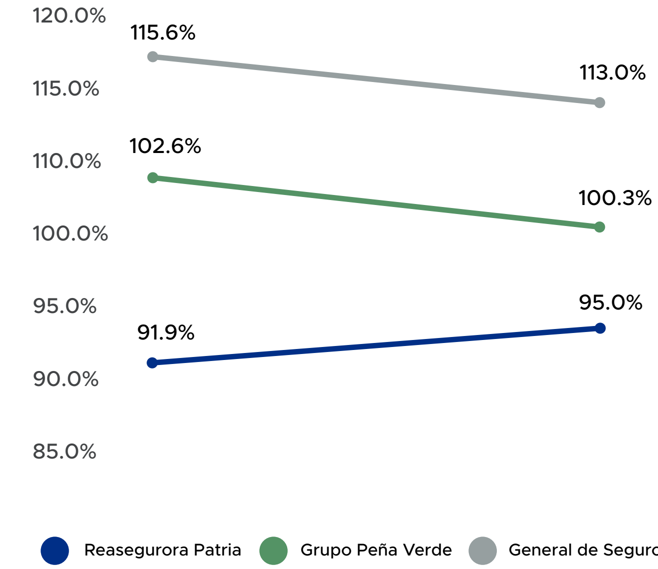
The 2.1 pp. contraction of the operating ratio, which was 8.9%, reflects the efficiencies realized towards a leaner cost structure to mitigate the impact of the pandemic.

Combined Ratio



Grupo Peña Vede’s combined ratio, which is the sum of the 3 previous ratios, was 95.9% (-2.0 pp. YoY).

Adjusted Combined Ratio



The adjusted combined ratio (combined ratio divided by premiums earned) is reported for comparative purposes with international ratios. In 2020, Grupo Peña Verde posted an adjusted combined ratio of 100.3%, a 2.3 pp. contraction attributable to a higher premiums earned.

ANNUAL REPORT SUSTAINABILITY 2020

ABOUT THIS REPORT

MATERIALITY AND PREPARATION

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

Grupo Peña Verde issues its first-ever Annual Sustainability Report dated May 31st, 2021, covering a full year of operation, from January 1st, 2020, to December 31st of the same year.

This report has been prepared under the GRI 2016 Standards reference, being the first step of Grupo Peña Verde towards the full adoption of the best practices established by the Global Reporting Initiative, aiming for a tighter adherence to the standards established by said institution in subsequent reports.

Given that, during the preparation and as of the issue date of this report, the Company was undergoing the process of conducting its first materiality study, it did not have complete information to accurately define the significant economic, environmental and social impacts of its operations. Therefore, for this edition, the Investor Relations department, which prepares Grupo Peña Verde's financial reports, with the support of IRDesign, a firm specialized in the preparation of sustainability reports, determined the following points as material topics for the report:

- **Corporate Profile**
- **Financial and Operational Highlights**
- **Commitment to ESG Factors**

The Company considers that these topics, together with their respective breakdown, reasonably cover the information that different stakeholders of Grupo Peña Verde may deem relevant. In this regard, the Group's Investor Relations team underscores its availability to provide feedback if necessary.

Upon completing the preparation of the information herein contained, the investor relations team presented **the current sustainable annual report to Peña Verde's Board of Directors for approval.**

Also, to verify the information disclosed in this report as well as provide greater certainty to the statements included, please find attached the Report of Peña Verde's External Auditor on Financial Information.

Accuracy

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

Balance:

The Company deems that the information disclosed explains objectively its operating performance, without ignoring information on actions that could have been better executed or which had a negative impact during 2020.

Clarity:

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

Comparability:

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

Reliability:

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

Timeliness:

Grupo Peña Verde began the elaboration of this report in advance to make available the information of 2020 fiscal year to its stakeholders in a timely manner and within the period in which these documents are usually issued.

ANNUAL REPORT SUSTAINABILITY **2020**

GRI CONTENT INDEX

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

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	GRI 101: Foundation 2016		
	1.-Reporting Principles	Materiality and Preparation	71
	2.-Using GRI Standards for sustainability reporting	Materiality and Preparation	71
	3.-Making claims related to the use of the GRI Standards	Materiality and Preparation	71
	GRI 102: General Disclosures 2016		
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102-2	Activities, brands, products, and services	Executive Summary - Business Divisions - Services and Trademarks	07 to 09, 19 and 21
102-3	Location of the headquarters	Executive Summary - Contact Information	07 and Back Cover
102-4	Location of operations	Business Divisions - Geographical Footprint	09 and 22
102-5	Ownership and legal form	Executive Summary - Corporate Structure	07 and 53
102-6	Markets served	Executive Summary - Business Divisions - Services and Trademarks - Geographical Footprint - Main Clients	07 to 09, 19, 21, 22 and 23
102-7	Scale of the organization	Business Divisions - Our Path - Our Team - Shareholder Structure - Income Statement Summary - Balance Sheet Summary	07 to 09, 12, 36, 54, 66 and 69
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102-9	Supply chain	Services and Trademarks	19 and 21
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102-12	External initiatives	Who We Are - Risk Management - Internal Control - Environmental Commitment - Social Commitment	12, 25 to 27, 34 and 35
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102-43	Approach to stakeholder engagement	Stakeholders	33
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DISCLOSURE	DISCLOSURE TITLE	SECTIONS	PAGES
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102-50	Reporting period	Materiality and Preparation	71
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	GRI 103: Management Approach 2016		
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103-2	The management approach and its components	Risk Management - Internal Control - Business Model & Strategy	24 to 31

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202-2	Proportion of senior management hired from the local community	Key Executives	44 to 46
	GRI 205: Anti-corruption 2016		
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	GRI 207: Tax 2019		
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306-2	Management of significant waste-related impacts	Environmental Commitment	34
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EXTERNAL ASSURANCE

EXTERNAL AUDIT

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

Peña Verde, S. A. B. y subsidiarias

Peña Verde, S. A. B. and subsidiaries

Consolidated financial statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

Peña Verde, S. A. B.

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, 2020 and 2019, 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 no a separate opinion on these matters.

Current risk reserve amounting to ($ 4,568,247), outstanding provisions for incurred but not reported claims and adjustment expenses amounting to ($ 1,798,838), contingency reserves amounting to ($ 278,762) and catastrophic reserve amounting to ($ 6,598,073).

See note 3k to the consolidated financial statements.

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

Other information

Management is responsible for the other information. The other information comprises information included in the Institution's Annual Report corresponding to the year end December 31, 2020, 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 Institution 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.

Paul Scherenberg Gómez
Mexico City, April 8, 2021.

ANNUAL REPORT SUSTAINABILITY **2020**

Peña Verde, S. A. B. and subsidiaries
Consolidated balance sheets
December 31, 2020 and 2019
(Thousands of Mexican pesos)

Assets	2020		2019	
Investments:				
Securities (note 5):				
Government	$ 10,216,356		$ 8,892,703	
Corporate:				
Fixed income	70,059		145,465	
Variable income	3,978,883		4,312,858	
Foreign	1,847,887		1,053,139	
Restricted cash	796,233		753,543	
	16,909,418		15,157,708	
Repurchase agreements (note 5)	191,687		32,322	
Loan portfolio, net:				
Current	6,534		32,513	
	-		-	
Allowance for loan losses	(165)		(216)	
	6,369		32,297	
Properties, net (note 6):	685,692	17,793,166	659,845	15,882,172
Employee benefits investment (note 10)		196,952		203,373
Cash and cash equivalents:				
Cash and cash in banks (note 3d)		355,819		331,760
Accounts receivable:				
Premiums (note 7)	2,912,286		2,377,791	
Premiums for property and casualty subsidy (note 7)	4,939		7,407	
Agents and adjusters	4,831		1,077	
Notes receivables	1,753		2,934	
Receivables from bond responsibilities in claims paid	30,472		18,729	
Other	163,539		91,675	
Allowance for doubtful accounts	(3,140)	3,114,680	(4,832)	2,494,781
Reinsurers and bonds reinsurers, net (note 8):				
Current	2,006,168		1,332,403	
Retained deposits	177,926		115,090	
Reinsurance's share on technical reserves	2,076,190		2,086,900	
Credit risk allowance for foreing and bonds reinsurers	(9,140)		(2,525)	
Allowance for doubtful accounts	(22,550)	4,228,594	14,190	3,546,058
Permanent investments:				
Other		48,628		43,278
Other assets:				
Furniture and equipment, net (note 9)	35,113		42,446	
Foreclosed assets, net	608		608	
Sundry (note 9)	456,239		284,029	
Amortizable intangible assets, net	25,498	517,458	88,782	415,865
Total assets		26,255,297		22,917,287

Liabilities and Stockholders' Equity	2020		2019	
Liabilities:				
Technical reserves:				
Current risk:				
Life	$ 637,432		582,814	
Accidents and health	314,215		236,557	
Property and casualty	3,053,806		2,591,107	
Bonds in force	562,794		540,953	
	4,568,247		3,951,431	
Outstanding claims provision:				
For expired policies and pending payment claims	2,999,012		2,708,022	
For claims incurred but not reported and adjustment expenses	1,798,838		1,453,231	
Insurance funds under management	47,833		33,860	
Premiums collected in advance	45,400		19,843	
	4,891,083		4,214,956	
Contingency reserve	278,762		227,812	
Specialized insurance reserve	97		-	
Catastrophic reserve	6,598,073	16,336,262	5,563,019	13,957,218
Employee benefits (note 10)		229,399		226,529
Creditors:				
Agents and adjusters	170,437		157,866	
Loss funds under management	1,827		2,264	
Bond responsibilities accruals	193,343		161,426	
Sundry	504,472	870,079	473,964	795,520
Reinsurers and bonds reinsurers (note 8):				
Current	2,843,942		1,887,843	
Retained deposits	874		3,043	
Other shares	349,013		218,167	
Reinsurers and bonds brokers	1,528	3,195,357	1,030	2,110,083
Other liabilities:				
Employee statutory profit sharing	26,978		9,185	
Income tax payable (note 13)	86,012		17,690	
Other obligations	272,013		217,644	
Deferred credits (note 13)	771,218	1,156,221	883,232	1,127,751
Total liabilities		21,787,318		18,217,101
Stockholders' equity (note 14):				
Controlling interest:				
Capital stock		422,608		422,608
Equity reserve:				
Statutory reserve	2,592		2,446	
Repurchase of own shares	151		151	
Additional paid-in capital	959,576	962,319	959,576	962,173
Valuation surplus		106,627		113,883
Cumulative translation effect		109,727		59,383
Retained earnings		3,032,379		2,772,814
Net income		(195,461)		325,913
Total controlling interest		4,438,199		4,656,774
Non-controlling interest		29,780		43,412
Total stockholders' equity		4,467,979		4,700,186
Commitments and contingent liabilities (note 18)				
Total liabilities and stockholders' equity	$	26,255,297		22,917,287

Memorandum accounts:	2020	2019
Funds under management	$ 13,697	$ 18,621
Current bond liabilities	17,395,728	6,400,023
Tax loss carry forwards	35,687	34,979
Reserve to be accrued on employee benefits	45,009	45,384
Control accounts	4,833,607	3,686,105

See accompanying notes to consolidated financial statements.

Peña Verde, S. A. B. and subsidiaries
Consolidated statements of income
Years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	2020	2020	2019	2019
Premiums:				
Written (notes 8 and 10)	$	10,226,171		8,213,566
Less ceded (note 8)		2,064,346		1,578,681
Retained premiums		8,161,825		6,634,885
Less net increase in current risks reserve and		417,641		326,124
Earned retained premiums		7,744,184		6,308,761
Less:				
Net acquisition cost:				
Agent commissions	275,515		281,002	
Additional compensation to agents	115,965		141,711	
Commissions from reinsurance and bonds reinsurance taken	1,296,816		895,496	
Commissions from reinsurance and bonds reinsurance ceded	(434,815)		(342,760)	
Non-proportional reinsurance cost	563,684		403,244	
Other	495,741	2,312,906	429,348	1,808,041
Net cost of claims and other outstanding obligations:				
Claims and other outstanding obligations	4,445,597		4,262,834	
Recovered claims from non-proportional reinsurance contracts	(10,279)		(570,520)	
Bonds claims	110,102	4,545,420	65,031	3,757,345
Technical income		885,858		743,375
Net increase in other technical reserves:				
Catastrophic risks	889,383		637,321	
Contingency reserve	51,871		30,904	
Other reserves	97	941,351	-	668,225
Gross (loss) income		(55,493)		75,150
Net operating expenses:				
Administrative and operating	443,820		376,063	
Personnel remuneration and fringe benefits	442,940		505,366	
Depreciation and amortization	24,897	911,657	25,962	907,391
Operating loss		(967,150)		(832,241)
Comprehensive financial result:				
Investment in securities	508,815		531,953	
Gain on sale of investments	454,575		386,417	
Investment securities valuation	(297,917)		357,793	
Premium surcharges	30,770		32,355	
Credit risk allowance for foreing reinsurers	(6,212)		(1,778)	
Credit risk reserves	(170)		331	
Other	9,217		26,028	
Foreign exchange result	50,631	749,709	(32,091)	1,301,008
(Loss) income before income tax and non-controlling interest		(217,441)		468,767
Income tax (note 13)		21,630		139,487
Consolidated net (loss) income		(195,811)		329,280
Non-controlling interest		350		(3,367)
Net controlling interest (loss) income	$	(195,461)		325,913

See accompanying notes to consolidated financial

Peña Verde, S. A. B. and subsidiaries
Consolidated statements of changes in stockholders' equity
Years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	Capital stock	Capital earned								
		Reserves			Retained earnings					
	Paid-in capital stock	**Statutory**	**Repurchase of own shares**	**Additional paid-in capital**	**From prior years**	**Current years**	**Valuation (deficit) surplus**	**Cumulative transaltion effect**	**Non-controlling interest**	**Total stockholders' equity**
Balances as of December 31, 2018	$ 422,608	2,359	151	959,576	3,373,485	(599,167)	101,547	35,682	40,227	4,336,468
Items related to stockholders' decisions:										
Transfer of prior year's net income	-	87	-	-	(599,254)	599,167	-	-	-	-
Other	-	-	-	-	(1,417)	-	-	-	-	(1,417)
Items related to the comprehensive income (note 14c):										
Surplus valuation from subsidiaries's properties	-	-	-	-	-	-	38,366	-	204	38,570
Surplus valuation from subsidiaries's investments										
Deferred income taxes for the year	-	-	-	-	-	-	(39,784)	-	(752)	(40,536)
Other	-	-	-	-	-	-	13,754	-	(404)	13,350
Net income for the year	-	-	-	-	-	-	-	23,701	770	24,471
Balances as of December 31, 2019	-	-	-	-	-	325,913	-	-	3,367	329,280
Items related to stockholders' decisions:	422,608	2,446	151	959,576	2,772,814	325,913	113,883	59,383	43,412	4,700,186
Transfer of prior year's net income										
Repurchase of shares from subsidiary (note 14e)	-	146	-	-	325,767	(325,913)	-	-	-	-
Items related to the comprehensive income (note 14c):	-	-	-	-	(33,859)	-	-	-	(517)	(34,376)
Surplus valuation from subsidiaries's properties										
Surplus valuation from subsidiaries's investments	-	-	-	-	-	-	29,478	-	174	29,652
Deferred income taxes for the year	-	-	-	-	-	-	(33,421)	-	(631)	(34,052)
Other	-	-	-	-	-	-	(3,313)	-	155	(3,158)
Net loss for the year	-	-	-	-	(32,343)	-	-	50,344	(12,463)	5,538
Balances as of December 31, 2020	-	-	-	-	-	(195,461)	-	-	(350)	(195,811)
	422,608	2,592	151	959,576	3,032,379	(195,461)	106,627	109,727	29,780	4,467,979

See accompanying notes to consolidated finantial statements.

Peña Verde, S. A. B. and subsidiaries
Consolidated statements of cash flows
Years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	2020	2019
Net controling interest (loss) income:	$ (195,461)	325,913
Items not requiring cash:p		
Unrealized loss (gain) on valuation coming from investing and financing activities	297,917	(357,793)
Allowance for doubtful accounts	41,612	(17,488)
Depreciation and amortization	24,897	25,962
Adjustment or increase related to technical reserves	1,680,206	395,875
Current and deferred income tax	(21,630)	139,487
Non - controling interest	(350)	3,367
Subtotal	1,827,191	515,323
Operating activities:		
Changes in investment securities	(2,049,627)	(907,003)
Changes in repurchase agreements	(159,365)	(25,754)
Changes in loan portfolio	25,979	3,049
Changes in other premiums receivable	(532,027)	(154,307)
Changes in debtors	(86,180)	38,376
Changes in reinsurers and bonds reinsurers	348,673	(558,952)
Changes in other operating assets	(46,876)	(15,776)
Changes in contractual obligations and expenses related to claims	676,127	1,090,285
Changes in other operating liabilities	124,216	73,422
Net cash provided by operating activities	128,111	58,663
Invesment activities:		
Acquisition of intangible assets	(67,439)	(28,092)
(Acquisition) selling of property, furniture and equipment	(7,473)	2,094
Net cash used in investment activities	(74,912)	(25,998)
Financing activities:		
Movement in no-controlling interest	(13,282)	(182)
Other	(32,343)	-
Repurchase of shares from subsidiary	(33,859)	-
Net cash used in financing activities	(79,484)	(182)
	(26,285)	32,483
Effects due to changes in the value of cash	50,344	22,284
	24,059	54,767
Cash and cash equivalents:		
At beginning of year	331,760	276,993
At end of year	$ 355,819	331,760

See accompanying notes to consolidated financial statements.

These consolidated financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

(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, 2020 and 2019, include the financial information of Peña Verde and its subsidiaries. The activities of its subsidiaries of Peña Verde are described below:

- Reaseguradora Patria, S. A. (Reaseguradora Patria) - It is a Mexican company which its main purpose is to reinsure in life, accident and health, property and casualty and bonds lines, in terms of the Law.
- General de Seguros, S. A. B. (General de Seguros) - Its main activity is to act as an insurance institution in operations and insurance lines referred in the a, b and c preceding paragraphs, in the terms of the Law.
- General de Salud, Compañía de Seguros, S. A. (General de Salud) - Its main activity is to act as an insurance institution in the line of health medical expenses insurance, within the line of accidents and health, in terms of the Law.
- Servicios Administrativos Peña Verde, S. A. de C. V. (Servicios Peña Verde) - Its main activity is to provide services related to the operation and business management.
- Patria Corporate Member Limited (PCM o Patria Corporate) – It is an entity created under the United Kingdom Law, the main object is to carry out reinsurance activities in different lines for insurance and reinsurance within the market of Lloyd's in the form of corporate member, which are managed by Hamilton Insurance Group, Ltd (formerly Pembroke Managing Agency Limited) throughout the Special Purpose Syndicate 6125, established exclusively for this operation. On November 12, 2020, the Group announced the run-off process of PCM in the Lloyd's Reinsurance market. Customer care will now be performed through Reaseguradora Patria
- CCSS Peña Verde, S. A. de C. V. (CCSS) – It was incorporated on October 23, 2012, and initiated operations on August 2016, its main activity is to provide "call center services" to clients, suppliers, insured and beneficiaries of the Group.

Credit Rating

As of December 31,2020 the Institution´s subsidiaries have the following credit raiting:

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

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

Authorization

On April 8, 2021, 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.

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Basis of preparation

a. Statement of compliance

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

b. Use of estimates and judgments

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

Judgments

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

Assumptions and estimation uncertainties

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

- Note 3(k) – The valuation of technical reserves depends on the key actuarial assumptions and the quality of the underlying information;
- Note 3(m) – Measurement of defined benefit obligations: key actuarial assumptions;
- Note 3(o) – Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carriy forwards can be utilized;
- Nota 3(i) – Impairment evidence of intangible assets: key assumptions for recoverable amount, including capitalization of development costs

c. Functional and reporting currency

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

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

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

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

Oversight

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

(3) Summary of significant accounting policies-

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

a. Inflation effects recognition-

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

		Inflation	
December 31	NCPI	Yearly	Cumulative
2020	109.271	3.15%	11.19%
2019	105.934	2.83%	15.10%
2018	103.020	4.83%	15.69%

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, 2020 and 2019, which have been prepared in accordance with the accounting criteria established by the Commission.

c. Translation of foreign currency financial statements-

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

d. Investments in securities-

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

Securities for trading purposes-

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

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

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

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

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

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

Available-for-sale securities-

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

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

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

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

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Transfers between categories-

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

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

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

Unrealized valuation results-

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

Repurchase agreements operations-

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

Restricted cash and securities-

There is a legal agreement that grants Lloyd's Corporation the right to apply funds for the settlement of any claim arising out of the PCM Subsidiary's share in Lloyd's Unions. These funds may only be released with Lloyd's permission and only in circumstances where the amounts are replaced by an equivalent asset or after the expiration of the PCM liabilities with respect to its underwriting. The balance of these funds in cash and cash equivalents as of December 31, 2020 and 2019 amounts to $74,810 and $78,849, respectively and also in investments in securities (see note 5).

Impairment-

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

e. Cash and cash equivalents

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

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

f. Debtors-

Premiums receivable-

For insurance operations-

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

For reinsurance operations-

Premiums for reinsurance transactions are as follows:

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

The accrual of the minimum premium and deposit, is recognized as the cash flows are received according to the terms and conditions agreed in the contract, which can be quarterly or 25% quarterly with a 90-day guarantee. An estimate should be recognized if the agreed deadline is not met.
In the event that the agreed deadline is not met, the coverage must be cancelled or the guarantee payment is extended based on a new agreement.

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

Premiums in property and casualty subsidies-

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

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

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

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

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

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

i. When the corresponding credits files have no or there is no documentation considered necessary according to the regulation in force, to exercise collection. This reserve is only released when the Institution addresses the deficiencies observed.

ii. When a report issued by a credit information company on the history of the borrower has not been obtained (except loans to officers and employees, when the loan payments are received through discounts to salary), this reserve is canceled three months later when the report is available.

g. Derecognition-

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

h. Property, furniture and equipment-

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

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

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

Depreciation on properties is calculated based on the remaining useful life of such assets, considering the restated value of constructions as determined by the latest appraisals performed. Depreciation on furniture and equipment is calculated on the straight-line method over the estimated useful lives of the assets as determined by the Institution's Management. The total useful lives and the annual depreciation rates of the principal asset classes are as follows:

	Years	Rates
Property	Several	Several
Transportation equipment	4	25%
Office furniture and equipment	10	10%
Computer equipment	4 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.

i. Intangible assets-

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

j. Prepayments -

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

k. Technical reserves-

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

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

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

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

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

Reserve for current risks (RRC)-

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

For insurance operations-

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

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

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

Multiannual insurance-

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

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

Catastrophic risks insurance-

General de Seguros determines the balance of current risk reserve for earthquake, hurricane and other hydrometeorology risks with the non-accrued risk annual premium, considering the technical bases established in the CUSF, into Annex 5.1.5-a. for earthquake and into Annex 5.1.6-a. for hurricane and other meteorology risks. In the case of policies that cover risks that according to their characteristics cannot be measured with the technical basis, mainly reinsurance taken abroad or covered goods located abroad, the current risk reserve is calculated for the non-accrued retained risk premium, once calculated the premium, 35% of the written premiums of each of the policies in force at the valuation date.

Risk margin-

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

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

Where:

- The Capital funds is determined by the corresponding distribution of the deviation of each line or sub-line between the deviations of all lines branch including long term insurance, by the Solvency Capital Requirement.
- The deviations of Current Risk Reserve (CRR) for each line or sub-line are the amounts corresponding to the premium in force, for the difference between the 99.5 percentile and the average of the index of claims, multiplied by the non-accrual factor and by the factor of retention.

For reinsurance operations-

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

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

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

Catastrophic risk insurance-

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

Risk margin-

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

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

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

Admissible Funds supporting the corresponding SCR.

Outstanding claims provision-

For insurance operations-

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

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

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

This reserve includes the following components:

a. For expired policies and pending payment claims.

b. For dividends and periodic profit sharing.

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

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

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

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

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

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

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

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

For purposes of calculating the reserve, a claim is not been 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 sub-line between the deviations of all lines of business including long term insurance, by the Solvency Capital Requirement.
- The deviations of SONR for each line or sub-line are the values resulting from the difference between the 99.5 percentile and the average of the SONR reserve estimate, multiplied by the retention factor.

Outstanding claims provision for payment management and past due benefits-

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

The reserves corresponding to the reinsurance taken are determined using the methodologies described in the following page

For reinsurance operations-

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

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

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

This reserve includes the following components:

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

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

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

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

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

For purposes of calculating the reserve, a claim is not been 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

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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 hydrometeorologic 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 instructed by the regulator.

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

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

Contingency reserve-

In 2020 and 2019, Reaseguradora Patria determined this reserve by applying the factor of 0.13 to retained premiums for bonds reinsurance business accepted net of basic-bonds-reinsurance commissions. The reserve is cumulative.

(l) Accruals-

The Institution recognizes, based on Management estimates, liability provisions for those present obligations in which the transfer of assets or the provision of services is virtually unavoidable and arise as a consequence of past events, mainly retroceded premiums, reinsurance commissions and counterguarantee 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 actuaries 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), taking into account 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, 2020 and 2019, 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 year for Group 2. (see note 12).

(n) Loss funds under management -

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

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

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

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

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

(p) Cumulative translation effect-

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

(q) Surplus from valuation-

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

(r) Revenue recognition-

Insurance and reinsurance premium revenues-

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

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

Reinsurance

For insurance operations-

Taken

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

For reinsurance operations-

Reinsurance taken and retroceded-

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

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

As a consequence of what is mentioned above, in 2020 and 2019, the Reaseguradora Patria recorded in the balance sheet an "Allowance for doubtful accounts" amounting to ($22,550) and $39,824, respectively and a debit (credit), respectively, to "Administrative and operating expenses" for $62,374 and $(26,465), respectively at the consolidated statement of income.

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

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

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

Salvage revenues for insurance operations-

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

Profit sharing on reinsurance transactions-

For insurance operations

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

For reinsurance operations

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

Minimum and deposit premiums for reinsurance operations-

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

Policy rights and premium surcharges-

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

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

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Service revenues-

The service revenues are recognized as earned.

(s) Reinsurance-

Current account

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

Recoverable reinsurer's share

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

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

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

Reinsurance ceded

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

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

(t) Net acquisition cost-

For insurance operations

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

For reinsurance operations

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

(u) Business and credit concentration-

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

(v) Comprehensive financial result (CFR)-

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

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

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

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

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

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

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

(w) Contingencies-

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

(x) Risk management-

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

i. Underwriting insurance risk- shows the risk arising from the underwriting, taking into account 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, taking into account 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 can not 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 can not 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 can not be estimated with respect to the level of the risk-free interest rate.

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

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

Risk management policies

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

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

The purposes of the Risk Management Area are:

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

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

(y) Application of particular rules-

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

i. Are effective and in force;

ii. Early adoption has not been taken;

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

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

(z) Hierarchy-

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

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

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

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

(4) Foreign currency position-

Monetary assets and liabilities denominated in foreign currencies translated into the reporting currency, as of December 31, 2020 and 2019, are shown below:

	Mexican pesos 2020	2019
Assets	$ 15,309,720	12,779,148
Liabilities	(12,831,499)	(10,656,311)
Net assets	**$ 2,478,221**	**2,122,837**

The exchange rates published by Banco de México used in the different conversion to the report currency as of December 31, 2020 and 2019, are as follows:

Country of origin	Currency	Exchange rate (pesos) 2020	2019
United States	Dollar	19.9087	18.86420
United Kingdom	Pound	27.2142	24.98375

As of December 31, 2020 and 2019 the Institution had no hedging instruments to cover exchange rate risks.

(5) Investments-

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

At of December 31, 2019, the investment portfolio in local currency includes financial instruments held for trading purposes, with maturities between 2 and 12,012 days, with interest rates ranging between 2.50% to the 10.00%.

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

At of December 31, 2019, the investment portfolio in foreign currency includes financial instruments held for trading purposes, with maturities between 364 and 11,688 days, with interest rates ranging between 1.54% to the 4.20 %.

At of December 31,2020 and 2019, investment securities are as shown on the following page.

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	2020				2019			
	Cost	Accrued interest	Increase (decrease) from valuation	Total	Cost	Accrued interest	Increase (decrease) from valuation	Total
Debt securities:								
Government securities:								
For trading purposes:								
Federal Treasury Certificates	$ 619,707	20,872	580	641,159	672,478	12,751	(232)	684,997
Development government Bonds (BONDES)	67,063	74	5,073	72,210	114,153	294	(267)	114,180
Long term government bonds (M)	369,873	3,233	13,782	386,888	258,427	1,021	(671)	258,777
Bonds in dollars UMS	3,019,412	37,586	40,394	3,097,392	2,131,613	29,041	(28,360)	2,132,294
Bonds in dollars MEX	335,481	4,321	18,316	358,118	-	-	-	-
Bonds in dollars BANCOMEXT	800,881	11,739	3,318	815,938	664,205	9,723	8,093	682,021
Federal Mortgage Company (SHF)	721,161	1,044	(10)	722,195	819,856	1,354	311	821,521
Bonds in UDIS	154,485	358	20,426	175,269	183,499	396	8,780	192,675
Certificates of Deposit issued by Nacional Financiera (CEDES NAFINSA)	3,912,400	773	1,247	3,914,420	3,966,906	32,776	211	3,999,893
Other	32,104	341	322	32,767	6,345	-	-	6,345
	$10,032,567	80,341	103,448	10,216,356	8,817,482	87,356	(12,135)	8,892,703
Private companies securities:								
Fixed income:								
For trading purposes:								
Non-financial sector	$ 74,164	128	(4,233)	70,059	146,592	1,463	(2,580)	145,465
Equity securities:								
Variable income:								
For trading purposes:								
Non-financial sector	$ 1,972,986	-	2,005,897	3,978,883	1,964,237	-	2,347,281	4,311,518
Available-for-sale:								
Non-financial sector	-	-	-	-	1,340	-	-	1,340
	$ 1,972,986	-	2,005,897	3,978,883	1,965,577	-	2,347,281	4,312,858
Foreing securities:								
Debt securities:								
For trading purposes	$ 1,627,797	6,620	(93,199)	1,541,218	759,619	5,362	(7,111)	757,870
Equity securities:								
For trading purposes	295,679	-	10,990	306,669	294,635	-	634	295,269
	$ 1,923,476	6,620	(82,209)	1,847,887	1,054,254	5,362	(6,477)	1,053,139
Restricted securities								
Debt securities:								
For trading purposes	$ 796,233	-	-	796,233	578,410	-	-	578,410
Equity securities:								
For trading purposes	-	-	-	-	175,133	-	-	175,133
	$ 796,233	-	-	796,233	753,543	-	-	753,543
Repurchase under agreement								
BONDES	$ 21,390	-	-	21,390	7,005	-	-	7,005
Bank notes	-	-	-	-	3	-	-	3
Protection bonds	-	-	-	-	25,314	-	-	25,314
SHF	170,294	-	-	170,294	-	-	-	-
STERGOB	3	-	-	3	-	-	-	-
	$ 191,687	-	-	191,687	32,322	-	-	32,322

(6) Property-

As of December 31, 2020 and 2019, property is as follows:

	2020	2019
Land	$ 101,592	101,592
Buildings	123,549	123,549
Special facilities	1,293	1,293
	226,434	226,434
Net valuation	511,776	482,124
Acumulated depreciation	(52,518)	(48,713)
	$ 685,692	**659,845**

During the 2020 and 2019 financial years, the Institution practiced appraisals on its properties, resulting in an increase in the value of $29,652 and $38,570, respectively. The calculation of the depreciation is based on the remaining useful life on the updated value of the buildings, determined with the latest appraisals practiced, the applicable depreciation rates enforcement for 2020 and 2019 range from 1.32% to 6.67% and from 1.13% to 6.67%, respectively.

(7) Premiums receivable-

Premiums-

As of December 31, 2020 and 2019, this caption is as follows:

	2020	2019
Life:		
Individual	$ 40,841	42,075
Group and collective	32,222	87,921
	73,063	129,996
Accidents and health	496,169	278,658
Property and casualty	2,313,989	1,951,405
Bonds	29,065	17,732
	2,912,286	2,377,791
Property and casualty subsidy	4,939	7,407
	$ 2,917,225	**2,385,198**

At December 31, 2020 and 2019, premiums receivable accounts for 11.11% and 10.41% of total consolidated assets, respectively.

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(8) Reinsurers and bonds reinsurers-

(a) Reinsurance assumed-

Premiums assumed by the Institution as of December 31, 2020 and 2019, are as follows (see note 10):

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

2019	Reaseguradora Patria	General de Seguros	PCM	Consolidated
Life:				
Individual	$ 48,034	-	-	48,034
Group and collective	371,248	-	-	371,248
Life	419,282	-	-	419,282
Accidents and health	46,391	-	45,349	91,740
Property and casualty:				
Liability	90,232	2,432	1,086	93,750
Ocean marine and inland	371,664	14	172,877	544,555
Fire	1,440,175	3,464	282,078	1,725,717
Earthquake	1,006,671	748	-	1,007,419
Agricultural	417,947	2,366	-	420,313
Automobile	152,984	-	-	152,984
Credit	4,999	-	61,623	66,622
Miscellaneous	534,810	9,176	26,337	570,323
Property and casualty	4,019,482	18,200	544,001	4,581,683
Bonds	565,209	-	-	565,209
	$ 5,050,364	**18,200**	**589,350**	**5,657,914**

(b) Retroceded / ceded reinsurance business-

The premiums ceded and retroceded for the years ended December 31, 2020 and 2019 are described in the next page.

2020	Reaseguradora Patria	General de Seguros	PCM	Consolidated
Life:				
Individual	$ 17,287	18,006	-	35,293
Group and collective	17,288	23,716	-	41,004
Life	34,575	41,722	-	76,297
Accidentes y enfermedades	2,049	587	1,250	3,886
Property and casualty:				
Liability	38,319	46,642	-	84,961
Ocean marine and inland marine	16,326	37,816	48,895	03,037
Fire	377,911	59,964	40,716	478,591
Earthquake and hurricane	507,707	32,445	-	540,152
Agricultural	52,941	197,488	-	250,429
Automobile	21,521	-	-	21,521
Credit	10,337	-	-	10,337
Miscellaneous	127,393	33,435	1,846	162,674
Property and casualty	1,152,455	407,790	91,457	1,651,702
Bonds	332,461	-	-	332,461
	$ 1,521,540	**450,099**	**92,707**	**2,064,346**

2019	Reaseguradora Patria	General de Seguros	PCM	Consolidado
Life:				
Individual	$ 5,371	11,649	-	17,020
Group and collective	58,034	20,501	-	78,535
Life	63,405	32,150	-	95,555
Accidentes y enfermedades	(5,782)	3,997	3,435	1,650
Property and casualty:				
Liability	27,229	49,386	-	76,615
Ocean marine and inland marine	29,914	36,364	49,022	115,300
Fire	176,904	75,030	73,430	325,364
Earthquake and hurricane	309,418	37,367	-	346,785
Agricultural	32,949	198,741	-	231,690
Automobile	10,565	-	-	10,565
Miscellaneous	97,354	32,522	5,398	135,274
Property and casualty	684,333	429,410	127,850	1,241,593
Bonds	239,883	-	-	239,883
	$ 981,839	**465,557**	**131,285**	**1,578,681**

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(9) Other assets-

At December 31, 2020 and 2019, furniture and equipment are as follows:

	2020	2019
Office furniture and equipment	$ 46,051	49,893
Computer equipment	74,218	81,695
Transportation equipment	48,493	50,569
Peripheral equipment	5,502	2,660
Other	2,711	2,524
Art pieces	849	1,162
	177,824	188,503
Less accumulated depreciation	142,711	146,057
	$ 35,113	**42,446**

The item "Other" as of December 31, 2020 and 2019, is comprised as follows:

	2020	2019
Salvage inventory	$ 17,758	56,368
Advance payments	63,867	38,978
Taxes paid in advance	203,963	168,268
Other	170,651	20,415
	$ 456,239	**284,029**

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

Premiums issued-

The value of premiums issued by the Institution as of December 31, 2020 and 2019 are as follows:

	2020	2019
Life:		
Individual	$ 127,890	130,723
Group and collective	195,305	182,983
Life	323,195	313,706
Accident and health	522,578	424,932
Property and casualty:		
Liability	72,392	74,117
Ocean marine and inland marine	73,770	69,435
Fire	75,765	100,205
Earthquake and hurricane	55,977	58,937
Automobile	1,112,103	1,221,335
Miscellaneous	73,189	65,961
Agricultural and livestock	225,588	227,024
Property and casualty	1,688,784	1,817,014
Reinsurance taken (note 8a)	7,691,614	5,657,914
	$ 10,226,171	**8,213,566**

Premiums issued in advance to the risk period covered-

At the years ended 2020 and 2019, the Institution issued premiums, which period covered starting in years 2021 and 2020, respectively. Following are the transactions related to premiums issued in advance to the risk period covered:

	2020	2019
Premiums issued in advance:		
Property and casualty:		
Liability	$ 20,268	-
Automobile	28,125	-
	48,393	-
Accident and health	138,436	21,581
Property and property and casualty:		
Liability	390	1,706
Automobile	52,159	46,278
Ocean marine and inland marine	161	458
Fire	146	390
Agricultual and livestock	589	2,834
Miscellaneous	5,383	6,334
Total premiums in advance to the risk period covered	$ 245,657	79,581
Premiums ceded		
Property and casualty:		
Liability	$ 179	1,417
Automobile	1,257	105
Ocean marine and inland marine	2,268	229
Fire	55	249
Agricultual and livestock	529	1,112
Miscellaneous	3,031	2,815
Total ceded premiums in advance to the risk period covered	$ 7,319	5,927
Net increase in current risk reserve	$ (194,345)	(67,004)
Agent commissions	(28,919)	(7,983)
Reinsurance commissions	1,647	1,333
Policy charges	5,371	3,184

Balances at December 31, 2020 and 2019 related to premiums issued in advance to the risk period covered are shown below:

	2020	2019
Premiums receivable	$ 277,219	96,601
Reinsurer's share on technical reserve	5,672	4,593
Insurance current	(5,672)	(4,593)
Current risks reserve	(194,345)	(71,599)
Premium surcharges	(4,904)	(920)
Unearned commissions	(28,919)	(7,983)
Value added tax to be accrued	(38,007)	(12,915)

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

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

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

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

1. To have sufficient patrimonial resources in relation to the risks and responsibilities assumed by the Institution in function of its operations and, in general, of the different risks to which it is exposed;
2. The development of adequate policies for the selection and underwriting of insurance, as well as for the dispersion of risks with reinsurers in the transfer and acceptance of reinsurance operations;
3. To have an appropriate level of patrimonial resources, in relation to the financial risks that the Institution assumes, when investing the resources obtained from its operations, and
4. The determination of the assumptions and patrimonial resources that the Institution must maintain in order to deal with situations of an exceptional nature that put its solvency or stability at risk, derived both from the particular operation and from market conditions.

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

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

Coverage of statutory requirements of General de Seguros

Statutory Requirements	Surplus			Coverage Index		
	2020	2019	2018	2020	2019	2018
Technical reserves[1]	$ 412,406	219,869	112,498	1.1	1.1	1.0
Solvency capital requirement[2]	$ 317,401	325,805	789,865	1.6	1.6	1.6
Minimum capital requirement[3]	$ 2,067,572	1,871,412	1,567,194	14.9	14.0	12.4

Coverage of statutory requirements of General de Salud						
Statutory Requirements	Surplus			Coverage Index		
	2020	2019	2018	2020	2019	2018
Technical reserves[1]	$ 170,020	86,218	166,925	1.6	1.5	2.3
Solvency capital requirement[2]	$ 120,084	109,012	145,198	3.3	3.6	4.2
Minimum capital requirement[3]	$ 263,438	230,506	195,616	25.2	22.7	20.3

Coverage of statutory requirements of Reaseguradora Patria						
Statutory Requirements	Surplus			Coverage Index		
	2020	2019	2018	2020	2019	2018
Technical reserves[1]	$ 879,498	815,716	619,969	1.1	1.1	1.1
Solvency capital requirement[2]	$ 536,200	621,027	367,370	1.5	1.7	1.4
Minimum capital requirement[3]	$ 1,045,224	1,292,173	1,017,129	12.2	15.2	12.7

(1) Investments that support technical reserves / basis of investment.
(2) Own Admissible Funds (OAF)/ SCR (Non audited).
(3) The Institution's computable capital resources according to the regulation / Minimum paid-in capital requirement for each operation and / or line that is authorized.

(12) Employee benefits-

General de Seguros

During 2011, General de Seguros established a mixed pension plan (Group 1), into which was transfered 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 General de Seguros contribution that is the same amount of participant contributions (defined contribution) and ensures that the subaccount "Company" of the individual retirement account have a balance of at least the equivalent of 3 months plus 20 days basic salary per service year at the retirement (minimum guaranteed income).

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

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

Cash flows-

At December 31, 2020 and 2019, benefits paid were as follows:

	Contributions to funds		Benefits paid	
	2020	2019	2020	2019
Seniority premium	$ 1,386	914	-	2,594
Pension plan	6,039	5,441	29,504	6,674
	$ 7,425	**6,355**	**29,504**	**9,268**

Reaseguradora Patria

a) Short-term direct benefits-

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

b) Post-employment benefits-

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

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

The benefits paid were as follows:

	2020	2019
Pension plan	$ 4,336	4,393
	4,336	4,393

The cost components of defined benefits for the year ended December 31, 2020 and 2019 are shown below:

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

2019	Seniotory Premium	Legal Compensation	Pension Plan
CSC	$ 827	2,455	6,470
DBNL	155	1,876	(461)
Cost per interest	29	-	3,090
Interest income to the plan assets	(29)	-	(3,243)
Reciclying of remeasurements of DBNL recognized in comprehensive income	1,323	1,622	33,715
Defined benefit cost	$ 2,305	5,953	39,571
Ending balance of DBNL remeasurement	$ (1,323)	(1,622)	(33,715)
Beginning balance of DBNL	$ 1,726	22,488	(4,790)
Defined benefit cost	2,327	3,714	30,595
Contributions to plan	(914)	-	(5,441)
Actuarial gains	320	2,240	10,193
Losses of plan assets	(342)	-	(467)
Payments charged to DBNL	(40)	(402)	-
Gains in plan assets	-	-	(597)
Transfers of plan assets by increasing maximum obligation	-	-	(9,168)
Ending balance of DBNL	**$ 3,077**	**28,040**	**20,325**
Amount of defined benefit obligations (DBO)	8,823	28,040	192,072
Plan assets	(5,746)	-	(171,747)
Financial position of the obligation	**$ 3,077**	**28,040**	**20,325**

As of December 31, 2020 and 2019, Reaseguradora Patria pension fund's assets amounted to $75,680 and $75,667, respectively; the maximum obligation is $49,022 and $47,241, respectively, showing an excess of $28,658 and $28,426, respectively, which is a restricted investment.

At December 31, 2020 and 2019, Reaseguradora Patria has recognized under the investment category for labor obligations, loans to employees amounting to $407 and $480 respectively.

At December 31, 2020 and 2019, the defined contribution of General de Seguros amounts to $45,009 and $45,292, respectively.

The rates used in the actuarial projections as of December 31, 2020 and 2019 are:

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

2019	Peña Verde	Reaseguradora Patria	General de Seguros	CCSS Peña Verde	Servicios Peña Verde
Nominal discount rate used in calculating the present value of obligations	7.13%	7.25%	7.30%	7.25%	7.12%
Rate of increase in future salary levels	5.00%	5.00%	5.00%	5.00%	5.00%
Expected rate of return on plan assets	7.13%	7.25%	7.30%	7.12%	4.00%
Average remaining service life of employees (applicable for retirement benefits)	13 years	25 years	16 years	4 years	16 years

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

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

a) Income tax

The income tax expense (benefit) is as follows:

	2020	2019
Income statement:		
IT current	$ 89,104	15,215
IT deferred	(110,734)	124,272
	$ (21,630)	**139,487**
Other Comprehensive Income (OCI):		
IT deferred	$ (4,692)	(10,618)

Following are in the stand-alone basis condensed reconciliations between net income before IT and ESPS and taxable income for IT and ESPS for the years ended December 2020 and 2019 of General de Seguros and General de Salud, Reaseguradora Patria, Servicios Peña Verde, CCSS Peña Verde and Peña Verde as follows:

2020	General de Seguros	General de Salud	CCSS - Peña Verde	Reaseguradora Patria	Servicios Peña Verde	Peña Verde	Total
Taxable income (loss)	$ 125,462	59,310	(940)	116,528	23,231	(10,582)	-
Amortization of tax losses	(10,626)	-	-	-	-	-	-
IT results	114,836	59,310	(940)	116,528	23,231	(10,582)	-
Rate	30%	30%	-	30%	30%	-	-
IT current	34,451	17,793		34,958	6,969		94,171
(Insufficiency) excess in provision	-	-	-	(5,067)	-	-	(5,067)
IT	$ 34,451	17,793	-	29,891	6,969	-	89,104

2019	General de Seguros	General de Salud	CCSS - Peña Verde	Reaseguradora Patria	Servicios Peña Verde	Peña Verde	Total
Taxable income (loss)	$ 78,641	14,372	(2,497)	15,151	19,577	2,860	-
Amortization of tax losses	(78,641)	-	-	-	-	-	-
IT results	-	14,372	(2,497)	15,151	19,577	2860	-
Rate	-	30%	-	30%	30%	30%	-
IT current	-	4,312	-	4,545	5,873	858	15,588
(Insufficiency) excess in provision	-	-	-	78	(469)	18	(373)
IT	$	4,312	-	4,623	5,4040	876	15,215

b) ESPS

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

	2020	2019
Income statement:		
Current	$ 23,919	10,717
Deferred	42,361)	45,407
	$ (18,442)	**56,124**
OCI:		
Deferred	2,499	(3,540)

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

ESPS for the years ended December 31, 2020 and 2019 are as follows:

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

2019	General de Seguros	CCSS-Peña Verde	Reaseguradora Patria	Servicios Peña Verde	Total
Taxable income (loss) for IT	$ 78,641	(3,411)	37,209	20,925	-
Plus (less):					
ESPS paid	-	-	-	-	-
Non-deductible social security	(21,654)	-	(2,100)	(3,548)	-
ESPS base	56,987	(3,411)	35,109	17,377	-
Rate	10%	-	10%	10%	-
Current ESPS	5,699	-	3,511	1,738	10,948
Excess (insufficiency) in provision	-	-	26	(257)	(231)
ESPS in income statement	$ 5,699	-	3,537	1,481	10,717

The tax effects of temporary differences that give rise to significant portions of the deferred IT and ESPS assets and liabilities at December 31, 2020 and 2019 are as follows:

	2020		2019	
	IT	ESPS	IT	ESPS
Deferred (liabilities) assets:	$			
Investments	(585,901)	(193,316)	(666,007)	(219,585)
Property	(132,498)	(44,166)	(127,254)	(42,418)
Furniture and equipment	838	187	275	(54)
Accurals	$ 83,929	23,625	81,872	23,900
Sundry	(2,889)	(963)	(12,756)	(4,252)
Amortized expenses	635	269	2,089	734
Payments in advance	(8,048)	(2,509)	(207)	(69)
Premiums collected in advance	28,042	8,054	11,950	3,731
Long-term current risk reserves	8,797	2,932	1,497	499
Credit risk allowance for foreing reinsurers	221	74	14	4
Credit risk allowance for mortgage and unsecured	8	3	-	-
Monthly reinsurance estimates	6,765	2,255	(11,947)	(3,983)
Allowance for doubtful accounts	3,505	1,168	9,842	3,268
Employee benefits	16,524	4,080	5,211	707
ESPS	69,516	-	73,974	-
Bonuses	8,744	2,439	6,067	1,322
Sundry creditors	130	43	182	119
Lease creditors	6,295	2,098	-	-
Other	2,999	-	168	(540)
Tax losses carry forwards	14,440	-	13,644	-
Valuation reserve	(15,411)	(323)	(11,115)	(219)
Net deferred liability	(493,359)	(194,050)	(623,051)	(236,836)
Insufficiency (excess) in provision	(25,367)	(4,204)	3,264	(559)
	(518,726)	(198,254)	(619,787)	(237,395)
Derferred liability	**(716,980)**		**(857,182)**	

Net deferred liability IT and ESPS is presented under "Deferred credits" on the consolidated balance sheet. Recognition of deferred income tax liability for the years, 2020 and 2019, gave rise to (credits) charges to "Net Income" for ($153,095) (($110,734) of IT and ($42,361) of ESPS) $169,679 ($124,272 of IT and $45,407 of ESPS) and gave rise to credits to "Surplus from valuation" for ($4,692) ($10,618) of IT and a debit $2,499 and a credit ($3,540) of ESPS)), respectively.

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

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At December 31, 2020, tax losses carry forwards expire as follows:

Company	Year	Tax losses carry forward
CCSS - Peña Verde	2026	$ 15,584
CCSS - Peña Verde	2027	15,400
CCSS - Peña Verde	2028	2,395
CCSS - Peña Verde	2029	2,308
CCSS - Peña Verde	2030	1,174
Peña Verde S.A.B.	2030	11,273
		$ **48,143**

(14) Stockholders' Equity

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

(a) Structure of capital stock-

At December 31, 2020 and 2019 the capital stock amounted to $422,608, represented by 476,678,213 common and registered shares issued and outstanding, with no par value.

(b) Minimum paid-in capital-

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

In 2020 and 2019, the minimum paid-in capital required for insurance companies operating exclusively reinsurance was 50% of the amount required to a regular insurance company for each line of business in which it is engaged, except for bonds reinsurance, which requires 100%.

At December 31, 2020, General de Seguros (including General de Salud) and Reaseguradora Patria have the minimum required capital a $158,942 and $93,510, respectively, equivalent to 24,838,600 and 14,613,140, respectively, investment units (UDIs, the value of which is updated by inflation and determined by the Central Bank) The value of the UDI at December 31, 2019 was $6.399018 Mexican pesos per UDI.

As of December 31, 2019, General de Seguros (including General de Salud) and Reaseguradora Patria have covered the minimum capital required amounting to $154,661 and $90,991, respectively, equivalent to 24,838,600 and 14,613,140, respectively, investment units valued at $6.226631 pesos, which was the value of the UDI as of December 31, 2018.

(c) Comprehensive (loss) income-

The comprehensive (loss) income 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:

	2020	2019
Net (loss) income	$ (195,461)	325,913
Property valuation surplus	29,478	38,366
Deferred taxes for the year	(3,313)	13,754
Valuation surplus related to long-term current risk reserves	(33,421)	(39,784)
Translation effect	50,344	23,701
Non-controlling interest	(13,632)	3,185
Other	(32,343)	-
	$ **(198,348)**	**365,135**

(d) Restrictions on stockholders' equity-

In accordance with the provisions of the LGSM, a minimum of 5% of net income for the year must be appropriated to the ordinary reserve, until it reaches paid-in capital. As of December 31, 2020, the ordinary reserve amounts to $2,592 and has not reached the required amount.

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

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

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

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

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

(e) Buy-in of shares of Subsidiary Company

On November 19, 2020, the Subsidiary General de Seguros made a repurchase of its own shares of $34,376.

(15) Segment information-

Insurance operations

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

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

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

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

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

Selected financial information in the income statement by line as of December 31, 2020 and 2019 are shown below:

December 31, 2020

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

December 31, 2019

Line item	Life	Accidents and health	Motor	Agricultural	Property and casualty	Total
Written premiums	$ 313,706	424,932	1,221,335	227,024	386,855	2,573,852
Premiums ceded	(32,151)	(3,997)	-	(198,743)	(230,666)	(465,557)
Retained premiums	281,555	420,935	1,221,335	28,281	156,189	2,108,295
Decrease (increase) in current reserve	34,280	(21,036)	39,658	10,339	(3,102)	60,139
Earned premiums	315,835	399,899	1,260,993	38,620	153,087	2,168,434
Net cost of claims and adquisition cost	(224,206)	(315,762)	(1,256,621)	(22,143)	(131,771)	(1,950,503)
Technical result	$ **91,629**	**84,137**	**4,372**	**16,477**	**21,316**	**217,931**

Reinsurance operations

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

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

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

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

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

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

Selected information of the income statement by geographic operating segment on December 31, 2020 and 2019 are indicated as shown below:

December 31, 2020

Concept	Mexico and Caribbean	Latin América	Overseas	Overseas PCM	Total
Premiums taken	$ 2,198,499	3,394,328	1,573,372	508,700	7,674,899
Premiums retroceded	(148,610)	(1,049,413)	(323,518)	92,706	(1,614,247)
Retained premiums	2,049,889	2,344,915	1,249,854	415,994	6,060,652
Decrease (increase) incurrent risk reserve	6,587	(126,795)	(224,040)	(33,293)	(377,541)
Earned retained premiums	2,056,476	2,218,120	1,025,814	382,701	5,683,111
Net acquisition cost	(649,733)	(918,598)	(262,300)	(26,647)	(1,855,278)
Net cost of claims and other outstanding obligations	(923,780)	(1,238,361)	(677,818)	(321,622)	(3,161,581)
Technical result	$ **482,963**	**61,161**	**85,969**	**36,432**	**666,252**

December 31, 2019

Concept	Mexico and Caribbean	Latin América	Overseas	Overseas PCM	Total
Premiums taken	$ 1,821,233	2,489,932	739,199	589,350	5,639,714
Premiums retroceded	(154,117)	(712,564)	(115,158)	(131,285)	(1,113,124)
Retained premiums	1,667,116	1,777,368	624,041	458,065	4,526,590
Decrease (increase) incurrent risk reserve	(93,689)	(121,359)	(174,602)	3,387	(386,263)
Earned retained premiums	1,573,427	1,656,009	449,439	461,452	4,140,327
Net acquisition cost	(483,324)	(661,707)	(115,187)	(37,301)	(1,297,519)
Net cost of claims and other outstanding obligations	(566,804)	(936,267)	(332,008)	(482,285)	(2,317,364)
Technical result	$ **523,299**	**58,035**	**2,244**	**(58,134)**	**525,444**

(16) Earnings per share-

As of December 31 2020 and 2019, the Institution has 476,678,213 common shares.

The formula applied by the Institution to determine earnings per share is to determine the factor of the period for which the shares repurchased were no longer in circulation, corresponding to the division between the number of days that the shares were no longer in circulation and total days of the period.

The related factor applies to the total of shares repurchased determining equivalence to the period when they were no longer in circulation, the result is subtracted from the number of outstanding shares at the beginning of the period, calculating the weighted average number of outstanding shares.

Finally earning per share is calculated by dividing income attributable to shares by the weighted average number of outstanding shares.

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Determination of ordinary earnings per common share

Year	Net income (loss) of the year	Weighted average outstanding shares	Earning per share (pesos)
2019	$ (195,461)	476,678,213	(0.41)
2020	$ 325,913	476,678,213	0.68

As of December 31, 2020 and 2019, the Institution has no commitments or contingencies with any entity to issue, sell or exchange its own equity instruments.

(17) Group entities-

Share in subsidiaries-

The main subsidiaries are as follows:

Subsidiaries	Equity interest 2020	Equity interest 2019
General de Seguros	98.4475%	98.1464%
Reaseguradora Patria	99.9822%	99.9822%
Servicio Peña Verde	99.9999%	99.9999%
PCM	99.9999%	99.9999%
CCSS - Peña Verde	99.9999%	99.9999%

Significant judgments and assumptions for determining the existence of control, were as follows: Peña Verde has power over its subsidiaries for directing their relevant activities by significantly influencing their decisions. In addition the executives of Peña Verde are actively involved in board meetings of their subsidiaries.

Significant judgments and assumptions for identifying if the Institution is agent or principal were as follows: according to that mentioned in the preceding paragraph, Peña Verde is principal being that it is the investor with power to make decisions and direct the relevant activities of its subsidiaries.

(18) Commitments and contingent liabilities –

a. There is a contingent liability derived from the employee benefits mentioned in note 3(m).

b. On August 15, 2014, the Company entered into a contract for the provision of services for the structuring, management of disbursements and execution of investment projects with Akua Capital, S.C., which was valid for 5 years. On December 13, 2019, the two companies signed a termination agreement in where the obligations are settled.

c. 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.

d. In accordance with the Income Tax law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, since such prices must be similar to those that would be used in arm´s-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

(19) Contingent commissions to agents -

In the 2020 and 2019 financial years, the Institution executed agreements for the payment of contingent commissions with intermediaries and corporations as described in this note. The total amount of payments made under these agreements in 2020 and 2019 amounted to $149,660 and $184,858, respectively, representing 6.4% and 7.8% for General de Seguros 3.9% and 3.3% for General de Salud, of the premium issued in the 2020 and 2019 financial years, respectively.

Contingent commissions means payments or compensations to individuals or corporations who participated in the intermediation or participated in the procurement of insurance products with General de Seguros and General de Salud, in addition to the direct commissions or compensations considered in the products design.

General de Seguros and General de Salud entered into agreements for the payment of contingent commissions with individuals, corporations and others who are not agents according to the following:

a. For life products, agreements related to the volume of premiums, the conservation of the portfolio and the generation of new businesses. For all products, the basis and criteria for participation in the agreements, as well as the determination of contingent commissions, are directly related to the premiums paid for each financial year. Payments of contingent commissions under such agreements are paid on a quarterly and annual basis.

b. For products of major medical expenses, agreements related to the volume of premiums, growth, claims and the generation of new businesses. For all products the basis and criteria for participation in the agreements, as well as the determination of contingent commissions, are directly related to the premiums paid and the claims rate of each financial year. Payments of contingent commissions under such agreements are paid on a quarterly and annual basis.

c. For property and casualty products, agreements related to the volume of premiums, growth and claims are concluded, where the basis and criteria for participation in the agreements as well as the determination of contingent commissions are directly related to the premiums paid and the claims rate of each financial year. Payments of contingent commissions under such agreements are paid on an annual basis.

d. For other non-agent intermediaries, with compensation agreements, where the basis for compensation are derermined on fixed amounts that depend on the volume of annual sales. Payments of contingent commissions are paid on a monthly basis.

e. For health products, the entire sales force also participates in an annual competition whose prize is payable in kind through convention assistance. The requirements for this contest are based on the level of production, number of new businesses and a maximum limit of claims.

The Institution or its shareholders do not maintain any shareholding in the social capital of corporations, with which the Institution has agreements for the payment of contingent commissions.

The Institution also is involved in agreements with individual brokers known as "Promoters", who participate recruiting agents, training and following up their individual metrics. It mentions a productivity bonus based on the total sales of the individual brokers. Contracts with these corporations set out a bonus on the total sales of the independent individuals that they are coordinating.

(20) Impact from COVID-19 through 2020-

Derived from the current situation, in which insurance institutions have been affected in economic, technical, operational, commercial and human resources capacities and taking into consideration health measures implemented in connection with the health contingency caused by the disease SARS-CoV2 virus (COVID-19), the Commission issued a transitional annex stipulating that, as of August 2020, institutions must deliver their financial information on a monthly basis to the commission. This, in order to assess the impacts that may have the valuation of the assets that make up the investment portfolios, thus affecting the resources intended to cover Investment Base (BI), the RCS and the Minimum Paid Capital (CMP).

General de Seguros and General de Salud

During this contingency period, General de Seguros and General de Salud have maintained all their operations through the activation of a business continuity plan, which consists mainly of: 1) the formalization of work under the home office model in most operations, 2) flexible working, through the rotation of face-to-face care groups in offices for those areas that this is indispensable , 3) implementation of health security measures, 4) monitoring and follow-up of the pandemic through the media and 5) adequacy of policies and procedures for conducting sessions remotely, as well as for obtaining signatures and authorizations for the various reports that require it. All of the above, has allowed the Institution to continue successfully with all its operations, as well as regulatory compliance with the Commission and the various institutions that regulate it.

General de Seguros and General de Salud were affected by the COVID-19 mainly in their life and health business line. During the second half of 2020, COVID-19 was included as part of the coverage, although pandemics and epidemics are part of an explicit exclusion from the general conditions of the products, with the aim of having a social impact and aligning with what most of the sector defined to deal with this new disease in Mexico.

In General de Salud in order to incentivize sales and minimize the loss of renewal premiums, for a few months various promotions were carried out among the agents, including: 1) allowing the reinstatement of policies for up to 60 days in cases where the policy holder could not make payments of the corresponding receipts, 2) a bonus from April to July to agents as a reward for insurance policy renewal with an additional bonus of up to 10% and up to a 20% according to the renewal rate, on the amount of their original commissions, that bonus encouraged conservation and allowed them to maintain their income during the confinement period and (3) a discount was granted on policies of 8.33% in direct debit cases during the period April to August 2020. At the end of the 2020 financial year, a total of 45 cases of COVID-19 claims (with a higher cost case resulting from the death of the insured), of which 33 correspond to collective and the last quarter being the highest boom. These claims amounted to $33,500.

In addition, a decrease in expected claims was observed that affects hospitalization and preventive medicine coverage, due to the fact that some medical procedures in these coverages may be reprogrammed. As a consequence of it an analysis was performed and it was determined that could be future claims amounting to $11,838 for these medical procedures, which is why this amount was set aside in addition to the risk reserve using the methodology registered with the Commission.

The life line of business was significantly impacted by COVID-19, with a total of 553 cases of COVID-19 reported at the end of the 2020 financial year, amounting to approximately $49,200.

Reaseguradora Patria

Reaseguradora Patria incurred in expenses to assess the health of employees which amounted of $598.

During the 2020 period the Institution received claims amounting to $60,712, which are directly related to the pandemic, with "business disruption" coverage being the most affected amounting to $55,524.

With regard to the reserve methodologies, there was no change during the period, while all the BEL claims ratios used in the methodologies did not show any significant change compared to the previous year.

In addition, Reaseguradora Patria took preventive measures to ensure the health of the employees, while maintaining the ability to continue operations. As a result, most of the employees were able to carry out their activities under remote working arrangements, considering the necessary preventive measures.

(21) Recently issued financial reporting standards-

The CINIF has issued the FRS and enhancement to FRS listed below:

FRS C-15 "Impairment of long-lived assets"-. This FRS becomes effective for periods beginning January 1, 2022, and early application is allowed. It supersedes Bulletin C-15 "Impairment or disposal of long-lived assets". The initial-adoption accounting changes must be recognized based on the prospective method. The main changes presented are:

- adds new examples of evidence to assess whether there is impairment and classifies it into internal or external sources of information and those applicable to investments in subsidiaries, associates or joint ventures.
- changes the requirement to use a net sales price for the fair value, less costs of disposal to carry out impairment tests;
- establishes the option of using estimates of future cash flows and a discount rate, in actual terms;
- incorporates standards for the treatment of future cash flows in foreign currency in determining the recoverable amount;
- modifies FRS C-8, Intangible Assets, to indicate that goodwill must be allocated at a level of a cash-generating unit (CGU) that is expected to benefit from the synergy of the business acquisition;
- incorporates the recognition of goodwill impairment in two steps: i. first, by comparing the carrying amount of the CGU including goodwill with the recoverable amount, and if the latter is less, an impairment loss is generated; and ii. second, by having this loss affect goodwill first and foremost, even leaving it at zero, and later, if there is an excess loss to be allocated, distribute it pro rata among the other long-lived assets that are part of the CGU;
- eliminates the calculation of impairment through the perpetual value of intangible assets with indefinite useful lives, by modifying the impairment test.
- establishes the determination of impairment of corporate assets as follows: i. first, they are allocated to the CGU to which they belong fairly and consistently, ii. second, the carrying amount of the CGU, including corporate assets, is compared to the recoverable amount and if the latter is less, an impairment loss is generated, which is distributed pro rata among all long-lived assets that are part of the CGU, including corporate assets.
- modifies the disclosures in accordance with the changes described above.

The Commission issued in December 2020 the modificatory letter 8/20, which establishes that the FRS described below will be effective on January 1, 2022:

FRS B-17 "Determination of fair value"- FRS B-17 this establishes the valuation and disclosure standards in the determination of fair value, in initial and subsequent recognition, if the fair value is required or allowed by other specific FRS. Where appropriate, changes in valuation or disclosure must be recognized prospectively.

FRS C-3 "Accounts receivable"- FRS with retrospective effects, except for the valuation effects that may be prospectively recognized, if it is impractical to determine the effect on each one of the prior periods presented. Some of the primary changes presented are the following:

- Provides that accounts receivable based on a contract are deemed financial instruments, while some other accounts receivable, resulting of legal or tax provisions, may have certain characteristics of a financial instrument, such as bearing interest, but are not in themselves financial instruments.
- Provides that the allowance for doubtful trade receivables shall be recognized as revenue is earned, based on the expected credit losses, and the allowance shall be recorded as an expense, separately when significant, in the statement of income.
- Provides that, upon initial recognition, the time value of money shall be considered. Therefore, should the effect of the present value of the account receivable be significant in light of the term, an adjustment must be made taking into consideration such present value.
- Requires a reconciliation between the beginning and ending balances of the allowance for doubtful accounts for each period presented.

FRS C-9 "Provisions, Contingencies and Commitments" - FRS C-9, supersedes Bulletin C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments". The first-time adoption of this FRS does not result in accounting changes in the financial statements. Some of the primary aspects covered by this FRS include the following:

- The scope is narrowed by relocating the topic concerning accounting for financial liabilities to FRS C-19 "Financial instruments payable".
- The definition of "liability" is modified by eliminating the qualifier "virtually unavoidable" and including the term "probable".
- The terminology used throughout the standard is updated to standardize the presentation with the rest of the FRS.

FRS C-16 "Impairment of financial instruments receivable"- FRS C-16. It establishes standards for the accounting recognition of impairment losses of all financial instruments receivable; it indicates when and how an expected impairment loss should be recognized and establishes the methodology for determination.

The primary changes arising from this FRS consist of determining when and how expected impairment losses on financial instruments receivable should be recognized, including:

- It establishes that impairment losses on financial instruments receivable should be recognized if the credit risk increases and thus it is concluded that a portion of future cash flows of the financial instruments receivable will not be recovered.
- It proposes recognizing the expected loss based on the entity's historical experience of credit losses, current conditions and reasonable and supportable forecasts of the various quantifiable future events that could affect the amount of future cash flows of the financial instruments receivable.
- With regard to interest-bearing financial instruments receivable, it establishes estimating how much of the financial instruments receivable amount is deemed recoverable and when, since the recoverable amount must be recorded at present value.
- It establishes that if the financial instrument that is solely for collecting principal and interest was not canceled due to the renegotiation, it is appropriate to continue measuring the financial instrument using the original effective interest rate, which should only be modified by the effect of the renegotiation costs.

FRS C-20 "Financing instruments receivable"- Some of the main aspects resulting from the adoption of this FRS are as follows:

- Classification of financial instruments within assets. To determine such classification, the concept of intention to acquire and hold financial instruments has been removed. Instead, the concept of business management model is adopted, either for obtaining a contractual yield, generating a contractual yield and selling in order to achieve certain strategic objectives, or generating earnings from the purchase and sale thereof, in order to classify them in accordance with the respective model.

- The valuation effect of investments in financial instruments is also focused on the business model.

- The reclassification of financial instruments is not permitted among financial instruments solely to collect principal and interest, held to collect and sale and trading financial instruments, unless the entity changes its business model.

- An embedded derivative that modifies the cash flows of principal and interest is not bifurcated from its host financial instrument. The entire receivable financial instrument shall be measured at fair value, as if it were a trading financial instrument.

FRS D-1 "Revenue from contracts with customers"- FRS D-1 establishes standards for the accounting recognition of revenues arising from contracts with customers. It eliminates the supplementary application of International Accounting Standard (IAS) 18 "Revenues", SIC 31 "Revenues – Barter transactions of advertising services", IFRIC 13 "Customer Loyalty Programs", and IFRIC 18 "Transfers of assets from customers". Additionally, this FRS, along with FRS D-2, repeals Bulletin D-7 "Construction and manufacturing contracts of certain capital goods" and IFRS 14 "Construction, sales and service contracts related to real estate". Some of the primary changes are the following:

- The transfer of control as basis for the opportunity of revenue recognition is established.

- The identification of the obligations to be fulfilled in a contract is required.

- It indicates that the transaction amount between obligations to fulfill must be assigned based on independent sales prices.
- The concept "conditional account receivable" is introduced.

- The recognition of collection rights is required.

- Requirements and guidance on how to value the variable consideration and other aspects, upon valuing the income are established.

FRS D-2 "Costs from contracts with customers"- FRS D-2 establishes rules for the accounting recognition of costs of sales of goods or provision of services. concurrently with FRS D-1 "Revenues from contracts with customers". Along with this FRS, it repeals Bulletin D -7 "Construction and manufacturing contracts of certain capital goods" and IFRS 14 "Construction, sales and service contracts related to real estate", except regarding the recognition of assets and liabilities in this type of contracts within the scope of other FRS.

The primary change is the separation of the standard related to the recognition of revenues from contracts with customers, from the standard corresponding to the recognition of costs for contracts with customers. Additionally, it extends the scope of Bulletin D-7, referring exclusively to costs related to construction and manufacturing contracts for certain capital goods, to include costs related to all types of contracts with customers.

FRS D-5 "Leases"- It supersedes Bulletin D-5 "Leases". First time adoption of this FRS results in accounting changes in the financial statements, chiefly for the lessee, and provides for different recognition options. Main changes included the following:

- In the case of lessees, leases are no longer classified as operating or finance and the lessee is required to recognize a lease liability at the present value of lease rentals and a right-of-use asset for the same amount for all leases with a term of more than 12 months, unless the asset is of low value.

- A lessee recognizes depreciation or amortization of the right-of-use asset and interest on the lease liability.

- In the statement of cash flows, the lessee modifies the presentation of the related cash flows, since cash outflows are deducted from operating activities with an increase in cash outflows (financing activities).

- In a sale-and-leaseback transaction, the recognition of any gain or loss is modified when the seller-lessee transfers an asset to another entity and leases that asset back from the buyer-lessor.

- Lessor's accounting recognition does not change from the previous Bulletin D-5; only certain disclosure requirements are added.

- It incorporates the possibility of using a risk-free rate to discount future lease payments and thus recognize the lease liability of a lessee. It restricts the use of the practical solution to prevent significant and identifiable non-lease components from being included in the measurement of right-of-use assets and lease liabilities.

2021 FRS enhancements deferred to January 1, 2022

In December 2020, CINIF issued a document called "2021 FRS Revisions" containing precise modifications to some of the existing FRS.

FRS C-2 "Investment in financial instruments"- FRS C-2 allows the option of recognizing investments in certain negotiable capital instruments that are not traded in the short term, to be valued through the OCI. This improvement is effective for periods starting as of January 1, 2021, and early application for 2020 is allowed. The accounting changes that arise must be recognized in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

FRS B-3 "Statement of comprehensive income", FRS C-2 "Investment in financial instruments", FRS C-19 "Financial instruments payable", FRS C-20 "Financial instruments to collect principal and interest"- The improvement to these FRS specifies that the gains or losses due to the cancellation of liabilities and the effects of renegotiating financial instruments to collect principal and interest must be presented as part of the operating results. This improvement is effective for periods starting as of January 1, 2021, and early application for 2020 is allowed. The accounting changes that arise must be recognized in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

FRS D-5 "Leases"- The improvements to this FRS are: i) clarifications to the disclosures for short-term and low-value leases for which a right-of-use asset was not recognized, ii) clarifying that the lease liability in a sale-leaseback operation must include both the fixed payments such as estimated variable payments and specifications are made of the procedure to be followed in accounting recognition. This improvement is effective for periods starting as of January 1, 2021, and early application for 2020 is allowed. The accounting changes that arise must be recognized in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

Management is assessing the effect of those FRS and enhancements to FRS due to the deferral in their adoption.

PEÑA VERDE

CONTACT INFORMATION

This material references Disclosures 102-3 and 102-53 of GRI 102: General Disclosures 2016

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