

Mexico City, March 24<sup>th</sup>, 2026.

TO THE SHAREHOLDERS OF  
QUÁLITAS CONTROLADORA, S.A.B. DE C.V.

On behalf of the Board of Directors of Quálitas Controladora, S.A.B. de C.V., I hereby submit the 2025 financial year report, which includes the recommendation for its approval by the Audit Committee, under the terms of the stipulations in article 28 of the Securities Market Act.

a) The general opinion of the Board of Directors of the Corporation is that the report drafted by the Managing Director, complies with each and every requirement stipulated by the General Securities Market Act for said purposes. Likewise, said report includes a summary of transactions by the Corporation and, in general, states the current situation of Quálitas Controladora, S.A.B. de C.V., therefore, we recommend its approval by the Shareholders' Meeting.

b) The accounting policies followed by the Company comply with the Mexican financial reporting standards, which require the Management to conduct certain estimates and to use certain assumptions in order to determine the assessment of certain individual items of financial statements and to conduct disclosures required to be submitted in the same. Even when there is the possibility of differences in the final effect, the Management considers that the estimates and assumptions used were adequate under the circumstances. The main policies followed by the Company are those reflected in the Report by the External Auditors and in the Financial Information at the closing of the financial year subject to review, with which this management body agrees, considering that said report including the same is, in practice, a part of it.

The main accounting policies followed by the Company are as follows:

**(a) Recognition of the effects of inflation-**

The accompanying consolidated financial statements have been prepared in accordance with the Accounting Criteria in effect as of the date of the consolidated balance sheet, which, due to the fact that the Institution operates in a non-inflationary economic environment, include the recognition of the effects of inflation on financial information up to December 31, 2007 based on the value of the Investment Unit (UDI, which is a unit of the account whose value is updated for inflation and determined by the Bank of Mexico). Annual and cumulative inflation percentage of the last three years are as follows:

| December 31, | UDI    | Inflation   |             |
|--------------|--------|-------------|-------------|
|              |        | Of the Year | Accumulated |
| 2025         | 8.6653 | 3.89%       | 13.32%      |
| 2024         | 8.3409 | 4.50%       | 17.34%      |
| 2023         | 7.9816 | 4.38%       | 20.83%      |

**(b) Principles of consolidation-**

The consolidated financial statements include those of Quálitas Controladora, S.A.B. de C.V. and those of the subsidiary companies in which it controls. Significant balances and transactions between group companies have been eliminated in the preparation of the consolidated financial statements. The consolidation was carried out based on the audited financial statements (except Quálitas Financial) of the issuers as of December 31, 2025 and 2024, which were prepared in accordance with the Accounting Criteria and the Mexican Financial Reporting Standards (MFRS) issued by the Mexican Council for Financial Reporting and Sustainability Standards, A. C. (CINIF), the financial statements of the subsidiary companies were prepared based on other accounting criteria, the effect

on the consolidation of these subsidiaries is not material for the consolidated financial statements (see note 20).

**(c) Translation of foreign currency financial statements-**

In a non-inflationary economic environment, the financial statements of foreign operations are translated to the reporting currency using the closing exchange rate for assets and liabilities, and the historical exchange rate for equity, income, costs, and expenses.

**(d) Financial instruments-**

**i. Recognition and initial measurement**

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

Financial assets and financial liabilities (unless it is an account receivable or payable without a significant financing component) are initially measured at fair value, plus the transaction costs directly attributable to acquisition or issuance, when subsequently measured at amortized cost. An account receivable that do not contain a significant financing component is initially measured at the transaction price.

The exception to irrevocably designate in its initial recognition a financial instrument to be receivable and sold, to be subsequently valued at its fair value with effects on net income, is not applicable to insurance institutions.

**ii. Classification and subsequent measurement**

Financial assets –

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

- *Financial instruments receivable or sold (FICS)*, measured at fair value through UI, which are intended both to collect the contractual flows of principal and interest and to obtain a profit on their sale when appropriate; and
- *Negotiable financial instruments (NFIs)*, measured at fair value through profit or loss (FVTPL) that represent investment in debt or equity financial instruments, and which aim to obtain a profit between the purchase and sale price.
- *Other accounts receivable, derived from activities other than insurance, co-insurance and reinsurance operations.*

The Institution's business models are those mentioned below:

|      |  |
|------|--|
| FICS | The Institution maintains a portfolio of sovereign, corporate and equity debt securities for liquidity management purposes (see Note 5). |
| NFI  | The Institution maintains a portfolio of listed equity securities for trading purposes (see Note 5).                                     |

The classification of financial assets is based on both the business model and the characteristics of the contractual cash flows therefrom. According to the business model, a financial asset or a class of financial assets (a portfolio) can be managed under:

- A business model that seeks both the recovery contractual cash flows (consisting of principal and interest), as well as obtaining profit through the sale of financial assets, necessitating a combined management model for these financial assets.
- A model that seeks maximum return through the purchase and sale of financial assets.

An entity may have multiple financial assets where each, or classes of them, follow different business models.

Financial assets are not reclassified subsequent to their initial recognition unless Institution changes its business model for managing financial assets, in which case all affected financial assets are reclassified to the new category at the time the change in the business model has occurred.

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

When the Institution make reclassifications of its investments in financial instruments in accordance with the aforementioned, it must request authorization of this fact in writing from the Commission within 10 business days following the authorization issued for such purposes by the Board of Directors of the Institution, detailing the change in the business model that justifies them.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not classified as measured at fair value through income:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. (Only Payment of the Principal and Interest, or SPPI for its initials).

A debt investment is measured at fair value through UI if it meets both of the following conditions and is not classified as measured at fair value through income:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or fair value through UI as described above are measured at fair value through income. The Institution will not be able to opt for the exception considered in the FRS to irrevocably designate in its initial recognition a financial instrument to collect or sell, to be subsequently valued at its fair value with effects on the net result.

On initial recognition of an equity investment that is not held for trading (NFI), the Institution may irrevocably elect to present subsequent changes in the investment's fair value in the UI. This election is made on an investment-by-investment basis.

*Financial assets: - Business model assessment -*

The Institution makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Institution's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through income.

*Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest –*

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Institution considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Institution considers:

- 1) contingent events that would change the amount or timing of cash flows;
- 2) terms that may adjust the contractual coupon rate, including variable rate features;
- 3) prepayment and extension features; and
- 4) terms that limit the Institution's claim to cash flows from specified assets (e.g., "non-recourse" features).

A prepayment feature is consistent with the criterion of only paying principal and interest if the amount of the prepayment substantially represents the unpaid amounts of principal and interest on the

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

Equity financial instruments that generate cash flows that do not meet the SPPI criteria are measured at fair value through income. Dividends are recognized in income, unless they represent a defined recovery in the cost of the investment, in which case it is recognized in CI.

In the derecognition of these instruments, the accumulated gain or loss that has been recognized in CI is not recognized in the results of the period.

*Financial assets - Subsequent measurement and gains and losses –*

|             |  |
|-------------|--|
| <i>NFI</i>  | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in income.   |
| <i>FICS</i> | These assets are subsequently measured at fair value. Interest income calculated under the effective interest method, gains and losses from translation of foreign currency and impairment are recognized in income. Other net gains and losses are recognized in comprehensive income. At the time of derecognition, the gains and losses accumulated in UI are reclassified to income. |

*Financial liabilities: Classification, subsequent measurement and gains and losses*

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

iii. **Derecognition**

**Financial assets**

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

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

**Financial liabilities**

The Institution derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Institution also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in income.

#### IV. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Institution currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment –

Financial instruments

The Institution recognizes loss allowances for Expected Credit Losses (ECL) on:

- financial assets measured at amortized cost;
- debt investments measured at fair value through CI.

The Institution measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the date of the financial statements; and
- other debt securities and bank balances for which credit risk (ie the risk of default occurring during the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivable and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Institution considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Institution's historical experience and an informed credit evaluation and including prospective information.

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

The Institution considers a financial asset to be in default when:

- the borrower is not likely to repay its credit obligations in full to the Institution, without a recourse by the Institution such as realizing security (if any is held); or
- the financial asset is more than 90 days past due, or when the Institution has reasonable and supported information to consider that a longer term is a more appropriate criterion.

The Institution considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Institution considers this to be correspond to a rating of BBB- or higher by the rating agency Standard & Poor's or Baa3 or higher by the rating agency Moody's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, about past events, current conditions and forecasts of future economic conditions.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Institution is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Institution expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

The ECLs for impairment of investments in FICS financial instruments were determined in accordance with the FRS C-16 "Impairment of Financial Instruments Receivable".

For the purpose of determining the amount of expected credit loss referred to in FRS C-16 "Impairment of Financial Instruments Receivable", the effective interest rate used to determine the present value of the cash flows to be recovered was adjusted when it was chosen to change that rate in accordance with FRS C-20 "Financial Instruments to Collect Principal and Interest".

#### *Credit-impaired financial assets*

At each reporting date, the Institution assesses whether financial assets carried at amortized cost and debt securities at fair value through CI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- i. significant financial difficulty of the borrower or issuer;
- ii. a breach of contract such as a default or being more than 90 days past due;
- iii. the restructuring of a loan or advance by the Institution on terms that the Institution would not consider otherwise;
- iv. it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- v. the disappearance of an active market for a security because of financial difficulties

#### *Presentation of allowance for ECL in the consolidated balance sheet*

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

For debt securities at fair value through CI, the loss allowance is charged to income, and is recognized in CI.

#### *Write-off*

The gross carrying amount of a financial asset is written off (partially or completely) to the extent that there is no realistic possibility of recovery. The Institution makes an assessment regarding the time and amount of the cancellation based on whether there is a reasonable expectation of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Institution's procedures for recovery of amounts due.

#### *Unrealized valuation results -*

The Institution shall not capitalize neither distribute profits from the valuation of any of the investments in securities until it is converted into cash.

#### *Repurchase agreements-*

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

#### **(e) *Cash and cash equivalents-***

Cash and cash equivalents include deposits in bank accounts in national and foreign currencies and other highly liquid instruments. As of the date of the consolidated financial statements, interest earned and foreign exchange gains and losses are included in the income statements as part of comprehensive financial result.

Checks that have not been charged after two business days after 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 recognizing the corresponding liability.

#### **(f) *Debtors-***

##### ***Premiums receivable -***

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 to "Receivables from agencies and public administration entities", if supported by a national public tender by these entities that signed, for purposes of the tender, and there is in place an agreement with the Federal Government supported in the Federal Expense Budget for the corresponding fiscal year.

##### ***Loans to officers and employees, loans, credits or financing granted and other receivables.***

##### ***Credits-***

The balance to be recorded in the loans or credits will be the one effectively granted to the borrower and, where appropriate, the insurance that has been financed. Any type of interest that accrues according to the credit payment scheme will be added to this amount.

In the cases in which interest is collected in advance, it will be recognized as an early collection in the heading of deferred loans and early collections, which will be amortized over the life of the loan under the straight-line method against results of the fiscal year, under "Interest on credits".

The loans or credits are grouped into current and overdue, according to the type of credit, that is, credits, without restriction and restricted credits, whether they are mortgage-backed loans for urban real estate or credits with collateral security for titles or securities and classified according to the nature of the operation.

#### **Past due portfolio -**

The unpaid balance in accordance with the conditions established in the credit agreements will be recorded as Past Due Portfolio when:

- 1) It is known that the borrower is declared in bankruptcy, in accordance with the Bankruptcy Law, or
- 2) their amortizations have not been fully settled in the terms originally agreed, considering the following for this purpose:
  - i. If the debts consist of credits with a single payment of principal and interest at maturity and are 30 or more calendar days past due;
  - ii. If the debts refer to credits with a single payment of principal at maturity and with periodic payments of interest and the respective interest payment is 90 or more calendar days past due, or 30 or more calendar days after the principal is past due;
  - iii. If the debts consist of loans with periodic partial payments of principal and interest, including home loans, and are 90 or more calendar days past due.

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

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

Renewals in which the borrower has not paid in time all the interest accrued in accordance with the originally agreed terms and conditions, and 25% of the original amount of the credit, will be considered past due as long as there is no evidence of sustained payment.

In the case of renewals in which the extension of the term is carried out during the validity of the credit, the 25% referred to in the previous paragraph must be calculated on the original amount of the credit that should have been covered to date.

#### **Allowance for loan losses -**

The Institution's Management makes the allowance for loan losses based on Chapter 8.14 of the Circular. Estimate must be calculated and recorded monthly, recorded under allowance for loan losses of the asset against the sub-heading of Preventive Write-offs for Credit Risks that is part of the heading of Comprehensive Financing Result.

The commercial loan portfolio is rated quarterly, monthly when it is comprised by mortgage loan, applying a methodology that considers the probability of default, the severity of the loss and the exposure to default, recognizing in the results of the year under the caption Comprehensive financing result the effect on the reserve.

The Commission may order the constitution of preventive reserves for credit risk, in addition to those referred to in the previous paragraph, for the total balance of the debt in the following cases:

- i. When the corresponding files do not contain or do not exist the documentation considered necessary in accordance with the regulations in force, to exercise the collection action, this reserve is only released when the Institution corrects the deficiencies observed.
- ii. When a report issued by a credit information society on the borrower's history has not been obtained (except for loans to officials and employees, when the collection of the credit is made through deductions made from their salary), said reserve is only canceled three months after obtaining the required report.

#### **Other accounts receivable-**

The institutions must follow in the first instance to what is established in the accounting criteria issued by the Commission and as well as observe the criteria indicated in FRS C-3 "Accounts Receivable" and FRS C-16 "Impairment of financial instruments receivable", of the FRS issued by the CINIF, as long as this is not contrary to what is established in the LISF and in the administrative provisions that emanate from it.

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

#### **Preventive allowance for other accounts receivable -**

Institutions must create, where appropriate, an estimate that reflects their degree of irrecoverability. Estimate must be obtained by applying the provisions of section 42 of FRS C-16 "Impairment of financial instruments receivable", when the institutions use the practical solutions referred to in paragraph 42.6 of FRS C-16, the constitution of the estimates must be for the total amount of the debt and must not exceed the following terms:

- Within 60 calendar days following their initial registration, when they correspond to unidentified debtors, and
- Within 90 calendar days following their initial registration, when they correspond to identified debtors.

#### **(g) Property, furniture and equipment -**

The Institution's property is stated at acquisition cost and restated based on independent appraisals. Appraisals are required to be made annually. The property valuation increase or decrease is recorded in the "Valuation surplus" caption in equity and at the moment of the property sale such effect is recycled to the income statement.

Furniture and equipment are recorded at acquisition cost, and through December 31, 2007, were adjusted for inflation using the inflation index of the country of origin of the assets, and the variances in the exchange rate against the Mexican peso.

Depreciation on property 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 of 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 and determined by independent experts. The annual depreciation rates of the principal asset classes are as follows:

|                                | <b><u>Rates</u></b> |
|--------------------------------|---------------------|
| Property                       | 1.11 to 5%          |
| Transportation equipment       | 25%                 |
| Office furniture and equipment | 10%                 |
| Computer equipment             | 30%                 |
| Other                          | 25%                 |

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

Minor repairs and maintenance costs are expensed as incurred.

**(h) Permanent investments-**

The other permanent investments where the Institution does not have control, neither joint control nor significant influence, were carried at cost and, through December 31, 2007, adjusted for inflation by applying NCPI factors.

**(i) Leases-**

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

At commencement or on modification of a contract that contains a lease component, the Institution allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of real state the Institution has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implied in the lease or, if that rate cannot be readily determined, the risk-free rate determined by reference to the lease term.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Institution is reasonably certain to exercise, lease payments in an optional renewal period if the Institution is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Institution is reasonably certain not to terminate early.

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

The Institution presents right-of-use assets property in furniture and equipment and lease liabilities in sundry creditors in the consolidated balance sheet.

**(j) Goodwill-**

Goodwill represents the future financial benefits arising from other acquired assets that are not individually identifiable or separately recognizable. Goodwill is subject to impairment tests at the end of the reporting period and when there is an indication of impairment.

**(k) Intangible assets-**

Intangible assets with definite useful life include mainly payments for the use of computer software licenses. These assets are recorded at acquisition cost and are amortized straight line over their estimated useful lives.

**(l) Prepayments-**

Mainly include prepayments for the purchase of services that are received after the date of the consolidated financial statements and in the ordinary course of operations.

**(m) Other assets-**

Other assets include mainly unrealized salvage inventory, prepayments, prepaid taxes, deferred income tax and deferred employee statutory profit sharing.

**(n) Impairment of furniture and equipment, amortizable intangible assets and long-lived intangible assets -**

With exception of the property, the Institution assesses the net carrying amount of furniture and equipment, amortizable intangible assets and long-lived intangible assets, to determine whether there is an indication that the carrying amount exceeds the recoverable amount. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net revenues reasonably expected to be generated by the asset.

If the net carrying amount of the asset exceeds the recoverable amount, the Institution accounts for the necessary impairment.

**(o) *Technical reserves-***

The Institution constitutes and assesses the technical reserves established in the Law, in accordance with the general provisions issued by the Commission in Title 5 of the Provisions for Insurance and Bonds Institutions (the Provision or CUSF from its Spanish acronym).

The technical reserves are established and valued 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 expenses assumed in relation thereto.

To establish and assess the technical reserves, actuarial methods based on the application of actuarial practice standards as dictated by the Commission through general provisions, will be 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 determined by the Commission according to the Law, the actuarial methods for establishment and valuation used by the Institution were determined by the Commission through general provisions.

The most important aspects to determine and account for the technical reserves are mentioned below.

***Reserve for current risks-***

The institutions registered with the Commission the technical notes and the actuarial methods used for creating and valuing the 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, guaranteed securities, 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 the expected value of the future flows, considering income and expenses, of obligations, understood as the weighted average by probability of these flows, considering the time value of money based on the market-risk-free interest rate curves for each currency or monetary unit provided by the independent price vendor, as of the valuation date. The hypothesis and procedures with which the future flows of obligations are determined, based on which the better estimate will be obtained, were defined by the Institution in the method submitted for the calculation of the best estimate.

For purposes of calculating the future flows of revenues, the premiums that upon valuation are past-due and outstanding are not considered, neither the fractional payments accounted for in "Premium receivable" in the consolidated balance sheet.

**Multiannual insurance-**

In the case of multiannual policies, the current risk reserve is the best estimate of the future obligations of the current year, plus the rate premiums corresponding to future accumulated annuities with the

corresponding return, for the time the policy has been in force, plus the risk margin. From premiums corresponding to future annuities the acquisition cost should be subtracted which for accounting purposes need to be recorded in a separate way to the reserve and upon writing insurance policy.

The Institution considers multiannual policies those insurance contracts whose coverage is more than one year, as long as it is not a long-term life insurance or insurance where the future premiums are contingent and it is not expected to be returned when the risk expires.

#### 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 over its duration. For purposes of valuation of the current risk reserve, the RCS of the quarter closing immediately preceding valuation date is used. If there are relevant increases or decreases in the amount of the Institution's obligations as of the report date, the Institution may adjust this risk margin, which allows to recognize the increase or decrease the margin may have from the situations mentioned. In these cases, the Commission is informed of the adjustments made and the procedures used to make this adjustment.

The risk margin is determined for each type of insurance, taking into consideration term and currency considered in calculating the best estimate of the corresponding insurance obligation.

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 that an insurance institution would require to cover the capital cost demanded to maintain the amount of Own Admissible Funds supporting the respective SCR.

#### Outstanding claims provision -

The establishment, increase, valuation and recording of the reserve for outstanding claims provision is made through estimating obligations using the actuarial methods the Institution has registered for such purposes with the Commission.

The purpose of this reserve 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 reserve for outstanding obligations will be equal to the sum of the best estimate and a risk margin, which are calculated separately and in terms of the provisions of Title 5 of the CUSF.

This reserve includes the following components:

#### *Outstanding claims provision and other known-amount obligations -*

These are the outstanding obligations at closing of the period from claims reported, overdue endowments, past due income, guaranteed values 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 one of the obligations known upon valuation.

For a future obligation payable in installments, the present value of future payment flows is estimated, discounted by applying 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.

*Reserve for claims incurred but not reported and adjustment expenses.*

These are the obligations that arise from claims that having occurred as of the valuation date, have yet to be reported or have not been completely reported, as well as the adjustment, salvage 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 defined as not having been completely reported when having occurred on dates prior to valuation of such claim, future claims or adjustments in addition to the estimates initially made, may derive.

Risk Margin-

This is calculated by determining the net capital cost corresponding to the Own Admissible Funds required to support the SCR, necessary to meet the insurance and reinsurance obligations over its duration. For purposes of valuation of the outstanding claims provision, the SCR of the quarter closing immediately preceding the valuation date is used. If there are relevant increase or decrease in the amount of the Institution's obligations as of the report date, the Institution may make adjustments to this risk margin, which allows to recognize the increase or decrease the margin may have from the situations mentioned. In these cases, the Commission is apprised of the adjustment made and the procedures used to make this adjustment.

The risk margin is determined for each type of insurance, taking into consideration term and currency considered in calculating the best estimate of the corresponding insurance obligation.

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 that an insurance institution would require to cover the capital cost demanded to maintain the amount of Own Admissible Funds supporting the respective SCR.

*Reserve for outstanding obligations for contingent dividends-*

This reserve corresponds to dividends that do not yet constitute actual or overdue obligations, but that the Institution estimates to pay in the future for the distribution obligations of the profits provided in the insurance contracts, from the favorable behavior of the risks, returns or expenses during the accrued duration period of the policies in force, the best estimate is determined by applying the method registered with the Commission. This methodology considers the repayment of a percentage of the premium collected through a dividend by claims, establishing the formula in its product technical notes, which considers a return factor (assigned by volume of premiums) on the difference resulting from subtracting the total claims to the net premium earned less expenses.

**(p) Accruals -**

Based on management estimates, the Institution recognizes accruals for present obligations where the transfer of assets or the rendering of services is virtually probable and arises as a consequence of past events, mainly acquisition costs, operating expenses and employee benefits; and that it is probable that in order to satisfy them, the Institution will have to part with financial resources.

**(q) 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 Employee Statutory Profit Sharing (ESPS) - see subsection (s) 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.

**Post-Employment Benefits**

***Defined benefit plans***

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

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

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in operating expenses. The Institution determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of estimates of contributions and benefit payments. Net interest is recognized in the 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 (before 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 comprehensive income within stockholder's equity.

**(r) Loss funds under management-**

It is related to the recorded amount of funds received for the payment of claims.

**(s) Income taxes and ESPS -**

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

Deferred IT and ESPS are accounted for under the asset and liability method. Deferred taxes 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 IT, for operating loss carryforwards and other recoverable 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 tax and ESPS assets and liabilities of a change in tax rates is recognized on the consolidated statement of comprehensive income 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 directly in stockholders' equity.

**(t) Cumulative currency translation adjustment -**

Represent the difference resulting from the translation of the functional currency of foreign operations into the reporting currency.

**(u) 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 fraction, 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 rehabilitation, the reserve is reconstituted as of the month in which the insurance is valid again.

**Salvage Revenue-**

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 in reinsurance transactions-**

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

### ***Policy rights and premium surcharges-***

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

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

### ***Service revenues-***

The service revenues are recorded as earned.

### ***(v) Reinsurance-***

#### ***Current account***

The transactions originated by the reinsurance contracts, both ceded and taken, issued by the Institution, are presented under "Current Account" in the consolidated balance sheet. For presentation purposes the net credit balances by reinsurers are reclassified to the corresponding liability.

#### ***Reinsurance taken***

The transactions derived from reinsurance acceptances are accounted for based on the account statements received from the cedants, which are generally formulated monthly therefore the corresponding premiums, claims, commissions, etc., are recorded in the following month.

#### ***Reinsurance ceded***

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

The Institution has a limited retention capacity in the property and casualty (automobile insurance) and contracts excess loss coverage, which basically covers as a property.

#### ***Recoverable reinsurance***

The Institution records 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 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 income statement under "Comprehensive financial result".

According to the provisions of the Commission, the recoverable amounts from reinsurance contracts with counterparts with no authorized registration, are not likely to cover the Investment Base, nor could they be part of the Own Admissible Funds (Fondos Propios Admisibles or FOPA for its Spanish acronym).

**(w) Net Acquisition Cost-**

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

**(x) Business Concentration-**

The Institution performs transactions with a large number of clients, with no significant concentration with any of them in particular.

**(y) Net cost of claims -**

It represents the expenses incurred related to the eventualities that have occurred, covered in insurance contracts (claims and other benefits), reduced by recoveries arising mainly from: (i) participation of the insured in deductibles or coinsurance, (ii) proportional and non-proportional reinsurance contracts, (iii) salvage and, (iv) from other insurance institutions for claims paid by them, but paid for by the Institution.

**(z) Comprehensive financial result (CFR)-**

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

- interest income and expense;
- premium surcharges;
- dividend income;
- impairment losses at fair value of financial instruments;
- the net gain or loss on financial assets at fair value through income;
- the net gain or loss for sale of the investment in financial instruments;
- the foreign currency gain or loss on financial assets and liabilities;
- preventive reserves from credit risk for loans, accounts receivable and recoverable reinsurance.

Interest income or expense is recognized using the effective interest rate method. Dividend income is recognized in income on the date on which the Institution's 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.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the assets 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 closing exchange rate prevailing at the date of the consolidated balance sheet. Exchange differences arising from the translation of monetary assets and liabilities are recognized in the consolidated income statement.

**(aa) 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.

**(ab) Specific accounting criteria -**

The Institution shall observe, except when otherwise stated by the Commission, the specific accounting criteria included in the provisions and FRS issued by the CINIF 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 basis 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.

**(ac) Supplementary-**

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 "Hierarchy", considering what is mentioned below:

- I. That in no case shall its application contravene the general concepts established in the Accounting Criteria.
- 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.

c) The Board of Directors has actively participated in the management of the Corporation, performing its duties in accordance with the relevant legislation. In doing so, we have conducted meetings on quarterly basis, wherein all transactions conducted by the Corporation are analyzed as well as the financial information for each month's closing, decisions are made and recommendations are submitted to the Management of the Corporation. It is worth highlighting that, one of the main duties of the Board of Directors is to guide the various policies of the corporation, the Members of the Board of Directors act as advisors in the organization and perform their duties based on the information about the corporation, provided to them, their experiences and knowledge, which enhances the appropriate decision making process by said management body.

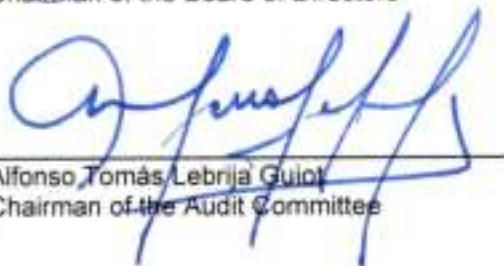
Also, the management body conducts liaison duties with shareholders highlighting the fact that its members act as a control instrument supervising the management conducted by the managers of the corporation, in order to enhance the duties of the management body the presence of independent members is accounted for, same members who are recognized professionals in several fields.

Finally, the Board of Directors also safeguards the interests of non-controlling shareholders, preventing the existing divergent interests among controlling and non-controlling shareholders to result in detriment to the latter.



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José Antonio Correa Etchegaray  
Chairman of the Board of Directors



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Alfonso Tomás Lebrija Guiot  
Chairman of the Audit Committee