CONSOLIDATED FINANCIAL STATEMENTS 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Qualitas Controladora, S. A. B. de C.V.:

(Mexican pesos)

Opinion

We have audited the consolidated financial statements of Qualitas Controladora, S. A. B. de C. V. and subsidiaries ("the Institution"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and notes, that include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Qualitas Controladora, S. A. B. de C. V. 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 Institution 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

The key audit matters are those that, in our professional judgment, were of 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 we do not provide a separate opinion on these matters.

Aguascalientes, Ags.
Cancún, Q. Roo.
Ciudad de México.
Ciudad Juárez, Chih.
Culiacán, Sin.
Chihuahua, Chih.
Guadalajara, Jal.
Hermosillo, Son.
León, Gto.
Mexicali, B.C.
Monterrey, N.L.
Puebla, Pue.
Querétaro, Qro.
Reynosa, Tamps.
Saltillo, Coah.
San Luis Potosí, S.L.P.
Tijuana, B.C.

Current risk reserve amounting to $27,257,522,114 and claims not reported reserve amounting to $(2,590,018,254) that is included in the outstanding claims provision for expired policies and pending payment claims caption in the consolidated balance sheet	
See note 3 (o) to the consolidated financial statements	
The key audit matter	How the matter was addressed in our audit
The valuation of technical reserves for current risk and for claims not reported requires the application of the methodology approved by the Commission, which considers complex calculations 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 these reserves as a key audit matter.	The audit procedures performed among others, are as follows: • 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 for the calculation and tested the internal control implemented by the Institution for the recording of the technical reserves. The procedures described above were performed with the support of our actuarial specialists.

Other Information

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

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the 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.

C.P.C. Víctor Manuel Espinosa Ortiz.

Ciudad de México, a 1 de marzo de 2022.

Quálitas Controladora, S. A. B. de C. V. and subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

(Mexican pesos)

Assets		2021		2020	
Investments securities (note 5):					
Government	$	21,650,974,839		22,534,149,387	
Corporate:					
Fixed income		5,880,763,608		6,954,136,963	
Variable income		6,721,726,766		5,208,637,113	
Foreign		66,582,099		196,148,483	
		34,320,047,312		34,893,071,946	
Repurchase agreements (note 5)		87,913,151		35,824,965	
Loan portfolio, net (note 6):					
Current		368,194,611		348,220,607	
Past-due		31,197,633		55,443,102	
Allowance for loan losses		(40,533,309)		(64,846,437)	
		358,858,935		338,817,272	
Property, net (note 7)		2,030,778,166	36,797,597,564	1,854,476,550	37,122,190,733
Employee benefits investment (note 14)			76,329,059		73,371,208
Cash and cash equivalents:					
Cash and cash in banks			2,209,374,328		1,691,555,506
Accounts receivable:					
Premiums (notes 8,12 and 17)		24,268,780,283		23,048,259,992	
Receivables from agencies and public administration entities (notes 8 and 17)		89,840,678		208,449,875	
Agents and adjusters		165,981,818		150,987,548	
Other		708,678,010		517,969,383	
Allowance for doubtful accounts		(190,092,796)	25,043,187,993	(207,807,590)	23,717,859,208
Reinsurers:					
Current		11,596,005		15,072,470	
Recoverable reinsurance		137,094,615		103,530,558	
Credit risk allowance for foreign reinsurers		(1,584,867)		(1,579,733)	
Allowance for doubtful accounts		(43,149)	147,062,604	(104,384)	116,918,911
Permanent stock investments:					
Other permanent stock investments			46,546,839		46,546,839
Other assets (note 10):					
Furniture and equipment, net		1,029,389,943		1,100,342,118	
Sundry		6,435,307,548		5,072,814,939	
Amortizable intangible assets , net		67,781,963		62,287,986	
Long lived intangible assets, net		35,545,175	7,568,024,629	34,623,650	6,270,068,693
Total assets	**$**		**71,888,123,016**		**69,038,511,098**

Liabilities and stockholders' equity		2021		2020	
Liabilities:					
Technical reserves:					
Current risks:					
Property and casualty	$	27,257,522,114		25,350,106,757	
Outstanding claims provision:					
For expired policies and pending payment claims		9,642,118,981		7,991,554,709	
For claims incurred but not reported and adjustment expenses		268,403,571		257,439,425	
Advanced premiums		681,504,229		713,323,258	
		10,592,026,781	37,849,548,895	8,962,317,392	34,312,424,149
Employee benefits (note 14)			434,200,682		438,235,104
Creditors (note 11):					
Agents and adjusters		2,206,134,595		2,008,196,445	
Loss funds under management		35,639,187		3,824,950	
Sundry		4,573,517,232	6,815,291,014	4,326,840,701	6,338,862,096
Reinsurers (note 9):					
Current		34,507,716		154,881,218	
Retained deposits		24,684,031	59,191,747	24,684,031	179,565,249
Other liabilities:					
Employee statutory profit sharing (note 15)		359,678,825		1,028,620,619	
Income tax payable (note 15)		931,616,190		2,906,954,890	
Other		4,076,396,708		3,851,094,192	
Deferred credits		983,491,825	6,351,183,548	921,692,829	8,708,362,530
Total liabilities			51,509,415,886		49,977,449,128
Stockholders´ equity (note 16):					
Controlling interest:					
Capital stock:					
Capital stock		2,422,365,551		2,464,130,475	
Repurchase of own shares		(51,751,967)	2,370,613,584	(51,881,277)	2,412,249,198
Reserve:					
Statutory					
Repurchase share reserve		865,953,144		647,005,386	
Other		339,079,172	1,712,175,315	238,295,455	1,392,443,840
Valuation surplus			331,132,806		522,166,427
Retained earnings			12,005,975,152		7,823,021,637
Net income			3,774,524,717		6,793,609,794
Currency translation adjustment			167,066,223		139,618,186
Remeasurement of employee benefits			4,383,802		(31,471,592)
Total controlling interest:			20,365,871,599		19,051,637,490
Non-controlling interest (note 19)			12,835,531		9,424,480
Total stockholders´equity			20,378,707,130		19,061,061,970
Commitments and contingencies (note 20)					
Total liabilities and stockholders´equity	**$**		**71,888,123,016**		**69,038,511,098**

(Continúa)

CONSOLIDATED BALANCE SHEETS *(continued)*

December 31, 2021 and 2020

(Mexican pesos)

Memorandum accounts

		2021	2020
Funds under management	$	35,639,186	3,824,950
Control accounts		3,976,592,914	9,764,456,842
Collateral received from repurchase agreements		87,913,151	35,824,965

See accompanying notes to consolidated financial statements.

“The consolidated balance sheets were prepared in accordance with the accounting provisions issued by the National Insurance and Bonds Commission (Comisión Nacional de Seguros y Fianzas), applied on a consistent basis, and taken as a whole, correctly reflect transactions performed by Quálitas Controladora, S. A. B. de C. V. and subsidiaries up to the aforementioned dates, which were carried out and valued in accordance with sound corporate practices and applicable legal and administrative provisions. “

“The consolidated balance sheets were approved by the Board of Directors under the responsibility of the signing officers.”

“The consolidated financial statements and the notes which form part of the consolidated financial statement can be consulted in Internet on the following webpage:https://qinversionistas.qualitas.com.mx/default/pdf/documentos-regulatorios/mx/2021/Notas-de-Revelacion-2022-v1.pdf

“The consolidated financial statements were audited by Víctor Manuel Espinosa Ortiz, a member of KPMG Cárdenas Dosal, S. C., who was hired to render the external auditing services to Quálitas Controladora, S. A. B. de C. V. and subsidiaries; furthermore, the technical reserves of Quálitas Controldora, S. A. B. de C. V. were audited by Actuary Liliana Ganado Santoyo”.

“The report issued by the external auditor, the consolidated financial statements and the notes which form part of the audited consolidated financial statement, will be made available for consultation on the following webpage: https://qinversionistas.qualitas.com.mx/default/pdf/documentos-regulatorios/mx/2021/Dictamen-Auditor-Externo-2022.pdf as of the forty-five calendar days following the closing of the year 2021.”

“Also, the Report on the Solvency and Financial Condition, will be located for consultation by Internet on the following webpage: https://qinversionistas.qualitas.com.mx/default/pdf/documentos-regulatorios/mx/2021/Reporte-Solvencia-Condicion-Financiera-2022.pdf as of the ninety calendar days following the closing of the year 2021.”

“Paid-in capital includes the amount of $11,545,094 Mexican pesos, coming from the partial capitalization property state valuation surplus.”

Ing, José Antonio Correa Etchegaray
Executive President equivalent to Chief Executive Officer

C.P. Juan Daniel Muñoz Juárez
General Accountant

Ing. Bernardo Eugenio Risoul Salas
Chief Financial Officer

C.P.C. Gabriel García Ruíz
Internal Auditor

Quálitas Controladora, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2021 and 2020

(Mexican pesos)

		2021		2020	
Premiums:					
Written (notes 12 and 17)	$		38,224,285,597		35,946,672,299
Less ceded (notes 9 and 17)			301,380,800		380,842,348
Retained premiums			37,922,904,797		35,565,829,951
Less net increase in current risks reserve (notes 17 and 22)			1,855,626,012		(1,212,856,388)
Earned retained premiums (note 17)			36,067,278,785		36,778,686,339
Less:					
Net acquisition cost:					
Agent commissions		2,952,851,853		2,627,235,450	
Additional compensation to agents		927,164,268		714,119,270	
Reinsurance ceded commission		(21,000,049)		(9,846,085)	
Non-proportional reinsurance cost		6,061,002		7,147,395	
Other		4,966,359,759	8,831,436,833	4,452,726,776	7,791,382,806
Net cost of claims and other outstanding obligations:					
Claims and other outstanding obligations			23,436,694,787		19,210,305,697
Technical profit			3,799,147,165		9,776,997,836
Analog and related operations result			9,476,259		7,530,000
Gross profit			3,808,623,424		9,784,527,836
Net operating expenses:					
Administrative and operating, net		(147,030,965)		320,893,874	
Salaries and fringe benefits		982,243,079		1,587,832,598	
Depreciation and amortization		482,185,436	1,317,397,550	488,719,489	2,397,445,961
Operating profit			2,491,225,874		7,387,081,875
Comprehensive financial result:					
Investment in securities		1,597,102,011		1,481,299,996	
On sale of investments securities		(104,667,855)		(53,809,852)	
Investment securities valuation		389,390,825		(197,662,862)	
Premium surcharges		299,065,146		412,597,593	
Interests from loans (note 6)		17,315,594		27,618,480	
Credit risk reserves from foreign reinsurers		(5,134)		225,251	
Credit risk reserves		67,659		(3,188,947)	
Other		48,013,274		263,123,151	
Foreign exchange result (note 4)		26,930,170	2,273,211,690	44,552,371	1,974,755,181
Profit before taxes			4,764,437,564		9,361,837,056
Income tax, net (note 15)			986,493,524		2,563,754,588
Consolidated net income			3,777,944,040		6,798,082,468
Non-controlling interest (note 19)			(3,419,323)		(4,472,674)
Controlling interest	$		**3,774,524,717**		**6,793,609,794**
Basic and diluted earnings per share (note 18)	$		**9.4753**		**13.0589**

See accompanying notes to consolidated financial statements.

“These consolidated statements of income were prepared in accordance with the accounting provisions issued by the National Insurance and Bonds Commission (Comisión Nacional de Seguros y Fianzas), applied on a consistent basis, and reflect all the revenues and expenses derived from the transactions performed by Quálitas Controladora, S. A. B. de C. V. and subsidiaries up to the aforementioned dates, which were carried out and valued in accordance with sound corporate practices and applicable legal and administrative provisions. “

“These consolidated statements of income were approved by the Board of Directors under the responsibility of the signing officers.”

José Antonio Correa Etchegaray
Executive President equivalent to Chief Executive Officer

Juan Daniel Muñoz Juárez
General Accountant

Bernardo Eugenio Risoul Salas
Chief Financial Officer

Gabriel García Ruíz
Internal Auditor

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2021 and 2020

(Mexican pesos)

	Paid in Capital Stock	Equity earned								
			Resultados							
	Capital social	Capital reserves	From prior years	Current year	Remeasurement of defined benefits to employees	Surplus from investment valuation	Currency translation adjustment	Total controlling interest	Non-controlling interest	Total stockholders Equity
Balances as of December 31, 2019	$ 2,465,797,276	613,980,439	4,718,334,673	5,354,108,327	(17,661,070)	287,939,820	136,926,871	13,559,426,336	4,954,853	13,564,381,189
Items related to stockholders' decisions:										
Transfer of prior year's net income	-	72,120,583	5,281,987,744	(5,354,108,327)	-	-	-	-	-	-
Increase in share repurchase reserve (note 16 (a))	-	615,345,167	(1,434,091,057)	-	-	-	-	(818,745,890)	-	(818,745,890)
Dividends to stockholder's (note 16 (d))	-	20,661,011	(722,500,000)	-	-	-	-	(701,838,989)	-	(701,838,989)
Repurchase of own shares (note 16 (a))	(53,548,078)	70,336,640	-	-	-	-	-	16,788,562	-	16,788,562
Items related to the comprehensive income (note 16 (c)):										
Valuation from property, net	-	-	-	-	-	63,777,662	-	63,777,662	-	63,777,662
Valuation from investment, net	-	-	-	-	-	170,448,945	-	170,448,945	-	170,448,945
Remeasurement of employee benefits	-	-	-	-	(13,810,522)	-	-	(13,810,522)	-	(13,810,522)
Net income for the year	-	-	-	6,793,609,794	-	-	-	6,793,609,794	4,472,674	6,798,082,468
Other	-	-	(20,709,723)	-	-	-	2,691,315	(18,018,408)	(3,047)	(18,021,455)
Balances as of December 31, 2020	2,412,249,198	1,392,443,840	7,823,021,637	6,793,609,794	(31,471,592)	522,166,427	139,618,186	19,051,637,490	9,424,480	19,061,061,970
Items related to stockholders' decisions:										
Transfer of prior year's net income	-	956,773,620	5,836,836,174	(6,793,609,794)	-	-	-	-	-	-
Increase in share repurchase reserve (note 16 (a))	-	(737,825,863)	-	-	-	-	-	(737,825,863)	-	(737,825,863)
Dividends to stockholder's (note 16 (d))	-	49,235,792	(1,652,000,000)		-	-	-	(1,602,764,208)	-	(1,602,764,208)
Repurchase of own shares (note 16 (a))	(41,635,614)	51,547,926	-	-	-	-	-	9,912,312	-	9,912,312
Items related to the comprehensive income (note 16 (c)):										
Valuation from property, net	-	-	-	-	-	63,776,082	-	63,776,082	-	63,776,082
Valuation from investment, net	-	-	-	-	-	(254,809,703)	-	(254,809,703)	-	(254,809,703)
Remeasurement of employee benefits	-	-	-	-	35,855,394	-	-	35,855,394	-	35,855,394
Net income for the year	-	-	-	3,774,524,717	-	-	-	3,774,524,717	3,419,323	3,777,944,040
Other	-	-	(1,882,659)	-	-	-	27,448,037	25,565,378	(8,272)	25,557,106
Balances as of December 31, 2021	**$ 2,370,613,584**	**1,712,175,315**	**12,005,975,152**	**3,774,524,717**	**4,383,802**	**331,132,806**	**167,066,223**	**20,365,871,599**	**12,835,531**	**20,378,707,130**

See accompanying notes to consolidated financial statements.

"These consolidated statements of changes in stockholders´ equity were prepared in accordance with the accounting provisions issued by the National Insurance and Bonds Commission (Comisión Nacional de Seguros y Fianzas), applied on a consistent basis, an reflect all the movements in the stockholders´ equity accounts derived from the transactions performed by Quálitas Controladora, S. A. B. de C. V. and subsidiaries up to the aforementioned dates, which were carried out and valued in accordance with sound corporate practices and applicable legal and administrative provisions. "

"These consolidated statements of changes in stockholders´equity were approved by the Board of Directors under the responsibility of the signing officers."

José Antonio Correa Etchegaray
Executive President equivalent to Chief Executive Officer

Juan Daniel Muñoz Juárez
General Accountant

Bernardo Eugenio Risoul Salas
Chief Financial Officer

Gabriel García Ruíz
Internal Auditor

Quálitas Controladora, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

(Mexican pesos)

		2021	2020
Consolidated net income	$	3,777,944,040	6,798,082,467
Items not requiring cash:			
(Gain) loss on securities valuation		(389,390,825)	197,662,862
Depreciation and amortization		482,185,436	488,719,489
Adjustment or increase in technical reserves		1,855,626,012	(1,212,856,388)
Employee statutory profit sharing, net		331,425,926	940,249,003
Allowance for loan losses		(24,313,128)	27,529,359
Allowance for doubtful accounts		(17,714,794)	26,139,961
Credit risk allowance on foreign reinsurers		5,134	(225,251)
Allowance for doubtful accounts on reinsurers		(61,235)	(14,213,428)
Current and deferred income tax		986,493,524	2,563,754,588
Subtotal		7,002,200,090	9,814,842,662
Operating activities:			
Changes in investment on securities		466,307,271	(4,228,208,938)
Changes in loan portfolio		4,271,465	(77,643,136)
Changes in employee benefits, net		41,378,944	111,820,295
Changes in premiums receivable		(1,101,911,094)	(642,945,000)
Changes in other accounts receivable		(205,702,897)	86,938,740
Changes in reinsurers, net		(116,897,037)	62,776,797
Changes in other operating assets		(1,291,675,590)	(701,901,580)
Changes in obligations and expenses assigned to claims		1,647,934,677	(335,002,352)
Changes in sundry creditors		476,428,918	587,450,711
Changes in other operating liabilities		(3,607,458,988)	(2,659,460,557)
Net cash provided by operating activities		3,314,875,759	2,018,667,642
Investment activities:			
Acquisition of property		(91,775,219)	(47,056,027)
Acquisition of furniture and equipment		(392,138,601)	(475,769,240)
Acquisition of intangible assets		(9,913,395)	(85,915,232)
Net cash used in investing activities		(493,827,215)	(608,740,499)
Financing activities:			
Repurchase of own shares		(727,913,551)	(801,957,328)
Dividends paid to stockholders		(1,602,764,208)	(701,838,989)
Net cash used in financing activities		(2,330,677,759)	(1,503,796,317)
Net increase (decrease) in cash and cash equivalents		490,370,785	(93,869,174)
Effects of exchange rate and levels of inflation		27,448,037	2,691,315
Cash and cash equivalents:			
At beginning of year		1,691,555,506	1,782,733,365
At end of year	**$**	**2,209,374,328**	**1,691,555,506**

See accompanying notes to consolidated financial statements.

“These consolidated statements of cash flows were prepared in accordance with the accounting provisions issued by the National Insurance and Bonds Commission (Comisión Nacional de Seguros y Fianzas), applied on a consistent basis, an reflect all the cash flows derived from the transactions performed by Quálitas Controladora, S. A. B. de C. V. and subsidiaries up to the aforementioned dates, which were carried out and valued in accordance with sound corporate practices and applicable legal and administrative provisions. “

“These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the signing officers.”

José Antonio Correa Etchegaray
Executive President equivalent to Chief Executive Officer

C.P. Juan Daniel Muñoz Juárez
General Accountant

Bernardo Eugenio Risoul Salas
Chief Financial Officer

Gabriel García Ruíz
Internal Auditor

1

DESCRIPTION OF BUSINESS AND CREDIT RATING

Description of business

Qualitas Controladora, S. A. B. de C. V. is an institution incorporated under Mexican laws located at José María Castorena No. 426 Col. San José de los Cedros, Cuajimalpa de Morelos, Mexico City, C.P. 05200, Mexico.

The consolidated financial statements for the years ended December 31, 2021 and 2020 include those of Qualitas Controladora, S. A. B. de C. V. and its subsidiaries (Qualitas Controladora and together with its subsidiaries, the Institution). Qualitas Controladora through its main subsidiaries, is engaged in insurance, coinsurance and reinsurance as a property and casualty insurer, specifically in the automobile line in accordance to the Insurance and Bonds Institutions Law (the Law or LISF from its Spanish acronym).

The Institution conducts operations mainly in Mexico, the United States of America (US), El Salvador, Perú and Costa Rica.

The main activities of the subsidiaries are described below:

(a) Qualitas Compañia de Seguros, S. A. de C. V. (Qualitas Mexico)

The main activity of Qualitas Mexico is to engage, according to Law, in insurance, coinsurance and reinsurance as a property and casualty insurer in the automobile line; it is a 99.99% subsidiary of Qualitas Controladora and was incorporated on December 1, 1993 with a capital stock of $7,500,000, which was fully paid on the same date. Qualitas Mexico is the holding of Qualitas Compañía de Seguros, S. A. (Qualitas El Salvador) of which it owns 99.99% of its share capital. Qualitas El Salvador is primarily engaged in insurance, coinsurance and reinsurance as a property and casualty insurer in the automobile line in accordance with the Insurance Companies Law and its Regulations, the Commerce Code issued by the Legislature of El Salvador as well as of technical standards, administrative rules, regulations, bulletins and provisions issued by the Financial System Superintendence of such country.

(b) Qualitas Compañia de Seguros, S. A. (Qualitas Costa Rica)

Qualitas Costa Rica is mainly engaged in insurance, coinsurance and reinsurance as a property and casualty insurer in the automobile line in accordance to the Law issued by the Legislature of the Insurance Market No.8653 and the Commerce Code Law No.3284 issued by the Legislature of Costa Rica as well as of technical standards, administrative rules, regulations, bulletins and provisions issued by the General Insurance Superintendence of such country; it is a 99.99% subsidiary of Qualitas Controladora and was incorporated on February 28, 2011, with a capital stock of $54,477,883, which was fully paid on the same date.

(c) Qualitas Financial Services, Inc (Qualitas Financial)

Qualitas Financial is primarily engaged in the incorporation, organization and management of business corporations in the US; it is a 100% subsidiary of Qualitas Controladora and was incorporated on August 1, 2013 with a capital stock of $196,264,500, fully paid on the same date. Qualitas Financial is the 100% holding of Qualitas Insurance Company, Inc. (Qualitas Insurance), which main activity is insurance, coinsurance and reinsurance as a property and casualty insurer in the automobile line of insurance in accordance to the California Department of Insurance, also Qualitas Financial is 100% holding company of Qualitas Premier Insurance Services (Qualitas Insurance Services), which is primarily engaged in providing management services (Translation from Spanish Language Original).

(d) Qualitas Compañía de Seguros, S, A, (Qualitas Perú)

Qualitas Perú was acquired during the year 2019, which is mainly engaged in the insurance and reinsurance as a property and casualty insurer in the automobile line of insurance in Perú. Qualitas Perú is subject the regulation issued by the Department of Insurance Banking and AFP of Perú. The Institution acquired 99.99% of Qualitas Peru´s voting rights (formerly HDI Seguros, S. A) with a payment amounting to $99,111,564.

Credit rating

As of December 31, 2021 and 2020, the Institution and its subsidiaries have a credit rating for both years as follows:

	Rating		
Entity	**2021**	**2020**	**Rating Agency**
Quálitas Controladora	“BB+”	“BB+”	Standard & Poor’s
Quálitas México	“mxAAA”	“mxAA+”	Standard & Poor’s
Quálitas Costa Rica	“A-”	“A-”	Pacific Credit Raiting
Quálitas Financial	“BBB-”	“BBB-”	Standard & Poor’s
Quálitas Perú	“A-”	“B+”	Pacific Credit Raiting

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AUTHORIZATION, BASIS OF PRESENTATION AND OVERSIGHT

Authorization

On March 1, 2022, José Antonio Correa Etchegaray, Executive President equivalent to Chief Executive Officer, Bernardo Eugenio Risoul Salas, Chief Financial Officer and Juan Daniel Muñoz Juárez, General Accountant, authorized the issuance of accompanying consolidated financial statements and related notes thereto.

In accordance with the General Corporations Law, the provisions of the National Insurance and Bonds Commission (the Commission), and the bylaws of Qualitas Controladora, S. A.B. de C. V., the stockholders, the Board of Directors and the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) are empowered to modify the consolidated financial statements after their issuance. The consolidated financial statements will be submitted to the next Stockholders’ Meeting for approval.

Basis of preparation

a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with Mexican Accounting Criteria for Insurance Institutions issued by the Commission (the Accounting Criteria), in force as of the balance sheet 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 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 judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following note:

- Note 3b - 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(o) - Technical reserves: valuation of technical reserves depends on key actuarial assumptions and the quality of the underlying data;
- Notes 3 (q) and 14 - Measurement of defined benefit obligations: key actuarial assumptions.

c) Functional and reporting currency

The aforementioned consolidated financial statements are presented in Mexican pesos (reporting currency), according to the following:

- Regarding Qualitas Controladora and Qualitas Mexico the reporting currency is equal to the local currency and its functional currency.
- For Qualitas Costa Rica its local and functional currency is the Colon and its financial statements were translated to Mexican peso, reporting currency, to present the consolidated financial statements.
- For Qualitas Financial its local and functional currency is the Dollar and its financial statements were translated to Mexican peso, reporting currency, to present the consolidated financial statements.
- For Qualitas Perú its local and functional currency is the Peruvian Sol and its financial statements were translated to Mexican peso, reporting currency, to present the consolidated financial statements.
- For Qualitas El Salvador its local and functional currency is the Dollar and its financial statements were translated to Mexican peso, reporting currency, to present the consolidated financial statements.

For purposes of the consolidated financial statement disclosure, “pesos” or “$” means Mexican pesos, and “dollars” or “US$” means U.S. dollars.

Oversight

The Commission is responsible for the inspection and oversight of insurance institutions and carries out a review of the annual consolidated financial statements and other periodic information which institutions are required to prepare.

3

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements and have been applied consistently by the Institution.

(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 balance sheet date and taking into account that the Institution operates in a non-inflationary economic environment they include the recognition of the effects of inflation on the financial information through December 31, 2007 based on the Mexican National Consumer Price Index (NCPI). Annual and cumulative inflation percentages of the last three years, are as follows:

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

(b) Principles of consolidation

The consolidated financial statements include those of Qualitas Controladora, S. A. B. de C. V. and those of its subsidiaries which it controls. All significant inter-company balances and transactions have been eliminated in consolidation. The consolidation was based on the audited financial statements (except for Qualitas Financial) of the issuing companies as of December 31, 2021 and 2020, which have been prepared in accordance with the Accounting Criteria and the Mexican Financial Reporting Standards (FRS) issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A. C. or CINIF from its Spanish acronym), the financial statements of the foreign subsidiaries were prepared in accordance with other accounting criteria, the effect on the consolidation of these subsidiaries is not material for the consolidated financial statements (See note 19).

(c) Translation of foreign currency financial statements

The financial statements of foreign operations are translated into the reporting currency by initially determining if the functional currency and the local currency of 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 country of origin when the foreign operation is located in an inflationary economy.

(d) Investment in securities

The Commission regulates the basis on which the Institution makes investments, for which an accounting and valuation criteria has been established, which classifies the investments according to the management intention on ownership, as follows:

Securities for trading purposes

Trading securities are debt or equity securities bought and 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 accrual yield recognition (interest, coupons or equivalents) is calculated by applying effective interest method. Interests are recorded on the income statement when earned. Traded debt securities are stated at fair value using market prices provided by independent price vendor, or by specialized official publications on international markets. When quotation is not available it could be used the acquisition cost as an indexed price for valuation.

Equity securities are recorded at acquisition cost and valued 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 income statement in "Comprehensive financial results" 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 income statement. The sold securities' valuation result recognized on the income statement is reclassified to "Comprehensive financial result for the sale of investments" in the income statement, on the date of the sale.

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

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, interest yield recognition (interest, coupons or equivalents) and valuation methodologies are the same than those applied to trading debt securities, including yield earned on the income statement, however valuation effect is recorded on stockholders' equity under "Surplus from valuation" as long as such financial instruments are neither sold or transferred to a different category. At the time of sale, the effects previously recorded in equity, shall be recognized on the income statement.

Equity instruments are recorded at acquisition cost. Investments in quoted shares are stated at fair value based on market prices released by independent price vendors, in the case where no market value is available, is considered the book value of the issuer. The valuation effects of equity instruments are recorded in the caption "Surplus from investment valuation" in stockholders' equity.

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

Transfers between categories

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

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

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

Unrealized valuation results

The Institution 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 agreements are presented in a separate line item on the 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.

Impairment

The Institution assesses at each 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 deposits in local currency and dollars. At the balance sheet date, interest earned and currency translation gains/losses are presented on the income statement 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 without impacting the accounting records as a results of checks issuance.

(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

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, accounting for an allowance for doubtful accounts when needed.

In the case of accounts receivable not 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.

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

The Commission may order the creation of preventive reserves from credit risk, in addition to those referred-to in the above paragraph, for the outstanding balance in the following cases:

I. When the corresponding credits files have no or there is no documentation considered necessary according to the regulation in force, to exercise collection rights. 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 after the required report is obtained.

(g) Transfers and derecognition of 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.

(h) 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:

	Rates
Property	1.11 a 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.

(i) 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.

(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. The factors about the useful life are the expected use of the asset by the Institution and the typical life cycle of the software. 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 balance sheet 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 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 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 informed 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.

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 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 from 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 inevitable and arises as a consequence of past events, mainly acquisition costs, operating expenses and employee benefits.

(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 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 income 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 on 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 (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 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 Tax 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 revenues

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

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

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 balance sheet. For presentation purposes the net credit balances by reinsurer 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) Comprehensive financial result (CFR)

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

- interest income;
- Premium surcharges;
- dividend income;
- the net gain or loss for valuation of the investment in financial instruments;
- 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 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 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 balance sheet. Exchange differences arising from assets and liabilities denominated in foreign currencies are reported on the statement of income.

(z) 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.

(aa) 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:

III. 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 expense management, expiration, conservation, withdraws, premium risk as well as extreme events.

IV. 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.

V. Assets and liabilities mismatch 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.

VI. 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.

VII. Credit risk - shows the potential loss arising from non-collection or the solvency of counterparties and debtors impairment over operations carried out by the Institution, including the guarantees granted. 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.

VIII. 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 several of them, by counterpart, by type of asset, area of economic activity or geographical area.

IX. 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 comprehensive 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 comprehensive risk management (Risk management area).

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

The 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.

I. 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.

(ab) Specific accounting criteria

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

ii. Are effective and in force;
iii. Early adoption has not been taken
iv. Do not contradict the general basis of the Accounting Criteria, and
v. 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) 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 "Hierarchy", considering what is mentioned below:

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

I. 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.

(ad) Reclassifications

The consolidated statement of income and the consolidated statement of cash flows for the year ended December 31, 2020 were reclassified to conform to the presentation used in the 2021 statements.

4

FOREIGN CURRENCY EXPOSURE

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

		Mexican pesos	
		2021	2020
Assets	$	7,538,076,053	5,423,920,599
Liabilities		(4,922,369,547)	(3,452,404,904)
Net assets	**$**	**2,615,706,506**	**1,971,515,695**

As of December 31, 2021 and 2020, foreign exchange gain amounted to $26,930,170 and $44,552,371, respectively.

The exchange rates used in the various translation processes to the reporting currency at December 31, 2021 and 2020 were as follows:

			Year-end exchange rate		Average exchange rate	
Country of origin	**Currency**		**2021**	**2020**	**2021**	**2020**
United States of America and El Salvador	Dollars	$	20.4672	19.9087	20.3770	21.5747
Peru (Soles to dollars)	Sol		3.9870	3.6210	3.9003	3.5098
Costa Rica (Colones to dollars)	Colon		645.25	617.30	625.65	591.41

At December 31, 2021 and 2020, the Institution did not have foreign exchange hedging instruments.

5

INVESTMENTS

At December 31, 2021 and 2020, the investment portfolio includes financial instruments classified as held for trading, which include maturities that range between 3 days to 22 years and 4 days to 23 years, respectively and financial instruments classified as securities available for sale, which include maturities that range between 160 days to 8 years and 238 days to 8.5 years, respectively.

At December 31, 2021 and 2020, interest rates applied to financial instruments held for trading purposes portfolio range between 5% and 11.35% and 1.80% to 11.34%, respectively and interest rates applied to financial instruments of the securities available for sale range between 4.13% to 14.78% and 1.23% to 9.35%, respectively.

At December 31, 2021 and 2020, there are not restrictions regarding the availability of financial instruments.

At December 31, 2021 and 2020, financial instruments are described in the following page.

6

LOANS PORTFOLIO

At December 31, 2021 and 2020, the current loans portfolio is comprised as follows:

		2021	2020
Mortgage	$	39,733,329	22,487,515
Unsecured		261,310,865	222,458,510
Discount and rediscount		-	103,201,840
Accrued interest		111,795	72,742
Trust-guaranteed loans		67,038,622	-
	$	**368,194,611**	**348,220,607**

At December 31, 2021 and 2020, the past-due loan portfolio is comprised as follows:

		2021	2020
Mortgage	$	3,239,141	25,749,282
Unsecured		27,958,492	29,693,820
	$	**31,197,633**	**55,443,102**

At December 31, 2021 and 2020, allowance for loan losses amounted to $40,533,309 and $64,846,437, respectively.

At December 31, 2021 and 2020, unsecured loans are as follows:

		2021	2020
Acceso Corp, S. A.	$	111,480,145	99,743,500
Age Capital, S. A.		62,038,634	-
Arrendomóvil de México, S.A. de C.V.		-	40,000,000
Autofinanciamiento de Automóviles Monterrey, S. A. de C. V.		17,000,000	1,602,192
Servicios de Intermediación, S. A. de C. V.		-	2,156,248
Benjamín Hernández Gutierrez		-	5,000,000
Ramon Aguilera Villanueva		-	2,429,955
Pargroup Agente de Seguros y Fianzas, S. A. de C. V		-	6,346,267
Rosave Agente de Seguros y Fianzas, S. A. de C. V.		8,611,111	4,761,162
Meneses Asesores, S. A. de C. V.		2,975,000	3,950,000
Carmarc Asesores, S. A. de C. V.		1,583,333	2,583,333
Trigarante Agente de Seguros y Fianzas, S. A. de C. V.		-	3,656,342
Innovazione Agente de Seguros y Fianzas, S. A. de C. V.		8,553,013	3,215,679
Mag Agente de Seguros y Fianzas, S. A. de C. V.		9,632,875	4,032,865
Equinox Agente de Seguros y Fianzas, S. A. de C. V.		2,381,836	4,000,000
Murguia Consultores Agente de Seguros y Fianzas, S. A. de C. V.		-	5,510,938
Lorama servicios, S. A. de C. V.		5,027,778	-
Other		32,027,140	33,470,029
	$	**261,310,865**	**222,458,510**

At December 31, 2021, Trust-guaranteed loans are analyzed as follows:

		2021
Promotora Sku, S. A. P. I. de C. V. SOFOM E.N.R.	$	50,777,578
Firma Car, S. A. P. I. de C. V.		16,261,044
	$	**67,038,622**

At December 31, 2020, discount and rediscount loans are analyzed as follows:

		2020
Promotora Sku, S. A. P. I. de C. V. SOFOM E.N.R.	$	73,465,730
Firma Car, S. A. P. I. de C. V.		24,486,110
Altum CP, S.A. de C. V.		1,250,000
Credicam, S. A. de C. V. SOFOM E.N.R.		4,000,000
	$	**103,201,840**

At December 31, 2021 and 2020, the Institution has recognized $17,315,594 and $ 27,618,480 of Interests from loans in the comprehensive financial result of the consolidated statements of income, respectively,

7

PROPERTY

At December 31, 2021 and 2020, property is as follows:

	2021	2020
Land	$ 559,760,336	498,420,426
Buildings	535,855,202	501,385,326
Special facilities	50,971,382	55,005,949
	1,146,586,920	1,054,811,701
Accumulated depreciation	(125,462,233)	(109,865,466)
	1,021,124,687	944,946,235
Net valuation	1,009,653,479	909,530,315
Total	**$ 2,030,778,166**	**1,854,476,550**

At December 31, 2021 and 2020, the Institution made appraisals of its properties, as a result an increase in their value of $100,123,164 and $94,689,545 was recorded, respectively. Depreciation is calculated based on the remaining useful life and the restated value of buildings, determined through the latest appraisals made. The applicable depreciation rate for 2021 and 2020 ranges between 1.11% and 5% in both years.

8

ACCOUNTS RECEIVABLE

Premiums

At December 31, 2021 and 2020 premiums receivable are described is as follows:

	2021	2020
Automobile:		
Fleets, financial and other	$ 19,098,927,584	19,508,654,137
Individual	4,516,383,269	2,920,528,265
Foreign	653,469,430	619,077,590
	24,268,780,283	23,048,259,992
Receivables from agencies and entities of the federal public administration	89,840,678	208,449,875
	$ 24,358,620,961	**23,256,709,867**

At December 31, 2021 and 2020 premiums receivable accounts for 34% of total assets in both years.

9

REINSURERS

At December 31, 2021 and 2020, balances payable to reinsurers is analyzed as follows:

Institution	2021 Up-to 90 days	More than 180 and up-to 365 days	Total
Axa France IARD	$ 34,089,595	-	34,089,595
Allianz Mexico, S.A.	6,012,240	-	6,012,240
Seguros Universales, S.A.	992,031	-	992,031
Ficosha seguros, S. A.	7,821,504	-	7,821,504
Navigators Insurance Company	2,264,792	-	2,264,792
Arch Reinsurance Europe Underwriting designated Activity Company	1,853,011	-	1,853,011
Münchener Rückversicherungs -Gesellschaft	1,022,350	-	1,022,350
Other	(19,547,807)	-	(19,547,807)
Total	**$ 34,507,716**	**-**	**34,507,716**
Percentage	100%	0%	100%

Institution	2020 Up-to 90 days	More than 180 and up-to 365 days	Total
Kot Insurance Company A. G	$ -	61,938,327	61,938,327
Axa France IARD	59,183,781	-	59,183,781
Allianz Mexico, S.A.	9,755,263	-	9,755,263
Seguros Universales, S.A.	2,146,874	-	2,146,874
Münchener Rückversicherungs -Gesellschaft	-	426,794	426,794
Other	21,430,179	-	21,430,179
Total	**$ 92,516,097**	**62,365,121**	**154,881,218**
Percentage	60%	40%	100%

At December 31, 2021 and 2020, the Institution ceded premiums from its property and casualty in the automobile insurance line amounting to $301,380,800 and $380,842,348, respectively.

10

OTHER ASSETS

Furniture and equipment:

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

	2021	2020
Office furniture and equipment	$ 359,056,752	344,770,901
Computer equipment	1,289,633,296	1,155,624,363
Transportation equipment	709,843,769	649,991,275
Other	1,395,294,894	1,312,700,669
	3,753,828,711	3,463,087,208
Less accumulated depreciation	(2,724,438,768)	(2,362,745,090)
	$ 1,029,389,943	1,100,342,118

Sundry:

At December 31, 2021 and 2020 this line item are as follows:

	2021	2020
Unrealized salvage inventory	$ 580,325,992	546,482,132
Spare parts inventory	198,811,655	96,621,232
Prepayments	455,476,126	289,885,468
Income tax prepayments	2,778,813,573	1,846,189,171
Deferred income tax (note 15)	1,910,395,874	1,842,957,685
Deferred employee statutory profit sharing (note 15)	511,484,328	450,679,251
	$ 6,435,307,548	**5,072,814,939**

At December 31, 2021 and 2020, the “Amortizable intangible assets” and “Long live intangible assets” captions, include mainly computer software licenses, amortized at the rate of 5% as well as Goodwill from Quálitas Financial and Quálitas Peru acquisitions, respectively.

11

CREDITORS

At December 31, 2021 and 2020 creditors are as follows:

	2021	2020
Use of facilities	$ 2,835,291,816	2,651,968,617
Agents current account	2,206,134,595	2,008,196,445
Sundry	732,335,083	380,041,231
Amounts retained from adjusters	197,958,085	183,215,373
Accruals	807,932,248	1,111,615,480
Loss funds under management	35,639,187	3,824,950
	$ 6,815,291,014	**6,338,862,096**

12

WRITTEN PREMIUMS AND PREMIUMS ISSUED IN ADVANCE TO THE RISK PERIOD COVERED

Written premiums

The value of written premiums from the Institution for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Automobile:		
Fleets, financial and other	$ 21,594,031,884	21,778,176,665
Individual	13,391,060,333	11,521,635,474
Foreign	3,239,193,380	2,646,860,160
	$ 38,224,285,597	**35,946,672,299**

Premiums issued in advance to the risk period covered-

At the end of years 2021 and 2020, the Institution issued premiums with a coverage period starting in years 2022 and 2021, respectively. The transactions related to premiums issued in advance to the risk period covered are as follows:

	2021	2020
Premiums issued in advance to the risk period covered:		
Issued	$ 3,667,718,290	3,026,005,730
Ceded	5,744,261	8,710,057
Increase in currents risks reserve	$ 3,128,982,030	2,504,800,192
Agent commissions	175,772,817	125,965,234
Policy rights	200,746,909	154,826,750
Acquisition cost	656,993,704	542,970,242

At December 31, 2021 and 2020 the balances related to premiums issued in advance to the risk period covered are analyzed are as follows:

	2021	2020
Premiums receivable	$ 4,589,061,423	3,748,303,609
Reinsurers current account	5,744,261	8,710,057
Current risks reserve, net	3,128,982,030	2,504,800,192
Premium surcharges	90,039,947	52,336,247
Value added tax to be accrued	630,556,277	515,134,882
Commissions to be accrued	175,772,817	125,965,234
Creditors (Use of facilities)	656,993,704	542,970,242

13

BASIS OF INVESTMENT, SCR AND MINIMUM PAID IN CAPITAL

Quálitas México 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.

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:

II. 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;

III. 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;

IV. 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

V. 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 16b).

The coverage of the aforementioned requirements is as follows:

Coverage of statutory requirements

Statutory Requirements	Surplus (Deficit)			Coverage Index		
	Current year	Prior year (2020)	Prior year (2019)	Current year	Prior year (2020)	Prior year (2019)
Technical reserves[1]	6,382,215,833	10,132,320,739	7,722,814,677	1.19	1.32	1.22
SCR[2]	5,085,358,396	8,929,824,500	6,139,186,191	3.13	5.74	3.85
Minimum capital requirement[3]	9,036,947,075	10,228,700,753	7,361,283,295	160.55	187.59	139.73

[1] Investments that support technical reserves / basis of investment.
[2] FOPA / SCR (unaudited).
[3] The Institution's capital resources computable according to the regulation / Requirement of minimum paid-in capital for each operation and / or line that is authorized.

14

EMPLOYEE BENEFITS

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

The Institution has a defined benefit pension plan covering employees aged 65 or 60 provided they have 10 or more years of services and reducing 3% of the pension each year in which individual anticipate the normal retirement age, which consists of granting the pensionable salary, which is comprised by the average salary for the plan's purposes over the last 12 months prior to the retirement date, including the year-end bonus, divided by twelve and excluding all other compensation in cash or in kind.

Moreover, this plan also covers termination benefits, which consist of a single payment of three months of integrated salary, plus 20 days for each year worked, based on the last salary earned by the employee.

The related liability and the annual benefit cost are calculated by an independent actuary in accordance with the plan rules, using the projected unit credit method.

Currently, the Institution recognizes benefits (seniority premiums and statutory severance) as required by the pensions plan, which covers all plant and full-time employees. This benefit consists of providing a pension in addition to the pension granted by the Mexican Institute of Social Security, according to the years of service at the Institution. The regular retirement pension shall be a joint lifelong monthly annuity, with a guarantee of 240 payments. These payments shall be paid in arrears and be equivalent to: 0.33% of the pensionable salary for each pensionable year of service, increased by 4.5 years.

There were no contributions and benefits paid from the funds in 2021 and 2020.

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

	Seniority premium		Legal compensation		Pension plan	
	2021	2020	2021	2020	2021	2020
Current Service Cost (CSC)	$ 7,548,699	5,711,925	22,871,066	101,189,333	27,300,560	24,602,933
Net interest on Defined Benefits net Liability (DBNL)	2,851,712	1,325,431	7,695,262	4,289,128	11,860,966	10,989,421
Reclassification of remeasurements of DBNL recognized in comprehensive income	1,945,953	1,082,500	3,073,125	3,414,153	(157,059)	229,358
Defined Benefit Cost	**$ 12,346,364**	**8,119,856**	**33,639,453**	**108,892,614**	**39,004,467**	**35,821,712**
Beginning balance of DBNL remeasurements	$ 27,053,896	8,018,577	18,329,664	16,487,246	(3,392,212)	5,065,804
Remeasurements generated in the year	(3,397,850)	20,117,819	4,262,116	5,256,571	(44,373,501)	(8,228,658)
Reclassification of remeasurements recognized in comprehensive income in the year	(1,945,953)	(1,082,500)	(3,073,125)	(3,414,153)	157,059	(229,358)
Ending balance of DBNL remeasurements	**$ 21,710,093**	**27,053,896**	**19,518,655**	**18,329,664**	**(47,608,654)**	**(3,392,212)**
Beginning balance of DBNL	$ 42,247,583	18,281,804	146,898,298	70,325,946	175,718,015	151,578,221
Defined benefit cost	12,346,364	8,119,856	33,639,453	108,892,614	39,004,467	35,821,712
Payments charged to DBNL	(4,229,493)	(3,189,396)	(35,410,145)	(34,162,680)	(3,971,665)	(3,223,902)
Effect in comprehensive income	(5,343,803)	19,035,319	1,188,991	1,842,418	(44,216,442)	(8,458,016)
Ending balance of DBNL	**$ 45,020,651**	**42,247,583**	**146,316,597**	**146,898,298**	**166,534,375**	**175,718,015**

The financial position of the defined benefit obligation as of December 31, 2021 and 2020, is detailed as follows:

	Seniority premium		Legal compensation		Pension plan	
	2021	2020	2021	2020	2021	2020
Defined benefit obligations (DBO)	$ 58,635,001	55,496,292	146,316,597	146,898,298	228,672,721	235,600,287
Plan assets	(13,614,350)	(13,248,709)	-	-	(62,138,346)	(59,882,272)
Financial position of the obligation	**$ 45,020,651**	**42,247,583**	**146,316,597**	**146,898,298**	**166,534,375**	**175,718,015**

	2021	2020
Nominal discount rate used in calculating the present value of obligations:		
Seniority premium	8.00%	6.75%
Legal compensation	7.75%	5.75%
Pension plan	8.00%	6.75%
Expected rate of return on plan assets:		
Seniority premium	8.00%	6.75%
Legal compensation	8.00%	6.75%
Nominal increase rate for salaries	4.50%	4.50%
Average remaining service life of the Institution's employees:		
Seniority premium	14 años	14 años
Legal compensation	6 años	6 años
Pension plan	21 años	22 años

15

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 tax expense is as follows:

		2021	2020
On income statement:			
Current IT	$	897,599,154	2,951,517,415
Deferred IT		88,894,370	(387,762,827)
	$	**986,493,524**	**2,563,754,588**
On stockholders' equity – Deferred IT	$	(98,906,312)	85,950,746

For the years ended December 31, 2021 and 2020, the IT on a current and deferred basis in the consolidated statement of income is shown below:

		2021	2020
Current IT:			
Quálitas México	$	834,043,277	2,893,031,823
Quálitas Controladora		-	8,461,315
Quálitas Costa Rica		17,810,827	19,461,474
Quálitas Financial		(6,721,958)	5,096,040
Other subsidiaries		52,467,008	25,466,763
		897,599,154	2,951,517,415
Deferred IT:			
Quálitas México		92,394,066	(342,082,415)
Quálitas Controladora		62,508,601	(79,572,484)
Quálitas Financial		(64,384,383)	7,004,100
Other subsidiaries		(1,623,914)	26,887,972
		88,894,370	(387,762,827)
Total	**$**	**986,493,524**	**2,563,754,588**

Income tax expense attributable to income from continuing operations before income taxes, differed from the amounts computed by applying the Mexican statutory IT rate of 30% to income before income taxes, as a result of the items shown below:

		2021	2020
Computed "expected" tax expense	$	1,429,331,269	2,808,551,117
Increase (reduction) resulting from:			
Dividends		(23,034,155)	(11,870,358)
Inflation tax effects, net		(322,125,499)	(144,588,947)
Non-deductible expenses		19,005,939	36,027,475
Reserve of unreported obligations		(105,189,532)	-
Other, net		(11,494,498)	(124,364,699)
IT expense	**$**	**986,493,524**	**2,563,754,588**

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

		2021	2020
Deferred assets:			
Premium surcharges	$	243,704,519	226,604,037
Agent commissions		299,543,640	242,858,488
Additional compensation to agents		129,645,669	100,468,651
Use of facilities		848,281,076	795,590,585
ESPS payable		107,903,647	308,586,186
Employee benefits		56,901,588	58,013,359
Provisions		327,967,629	366,283,749
Furniture and equipment		202,856,401	193,364,638
Valuation from investments		15,012,652	-
Other		143,712,023	82,809,255
Total deferred assets		2,375,528,844	2,374,578,948
Deferred liabilities:			
Salvage inventory		(174,097,797)	(163,944,639)
Valuation from property		(272,738,451)	(243,945,645)
Valuation from investments		-	(65,683,493)
ESPS deferred		(153,555,564)	(135,880,081)
Total deferred liabilities		(600,391,812)	(609,453,858)
Deferred tax assets, net	**$**	**1,775,137,032**	**1,765,125,090**

As of December 31, 2021 and 2020, the Institution has a net deferred income taxes liability registered in deferred credits by $135,258,842 and $77,832,595, respectively, which are mainly coming from the valuation of investments and properties.

b) ESPS and deferred ESPS

For the year ended December 31, 2021 and 2020, the ESPS expense is as follows:

		2021	2020
On income statement:			
ESPS	$	352,680,852	1,017,762,787
Deferred ESPS		(21,254,926)	(77,513,784)
	$	**331,425,926**	**940,249,003**
On stockholders' equity:			
Deferred ESPS	$	(39,550,151)	18,653,613

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

		2021	2020
Deferred assets:			
Premium surcharges	$	79,664,621	75,534,679
Use of facilities		277,294,778	265,196,862
Employee benefits		35,095,419	36,486,390
Provisions		107,447,275	113,037,668
Furniture and equipment		66,311,771	64,454,879
Valuation from investments		54,027,636	-
Other		14,556,018	19,324,659
Total deferred assets		634,397,518	574,035,137
Deferred liabilities:			
Salvage inventory		(56,910,865)	(54,648,213)
Valuation from property		(66,002,325)	(58,448,144)
Valuation from investments		-	(10,259,529)
Total deferred liabilities		(122,913,190)	(123,355,886)
Deferred tax assets, net	**$**	**511,484,328**	**450,679,251**

Derived from the changes in the determination of the ESPS caused by the decree published on April 23, 2021 by the Federal Government, the Institution determined the deferred ESPS applying to the temporary differences of the deferred ESPS, a proportional rate of ESPS caused of 9.81%, which in turn is the result of dividing the ESPS equivalent to the three months of salary of the employees or the average of the last three years of ESPS paid by the ESPS caused determined following the procedure established in the Income Tax Law.

In assessing the realizability 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.

From 2019 through 2021, the Institution applies a tax treatment to defer its payment of income tax and ESPS. Should the tax authorities retroactively revoke the tax treatment applied, the Institution estimates that the impact on its financial information will not be significant because the effect of applying the tax treatment on the current income tax and ESPS would be mostly offset by the effect of applying the tax treatment on the deferred income tax and ESPS. The Institution considers that the tax treatment applied in the past complied with the applicable laws and, if revoked, considers it likely that such treatment can be defended successfully in court. The Institution considers the determination of income tax and ESPS, current and deferred, to be adequate for all the fiscal years mentioned, based on an evaluation of several factors, including interpretations of tax legislation.

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STOCKHOLDER´S EQUITY

The main characteristics of stockholders' equity are described below:

(a) Structure of capital stock

At December 31, 2021 and 2020, capital stock is represented by 406,000,000 and 413,000,000, respectively, nominal common issued shares, unique series (Series I) with an updated nominal value of $5.9664 and a historical nominal value of $5.9664, which represent the fixed unlimited portion. At December 2021, there are 397,326,124 outstanding shares (404,304,451 at December 31, 2020).

During 2021, the Institution sold 21,673 of its own shares for $129,310 which corresponds to their nominal value.

At the Stockholders' Meeting on April 28, 2021, a resolution was passed to increase the share repurchase reserve by $1,200,000,000, as of that date the Institution had increased this reserve during year 2021 by $1,187,793,815.

At the Stockholders' Meeting on April 28, 2021, a resolution was passed to reduce the variable portion of capital stock by $41,764,923 through the cancellation of 7,000,000 nominal common shares without nominal value expression and that were repurchased by the Institution, the share repurchase reserve at that date was of $699,325,699.

During 2020, the Institution sold 3,025,087 of its own shares for $18,048,933 which corresponds to their nominal value.

At the Stockholders' Meeting on April 20, 2020, a resolution was passed to increase the share repurchase reserve by $1,400,000,000, as of that date the Institution had increased this reserve during year 2020 by $34,091,057.

At the Stockholders' Meeting on April 20, 2021, a resolution was passed to reduce the variable portion of capital stock by $71,597,011 through the cancellation of 12,000,000 nominal common shares without nominal value expression and that were repurchased by the Institution, the share repurchase reserve at that date was of $810,595,569.

At December 31, 2021 and 2020, structure of capital stock is comprised of the following:

		2021		
		Nominal	Revaluation	Total
Capital stock	$	2,249,605,509	121,008,075	2,370,613,584
Statutory reserve		1,702,401,670	9,773,645	1,712,175,315
Valuation surplus, net		-	331,132,806	331,132,806
Foreign currency translation		167,066,223	-	167,066,223
Retained earnings		12,099,964,098	(93,988,946)	12,005,975,152
Net income		3,774,524,717	-	3,774,524,717
Remeasurement of employee benefits		4,383,802	-	4,383,802
Non-controlling interest		12,835,531	-	12,835,531
Stockholder's equity	**$**	**20,010,781,550**	**367,925,580**	**20,378,707,130**

	2020			
		Nominal	Revaluation	Total
Capital stock	$	2,291,241,123	121,008,075	2,412,249,198
Statutory reserve		1,382,670,195	9,773,645	1,392,443,840
Valuation surplus, net		-	522,166,427	522,166,427
Foreign currency translation		139,618,186	-	139,618,186
Retained earnings		7,917,010,583	(93,988,946)	7,823,021,637
Net income		6,793,609,794	-	6,793,609,794
Remeasurement of employee benefits		(31,471,592)	-	(31,471,592)
Non-controlling interest		9,424,480	-	9,424,480
Stockholder's equity	**$**	**18,502,102,769**	**558,959,201**	**19,061,061,970**

At December 31, 2021 and 2020, Paid-in capital includes the amount of $11,545,094, coming from the partial capitalization of real state valuation surplus.

Variable portion of capital stock with right to reimbursement must be lower than paid in capital stock with no right to reimbursement.

According to the Law and the bylaws of the Institution: a) foreign governments or government agencies, and b) credit institutions, mutual insurance companies, brokerage firms, auxiliary credit organizations, asset management companies and broker dealers, cannot not be shareholders of the Institution, directly or through an agent.

The Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público or SHCP) may authorize the participation in the capital of the Institution, to insurers and reinsurers abroad as well as foreign individuals or entities other than those mentioned in the previous paragraph.

(b) Minimum capital requirement

Insurance companies must maintain a minimum capital requirement for each insurance line authorized, which is also published by the Commission.

At December 31, 2021 the Institution had the minimum capital requirement amounting to $56,287,725, equivalent to 8,521,217 investment units (UDIs, which is a unit of account whose value is updated for inflation and is determined by Central Bank) valued at 6.605597 Mexican pesos per UDI which was the value as of December 31, 2020.

At December 31, 2020 the Institution had the minimum capital requirement amounting to $54,527,421, equivalent to 8,521,217 investment units (UDIs, which is a unit of account whose value is updated for inflation and is determined by Central Bank) valued at 6.399018 Mexican pesos per UDI which was the value as of December 31, 2019.

(c) Comprehensive income (CI)

At December 31, 2021 and 2020 the CI is further described in the following page.

		2021	2020
Controlling net income	$	3,774,524,717	6,793,609,794
Surplus on property valuation		100,123,164	94,689,545
Deferred IT and ESPS on surplus property valuation		(36,347,082)	(30,911,883)
Surplus on investment valuation		(442,129,108)	235,037,725
Deferred IT and ESPS on surplus investment valuation		187,319,405	(64,588,780)
Employee benefits effect		48,371,254	(12,857,630)
Deferred IT and ESPS of employee benefits		(12,515,860)	(952,892)
Foreign currency translation adjustment on foreign operations		27,448,037	2,691,315
Non-controlling interest		3,411,051	4,469,627
Consolidated net income	**$**	**3,650,205,578**	**7,021,186,821**

(d) Dividends

At the Regular General Stockholders' Meeting held on April 28, 2021, a resolution was passed to declare a dividend by the amount of $1,652,000,000, $4 per share, which were paid in cash through electronic transfer.

At the Regular General Stockholders' Meeting held on April 20, 2020, a resolution was passed to declare a dividend by the amount of $722,500,000, $1.70 per share, which were paid in cash through electronic transfer.

(e) Restrictions on stockholders' equity

According to the provisions of the Law, a minimum of 10% of the income must be appropriated to the statutory reserve, up to an amount equal to the amount of paid-in capital. As of December 31, 2021, the statutory reserve amounts to $507,142,999, and has not reached the required amount.

According to the Commission's provisions, the unrealized gain on investment securities valuation recorded in results of operations for the year may not be distributed to stockholders until the related investments are sold, as well as deferred tax and ESPS assets recorded in income as a result of applying FRS D-4 and D-3.

Only the dividends paid to shareholders in excess of "Net Tax Income" will be subject to a tax of 30%.

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SEGMENT INFORMATION

Information by operating segments is presented based on the management approach. In addition, condensed information by line of business and geographical area is presented.

a) General information by line of business.

2021	Written premium	Premium Ceded	Current risks reserve	Earned retained premiums
Line of business:				
Fleets, financial institutions and other	$ 21,594,031,884	(91,768,754)	995,894,710	20,506,368,420
Individual	13,391,060,333	-	617,582,034	12,773,478,299
Foreign	3,239,193,380	(209,612,046)	242,149,268	2,787,432,066
Total consolidated	**$ 38,224,285,597**	**(301,380,800)**	**1,855,626,012**	**36,067,278,785**

2020	Written premium	Premium Ceded	Current risks reserve	Earned retained premiums
Line of business:				
Fleets, financial institutions and other	$ 21,778,176,665	(380,842,348)	1,159,273,155	22,556,607,472
Individual	11,521,635,474	-	295,732,502	11,817,367,976
Foreign	2,646,860,160	-	(242,149,269)	2,404,710,891
Total consolidated	**$ 35,946,672,299**	**(380,842,348)**	**1,212,856,388**	**36,778,686,339**

	2021	2020
Premium receivable:		
Fleets, financial and other	$ 19,188,768,262	19,717,104,012
Individual	4,516,383,269	2,920,528,265
Foreign	653,469,430	619,077,590
Total consolidated	**$ 24,358,620,961**	**23,256,709,867**

b) General information by geographical area.

	2021	2020
Written premium:		
Mexico	$ 34,985,092,217	33,299,812,138
United State of America	2,139,169,806	1,777,582,473
Central America and Peru	1,100,023,574	869,277,688
Total consolidated	**$ 38,224,285,597**	**35,946,672,299**

		2021	2020
Premium receivable:			
Mexico	$	23,705,151,530	22,730,899,973
United State of America		134,715,964	250,992,431
Central America and Peru		518,753,467	274,817,463
Total consolidated	**$**	**24,358,620,961**	**23,256,709,867**

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EARNINGS PER SHARE

The Institution presents the net basic earnings per share and the diluted earnings per share. The basic earnings per share is obtained by dividing the controlling equity in the net income by the weighted average of common outstanding shares during the period, adjusted by the weighted average of shares acquired during the year. The net diluted earnings per share is determined by adjusting the weighted average of shares repurchased during the year for purposes of all the potential diluted values.

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GROUP ENTITIES

Investment in subsidiaries -

At December 31, 2021 and 2020, the subsidiaries are shown as follows:

	Ownership		
	2021	**2020**	**Principal activity**
Qualitas Mexico	99.99%	99.99%	Practicing insurance, coinsurance and reinsurance as a property and casualty insurers in the automobile line of insurance in Mexico.
Qualitas Costa Rica	99.99%	99.99%	Practicing insurance, coinsurance and reinsurance as a property and casualty insurers in the automobile line of insurance in Costa Rica.
Qualitas El Salvador	99.99%	99.99%	Practicing insurance, coinsurance and reinsurance as a property and casualty insurers in the automobile line of insurance in El Salvador.
Qualitas Peru	99.99%	99.99%	Practicing insurance, coinsurance and reinsurance as a property and casualty insurers in the automobile line of insurance in Peru.
Qualitas Financial	100.00%	100.00%	Holding company of Qualitas Insurance, practicing insurance, coinsurance and reinsurance as a property and casualty insurers in the automobile line of insurance in the United States.
Activos Jal	99.99%	99.99%	Property leasing and acquisition.
Cristafacil, S. A. de C. V. (Cristafacil)	99.99%	99.99%	Acquisition, sale and installation of automobile glass.
Outlet de Refacciones, S. A. de C. V. (Outlet de Refacciones)	99.99%	99.99%	Acquisition and sale of automobile spare parts.
Easy Car Glass, S. A. de C. V. (Easy Car Glass)	99.99%	99.99%	Acquisition, sale and installation of automobile glass.
Autos y salvamentos, S. A. de C. V. (Autos y salvamentos)	54.00%	54.00%	Salvage management and marketing.
Optimización de Talento, S. A. de C. V. (Optimización de Talento)	98.00%	98.00%	Advisory and training services for investment planning and business management.

During September 2021, a merger was carried out between Outlet de Refacciones in its capacity as merger entity and Cristacil and Easy Car Glass as merged entity.

Significant judgments and assumptions for determining the existence of control, were as follows: Qualitas Controladora has power over its subsidiaries for directing their relevant activities by significantly influencing their decisions. In addition, the executives of Qualitas Controladora 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, Qualitas Controladora is principal being that it is the investor with power to make decisions and direct the relevant activities of its subsidiaries.

At December 31, 2021 and 2020, the investment in subsidiaries corresponding to the non-controlling interest and its equity in income for the year then ended are shown below:

December 31, 2021		Non-controlling interest in stockholders' equity	Non-controlling interest in comprehensive income
Autos y salvamentos	$	12,125,073	3,311,202
Optimización de Talento		694,710	102,922
Other		15,748	5,199
	$	**12,835,531**	**3,419,323**
December 31, 2020			
Autos y salvamentos	$	8,813,591	4,388,900
Optimización de Talento		591,788	76,066
Other		19,101	7,708
	$	**9,424,480**	**4,472,674**

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COMMITMENTS AND CONTINGENCIES

(a) The Institution is involved in a number of lawsuit and claims arising in the normal course of business. It is anticipated by the Institution's management that the final outcome of these matters will not have a significant adverse effect on the financial position and results of operations.

(b) There is a contingent liability arising from the employee benefits mentioned in note 3(q).

(c) According with Mexican tax law, the tax authorities are entitled to examine transactions carried out during the five years prior to the most recent income tax return 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.

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CONTINGENT COMMISSIONS

During the years 2021 and 2020, the Institution executed agreements for payment of contingent commissions with intermediaries and corporations as described in this note, the total amount payments made under those agreements amounted to $761,708,995 and $714,223,759 accounting for 1.99% and 1.99%, respectively of the written premium in 2021 and 2020.

Contingent commissions mean compensation or payments made to individuals or legal entities involved in intermediation or contracting of the Institution insurance products, in addition to direct compensation considered in the products design.

The Institution entered into agreements for contingent commission payments with individuals, legal entities and persons other than agents as follows:

(a) For property and casualty products, the Institution had entered into agreements related to the volume of premiums, growth and claims. The bases and criteria for participation in the agreements, and the determination of contingent commissions are directly related to the premiums paid and the claims of each year. Contingent commissions under these agreements are annually paid.

(b) For other intermediaries who are not agents, the Institution had entered compensation agreements where the bases are determined on fixed amounts that depend on the annual sales volume. Contingent commissions under such agreements are paid on a monthly basis.

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

22

COVID-19

During the pandemic, the Institution has operated uninterruptedly. It also made no changes to the policies and procedures applied, considering the regulatory and communication facilities published by both the Commission and the Ministry of Finance and Public Credit, however, it opted for several measures to maintain business continuity.

Some measures that were taken since the beginning of the pandemic and that continues in place are as follows:

- We continue to support our clients, the Institution made an 8.5% increase in rates in specific segments during the year, offsetting the downward adjustments of 10% in 2020 and reflecting the increase in mobility and claims in addition to the inflationary environment.

- Payment facilities were granted for months without interest.

- The Institution continued to strengthen the measures to reduce the presence of employees in the offices.

At the end of the year, the Institution increased the number of insured units with respect to the previous year. During the year, mobility continued its upward trend, seeing a greater number of vehicles in circulation compared to the previous year. At the end of 2021, the loss ratio is within the range expected by the company Institution.

The cost of acquisition had an increase in relation to the previous year related to an increase in the provision of bonuses for the collection of premiums, in line with our expected ranges.

For this fiscal year, the Institution set up technical reserves derived from the increase in claims and the normalization of activities.

The 2021 results are within the expected range, demonstrating the Institution's resilience despite the drop in new car sales and the competitive environment.

For the closing of the fiscal year a normalization in the activities and in our operation is observed compared to the pre-pandemic levels, for which today we conclude that the institution operates normally.

23

RECENTLY ISSUED ACCOUNTING CRITERIA

The CINIF has issued the FRS and Improvements 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.

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

2022 Accounting Criteria issued by the National Insurance and Bonding Commission

On December 22, 2021, Amending Circular 14/21 was published in the Official Gazette of the Federation (DOF from its Spanish acronym), which establishes the following changes and adoption of accounting criteria:

“Glossary of terms”-. The following changes are added:

a) The definition of “Business Model” is included, to specify that the concept refers to how an Insurance Institution administers or manages its risks based on its investment policy to generate cash flows whose objective is to cover the Technical Reserves, Funds Own Admissible and Other corresponding Liabilities of the Insurance Institutions.

b) The definition of foreclosed assets is modified to eliminate from the definition the concepts of equipment, titles or securities, rights, among others, and leave in general form the concept of other rights derived from financial assets in the definition and align it with the concepts used in the FRS.

c) Within the definition of the coinsurance account statement, the concepts included are expanded to also include the operations covered by the insurance contract in which it is operated through coinsurance, as well as the identification of the participation of the non-leading coinsurer.

d) The definition of fair value is modified to align it with the definition of the FRS and establish that it is the exit price that, at the valuation date, would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants. From the market.

Accounting Criteria "Accounting Criteria basic framework (A-1)"-. It is clarified that the application of accounting criteria, nor of the concept of hierarchy, will not proceed in the case of operations that by express legislation are not allowed or are prohibited, or that are not expressly authorized to the Insurance Institutions.

Accounting Criteria "Application of Financial Reporting Standards (A-2)"-. The criteria A-2 is renamed as "Application of Financial Reporting Standards (A-2)" instead of "Application of particular standards (A-2)".

The following clarifications are included in relation to the application of the following FRS and the main changes of these FRS are detailed:

i. FRS B-15 "Foreign Currency Conversion"-. The exchange rate to be used to establish the equivalence of the national currency with the dollar of the United States of America, will be the closing exchange rate of the day instead of the FIX exchange rate.

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

ii. FRS B-17 "Determination of fair value"-. FRS B-17 must be applied in determining the fair value. This FRS establishes the valuation and disclosure standards in the determination of the fair value, in its initial and subsequent recognition, if the fair value is required or permitted by other particular FRS. Where applicable, changes in valuation or disclosure should be recognized prospectively. This FRS must be applied, except for what is established in the particular criteria defined in the Provision for Insurance and Bond Institutions.

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

iii. FRS C-2 "Investment in financial instruments"-. The Accounting Criteria issued by the Commission "Investments in securities" (B-2) is repealed and it is established that FRS C-2 must be applied, in terms of the application of the rules related to the registration, valuation and presentation in the financial statements of its investments in financial instruments as follows:

   a) It is established that for the purposes of FRS C-2, Insurance Institutions must determine the business model they will use to manage their investments in financial instruments, in order to classify them appropriately.

   b) Derived from the analysis that the Insurance Institutions make of their business model, the assets for financial instruments must be classified for their valuation and registration within one of the following categories: Negotiable financial instruments (IFN from its Spanish acronym), financial instruments to collect or sell (IFCV from its Spanish acronym), or financial instruments to collect principal and interest (IFCPI from its Spanish acronym). Therefore, it is specified that the category of Financial Instruments to collect principal and interest will be for the exclusive use of Insurance Institutions that operate pension insurance derived from social security laws, considering the nature of their obligations.

   c) The valuation results that are recognized before the investment is redeemed or sold will be unrealized and, consequently, will not be subject to capitalization or distribution of dividends among its shareholders, until they are made in cash.

   d) It is established that the exception to irrevocably designate in its initial recognition a financial instrument to collect or sell, to be subsequently valued at its fair value with effects on the net result referred to in FRS C -2, will not be applicable to Insurance Institutions.

e) nsurance Institutions that carry out reclassifications of their investments in financial instruments must report and request authorization of this fact in writing to the Commission within 10 business days following the authorization issued for such purposes by the Board of Directors of Insurance Institutions, exposing in detail the change in the business model that justifies them.

f) Insurance Institutions, for the identification and recognition of adjustments for impairment, must adhere to the provisions of FRS C-2 “Investment in financial instruments”, issued by the CINIF.

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

iv. 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.

The amount of the provisions must be discounted when the effect of doing so is important within the financial statements, it is considered important when the disbursements are expected to be carried out after twelve months after the date of the statement of financial position.

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

v. FRS-13 “Related parties”-. It is specified that for the purposes of complying with the disclosure standards contained in FRS C-13 “Related Parties”, the Insurance Institutions that carry out operations with related parties must consider, in addition to those provided in the LISF as well as in the FRS C-13, to legal entities that have power of command, understanding this as the de facto capacity to decisively influence the agreements adopted at the Shareholders’ Meetings or Board of Directors Sessions or in the management, conduct and execution of the business of the entity in question or of the legal entities that it controls.

In addition to the disclosures required by FRS C-13 and the Provision for Insurance and Bond Institutions, Insurance Institutions must disclose credits granted to related parties, operations with financial instruments in which the issuer and the holder are related parties, repurchase agreements, securities loans, derivative financial instruments and hedging operations with related parties, transfer of credit portfolio, and those carried out through any person, trust, entity or other legal figure, when the counterparty and source of payment of these operations depends on a related party. Likewise, the total amount of employee benefits granted to key management personnel or relevant directors of the entity must be disclosed.

Lastly, it is established that the disclosure of operations with related parties that represent more than 1% of the regulatory stockholders’ equity of the month prior to the date of preparation of the corresponding financial information is only required.

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

vi. FRS C-16 “Impairment of financial instruments receivable”-. Insurance Institutions must observe the criteria indicated in FRS C-16 “Impairment of financial instruments receivable” which establishes 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.

The Commission establishes certain specifications for the application of FRS C-16 as follows:

a) For purposes of determining the amount of the expected credit loss referred to in FRS C-16, the effective interest rate used to determine the present value of the cash flows to be recovered must be adjusted when it is decided to modify these rate in accordance with to what is established in FRS C-20.

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

c) In relation to clearing accounts receivable, in cases where the amount receivable is not paid within 30 calendar days from the date on which it has been recorded in clearing accounts, it will be reclassified as overdue portfolio and the estimate for irrecoverable or difficult collection of expected credit losses corresponding to the aforementioned amounts receivable, in accordance with FRS C-16.

d) Insurance Institutions must create an estimate that reflects their degree of recoverable of accounts receivable defined in accounting criteria B-8 “Accounts Receivable”, this estimate must be obtained by applying the provisions of FRS C-16.

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

vii. FRS C-19 “Financial instruments payable”-. Insurance Institutions must observe the criteria indicated in FRS C-19 “Financial instruments payable”, except in the case of subordinated obligations not convertible into shares and other credit instruments issued by the entity, which must be recorded as a liability, likewise, the amount to be paid for the obligations and other credit instruments issued according to the nominal value of the instruments will be recorded.

It will record the amount of accrued interest payable derived from the debt instruments issued by the institution in the subheading of Creditors for Interest of the Subordinated Obligations of Compulsory Conversion to Capital, belonging to the Sundry Creditors heading, indicated in the minimum catalog to which it does reference Accounting Criteria C-1 issued by the Commission, corresponding to which issuance of debt instruments.

In addition to the disclosures required in FRS C-19, insurance institutions must include in the disclosure notes to the financial statements for the year-end in question, the characteristics of the subordinated obligations and other receivables. issued authorized by the Commission and provided for in the Provision for Insurance and Bond Institutions: amount; number of titles in circulation; nominal value; discount or premium; rights and form of redemption; guarantee; expiration; interest rate; effective interest rate; amortized amount of the discount or premium in results; amount of issuance expenses and other related expenses and proportion of the authorized amount compared to the amount issued.

For the initial recognition of any financial instrument payable, it will be not apply the establish in FRS C-19, regarding using the market rate as the effective interest rate in the valuation of the financial instrument payable when both rates are substantially different.

The exception to irrevocably designate in its initial recognition a financial instrument payable to be subsequently valued at its fair value with effect on net income will not be applicable to Insurance Institutions.

Some of the main points covered by this FRS include the following:

- In restructuring a liability, without the future cash flows for its settlement being substantially modified, the costs and commissions expensed in this process shall affect the amount of the liability and be amortized on a modified effective interest rate basis instead of directly affecting net income or loss.

- It includes the provisions of IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”, which was not provided for by the existing standard.

- The effect of extinguishing a financial liability should be presented as financial income (loss) in the comprehensive statement of income.

- It introduces the concepts of amortized cost in valuing financial liabilities and of the effective interest method based on the effective interest rate.

- It is not required to recalculate the effective rate when it comes to variable interest rate of the financial instrument that does not produce material impact.

1. Gains or losses from derecognition of liabilities and the effects of renegotiation of financial instruments to collect principal and interest must be presented as part of operating results.

2. Gains or losses from derecognition of liabilities and the effects of renegotiation of financial instruments to collect principal and interest must be presented as part of operating results.

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

viii.FRS C-20 “Financial instruments to collect principal and interest”-. Insurance Institutions must observe the criteria indicated in FRS C-20 “financial instruments to collect principal and interest”. Notwithstanding, in the application of this FRS, the assets originated by the operations referred to in Accounting Criterion B-5 “Loans” issued by the National Insurance and Bonding Commission should not be included, since the recognition, valuation, presentation and disclosure for the initial and subsequent recognition of such assets, are contemplated in these criteria.

Among the main aspects covered by this FRS are the following:

- 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.

- Gains or losses from derecognition of liabilities and the effects of renegotiation of financial instruments to collect principal and interest must be presented as part of operating results.

- An embedded derivative that modifies the cash flows of principal and interest is not bifurcated from its host receivable financial instrument. The entire financial instruments solely to collect principal and interest shall be measured at fair value, as if these were a trading financial instrument.

- There is no need to recalculate the effective rate when it comes to a variable interest rate of the financial instrument that does not produce material effects.

The commission establishes certain precisions in the application of this FRS as follows:

- For purposes of the initial recognition of a financial instrument to collect principal and interest, regarding using the market rate as the effective interest rate in the valuation of the financial instrument to collect principal and interest, it will not be applicable in accordance with FRS C-20. when both rates were substantially different.

- For purposes of recognizing effective interest, the effective interest rate of the collection rights may be adjusted periodically in order to recognize the variations in the estimated cash flows to be received.

- The exception to irrevocably designate in its initial recognition a financial instrument to collect principal and interest, to be subsequently valued at its fair value with effect on net income, will not be applicable to insurance institutions.

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

"Accounting criteria for the application of general standards (A-3)"-.

Definition of the UMA

The definition of the value of the UMA is included, which is the unit of measurement and update that corresponds approved by the National Institute of Statistics and Geography and disclosed in the DOF, applicable on the date of the valuation.

Disclosure of financial information

It is specified that the insurance Institutions in compliance with the disclosure standards provided for in the accounting criteria must consider relative importance. Therefore, the precision is made that, as regards relative importance, this will not be applicable to the following information:

- That required by the Commission through other general provisions issued for this purpose, other than those contained in the accounting criteria;

- The specific additional information required by the Commission, related to its supervisory activities, and

That required through the issuance or authorization, where appropriate, of criteria or special accounting records.

Accounting Criteria "Cash and cash equivalents (B-1)"-. The term "availability" is replaced by "cash and cash equivalents" to standardize the term due to the entry into force of various Financial Reporting Standards.

It is specified that cash must be valued at nominal value, while cash equivalents must be valued at fair value.

It is specified that the valuation of cash equivalents represented by coined precious metals will be carried out at their fair value, considering as such the price applicable on the valuation date. In the case of coined precious metals that by their nature do not have an observable value in the market, these will be recorded at their acquisition cost, this being understood as the amount of cash or its equivalent delivered in exchange for them, considering their applicable price. at the valuation date.

Accounting Criteria "Loans (B-5)"-. Interest recorded in memorandum accounts for overdue loans, when forgiven or written off, must be canceled from memorandum accounts without affecting the caption of the allowance for loan losses.

Accounting Criteria "Accounts Receivable (B-8)"-. The criteria is modified to establish that the Insurance Institutions must adhere in the first instance to what is established in this criteria, as well as observe the criteria indicated in FRS C-3 "Accounts Receivable" and FRS C-16 "Impairment of instruments receivables", of the Financial Reporting Standards issued by the CINIF, as long as this is not contrary to what is established in the LISF and in the administrative provisions that emanate from it.

The criteria is modified to clarify that the following are not in the scope of Accounts Receivable Accounting Criteria (B-8):

- accounting criteria B-3 "Securities lending", B-4 "Repurchase agreements" and B-5 "Loans".

- Those corresponding to collection rights defined in accounting criteria B-7 "Debtors", B-9 "Reinsurers and Bonding Agents", and B-25 "Surety Insurance".

- Paragraph 4 of the Accounting Criteria "Leases (B-23)", regarding accounts receivable from operating lease operations.

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

Accounting criteria "Effects of inflation (B-17)"-. It is specified that in the case of an inflationary environment based on what is indicated by FRS B-10, insurance institutions must disclose the initial balance of the main monetary assets and liabilities that were used to determine the monetary position of the period, differentiating where appropriate, those that affect or not, the financial margin. Likewise, it is mentioned that they must use the value of the Investment Unit (UDI) as a price index.

Accounting Criteria "Leases (B-23)"-. Insurance Institutions must adhere to what is indicated in FRS D-5 "Leases", in the recognition, valuation, presentation and disclosure.

FRS D-5 "Leases" leaves Bulletin D-5 "Leases" without effect. The application for the first time of this FRS generates accounting changes in the financial statements mainly for the lessee and grants different options for its recognition. Among the main changes are the following:

a) 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.

b) A lessee recognizes depreciation or amortization of the right-of-use asset and interest on the lease liability.

c) 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).

d) 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.

e) It is established that a lease liability in a sale-leaseback transaction must include both fixed payments and estimated variable payments and includes details of the procedure to be followed in accounting recognition.

f) Lessor's accounting recognition does not change from the previous Bulletin D-5; only certain disclosure requirements are added, such as the addition of clarifications to the disclosures for short-term and low-value leases for which not a right-of-use asset was recognized

g) 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.

In the application of FRS D-5, the Commission establishes the following considerations:

- For purposes of the provisions of paragraph 42.1.4 subsection c) and subsection d) of FRS D-5, it will be understood that the term of the lease covers most of the economic life of the underlying asset, if these lease covers at least 75% of its useful life. Likewise, the present value of the lease payments is substantially the entire fair value of the underlying asset, if this present value constitutes at least 90% of this fair value.

- Insurance Institutions that act as lessee in leases previously recognized as operating leases, must initially recognize the lease liability in accordance with subparagraph a) of paragraph 81.4 of the Financial Information Standard D-5 "Leases", and the asset for right of use, in accordance with the provisions of numeral ii), subsection b) of paragraph 81.4 of FRS D-5.

- The lessee must apply Bulletin C-15 "Impairment in the value of long-lived assets and their disposal", to determine if the right-of-use asset is impaired and when to recognize the identified impairment losses.

- It is mentioned that when the lessee chooses to participate in the sale price of the goods to a third party, the Institution will recognize the corresponding income at the time of sale against the results of the year as miscellaneous income (expenses) of the operation.

The Administration determined that the effects of adopting this Accounting Criteria was a debit to assets for right of use for $697,591,097 and a credit for the same amount in creditors for lease contracts within the balance sheet.

Deferral in the application of the Financial Reporting Standards

On December 21, 2021, Amending Circular 15/21 was published in the DOF, which establishes that Financial Reporting Standards D-1 "Income from contracts with customers" and D-2 "Costs from contracts with customers", issued by the Mexican Council of Financial Information Standards, A. C., will enter into force on January 1, 2023.

2022 FRS Revisions

In September 2021, CINIF issued a document called "2022 FRS Revisions" containing precise modifications to some of the existing FRS. The improvements made to the FRS result in accounting changes in the annual financial statements, which are shown below:

FRS B-7 "Business acquisitions"- The scope of this improvement of this FRS includes the accounting recognition of business acquisitions under common control. This improvement to FRS establishes the book value method to recognize the business acquisitions between entities under common control. It requires the application of the purchase method in combinations of entities under common control when the acquiring entity has non-controlling shareholders whose shares are affected by the acquisition or when the acquiring entity is listed on a stock exchange. It makes annotations to the accounting treatment and recognition of costs and expenses related to the business combination. This improvement is effective for periods starting as of January 1, 2022, and early application for 2021 is allowed. The accounting changes that arise must be recognized prospectively in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

FRS B-15 “Foreign currency translation”- This improvement consists of incorporating the practical solution for the preparation of complete financial statements for legal and tax purposes within the body of the FRS, when the recording and reporting currency is the same even when both are different from the functional currency, without translating to the functional currency, indicating the entities that may opt for this solution. This improvement supersedes the Interpretation to FRS 15 “Financial statements whose reporting currency is the same as the recording currency, but different from the functional currency” and is effective for periods starting on or after January 1, 2022, allowing for early application for 2021. The accounting changes that arise must be recognized prospectively in accordance with the provision of FRS B-1 Accounting changes and correction of errors.

FRS D-3 “Employee benefits”-. The effects on the determination of deferred Employee Statutory Profit Sharing (ESPS) are considered, from the changes in the determination of the accrued ESPS originated by the decree published on April 23, 2021 by the Federal Government. This improvement is effective for periods starting as of January 1, 2022, and early application for 2021 is allowed. The accounting changes that arise must be recognized prospectively in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

FRS B-1 “Accounting changes and correction of errors”-. This FRS eliminates the requirement to disclose pro forma information when a change occurs in the structure of the economic entity. This improvement is effective for periods starting as of January 1, 2022, and early application for 2021 is allowed. The accounting changes that arise must be recognized prospectively in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

FRS B-10 “Effects of inflation”-. This FRS modifies the disclosure requirement when the entity operates in a non-inflationary economy to limit them to being made when the entity considers it relevant. This improvement is effective for periods starting as of January 1, 2022, and early application for 2021 is allowed. The accounting changes that arise must be recognized prospectively in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

FRS B-17 “Determination of fair value”-. This FRS eliminates the requirement for disclosures for changes in an accounting estimate derived from a change in a valuation technique or the application thereof. This improvement is effective for periods starting as of January 1, 2022, and early application for 2021 is allowed. The accounting changes that arise must be recognized prospectively in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

FRS C-6 “Property, plant and equipment”-. This FRS eliminates the need to disclose the timeframe in which constructions in process will take place, when these have approved plans. This improvement is effective for periods starting as of January 1, 2022, and early application for 2021 is allowed. The accounting changes that arise must be recognized prospectively in accordance with the provisions of FRS B-1 Accounting changes and error corrections.

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