

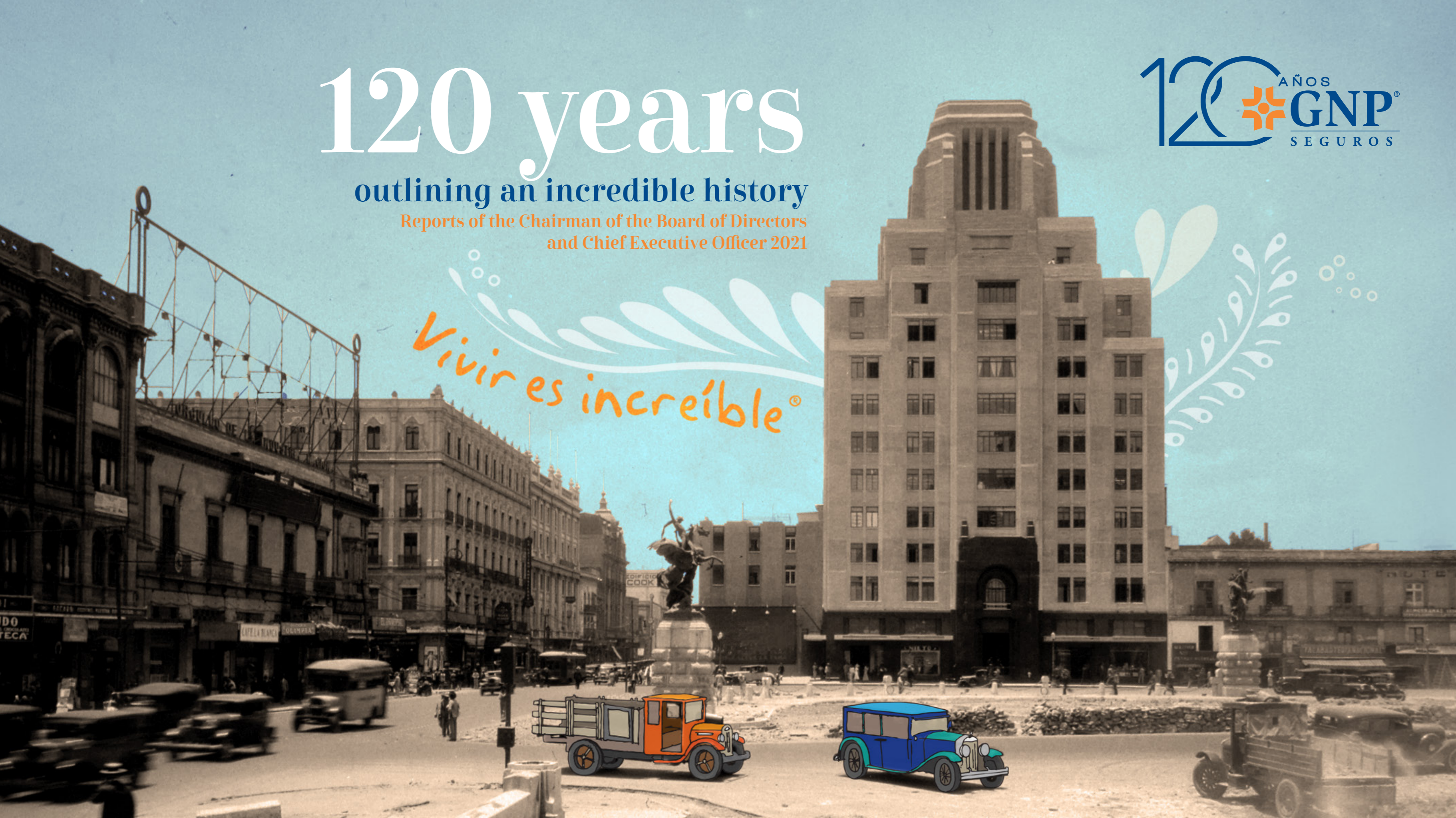
120 years

outlining an incredible history

Reports of the Chairman of the Board of Directors
and Chief Executive Officer 2021



Vivir es increíble®





Alejandro Baillères
Chairman of the Board of Directors

Mexican insurance companies have complied with their commitments and their social function, which is to mitigate financial difficulties of the families with insurance protection affected by the pandemic.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING FOR FISCAL YEAR 2021

Dear Shareholders:

In my capacity as Chairman of the Board of Directors of Grupo Nacional Provincial, SAB (GNP), I am pleased to present to you the following report based on the analysis of the information provided by the Chief Executive Officer in his 2021 Annual Report, which includes the highlights of the fiscal year and the main results obtained that include environmental, social and corporate governance factors as an integral part of the financial performance of the company. Likewise, I hereby present a report of the main activities of the Board of Directors.

In 2021, the persistence of the health crisis implied important new challenges. Although the development of vaccines and the progress in their application in the world population has allowed to control the several contagion waves, the emergence of new variants has delayed the return to normal activities.

Mexican economy has partially recovered, but not enough to regain its pre-pandemic level. In addition, as is the case in in most countries, inflation in Mexico has escalated. The health crisis has become the most expensive catastrophic event in the history of the country for the insurance sector. However, companies have complied with their commitments and their social function: to mitigate the financial difficulties of the families with insurance protection affected by the pandemic.

The joint commitment of the society, government and private sector is paramount to navigate adversities. We at GNP are very proud of our contribution in overcoming this health and economic crisis, thus confirming our commitment to promote sustainability through social, environmental, and integral initiatives both in our sector and within the Mexican society.

Facing these economic and social conditions, the insurance sector in Mexico had a nominal growth in issued premiums of 6.2%, with a generalized decrease of the profitability of the sector due to the losses caused by COVID-19. GNP maintained its leading position in market share. At year-end, premiums issued amounted to \$78,954 million pesos (MP), which represent a nominal growth of 8% over 2020. The net result totaled \$1,618 MP; in line with our sector, profitability was affected by the high loss rate in the Life and Medical Expenses segments. GNP's shareholders' equity reached \$15,524 MP and the solvency margin closed at \$9,946 MP.

In this period, international ratings issued by AM Best endorsed our financial stability: the "A" (excellent) grade for financial strength was ratified, as were the Long-Term Financial Strength Issuer Credit Rating at "a" (excellent), and Mexico's National Scale Rating at "aaa.MX" (the highest). In addition, Standard & Poor's Global Ratings confirmed its topmost rating at a national level, at "mxAAA".

During 2021, we continued promoting growth in our sales channels, strengthened our value proposition in all lines, accelerated technological developments and built operational capabilities for the following years. And of course, our priority was the health protection of our collaborators.

As per channels growth, we widened our agent network to 12,500 professionals by closing several business alliances and the integration of new firms. Hence, we continue being the greatest multi line counselor network in the country.

Likewise, we strengthened the value proposition in all lines to offer better insurance options to Mexican people and promote sales, even in face of the complications of the pandemic. We offered support to our business partners as well as several benefits to policyholders to strengthen their protection plans.

In the field of technological development, we updated different tools to improve the connectivity with our business partners and policyholders, which has improved our service experience. With the strategic purpose of placing clients in the center of our operation, we added new functionalities and established active listening mechanisms for clients.

On the other hand, we maintained remote work schemes to protect the health of our collaborators. We started the transition to online work maintaining strict criteria. We also complied with the new regulations in matter of personnel management.

In order to continue working to benefit Mexican communities and families, we keep operating a series of social support programs together with civil organizations.

During 2021, the Board of Directors held four meetings, where it ratified the resolutions of the Executive Committee, reviewed and approved 2021 fiscal year Financial Statements as well as 2022 Budget and the company strategy. It also analyzed outstanding aspects of the business strategy, protection measures against COVID-19, as well as the performance and plans of subsidiary companies.

The Board of Directors observes solid corporate governance practices. For the performance of its functions, it has the support of committees recommended in the Code of Principles and Best Practices of Corporate Governance. The most relevant activities of the committees, whose members are listed in the Corporate Governance section of the Annual Report, are next set forth.

During 2021, we continued promoting the growth of our sales channels, we strengthened our value proposition in all lines, accelerated technological processes and built operational capabilities for the following years. And of course, our priority was the health protection of our collaborators.



I want to thank the members of the Board of Directors and our policyholders that have provided us with their invaluable trust.

1. The Executive Committee analyzed the operational and financial results of the company and approved business management actions. It also validated the basis of the Strategic Plan and Budget and monitored the actions for COVID-19 contagion prevention.
2. The Audit and Corporate Practice Committee monitored the compliance with the defined accounting principles, as well as the legal, regulatory and administrative provisions. Likewise, it revised the reasonableness of the figures of the Financial Statements and in the institution accounting records. It analyzed the performance and plans of the internal auditor and the external auditors. It reported on the development of its activities (and incidents), and monitored the information security program.
3. The Nomination, Evaluation and Compensation Committee identified and appointed the candidates to have relevant positions in the institution, it evaluated the performance of the Chief Executive Officer and the Relevant Directors and authorized the increase in salary, bonuses and benefits based on the results obtained and performance evaluations. The remuneration package consists of base salary, fringe benefits and other benefits. Likewise, it revised succession plans of senior positions of the institution.
4. The Finance and Planning Committee was in charge of analyzing financial information and results compared to budget and oversaw the financial solvency of the company.
5. The Investments Committee established the asset and investment management strategy and informed about the actions undertaken by the investments area, as determined by GNP's current Investment Policy.
6. The Reinsurance Committee took on the design, operation, vigilance and evaluation of the policies and other risk and responsibility transference mechanisms, as well as the operations on the subject, within the reinsurance manuals and policies.
7. The Integral Risk Management Committee approved the preventive levels and limits of risk exposure and verified their support. As specified by the business plan, it followed up the Integral Risk Management measures -both globally and by risk type- approved by the Board of Directors, as well as the improvements resulting from the risk self-assessment and solvency of the company.

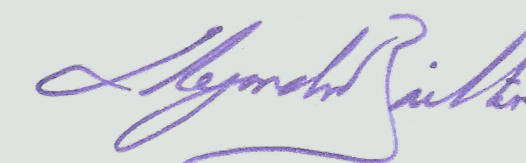
The Board of Directors submits for the consideration of this Meeting the Report disclosing and explaining the accounting policies and criteria that were the basis for the preparation of the Financial Statements. They consist of the basis of presentation and consolidation as well as relevant accounting policies that were audited by the external auditors and that form an integral part of this Report.

In the opinion of the Board of Directors, the Report of the Chief Executive Officer that is presented to this Shareholders' Meeting fairly reflects the financial situation, the results obtained, as well as the most outstanding aspects of the company during 2021.

Dear Shareholders:

The passing of our Honorary President and Chairman of the Board for 54 years, last February 2, 2022, invites us to express in this Report a heartfelt recognition to his great legacy to our company and to Mexico. The best manner to honor his memory shall be to preserve and increase this legacy, to which I am firmly committed, as well as directors and collaborators of the company.

I want to thank the members of the Board of Directors and our policyholders that have provided us with their invaluable trust. Likewise, I extend my appreciation to our collaborators who, with their dedication, loyalty and professionalism have made possible these 120 years of providing protection to the Mexican society.



Alejandro Baillères

Chairman of the Board of Directors
Grupo Nacional Provincial, SAB



Eduardo Silva
Chief Executive Officer

In GNP we generated premiums for \$78,954 MP, which represents a nominal growth of 8%. This has allowed us to continue being the insurer with more market share.

REPORT OF THE CHIEF EXECUTIVE OFFICER

REPORT OF THE PROGRESS OF THE COMPANY PRESENTED BY THE CHIEF EXECUTIVE OFFICER TO THE BOARD OF DIRECTORS FOR THE 2021 FISCAL YEAR

In my capacity as Chief Executive Officer of Grupo Nacional Provincial, SAB (GNP), and based on the provisions of the Stock Market Act, I hereby submit to you the Annual Report that corresponds to the performance and results obtained by the Company during the 2021 fiscal year, the Financial Statements and their disclosure notes, as well as the main Accounting and Reporting Policies and Criteria followed in the preparation of this report. I also hereby present the most relevant environmental, social and corporate governance factors related to the company during this year.

In 2021, we again faced a complex world environment due to the COVID-19 contingency. Although there has been progress in terms of vaccination and some activities are back to normal, some economic difficulties still linger.

Mexican economy has suffered the consequences in several of its key indicators, such as inflation, which reached historic levels in the last months of the year. Besides, the growth of GDP was below expectations, the Exchange rate was volatile and the domestic sale of new automobiles is still stagnant because of the world shortage of semiconductors.

Despite these conditions, the domestic insurance industry showed a nominal growth of 6.2% over the previous exercise. However, the profitability of the market was affected by the loss rate, as a direct consequence of the pandemic. This health crisis has had the greatest impact in the industry, exceeding those of hurricanes Wilma and Odile and the 2017 earthquake. The foregoing proves once again the solvency of this sector and its important part in the protection of Mexican population in moments of adversity.

As for GNP, we issued premiums for \$78,954 million pesos (MP), a sum that represented a nominal increase of 8% over 2020 and allowed us to maintain our position as the company with the highest market share in the industry.

The net result for the period was \$1,618 MP, affected by the significant rise in the loss rate in the Life and Medical Expenses segments as a direct consequence of the pandemic. On the other hand, the solvency margin decreased to \$9,946 MP. Nevertheless, the international rating issued by AM Best for our financial strength was ratified with an “A” (excellent); the long-term credit rating of issuer financial strength at “a” (excellent) and the Mexico National Scale Rating at “aaa.MX” (exceptional). Besides, Standard & Poor’s Global Ratings also ratified the maximum rating at a national scale of “mxAAA”.

Our financial stability is the result of our cautious strategy of risk and reinsurance subscription. The following are some of the most representative achievements of 2021:

LIFE

In 2021, in the Life segment, we accomplished sales for \$32,138 MP, which represented a nominal growth of 8%.

We redoubled efforts to strengthen our value proposition, thus still offering the best insurance options for the Mexican people; in addition, we launched several advertising campaigns to bolster sales.

The updating of the actuarial assumption of disability leave in the determination of reserves in the Individual Life line is particularly significant. The latter with important implications in the reserves and portfolio profitability levels.

Especially, the profitability of the Group Life business was affected because of the pandemic, so we improved surveillance and control mechanisms to mitigate impacts.

MEDICAL EXPENSES

We maintained the leadership in the Medical Expenses business, keeping the highest market share. In 2021; we generated sales for \$27,850 MP, which allowed us a nominal growth of 17% over the previous year.

We strengthened our value position and fostered commercial activity to not only maintain but improve on last year’s historic sales.

Profitability in this line was affected as a direct consequence of the pandemic, especially in the Collective branch.

In 2021, in the Life Line, we reached sales for \$32,138 MP, which represented a nominal growth of 8%. Furthermore, we maintained the leadership in the line of Medical Expense with the first place in market share.



AUTO

In the Auto segment, the difficulties to maintain growth, which started in 2020 with the pandemic, persisted in 2021. The premiums issued during the period in the Auto line amounted to \$13,509 MP, which represented a nominal decrease of 9%.

We continued with the updating of our value proposition; for integral clients in GNP or for those with a history of low accident incidence, we grant benefits in the hiring of new policies. In addition, we reward the continuity of clients in the fleet segment.

DAMAGES

During 2021, reported premiums in the line of Damages were \$5,427 MP, which represented a nominal growth of 19% over the previous year.

We strive to update our value proposition with emphasis in connectivity, through on-line quotation tools that facilitate the sales work for our brokers (for example, Contractor Team, Civil Liability and Electronic Equipment for PyMEs).

During 2021, Damages reported premiums amounted \$5,427 MP, which represented a nominal growth of 19% over the previous year.

2021 was a year of great achievements and advances for Médica Móvil: we achieved a nominal growth of 47% in sales and we extended the presence of our services.

SUBSIDIARIES

Médica Móvil

In 2021, we served policyholders and collaborators in face of the pandemic. Likewise, the telephone medical orientation center amounted 87,368 calls for the more than 7.6 million GNP policyholders. In addition, we rendered 3,856 ambulance services, we granted 12,530 home medical consultations and medical video consultations, we performed 5,632 effective appointments for selected risk, applied 2,646 home tests for Life subscription and offered 2,802 psychological video consultations for collaborators of the group and their families.

2021 was a year of great achievements and advancements for Médica Móvil; we reached a nominal growth of 47% in sales and widened the presence of our services.

Crédito Afianzador

During 2021, in Crédito Afianzador we reached a nominal growth of 7% in premiums, apart from maintaining the highest credit rating of financial strength in Mexico, assigned by Standard & Poor's.

Valmex Soluciones Financieras and GNP Flotillas

Valmex Soluciones Financieras and GNP Flotillas maintained the ratings issued by Standard & Poor's (long-term "mxA" stable and short-term "mxA-1+"), which showed continuity with a stable outlook. Moreover, we reached a nominal growth in sales of 0.33%.

Before the challenges represented by the market decrease and the supply problems of the automobile sector, in GNP Flotillas we continue with satisfying levels of issuance, operation and overdue portfolio, as well as healthy financial conditions.

DISTRIBUTION CHANNELS

Agents Channel

Regarding the Agents channel, we continue growing in all the lines over the previous year; especially, the new sale of Individual Life stands out. The commercial network reached 12,500 agents, based on the latter, we continue being the largest network of multi-line agents in the country.

Apart from improving the value proposition in all the lines, we encouraged the digitalization of the channel, improving the tools and increasing the functionality in the application GNP Agents, Users and Satisfaction Level.

Brokers and Government channel

2021 implied great challenges for the Brokers and Government channels due to the impacts of the pandemic in the lines of Collective Medical Expenses and Group Life, as well as due to the shortage of semiconductors in the Auto line. Notwithstanding the foregoing, we achieved a 4.8% growth over 2020.

Mass Insurance Channel

During 2021, in Bancaseguros we worked hard in the expansion of the programs with business partners, as well as in the design of products to strengthen our value proposition.

In the Worksite, we continued with our growth trend through new agreements with government agencies. Moreover, we increased our commercial force and we closed relationships with new brokers.

On the other hand, in Afinidad we started the marketing of new programs for different lines and segments. In Negocio Directo we redesigned the sales portal, which together with business actions allowed a double-digit growth in the Auto line.

The commercial network reached 12,500 agents, so we are still the biggest multi line counseling network in the country.



SERVICE

Aware of the increase in the demand of integrated experiences, in Customer Service we modernized the operations, we implemented remote services and provided our clients and business partners with new and better tools.

In order to improve our service, we offered the self-service function in the loss follow-up from the portal “Soy Cliente GNP”. Through a notification system, this tool enabled communication with clients and with production force. Besides, in the Contact Center, new self-service tools were set up in the collection for policyholders.

In the Life line, we properly took care of an extraordinary amount of procedures derived from the pandemic. On the other hand, in Damages we implemented the functionality of report of home loss through the portal and the application “Soy Cliente GNP” (I am a GNP client).

Moreover, we incorporated client active listening mechanisms, which allow us to register their needs and channel them to improve our service.

SYSTEMS

In Systems, we strive to expand the automation of the operation and maintain a digital relationship of the Company with clients and business partners.

Likewise, we increased executed software projects, as well as the amount of people involved in their development. This is proof of the great commitment of GNP to be a leader in digital competitiveness.

Finally, we continued transforming central systems for the lines of Individual Life and Medical Expenses, very significant projects to improve the operation of the business lines.

In order to improve our customer service, we offered the self-service function in the loss follow-up from the portal “Soy Cliente GNP”.

INVESTMENT CRITERIA

Based on the Investment Policy approved by the Board of Directors, we maintain the investment decision-making process based on several elements such as financial performance analysis, environmental and social commitment, as well as corporate governance, which are relevant criteria for the selection of companies for investment.



We strengthened our corporate governance structures, updated the Code of Ethics and Conduct and implemented the Anticorruption Policy.



INTEGRAL RISK MANAGEMENT

To effectively manage the risks the Company faces and to provide policyholders and shareholders with certainty, trust and sustainability, all the decisions are based on the policies of Integral Risk Management.

FINANCIAL RISK

Financial risks are maintained within the limits approved by the Board of Directors. In 2021, improvements in asset-liability matching continued, as well as the operation of instruments that maintain hedging against exchange rate increases and eliminate the negative effect in the event of peso revaluations and to improve the credit risk profile.

OPERATIONAL RISK

In 2021 we updated the Business Continuity Plan based on the lessons learned from the pandemic, integrating a protocol that considers possible failures in remote work.

We made the necessary changes to comply with the new provisions for money laundering prevention issued by the Ministry of Finance and Public Credit (SHCP). We also reinforced controls for the protection of personal data and updated privacy notices.

On the other hand, we strengthened corporate governance structures, we updated the Code of Ethics and Conduct and implemented the Anticorruption Policy. In addition, we created different tools to enable the disclosure and compliance with the regulations among employees and intermediaries.

CYBERSECURITY

We strengthened processes, technology and training of employees in matter of information security to improve technological defense capabilities. We also updated the annual program of awareness in this matter.

Since we are a leader company in the Mexican market, we assume the commitment to work in the benefit of Mexican communities and families.

SOCIAL PROGRAMS

Being a leader company in the Mexican market, we assume the commitment of working for the benefit of Mexican community and families through social programs together with civil organizations. Among these programs the following stand out:

Gol por México: For more than 18 years, we have promoted social program “Gol por México” (Goal for Mexico), with actions that benefit the most vulnerable communities and Mexican women. To date, this program has helped more than 1,300,000 people.

Bosque Vivir es Increíble: Among the efforts with a positive impact in the environment, in 2021 we planted 32,000 trees. This program amounts a total of 209,134 trees in 206 hectares located in Ajusco protected area, in Mexico City, with an average survival rate of 90%.

Vivir es increíble ayudando a los demás: This 2021, we celebrate the first nine years of the program “Vivir es increíble ayudando a los demás” (Life is incredible helping others). We currently have 354 social organizations in 26 states of the Republic of Mexico.

ADVERTISING CAMPAIGNS

We carried out campaign “Cantar es vivir y Vivir es increíble” (Singing is living and living is incredible); and Alejandro Fernández was the spokesman of this message in favor of optimism.

PRODUCT CAMPAIGN

During 2021, we worked in several product campaigns; for example, “¡Es rapidísimo!” (It’s super quick!), which communicates the benefits and available promotions in car and motorcycle insurances, and campaign “Sea lo que sea, puede lograrlo” (Whatever it is, you can do it! To transmit the benefits of Life Insurances (Professional GNP and GNP Professional Grandparents).

SPONSORSHIPS

This year we maintained an alliance with important teams of the Mexican football league and with Alejandro Fernández in the “Hecho en México Tour” (Made in Mexico Tour). We participated in the “Abierto de Tenis GNP Seguros” (GNP Insurance Tennis Open), and we had presence in the equestrian field in the “GNP Major League”, in San Miguel de Allende, and the “GNP Otomí Grand Prix”.



For the first time, in 2021 there was an acknowledgement of Exceptional Companies, which awarded the companies that performed outstanding practices of timely response to the challenges of the health crisis. GNP obtained such acknowledgement.

ACTIONS AGAINST COVID-19

As a result of the contingency for COVID-19, we continue promoting several initiatives in Support of our policyholders, employees, agents and the society in general, such as the “Ruta Héroes y Heroínas” (Route of Heroes and Heroines), virtual store “Vivir es Increíble ayudando a los demás” (Living is incredible helping others) and “Gol por México” (Goal for Mexico).

ACKNOWLEDGEMENT EXCEPTIONAL COMPANIES

For the first time, in 2021 the acknowledgement of exceptional companies was given to acknowledge the companies that performed outstanding practices of timely response to the challenges of the health crisis. GNP got this acknowledgement.

During the pandemic we maintained remote work schemes to protect employees’ health. We started the transition to online work, maintaining strict criteria. Besides, we comply with the new regulations in matter of personnel management.

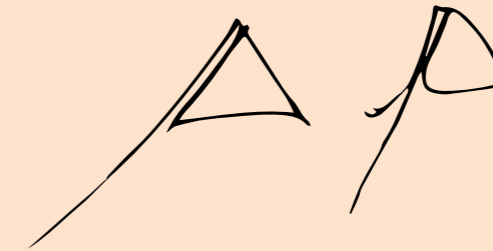
In 2021 we reported our financial, environmental and social development, because they are an integral part of our purpose as a company. I invite you to go over our Integrated Report to know all the actions performed in these fields in 2021.

Board members and public in general:

Finally, I want to express, in the name of all collaborators of Grupo Nacional Provincial, SAB, our consternation for the passing of Mr. Alberto Baillères, Honorary President –and Executive President for 54 years – of the company. We all acknowledge that his leadership, vision and direction have been invaluable for the outstanding performance of our organization, and his humanism is an example and inspiration for all of us.

I would like to thank the Chairman of the Board of Directors, the members of the Board of Directors and the Executive Committee for their trust.

Likewise, I would like to acknowledge the hard work of all the collaborators and business partners that have faced the challenges with enthusiasm and professionalism because thanks to them we may continue working for Mexico as we have for 120 years.



Eduardo Silva
Chief Executive Officer
Grupo Nacional Provincial, SAB



Vivir es increíble®

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