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FOR IMMEDIATE RELEASE

CONTACTS: Juan Pablo Castro
Associate Financial Analyst
+52 55 1102 2720, ext. 133
juanpablo.castro@ambest.com

Salvador Smith, CQF
Associate Director
+52 55 1102 2720, ext. 109
salvador.smith@ambest.com

Christopher Sharkey
Associate Director, Public Relations
+1 908 882 2310
christopher.sharkey@ambest.com

Al Slavin
Senior Public Relations Specialist
+1 908 882 2318
al.slavin@ambest.com

AM Best Affirms Credit Ratings of Sofimex, Institucion de Garantias S.A.

MEXICO CITY, January 23, 2025—AM Best has affirmed the Financial Strength Rating (FSR) of A- (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) of “a-” (Excellent) of Sofimex, Institucion de Garantias S.A. (Sofimex) (Mexico City, Mexico). The outlook of these Credit Ratings (ratings) is positive. Concurrently, AM Best has affirmed the Mexico National Scale Rating of “aaa.MX” (Exceptional) with a stable outlook.

The ratings reflect Sofimex’s balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

The positive outlooks on the FSR and Long-Term ICR reflect AM Best’s expectation that Sofimex will further strengthen its balance sheet through strong operating results.

The ratings also reflect Sofimex’s strong operating performance in terms of profitability and competitiveness within Mexico’s surety bond market, as well as its strongest level of risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR). These positive rating factors are limited by AM Best’s view of the highly competitive surety bond market in which the company operates, and the challenging economic environment.

Sofimex is a Mexico-domiciled surety and bond company that was established in 1940. The company offers surety and fidelity coverages, ranging from low-limit judicial bonds to high-limit contract bonds. As of

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September 2024, Sofimex’s business portfolio was composed of administrative (85.3%), credit (7.6%), judicial (2.5%) and fidelity (4.6%) sureties.

Sofimex projects a gross written premium growth rate of 7% for 2025, while staying in line with its historical profitability metrics. AM Best believes that as one of Mexico’s largest surety underwriters, and with a good distribution network and disciplined underwriting, Sofimex has sufficient resources to maintain a stable stream of net income amid current market conditions.

Sofimex’s 2023 underwriting performance continued improving as reflected by a low loss ratio and a contained operational expense ratio, resulting in a combined ratio of 61%; as of September 2024, the combined ratio stood at 63%. The company’s historical operating performance metrics have shown very low volatility and compare well with the industry.

Sofimex’s risk-adjusted capitalization has remained at the strongest level and is supportive of its ratings, even when stressed by possible losses from contingent claims. Furthermore, Sofimex has an appropriate reinsurance program with highly rated reinsurers and long-term business relationships.

Positive rating actions could occur if the company is able to further enhance its balance sheet strength while maintaining the strongest level of risk-adjusted capitalization. Negative rating actions could occur if underwriting performance deteriorates or if there is a significant increase in business risk.

The methodology used in determining these ratings is [Best’s Credit Rating Methodology](#) (Version Aug. 29, 2024), which provides a comprehensive explanation of AM Best’s rating process and contains the different rating criteria employed in the rating process. Best’s Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

Key insurance criteria reports utilized:

- Evaluating Country Risk (Version June 6, 2024)

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- Understanding Global BCAR (Version Aug. 1, 2024)
- Available Capital and Insurance Holding Company Analysis (Version Aug. 15, 2024)
- Rating Surety Companies (Version April 25, 2024)
- Best's National Scale Ratings (Version May 16, 2024)
- Scoring and Assessing Innovation (Version Feb. 27, 2023)

View a general description of the [policies and procedures](#) used to determine credit ratings. For information on the meaning of ratings, structure, voting and the committee process for determining the ratings and monitoring activities, relevant sources of information and the frequency for updating ratings, please refer to [Guide to Best's Credit Ratings](#).

- Previous Rating Date: Jan. 26, 2024
- Initial Rating Date: Oct. 11, 2013
- Date Range of Financial Data Used: Dec. 31, 2019-Sept. 30, 2024

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.

This press release relates to rating(s) that have been published on AM Best's website. For additional rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page.

If the ratings referred in this press release do not indicate a specific country suffix, it is understood that they are granted globally and not on a national scale.

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