



Peña Verde, S.A.B.
Sierra Mojada No. 626
Col. Lomas Barilaco
México D.F.; C.P. 11010
T. 56834900

Mexico City, Mexico

February 24, 2016

SUBJECT: RECORD FOURTH QUARTER 2016

NATIONAL BANKING AND SECURITIES COMMISSION

HEAD SUPERVISOR OF ISSUERS

AV. INSURGENTES SUR 1971

P.B. TORRE NORTE

In accordance with section II of article 33 of the General Provisions applicable to Securities Issuers, we submit a record of the financial information of Peña Verde, S.A.B. corresponding to the **fourth** quarter of 2016 (**preliminary**).

“The undersigned manifest under oath that, within the scope of our respective functions, we have prepared the information related to the issuer contained in this quarterly report, which, to the best of our knowledge, fairly reflects its condition. Furthermore, we manifest that we do not have knowledge of any relevant information which has been omitted or falsified in this quarterly report or that it contains information which might be misleading for the investors.”

We would be pleased to provide any additional information you might wish on this subject.

Hoping the above to your satisfaction we remain,

Faithfully,

Manuel Santiago Escobedo Conover

Managing Director

Agustín Martínez Gabriel

Head of Finance

Israel Trujillo Bravo

Legal Holder

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V.

TRADING SYMBOL: PV

QUARTER: 04 YEAR: 2016

PEÑA VERDE S.A.B.

INSURANCE COMPANY BALANCE SHEET

AS AT DECEMBER 2016 AND 2015

CONSOLIDATED

(PESOS)

Final Printout

ACCOUNT	SUBACCOUNT	SUB-SUBACCOUNT	ACCOUNT / SUB-ACCOUNT	END CURRENT PERIOD AMOUNT	PRECEDING YEAR QUARTER AMOUNT
100			Assets	18,396,974,496	0
110			Investments	13,406,643,870	0
111			Securities and Transactions with Derivatives	12,700,496,663	0
	112		Securities	12,700,496,663	0
		113	Government	6,534,360,366	0
		115	Private Companies. Known Rate	136,551,084	0
		116	Private Companies. Variable Income	5,410,837,242	0
		117	Foreign	618,747,971	0
		120	Dividends Receivable on Capital Instruments	0	0
		121	(-) Impairment of securities	0	0
		123	Investments in Loaned Securities	0	0
		124	Restricted Securities	0	0
	125		Transactions with Derivatives	0	0
126			Debtor under Repurchase	151,915,858	0
171			Loan Portfolio (Net)	16,283,247	0
	172		Outstanding Loan Portfolio	16,694,803	0
	133		Due Loan Portfolio	285,159	0
	135		(-) Preventative Credit Risk Allowances	-696,715	0
137			Real property (Net)	537,948,102	0
140			Investments for Labor Obligations	196,289,170	0
141			Liquid Assets	366,890,255	0
	142		Cash and Banks	366,890,255	0
143			Debtors	1,886,435,024	0
	144		Under a Premium	1,773,414,494	0
	173		Debtors under Damages Subsidy Premium	20,321,287	0
	174		Debits charged against Departments and Entities of the Federal Public Administration	0	0
	145		Agents and Adjusters	5,406,724	0
	146		Notes Receivable	16,889,382	0
	175		Paid Claims Surety Bond Receivables	0	0
	148		Others	78,875,645	0
	149		(-) Write-offs Allowance	-8,472,508	0
150			Reinsurance Companies and Rebonding Companies (Net)	2,219,940,942	0
	151		Insurance and Bonding Institutions	451,415,995	0
	152		Retained Deposits	80,494,547	0
	176		Reinsurance Recoverables	1,698,258,387	0
	177		(-) Preventative Foreign Reinsurance Company Credit Risks Allowance	-1,024,399	0
	156		Reinsurance and Rebonding Intermediaries	241,512	0
	158		(-) Write-offs Allowance	-9,445,101	0
159			Permanent Investments	3,466,775	0
	160		Subsidiaries	0	0
	161		Associated	0	0
	162		Other Permanent Investments	3,466,775	0
163			Other Assets	317,308,461	0
	164		Furniture and Equipment (Net)	55,355,315	0
	165		Assets Awarded (Net)	7,975	0
	166		Sundries	211,849,810	0
	178		Amortizable Intangible Assets (Net)	50,095,361	0
	179		Long-term Intangible Assets (Net)	0	0
200			Liabilities	14,091,507,624	0
210			Technical Reserves	11,043,099,240	0
211			Current Risks	3,301,927,034	0
	212		Life Insurance	510,268,090	0
	213		Accident and Sickness Insurance	184,838,415	0
	214		Damages Insurance	2,215,997,173	0
	249		Assumed Rebonding	0	0
	215		Bonds In Force	390,823,355	0
216			Reserve for Pending Obligations	3,360,301,178	0
	217		Due to policies due and unpaid claims incurred	2,054,100,173	0
	218		Due to claims incurred and unreported and adjustment expenses allocated to the claim	1,238,922,716	0
	220		Due to administration funds	10,591,408	0

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PEÑA VERDE S.A.B.

INSURANCE COMPANY BALANCE SHEET

AS AT DECEMBER 2016 AND 2015

(PESOS)

CONSOLIDATED

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ACCOUNT	SUBACCOUNT	SUB-SUBACCOUNT	ACCOUNT / SUB-ACCOUNT	END CURRENT PERIOD AMOUNT	PRECEDING YEAR QUARTER AMOUNT
	221		Due to Deposit Premiums	56,686,881	0
	225		Contingency Reserve	169,549,005	0
	226		Reserves for Specialised Insurance	0	0
	224		Reserves for Catastrophic Risks	4,211,322,022	0
227			Reserves for Labor Obligations	224,517,185	0
228			Creditors	476,769,888	0
	229		Agents and Adjusters	118,609,757	0
	230		Loss Administration Funds	-757,901	0
	231		Established Liability Bond Creditors	0	0
	232		Sundries	358,918,032	0
233			Reinsurance Companies and Rebonding Companies	921,317,400	0
	234		Insurance and Bonding Institutions	890,951,180	0
	235		Retained Deposits	14,670,902	0
	236		Other Interests	15,561,410	0
	237		Reinsurance and Rebonding Intermediaries	133,908	0
238			Transactions with Derivatives. Reasonable Value (lending part) at time of acquisition	0	0
239			Financings Obtained	0	0
	240		Debt Issue	0	0
		241	Due to Subordinated Debentures Not Subject to Conversion into Shares	0	0
		242	Other Negotiable Instruments	0	0
	243		Financial Reinsurance Contracts	0	0
244			Other Liabilities	1,425,803,911	0
	245		Provision for Employee Profit Sharing	6,275,466	0
	246		Provision for Tax Payment	52,067,677	0
	247		Other Obligations	241,091,723	0
	248		Deferred Credits	1,126,369,045	0
300			Stockholders' Equity	4,305,466,872	0
301			Contributed Capital	422,608,784	0
310			Paid Capital or Social Fund	422,608,784	0
	311		Capital or Social Fund	422,608,784	0
	312		Unsubscribed Capital or Fund(-)	0	0
	313		Not Paid-in Capital or Fund(-)	0	0
	314		Reacquired Treasury Stock(-)	0	0
315			Subordinated Debentures Mandatorily Convertible into Capital	0	0
302			Earned Capital	3,840,555,399	0
316			Reserves	961,015,799	0
	317		Legal	1,288,898	0
	318		For Acquisition of Own Treasury Stock	151,151	0
	319		Others	959,575,750	0
320			Surplus due to Valuation	35,615,975	0
321			Permanent Investments	2,129,012,453	0
323			Income OR Earnings from Previous Years	458,282,604	0
324			Income OR Earnings of Year	256,628,567	0
325			Income from Holding of Non-monetary Assets	0	0
303			Controlling Interest	4,263,164,183	0
326			Non-controlling Interest	42,302,689	0
327			Liabilities and Stockholders' Equity	18,396,974,496	0
			Memorandum Accounts		
810			Deposit Securities	161,265	0
820			Administration Funds	14,384,049	0
830			Current Bond Liabilities	4,334,948,500	0
840			Recovery Warranties For Issued Bonds	0	0
850			Unverified Claims Received	0	0
860			Contingent Claims	0	0
870			Paid Claims	0	0
875			Cancelled Claims	0	0
880			Recovery of Paid Claims	0	0
890			Unamortized Tax Loss	9,763,071	0
900			Unfunded Reserve for Labor Obligations	20,419,403	0

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QUARTER: **04**

YEAR: **2016**

PEÑA VERDE S.A.B.

INSURANCE COMPANY BALANCE SHEET

AS AT DECEMBER 2016 AND 2015

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				END CURRENT PERIOD	PRECEDING YEAR QUARTER
ACCOUNT	SUBACCOUNT	SUB-SUBACCOUNT	ACCOUNT / SUBACCOUNT	AMOUNT	AMOUNT
910			Registration Accounts	2,943,883,417	0
920			Transactions with Derivatives	0	0
921			Transactions with Loaned Securities	0	0
922			Guarantees Received under Derivatives	0	0
923			Guarantees Received under Repurchase	39,820	0

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QUARTER: **04** YEAR: **2016**

PEÑA VERDE S.A.B.

INSURANCE COMPANY CASH FLOW STATEMENT

FROM 1 JANUARY TO 31 DECEMBER 2016 AND 2015

CONSOLIDATED

(PESOS)

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ACCOUNT	SUBACCOUNT	ACCOUNT / SUBACCOUNT	CURRENT YEAR	PREVIOUS YEAR
			AMOUNT	AMOUNT
21100		Net income	256,628,567	0
21200		Adjustment due to items not involving cash flow	1,335,126,277	0
	21201	Profit or loss due to valuation relating to investment and financing activities	-298,471,135	0
	21202	Write-offs or uncollectibles Allowance	82,491,280	0
	21203	Losses due to impairment or reversion effect of impairment related to investment and financing activities	0	0
	21204	Depreciations and amortizations	3,524,077	0
	21205	Adjustment or increase in technical reserves	1,223,636,347	0
	21206	Provisions	37,040,945	0
	21207	Incurred and deferred income tax	155,631,630	0
	21208	Interest in income from non-consolidated subsidiaries and associates	74,020,440	0
	21209	Discontinued operations	57,252,693	0
		Operating activities		
	21301	Change in margin accounts	0	0
	21302	Change in securities investments	-1,436,564,174	0
	21303	Change in debtors under repurchase	151,594,706	0
	21304	Change in securities lending (assets)	0	0
	21305	Change in derivatives (assets)	0	0
	21306	Change in unpaid premiums	-888,917,930	0
	21307	Change in debtors	-14,058,890	0
	21308	Change in reinsurance and rebonding companies	223,361,970	0
	21309	Change in assets awarded	0	0
	21310	Change in other operational assets	16,323,206	0
	21311	Change in contractual obligations and claims-related expenses	17,575,503	0
	21314	Change in derivatives (liabilities)	669,283,940	0
	21315	Change in other operational liabilities	127,574,834	0
	21316	Change in hedging instruments (of operating activity-related hedged items)	-5,664,212	0
21300		Net cash flow from operating activities	-1,139,491,047	0
		Investment activities		
	21401	Collections due to disposal of real property, furniture or equipment	1,624,595	0
	21402	Payments for the acquisition of real property, furniture or equipment	-94,563,801	0
	21403	Collections due to the disposal of subsidiaries or associated companies	0	0
	21404	Payments for the acquisition of subsidiaries or associated companies	-220,186,664	0
	21405	Collections due to the disposal of other permanent investments	0	0
	21406	Payments for the acquisition of other permanent investments	0	0
	21407	Collections due to cash dividends	427,284,404	0
	21408	Payments for the acquisition of intangible assets	0	0
	21409	Collections due to the disposal of long-term assets available for sale	0	0
	21410	Collections due to the disposal of other long-term assets	642,878	0
	21411	Payments for the acquisition of other long-term assets	0	0
21400		Net cash flow from investment activities	114,801,413	0
		Financing activities		
	21501	Collections due to share issues	0	0
	21502	Payments for the reimbursement of capital stock	-5,700,000	0
	21503	Payments of cash dividends	-482,732,404	0
	21504	Payments related to the repurchase of treasury stock	-717,795	0
	21505	Collections due to the issue of subordinated debentures with capital characteristics	0	0
	21506	Payments related to subordinated debentures with capital characteristics	0	0
21500		Net cash flow from financing activities	-489,150,199	0
21000		Net cash increase or decrease	77,915,010	0
22000		Effects of changes in cash value	283	0
23000		Cash and cash equivalents at start of period	288,974,961	0
20000		Cash and cash equivalents at end of period	366,890,255	0

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V.

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PEÑA VERDE S.A.B.

INSURANCE COMPANY INCOME STATEMENT

FROM 1 JANUARY TO 31 DECEMBER 2016 AND 2015

CONSOLIDATED

(PESOS)

Final Printout

ACCOUNT	ACCOUNT / SUB-ACCOUNT	END CURRENT PERIOD AMOUNT	PRECEDING YEAR QUARTER AMOUNT
400	Premiums	0	0
410	Issued	6,865,488,652	0
420	(-) Ceded	1,989,810,557	0
430	Retention	4,875,678,094	0
440	(-) Net Increase in Current Risks and Bonds Reserve	367,347,553	0
450	Accrued Retention Premiums	4,508,330,541	0
460	(-) Net Acquisition Cost	256,784,466	0
470	Agent Commissions	256,784,466	0
480	Additional Agent Compensation	141,821,569	0
490	Assumed Reinsurance and Rebonding Commissions	555,811,981	0
500	(-) Ceded Reinsurance Commissions	-325,414,785	0
510	Excess Loss Hedging	289,914,683	0
520	Others	389,231,298	0
530	(-) Net Costs of Accident, Claim, and Other Pending Obligations	3,065,470,827	0
540	Accidents and Other Pending Obligation	3,167,378,034	0
550	Accident Recovered from Non-proportional Reinsurance	-163,179,401	0
560	Claims	61,272,195	0
570	Technical (Loss) Profit	125,710,502	0
580	(-) Net Increase in Other Technical Reserves	90,161,548	0
590	Catastrophic Risks Reserve	70,060,887	0
810	Specialised Reinsurance Reserve	0	0
610	Contingency Reserve	20,100,660	0
620	Other Reserves	0	0
625	Revenue from Similar and Related Operations	82,893	0
630	Gross Profit (Loss)	35,631,847	0
640	(-) Net Operation Expenses	604,857,718	0
650	Administration and Operations Expenses	278,156,335	0
660	Personnel Remunerations and Benefits	307,445,008	0
670	Depreciations and Amortisations	19,256,375	0
680	Profit of Operation (Loss)	-559,225,871	0
690	Comprehensive Financing Income	920,784,857	0
700	From Investments	471,546,450	0
710	From Sales of Investments	12,562,954	0
720	From Valuation of Investments	283,040,197	0
730	From Premium Surcharge	28,790,752	0
750	From Issuance of Debt Instruments	0	0
760	From Financing Reinsurance	0	0
820	Credit Interest	0	0
830	Preventive Penalisation for Amounts Recoverable from Reinsurance	-363,754	0
840	Preventive Penalisation for Credit Risks	-3,032,570	0
770	Others	14,657,319	0
780	Exchange Income	113,583,508	0
790	Monetary Position Result	0	0
795	Participation in Income from Permanent Investments	0	0
801	Profit Before Income Tax (Loss)	351,558,986	0
802	Provision for Income Tax Payment	89,666,620	0
804	Profit Before Discontinued Operations (Loss)	261,892,366	0
808	Discontinued Operations	0	0
805	Profit of Year (Loss)	256,628,567	0
806	Non-controlling Interest	5,263,799	0
807	Controlling Interest	256,628,567	0

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PEÑA VERDE S.A.B.

INSURANCE COMPANIES STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FROM 31 DECEMBER 2015 TO 31 DECEMBER 2016

CONSOLIDATED

(PESOS)

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Item	Contributed Capital		Earned Capital						Non-controlling Interest	Total Stockholder Equity
	Paid Capital or Social Fund	Subordinated Debentures Mandatorily Convertible into Capital	Capital Reserves	Revenue from Previous Fiscal Years	Income of Fiscal Year	Permanent Investments	Revenue from Holding of Non-monetary Assets	Appreciation or Depreciation due to Valuation		
						Share in Other Stockholders' Equity Accounts	Income from Holding of Non-monetary Assets	Of Investments		
Balance at start of period	422,608,784	0	961,720,273	1,943,814,968	613,086,694	0	0	12,298,322	331,831,625	4,285,360,666
MOVEMENTS INHERENT TO SHAREHOLDERS' DECISIONS										
Subscription of shares	0	0	0	0	0	0	0	0	0	0
Capitalization of profit	0	0	0	0	0	0	0	0	0	0
Establishment of reserves	0	0	0	0	0	0	0	0	0	0
Payment of dividends	0	0	0	-7,626,851	0	0	0	0	0	-7,626,851
Transfer of revenue from previous fiscal years	0	0	0	613,086,694	-613,086,694	0	0	0	0	0
Others.	0	0	-704,474	0	0	0	0	0	-13,321	-717,795
Total.	0	0	-704,474	605,459,842	-613,086,694	0	0	0	-13,321	-8,344,646
MOVEMENTS INHERENT TO THE RECOGNITION OF COMPREHENSIVE INCOME										
Comprehensive income										
Income of fiscal year	0	0	0	0	256,628,567	0	0	0	5,263,799	261,892,366
Income from valuation of instruments available for sale	0	0	0	0	0	0	0	0	0	0
Income from possessing of non-monetary assets	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	38,020,248	0	0	0	23,317,653	-294,779,414	-233,441,513
Total	0	0	0	38,020,248	256,628,567	0	0	23,317,653	-289,515,615	28,450,853
Balance at end of period	422,608,784	0	961,015,799	2,587,295,058	256,628,567	0	0	35,615,975	42,302,689	4,305,466,872

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PEÑA VERDE S.A.B.

MANAGEMENT COMMENT ON AND ANALYSIS OF COMPANY'S
OPERATING PROFIT AND FINANCIAL POSITION

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PEÑA VERDE, S.A.B.

REPORT AS AT 31 DECEMBER, 2016

MANAGEMENT COMMENTS ON AND ANALYSIS OF OPERATING INCOME AND FINANCIAL POSITION OF
PEÑA VERDE, S.A.B.

COMMENTS AS AT DECEMBER 2016 COMPARED WITH DECEMBER 2015 (CONSOLIDATED FIGURES).

INCOME STATEMENT

PREMIUMS ISSUED

THE PEÑA VERDE PREMIUMS ISSUED AS AT DECEMBER, 2016 AMOUNTED TO \$6,865.5 MILLION PESOS WHICH COMPARED WITH \$5,142.6 MILLION PESOS FROM DECEMBER, 2015, SHOW A 33.5% INCREASE. THIS INCREASE IS MAINLY INFLUENCED BY THE SUBSIDIARY "GENERAL DE SEGUROS" WHICH, AS AT DECEMBER, 2016, HAD \$3,797.0 MILLION PESOS IN SALES, REPRESENTING A 26.4% INCREASE FROM THE PREVIOUS YEAR. SALES INCREASED IN THE MAJORITY OF BUSINESS. THE TRANSACTIONS AND SECTORS WHICH SHOWED THE GREATEST GROWTH ARE FIRE INSURANCE WITH AN INCREASE OF 454% DERIVED FROM THE BRINGING IN OF NEW BUSINESS, MISCELLANEOUS WITH AN INCREASE OF 167% DUE TO TENDERS AWARDED IN VARIOUS NORTHERN STATES OF MEXICO, AND AGRICULTURAL, WHICH SHOWS AN INCREASE OF 13.3% ESPECIALY IN CHAIN BUSINESSES (A COMPONENT OF ATTENTION TO NATURAL DISASTERS) AND TRADITIONAL INSURANCE. ON THE OTHER HAND, PREMIUMS TAKEN BY "GENERAL DE SEGUROS" AMOUNTED TO 14.7 MILLION PESOS, WHICH CORRESPOND ESPECIALY TO THE FIRE INSURANCE SECTOR.

THE SUBSIDIARY "REASEGURADORA PATRIA" ACHIEVED SALES FOR \$2,749.4 MILLION PESOS, WHICH REPRESENTS A 29.3% INCREASE IN RELATION TO THE SAME PERIOD OF THE PREVIOUS YEAR, AS A RESULT OF THE COMPANY'S STRATEGY TO ACHIEVE A GREATER INTEREST IN THE MARKETS IN WHICH IT OPERATES, THROUGH THE BROADENING OF THE LINES OF SPECIALTY BUSINESSES, AS WELL AS THE STRENGTHENING OF THE OPERATIONS IN DAMAGE INSURANCE. THE MOST IMPORTANT INCREASES OF THE YEAR HAPPENED IN THE FIRE, SULTRIES, EARTHQUAKE, MARITIME AND TRANSPORT SECTORS, AND LIFE OPERATIONS. FURTHERMORE, IN JANUARY, 2016, THE SUBSIDIARY PATRIA CORPORATE MEMBER LTD BEGAN OPERATIONS AT LLOYD'S IN LONDON, ENGLAND WITHIN THE SPECIAL PURPOSE SYNDICATE 6125. FOR CONSOLIDATION PURPOSES, THE FINANCIAL STATEMENTS OF THE SYNDICATE WERE CONVERTED FROM UK GAAP TO MEXICAN ACCOUNTING STANDARDS, ISSUED BY THE NATIONAL INSURANCE AND BONDS COMMISSION. THE SUBSIDIARY PATRIA CORPORATE MEMBER LTD, AT THE CLOSING OF DECEMBER 2016, ACHIEVED SALES AMOUNTING TO \$304.4 MILLION PESOS.

NET ACQUISITION COST

AS AT DECEMBER, 2016, THE CONSOLIDATED NET ACQUISITION COST OF PEÑA VERDE AMOUNTED TO \$1,317.2 MILLION PESOS WHICH, COMPARED WITH THE \$1,004.2 MILLION PESOS IN DECEMBER, 2015, SHOWS A 31.2% INCREASE, INFLUENCED BY THE GROWTH IN PREMIUMS. WITH REGARD TO THE RETAINED PREMIUM, IT REPRESENTED 27.0%, WHILE THE SAME PERIOD OF THE PREVIOUS YEAR WAS 25.6%. THE MAIN ITEMS THAT MAKE UP THIS FIELD ARE AGENT COMMISSIONS, REINSURANCE AND REBONDING COMMISSIONS PAID TO CEDING COMPANIES, THE COST OF HEDGING OF NON-PROPORTIONAL AGREEMENTS AND INCOME FROM RETROCEDED REINSURANCE COMMISSIONS.

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PEÑA VERDE S.A.B.

MANAGEMENT COMMENT ON AND ANALYSIS OF COMPANY'S OPERATING PROFIT AND FINANCIAL POSITION

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NET CLAIMS COST

THE CONSOLIDATED RETENTION CLAIMS RATE OF PEÑA VERDE WAS 68.0% WHICH SHOWED AN INCREASE OF 1.4% WITH REGARD TO THE PREVIOUS YEAR, DUE MAINLY TO THE \$140-MILLION PESO INCREASE IN THE RESERVE FOR UNPAID AND UNREPORTED LOSSES INCURRED OF THE SUBSIDIARY REASEGURADORA PATRIA, AS WELL A DUE TO THE RECORDING OF \$142 MILLION PESOS IN CLAIMS FOR VARIOUS CATASTROPHES SUCH AS THE EARTHQUAKES IN ECUADOR AND TAIWAN, FLOODINGS IN INDIA, THE EARTHQUAKE IN TAIWAN, AND DAMAGES CAUSED BY THE HURRICANES MATTHEW AND EARL.

AS FOR THE SUBSIDIARY PATRIA CORPORATE MEMBER LTD, IT RECORDED CLAIMS FOR \$76 MILLION PESOS AND AN INCREASE OF \$127 MILLION PESOS IN THE RESERVE FOR UNPAID AND UNREPORTED LOSSES INCURRED.

TECHNICAL PROFIT

THE CONSOLIDATED TECHNICAL INCOME OF PEÑA VERDE AS AT DECEMBER, 2016 ACHIEVED \$125.7 MILLION PESOS WHICH COMPARED WITH THE \$269.6 MILLION PESO FROM DECEMBER, 2015, REPRESENTED A DECREASE OF 53.0% IN RELATION TO THE PREVIOUS YEAR. SAID DECREASE IS DUE PRIMARILY TO THE CHANGE IN THE METHOD FOR CALCULATING TECHNICAL RESERVES, AS WELL AS THE INCORPORATION OF EXPENDITURES OF THE SUBSIDIARY PATRIA CORPORATE MEMBER LTD.

OTHER TECHNICAL RESERVES

THE INCREASE IN OTHER TECHNICAL RESERVES (CATASTROPHIC RESERVES) AS AT DECEMBER, 2016 WAS OF \$90.2 MILLION PESOS, OF WHICH THE INSURANCE TYPES WITH THE GREATEST VOLUME WERE: EARTHQUAKE, HYDROMETEOROLOGICAL RISKS AND AGRICULTURE. SINCE THE ADOPTION OF THE INSURANCE AND BONDING INSTITUTIONS ACT OF 2016, THE INSURANCE INSTITUTIONS AUTHORIZED TO OPERATE IN THE DAMAGE INSURANCE BUSINESS, THE CREDIT SECTOR, ARE REQUIRED TO ESTABLISH AND INCREASE A RESERVE FOR CATASTROPHIC RISKS OF THE CREDIT INSURANCE. IN THE CASE OF THE SUBSIDIARY REINSURER PATRIA, SAID RESERVE SHOWED AN INCREASE OF \$1.9 MILLION PESOS AT THE CLOSING OF DECEMBER, WHICH IS PART OF THE TOTAL INCREASE.

THE INCREASE IN THE RESERVE IS DONE WITH ONE TWELVETH OF THE RISK OF RETENTION PREMIUM CORRESPONDING TO THE EARTHQUAKE, OTHER HYDROMETEOROLOGICAL RISKS AND AGRICULTURE SECTIONS, AND WITH THE CAPITALIZATION OF THE FINANTIAL PRODUCTS GENERATED BY THE FINANTIAL INSTRUMENTS APPOINTED TO COVER THIS RESERVE.

OPERATING EXPENDITURE

CONSOLIDATED OPERATING EXPENSES AMOUNTED TO \$604.8 MILLION PESOS, WHICH REPRESENT 8.8% OF THE PREMIUMS ISSUED, AN AMOUNT WHICH, COMPARED WITH THE OPERATING EXPENSES FOR DECEMBER, 2015 OF \$451.3 MILLION PESOS, SHOW AN 34.0% INCREASE, DUE PRIMARILY TO A CHARGE OF \$23.5 MILLION PESOS CORRESPONDING TO THE ACTUAL AND DEFERRED EMPLOYEE PROFIT SHARING (PTU) ACCOUNT WHICH IS GROUPED INTO THIS SECTION BY DECISION OF THE NATIONAL INSURANCE AND BONDS COMMISSION (CNSF). MOREOVER, THE TIMELY RECORDING OF THE MONTHLY STATEMENTS OF ACCOUNT OF THE ASSUMED REINSURANCE IN DECEMBER HAD A CHARGE OF \$77.2 MILLION PESOS, ALONG WITH THE INCORPORATION OF THE EXPENDITURES INCURRED BY THE SUBSIDIARY PATRIA CORPORATE MEMBER LTD.

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MANAGEMENT COMMENT ON AND ANALYSIS OF COMPANY'S OPERATING PROFIT AND FINANCIAL POSITION

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FINANCING COMPREHENSIVE INCOME

THE COMPREHENSIVE INCOME FROM FINANCING AMOUNTED TO \$920.8 MILLION PESOS, WHICH COMPARED WITH THE \$1,369.7 MILLION PESOS FROM THE PREVIOUS YEAR SHOWS A DECREASE OF 32.8%, REPRESENTING \$448.9 MILLION PESOS IN NOMINAL FIGURES. THIS IS DUE ESPECIALLY TO THE VALUATION OF INVESTMENTS OWNED BY THE ISSUER PORTFOLIO SHOWING A DECREASE OF \$384.0 MILLION PESOS. THE SALE OF INVESTMENTS DECREASED BY \$165.5 MILLION PESOS. EXCHANGE INCOME SHOWS AN INCREASE OF \$3.1 MILLION PESOS, WHEREAS OTHER ITEMS INCREASED BY \$97.5 MILLION PESOS.

THE NON-CONTROLLING INTEREST ITEM AS AT DECEMBER, 2016 FINALIZED AT \$5.2 MILLION PESOS, WHICH REPRESENTS THE PROFIT IN THE INCOME FROM NON-CONTROLLING SUBSIDIARIES. AS AT DECEMBER, 2015 THIS BALANCE WAS \$40.1 MILLION PESOS. THE VARIATION IS DUE TO THE INSTITUTION'S ACQUISITION OF 12.17% OF OUTSTANDING SHARES IN THE LAST QUARTER OF 2016.

INCOME OF THE YEAR

AS A RESULT OF THE ABOVE, THE ISSUER, ON DECEMBER 31, 2016, SHOWS A NET PROFIT OF \$256.7 MILLION PESOS, WHICH COMPARED WITH THE \$613.1-MILLION PESO PROFIT FROM THE PREVIOUS YEAR SHOWS A SIGNIFICANT DECREASE, DUE ESPECIALLY TO ACQUISITION EXPENDITURES AND ACCIDENT RATE, AS WELL AS THE LOW PERFORMANCE OF SECURITIES COMPARED WITH THE PREVIOUS YEAR BY THE VALUATION OF INVESTMENTS.

STATEMENT OF FINANCIAL POSITION

AT THE END OF 2016, THE ASSETS AMOUNT TO \$18,397 MILLION PESOS WHICH, COMPARED WITH THE END OF 2015, SHOW A 20.8% INCREASE. PROMINENT AMONG THE MAJOR CHANGES IN THE YEAR ARE THE INCREASE IN SECURITIES INVESTMENTS TALLING \$1,530 MILLION PESOS, THE INCREASE IN DEBTORS BY \$880.4 MILLION PESOS, REINSURANCE AND REBONDING CLIENTS TO A TOTAL OF \$551.1 MILLION PESOS. THE REMAINING ASSETS SECTIONS SHOW IRRELEVANT CHANGES.

AMONG LIABILITIES, TECHNICAL RESERVES AMOUNTED TO \$11,043.1 MILLION PESOS WHICH, COMPARED WITH THE PREVIOUS YEAR, SHOW AN 24.1% INCREASE, COMPRISING A 35.2% INCREASE IN THE RESERVE FOR UNPAID LOSSES INCURRED BY \$817.4 MILLION PESOS, A \$769.2-MILLION PESO INCREASE IN THE CURRENT RISKS RESERVE AND AN INCREASE IN THE CATASTROPHIC RISKS SECTION BY \$520.7 MILLION PESOS.

THE OTHER LIABILITIES SECTION AMOUNTED TO \$1,425.8 MILLION PESOS WHICH, COMPARED WITH THE PREVIOUS YEAR SHOWS A 17.3% INCREASE, DUE MAINLY TO THE VARIATION SHOWN BY INCURRED AND DEFERRED ISR (INCOME TAX) AND PTU (EMPLOYEE PROFIT SHARING) PROVISIONS. AS AT DECEMBER, 2016, THE STOCKHOLDERS' EQUITY AMOUNTED TO \$4,305.5 MILLION PESOS, WHICH COMPARED WITH \$4,285.4 MILLION PESOS FROM DECEMBER, 2015, AN INCREASE BY 0.5%.

INDEPENDENT ANALYST

AS OF OCTOBER 31, 2015, THE SELECTION SUB-COMMITTEE OF THE MEXICAN STOCK EXCHANGE AGREED TO APPOINT THE COMPANY PROGNOSIS ECONOMÍA FINANZAS E INVERSIONES, S.C "PROGNOSIS" AS RESPONSIBLE FOR HEDGING THE SECURITIES OF PEÑA VERDE, S.A.

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PEÑA VERDE, S. A. B. AND SUBSIDIARIES
SUMMARY OF MAJOR ACCOUNTING POLICIES

THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS REQUIRES MANAGEMENT TO MAKE ESTIMATES AND ASSUMPTIONS THAT AFFECT THE RECORDED AMOUNTS OF ASSETS AND LIABILITIES AND THE DISCLOSURE OF CONTINGENT ASSETS AND LIABILITIES ON THE DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS, AS WELL AS THE RECORDED AMOUNTS OF INCOME AND EXPENDITURE DURING THE FISCAL YEAR. THE IMPORTANT SECTIONS SUBJECT TO THESE ESTIMATES AND ASSUMPTIONS INCLUDE THE VALUATION OF INVESTMENTS IN SECURITIES, THE ESTIMATED VALUATION OF SUNDRY DEBTORS, DEFERRED TAX LIABILITIES, EMPLOYEE BENEFITS AND TECHNICAL RESERVES. ACTUAL INCOME MAY DIFER FROM THESE ESTIMATES AND ASSUMPTIONS. BELOW IS A DESCRIPTION OF THE MOST SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE INSTITUTION IN THE PREPARATION OF ITS FINANCIAL STATEMENTS.

(A) RECOGNITION OF THE EFFECTS OF INFLATION

THE ATTACHED CONSOLIDATED FINANCIAL STATEMENTS WERE PREPARED IN ACCORDANCE WITH THE ACCOUNTING CRITERIA FOR INSURANCE INSTITUTIONS IN MEXICO IN EFFECT ON THE DATE OF THE BALANCE SHEET, WHICH, GIVEN THAT THE INSTITUTION OPERATES IN A NON-INFLATIONARY ECONOMIC ENVIRONMENT, INCLUDE THE RECOGNITION OF THE EFFECTS OF INFLATION ON THE FINANCIAL INFORMATION UP TO DECEMBER 31, 2007, BASED ON THE NATIONAL CONSUMER PRICE INDEX (INPC)

(B) BASES FOR CONSOLIDATION

THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDE THOSE OF PEÑA VERDE, S. A. B. AND OF ITS SUBSIDIARIES OVER WHICH IT EXERTS CONTROL. THE SIGNIFICANT BALANCES AND OPERATIONS BETWEEN THE COMPANIES OF THE GROUP WERE REMOVED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS. THE CONSOLIDATION WAS PERFORMED BASED ON THE FINANCIAL STATEMENTS OF ITS SUBSIDIARY COMPANIES, WHICH WERE PREPARED IN ACCORDANCE WITH THE ACCOUNTING STANDARDS AND PRACTICES ISSUED BY THE COMMISSION.

(C) INVESTMENTS

THE COMMISSION REGULATES THE BASES UPON WHICH THE INSTITUTION MAKES ITS INVESTMENTS, FOR WHICH IT HAS ESTABLISHED ACCOUNTING AND VALUATION CRITERIA THAT CLASSIFY INVESTMENTS ACCORDING TO MANAGEMENT INTENTIONS FOR ITS POSSESSION, AS MENTIONED BELOW:

INSTRUMENTS FOR FINANCING OPERATION

THESE ARE DEBT OR CAPITAL INSTRUMENTS HELD BY THE INSTITUTION WITH THE INTENTION OF HEDGING CLAIMS AND OPERATING EXPENSES. DEBT INSTRUMENTS ARE RECORDED AT THEIR ACQUISITION COST AND THE ACCRUAL OF THEIR YIELD (INTEREST, COUPONS OR EQUIVALENT) IS CARRIED OUT IN ACCORDANCE WITH THE EFFECTIVE INTEREST METHOD. SUCH INTEREST IS RECOGNIZED AS CARRIED OUT IN THE CONSOLIDATED INCOME STATEMENT. DEBT INSTRUMENTS ARE VALUED AT THEIR REASONABLE VALUE, TAKING AS A BASE THE MARKET PRICES GIVEN BY THE INDEPENDENT PRICE SUPPLIERS OR BY OFFICIAL PUBLICATIONS SPECIALIZING IN INTERNATIONAL MARKETS, AND IF THERE IS NO LISTING, ACCORDING TO THE LAST PRICE RECORDED WITHIN THE PERIODS ESTABLISHED BY THE COMMISSION. THE ACQUISITION COST WILL BE TAKEN AS THE UPDATED PRICE FOR VALUATION. THE REASONABLE VALUE OF THESE INSTRUMENTS SHALL BE OBTAINED BY USING TECHNICAL DETERMINATIONS OF THE REASONABLE VALUE. CAPITAL INSTRUMENTS ARE RECORDED AT THEIR ACQUISITION COST AND ARE VALUED IN A SIMILAR WAY TO QUOTED DEBT INSTRUMENTS. IF THERE IS NO MARKET VALUE, FOR THE PURPOSES OF DETERMINING THE REASONABLE VALUE, THE BOOK VALUE OF THE ISSUER OR THE ACQUISITION COST, SHALL BE CONSIDERED, WHICHEVER IS LOWER. THE VALUATION EFFECTS OF BOTH DEBT INSTRUMENTS AND CAPITAL INSTRUMENTS ARE RECOGNIZED IN THE CONSOLIDATED INCOME OF THE FISCAL YEAR IN THE "VALUATION OF INVESTMENTS" SECTION AS PART OF "COMPREHENSIVE INCOME FROM FINANCING."

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FOR DEBT AND CAPITAL INSTRUMENTS, THEIR TRANSACTION COSTS ARE RECOGNIZED IN THE CONSOLIDATED INCOME OF THE FISCAL YEAR ON THE DATE OF ACQUISITION.

INSTRUMENTS AVAILABLE FOR SALE

THESE ARE THOSE FINANCIAL ASSETS THAT ARE NOT CLASSIFIED AS INVESTMENTS TO BE MAINTAINED UNTIL MATURITY OR CLASSIFIED FOR FINANCING OPERATION. DEBT INSTRUMENTS ARE RECORDED AT THEIR ACQUISITION COST. THE ACCRUAL OF THEIR YIELD (INTEREST, COUPONS OR EQUIVALENT) AND THEIR VALUATION IS CARRIED OUT IN THE SAME WAY AS FOR INSTRUMENTS FOR FINANCING OPERATION, INCLUDING THE RECOGNITION OF THE ACCRUED YIELD IN INCOME AS REALIZED, BUT RECOGNIZING THE VALUATION EFFECT ON STOCKHOLDERS' EQUITY IN THE "SECURITIES VALUATION APPRECIATION" SECTION UNTIL SUCH FINANCIAL INSTRUMENTS ARE SOLD OR TRANSFERRED TO A DIFFERENT CATEGORY. AT THE TIME OF THEIR SALE, THE EFFECTS PREVIOUSLY RECOGNIZED IN STOCKHOLDERS' EQUITY SHOULD BE RECOGNIZED IN THE CONSOLIDATED INCOME OF THE PERIOD IN WHICH THE SALE IS MADE. CAPITAL INSTRUMENTS AVAILABLE FOR SALE ARE THOSE THAT THE INSTITUTION MANAGEMENT HAS IN PROPRIETARY POSITION AND ARE NOT INTENDED TO HEDGE CLAIMS AND OPERATING EXPENSES, AND ARE RECORDED AT THEIR ACQUISITION COST. INVESTMENTS IN LISTED SHARES ARE VALUED AT THEIR REASONABLE VALUE, TAKING AS A BASE THE MARKET PRICES GIVEN BY INDEPENDENT PRICE SUPPLIERS. IF THERE IS NO MARKET VALUE, THE BOOK VALUE OF THE ISSUER IS CONSIDERED. THE VALUATION EFFECTS OF CAPITAL INSTRUMENTS ARE RECORDED IN THE "STOCKHOLDER'S EQUITY VALUATION APPRECIATION" SECTION.

WITH REGARD TO PERMANENT SHARE INVESTMENTS, THE VALUATION IS DONE USING THE EQUITY METHOD IN ACCORDANCE WITH THE METHODOLOGY ESTABLISHED IN FINANCIAL REPORTING STANDARD (NIF) C-7 "INVESTMENTS IN AFFILIATES AND OTHER PERMANENT INVESTMENTS" ISSUED BY THE MEXICAN COUNCIL OF FINANCIAL REPORTING STANDARDS (CONSEJO MEXICANO DE NORMAS DE INFORMACIÓN FINANCIERA, A. C. - CINIF).

FOR DEBT AND CAPITAL INSTRUMENTS, THEIR TRANSACTION COSTS ARE RECOGNIZED AS PART OF THE INVESTMENT ON THE DATE OF ACQUISITION.

INSTRUMENTS TO BE CONSERVED UNTIL MATURITY

THESE ARE DEBT INSTRUMENTS ACQUIRED WITH THE INTENTION OF BEING MAINTAINED UNTIL MATURITY. ONLY SECURITIES MAY BE CLASSIFIED IN THIS CATEGORY. ANY INSURANCE INSTITUTIONS THAT HAVE THE FINANCIAL CAPACITY TO MAINTAIN THEM UNTIL MATURITY, NOTWITHSTANDING THEIR LIQUIDITY AND THERE BEING NO LEGAL OR ANY OTHER KIND OF RESTRICTIONS THAT COULD IMPEDE ORIGINAL INTENTION. AT THE TIME OF PURCHASE, THESE INSTRUMENTS ARE RECORDED AT THEIR ACQUISITION COST AND VALUED AT AN AMORTIZED COST, AND THE ACCRUAL OF THEIR YIELD (INTEREST, COUPONS OR EQUIVALENT) IS CARRIED OUT IN ACCORDANCE WITH THE EFFECTIVE INTEREST METHOD. SUCH INTEREST IS RECOGNIZED AS REALIZED IN THE CONSOLIDATED INCOME STATEMENT AS PART OF THE "COMPREHENSIVE INCOME FROM FINANCING."

TRANSACTION COSTS ARE RECOGNIZED AS PART OF THE INVESTMENT ON THE DATE OF ACQUISITION.

TRANSFERS BETWEEN CATEGORÍES

TRANSFERS BETWEEN FINANCIAL ASSET CATEGORIES ARE ONLY ADMISSIBLE WHEN THE ORIGINAL INTENTION FOR THE CLASSIFICATION OF THESE ASSETS IS AFFECTED BY CHANGES IN THE FINANCIAL CAPACITY OF THE ENTITY, OR BY A CHANGE IN ANY CIRCUMSTANCES THAT FORCE THE ORIGINAL INTENTION TO BE AMENDED.

INSTRUMENT TRANSFERS MAY ONLY BE CARRIED OUT FROM AND TO THE CATEGORY OF INSTRUMENTS CONSERVED UNTIL MATURITY AND AVAILABLE FOR SALE WITH THE APPROVAL OF THE INVESTMENTS COMMITTEE, AND SUCH OPERATIONS SHOULD NOT CAUSE GAPS IN THE TECHNICAL RESERVES AND MINIMUM GUARANTEE CAPITAL HEDGING.

THE TRANSFER FROM THE CATEGORY OF FINANCIAL INSTRUMENTS FOR FINANCING OPERATION CAN ONLY BE CARRIED OUT WITH THE EXPRESS AUTHORIZATION OF THE COMMISSION.

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THE INSTITUTION MAY NOT CAPITALIZE OR DISTRIBUTE THE PROFIT RESULTING FROM THE VALUATION OF ANY OF ITS SECURITIES INVESTMENTS UNTIL IT IS DONE IN CASH.

REPURCHASE TRANSACTIONS

REPURCHASE TRANSACTIONS ARE SHOWN IN A SEPARATE SECTION ON THE BALANCE SHEET. THEY ARE INITIALLY RECORDED AT THE AGREED PRICE AND ARE VALUED AT AN AMORTIZED COST BY RECOGNIZING THE PREMIUM IN THE INCOME OF THE FISCAL YEAR AS IT IS ACCRUED, IN ACCORDANCE WITH THE EFFECTIVE INTEREST METHOD. FINANCIAL ASSETS RECEIVED AS COLLATERAL ARE RECORDED IN MEMORANDUM ACCOUNTS.

RESTRICTED SECURITIES

LOANED INVESTMENTS, WITH THE INSTITUTION ACTING AS LENDER, MUST BE RECOGNIZED AS A RESTRICTED SECURITY BY FOLLOWING THE STANDARDS FOR THE VALUATION, PRESENTATION AND DISCLOSURE OF THE ORIGINAL INSTRUMENT. THE ACCRUAL OF THE YIELD IS CARRIED OUT IN ACCORDANCE WITH THE EFFECTIVE INTEREST METHOD AND IS RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT.

IN ADDITION, ANY ACQUIRED SECURITIES THAT IT IS AGREED WILL BE LIQUIDATED ON A DATE SUBSEQUENT TO THE AGREEMENT OF THE PURCHASE TRANSACTION ARE RECOGNIZED AS RESTRICTED SECURITIES.

IMPAIRMENT

THE INSTITUTION ASSESSES ON THE DATE OF THE CONSOLIDATED BALANCE SHEET WHETHER THERE IS OBJECTIVE EVIDENCE THAT AN INSTRUMENT IS IMPAIRED. IN THE FACE OF OBJECTIVE AND NOT TEMPORARY EVIDENCE THAT THE FINANCIAL INSTRUMENT HAS BECOME IMPAIRED IN ITS VALUE, THE RESPECTIVE LOSS IS DETERMINED AND RECOGNIZED.

(D) LIQUID ASSETS

LIQUID ASSETS INCLUDE DEPOSITS INTO BANK ACCOUNTS IN MEXICAN LEGAL CURRENCY AND DOLLARS. ON THE DATE OF THE FINANCIAL STATEMENTS, THE INTEREST EARNED AND THE VALUATION PROFITS OR LOSSES ARE INCLUDED IN THE CONSOLIDATED INCOME STATEMENT OF THE FISCAL YEAR AS PART OF THE COMPREHENSIVE INCOME FROM FINANCING.

ANY CHECKS THAT HAVE NOT BEEN EFFECTIVELY CASHED TWO BUSINESS DAYS AFTER HAVING BEEN DEPOSITED, AND ANY THAT, HAVING BEEN DEPOSITED, HAVE BEEN DISHONORED, SHOULD BE CARRIED AGAINST THE SUNDRY DEBTORS BALANCE. ONCE FORTY-FIVE DAYS HAVE ELAPSED AFTER RECORDING THEM IN SUNDRY DEBTORS AND THEY HAVE NOT BEEN RECOVERED OR CASHED, SUCH CHECKS SHALL BE WRITTEN OFF DIRECTLY AGAINST INCOME. WITH REGARD TO THE AMOUNT OF ANY CHECKS ISSUED BEFORE THE DATE OF THE FINANCIAL STATEMENTS THAT ARE PENDING DELIVERY TO THE BENEFICIARIES, THESE SHOULD BE REINCORPORATED INTO THE LIQUID ASSETS SECTION WITHOUT RECORDING THE ISSUANCE OF THE CHECK AS AN ACCOUNTING EXPENSE.

(E) DEBTORS

UNDER PREMIUMS

UNPAID PREMIUMS REPRESENT PREMIUM BALANCES WITH A LENGTH THAT IS LESS THAN THE AGREED TERM OR 45 DAYS, IN ACCORDANCE WITH THE PROVISIONS OF THE COMMISSION. WHEN THEY EXCEED THE AFOREMENTIONED LENGTH, THEY MUST BE CANCELLED AGAINST THE INCOME OF THE FISCAL YEAR.

LOANS TO OFFICERS AND EMPLOYEES, LOANS, CREDITS OR FINANCING GRANTED AND OTHER DEBITS THE INSTITUTIONS MANAGEMENT CONDUCTS A STUDY TO ESTIMATE THE RECOVERY VALUE OF LOANS TO OFFICERS AND EMPLOYEES, AS WELL AS FOR THOSE ACCOUNTS RECEIVABLE RELATING TO IDENTIFIED DEBTORS WHOSE MATURITY IS AGREED FROM THEIR START TO A PERIOD GREATER THAN 90 CALENDAR DAYS, CREATING, IF APPLICABLE, A WRITE-OFFS OF DOUBTFUL ACCOUNTS ALLOWANCE.

FOR LOANS, CREDITS OR FINANCING GRANTED, IN WHICH, PRIOR TO THEIR GRANTING, NO STUDY IS CONDUCTED ON THE BUSINESS SUITABILITY, LEGALITY AND ECONOMIC FEASIBILITY OF THE INVESTMENT PROJECTS, AND THEIR RECOVERY TERM AND OTHER REQUIREMENTS MENTIONED IN SECTION IX OF ARTICLE 35 OF THE LAW, AN ALLOWANCE IS RECORDED FOR WRITE-OFFS FOR THE TOTAL AMOUNT OF THE LOANS, CREDITS OR FINANCING GRANTED. SUCH ALLOWANCE IS ONLY

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CANCELLED WHEN SUCH TRANSACTIONS ARE RECOVERED.

WITH REGARD TO ANY ACCOUNTS RECEIVABLE THAT ARE NOT INCLUDED IN THE TWO PARAGRAPHS ABOVE, THE ALLOWANCE FOR DOUBTFUL ACCOUNT WRITE-OFFS IS MADE USING THE TOTAL AMOUNT OF THE DEBT, IN ACCORDANCE WITH THE FOLLOWING PERIODS: 60 CALENDAR DAYS AFTER THEIR INITIAL RECORDING WHEN THEY CORRESPOND TO UNIDENTIFIED DEBTORS, AND 90 CALENDAR DAYS AFTER THEIR INITIAL RECORDING WHEN THEY CORRESPOND TO IDENTIFIED DEBTORS.

(F) REAL PROPERTY, FURNITURE AND EQUIPMENT

THE REAL PROPERTY OF THE INSTITUTION IS ORIGINALLY RECORDED AT ITS ACQUISITION COST AND IS RE-VALUED THROUGH APPRAISALS PERFORMED BY INDEPENDENT EXPERTS. THERE IS AN OBLIGATION TO PERFORM APPRAISALS AT LEAST ONCE EVERY TWO YEARS.

IN 2014 AND 2013, REASEGURADORA PATRIA AND GENERAL DE SEGUROS, RESPECTIVELY, RE-VALUED THEIR REAL PROPERTY BY MEANS OF APPRAISALS. THE EFFECT OF THE INCREASE IN THE VALUE OF REAL PROPERTY IS RECORDED IN THE "VALUATION APPRECIATION (DEPRECIATION)" SECTION. THE DEPRECIATION OF THE REAL PROPERTY OF THE INSTITUTION IS CALCULATED BASED ON THE REMAINING USEFUL LIFE ON THE UPDATED VALUE OF THE CONSTRUCTIONS, DETERMINED BASED ON THE LAST APPRAISALS PERFORMED.

FURNITURE AND EQUIPMENT ARE RECORDED AT THE ACQUISITION COST AND UP TO DECEMBER 31, 2007, WERE UPDATED USING FACTORS DERIVED FROM THE INPC.

DEPRECIATION IS CALCULATED UNDER THE STRAIGHT LINE METHOD, BASED ON THE USEFUL LIFE ESTIMATED BY THE INSTITUTION MANAGEMENT AND TAKING INTO ACCOUNT THE RESIDUAL VALUE OF THE ASSETS, IN ACCORDANCE WITH THE ANNUAL DEPRECIATION RATES MENTIONED IN NOTE 7.

IMPROVEMENTS TO LEASED PREMISES ARE AMORTIZED DURING THE USEFUL PERIOD OF THE IMPROVEMENT OR AT THE END OF THE AGREEMENT, WHICHEVER IS SHORTEST.

MAINTENANCE AND MINOR REPAIR EXPENSES ARE RECORDED IN CONSOLIDATED INCOME WHEN THEY ARE INCURRED.

(G) TECHNICAL RESERVES

THE ESTABLISHMENT OF TECHNICAL RESERVES AND THEIR INVESTMENT IS CARRIED OUT IN THE TERMS AND PROPORTIONS ESTABLISHED BY LAW. THE VALUATION OF THESE RESERVES IS DECIDED BY AN INDEPENDENT ACTUARY AND RECORDED WITH THE COMMISSION.

INSURANCE INSTITUTIONS MUST VALUE THEIR RESERVES BASED ON ACTUARIAL METHODS THAT TAKE INTO ACCOUNT THE APPLICATION OF GENERALLY ACCEPTED STANDARDS AND MUST BE RECORDED WITH THE COMMISSION. THE COMMISSION HAS ISSUED DIFFERENT PROVISIONS WITH REGARD TO THE ESTABLISHMENT AND RELEASE OF TECHNICAL RESERVES THAT ARE NOT ENTIRELY APPLICABLE TO INSTITUTIONS THAT EXCLUSIVELY PERFORM REINSURANCE OPERATIONS, THEREFORE, MANAGEMENT CALCULATES RESERVES IN ACCORDANCE WITH THE METHODOLOGIES IMPLEMENTED BY REASEGURADORA PATRIA AND NOTIFIED TO THE COMMISSION.

CURRENT RISKS RESERVE (CRR)

PURSUANT TO THE PROVISIONS OF CHAPTER 7 OF THE SINGULAR INSURANCE CIRCULAR, INSURANCE INSTITUTIONS RECORD WITH THE COMMISSION THE TECHNICAL NOTES AND ACTUARIAL METHODS THROUGH WHICH THEY ESTABLISH AND VALUE THE CURRENT RISKS RESERVE.

FOR INSURANCE OPERATIONS

THE CURRENT RISKS RESERVE, FOR LIFE INSURANCE WITH A PERIOD OF UP TO ONE YEAR, AND ACCIDENTS AND SICKNESS AND DAMAGES INSURANCE, INCLUDES THE EXCESS OF THE PROJECTION OF FUTURE OBLIGATIONS FOR PAYMENT AND BENEFITS AND FOR CLAIMS ON THE AMOUNT OF PREMIUMS TO BE ACCRUED.

THE BALANCE OF THIS RESERVE IS VALUED QUARTERLY AND ENABLES RESOURCES TO BE ALLOCATED

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IN ADVANCE TO LIKELY OBLIGATIONS FOR ANY CLAIMS EXCEEDING THE AMOUNT OF THE PREMIUMS TO BE ACCRUED.

WITH REGARD TO LIFE INSURANCE, THE AMOUNT IS DETERMINED IN ACCORDANCE WITH THE ACTUARIAL METHODS RECORDED IN THE TECHNICAL NOTES, BASED ON THE RISK PREMIUM AND TAKING INTO ACCOUNT THE CHARACTERISTICS OF CURRENT POLICIES.

FOR THE PURPOSES OF CALCULATING THE SUFFICIENCY INDEX OF THE CURRENT RISKS RESERVE, THE CLAIMS INFORMATION FOR CAR INSURANCE WAS BASED ON TWO YEARS' EXPERIENCE, AND FOR OTHER DAMAGES INSURANCE ON THE LAST EIGHT YEARS.

LIFE INSURANCE WITH A PERIOD OF OVER ONE YEAR

THIS RESERVE MAY NOT BE LOWER THAN WHATEVER RESERVE IS OBTAINED THROUGH THE APPLICATION OF THE ACTUARIAL METHOD FOR THE DETERMINATION OF THE MINIMUM AMOUNT OF THE CURRENT RISKS RESERVE OF LIFE INSURANCE THAT FOR SUCH PURPOSE, IS ESTABLISHED BY THE COMMISSION THROUGH GENERAL PROVISIONS.

ACCIDENTS AND SICKNESS

THE CURRENT RISKS RESERVE OF ACCIDENT AND SICKNESS INSURANCE INCLUDES THE EXCESS OF LOSS OF FUTURE OBLIGATIONS FOR CLAIMS ON THE AMOUNT OF PREMIUMS TO BE ACCRUED.

CATASTROPHIC RISKS RESERVE

GENERAL DE SEGUROS DETERMINES THE BALANCE OF THE CURRENT RISKS RESERVE OF EARTHQUAKE COVER WITH 100% OF THE CURRENT RETAINED UNACCRUED RISK PREMIUM.

FOR REINSURANCE OPERATIONS

ON JUNE 23, 2008, REASEGURADORA PATRIA OBTAINED ITS REGISTER NUMBER 07482 FROM THE METHODOLOGY COMMISSION FOR THE VALUATION OF THE CURRENT RISKS RESERVE FOR ASSUMED AND CEDED ACCIDENT AND SICKNESS REINSURANCE, AS WELL AS DAMAGES INSURANCE.

ON LIFE INSURANCE

ON JUNE 13, 2011, THROUGH OFFICIAL DOCUMENT 06-367-III-3.1/06829, THE COMMISSION AUTHORIZED THE METHODOLOGY USED BY THE INSTITUTION FOR THE VALUATION OF THE CURRENT RISKS RESERVE FOR ASSUMED AND CEDED REINSURANCE OF LIFE INSURANCE.

ON ACCIDENT AND SICKNESS AND DAMAGES INSURANCE

IN RELATION TO THE DETERMINATION OF THE CURRENT RISKS RESERVE OF ACCIDENTS AND SICKNESS AND DAMAGES, THE INSTITUTION ADHERES TO THE RULES FOR THE ESTABLISHMENT OF CURRENT RISKS RESERVES FOR CEDED AND ASSUMED REINSURANCE, FOR ACCIDENT AND SICKNESS, AS WELL AS DAMAGES INSURANCE PUBLISHED IN THE OFFICIAL GAZETTE OF THE FEDERATION (DOF) ON DECEMBER 27, 2007.

THE ESTABLISHMENT OF THE CURRENT RISKS RESERVE OF RETAINED REINSURANCE WAS CALCULATED TAKING AS A BASIS THE UNACCRUED PART OF THE RETAINED PREMIUMS REDUCED WITH THE COMMISSION PERCENTAGES EFFECTIVELY PAID BY THE INSTITUTION AND MULTIPLIED BY THE SUFFICIENCY FACTOR OF THE INSURANCE TYPE AND IN ACCORDANCE WITH THE TYPE OF REINSURANCE.

THE RESERVE ESTABLISHED IN ACCORDANCE WITH WHAT IS DESCRIBED IN THE ABOVE PARAGRAPH IS RELEASED BY ACCRUING FOR EXACT DAYS THE RETAINED PREMIUM BOTH FOR PROPORTIONAL AND NON-PROPORTIONAL REINSURANCE, AND FACULTATIVE BUSINESS.

THE MINIMUM DEPOSIT PREMIUM FOR NON-PROPORTIONAL REINSURANCE AGREEMENTS IS RECORDED FROM THE START OF VALIDITY WITH THE GENERATION OF THE RESPECTIVE CURRENT RISKS RESERVE.

ON HYDROMETEOROLOGICAL RISKS

ON SEPTEMBER 17, 2007, THE COMMISSION ISSUED THE TECHNICAL BASES OF THE METHODOLOGY TO DETERMINE THE CURRENT RISKS RESERVE FOR HURRICANE INSURANCE AND OTHER HYDROMETEOROLOGICAL RISKS APPLICABLE TO ASSUMED REINSURANCE PREMIUMS. THE FOREGOING NOTWITHSTANDING, IT WAS FOUND TO BE PRACTICALLY IMPOSSIBLE TO APPLY THE METHODOLOGY ISSUED AND ON APRIL 16, 2008, APPROVAL WAS APPLIED FOR IN WRITING FROM THE COMMISSION

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FOR A METHODOLOGY DEVELOPED BY THE INSTITUTION THAT MANAGEMENT HAS BEEN APPLYING SINCE THAT DATE, WITH NO RESPONSE RECEIVED FROM THE COMMISSION.

ON EARTHQUAKE INSURANCE

ON OCTOBER 5, 2012, THE COMMISSION ISSUED THE TECHNICAL BASES OF THE METHODOLOGY TO DETERMINE THE CURRENT RISKS RESERVE FOR EARTHQUAKE INSURANCE APPLICABLE TO ASSUMED REINSURANCE PREMIUMS. HOWEVER, IT WAS FOUND TO BE PRACTICALLY IMPOSSIBLE TO APPLY THE METHODOLOGY ISSUED AND ON NOVEMBER 8, 2012, APPROVAL WAS APPLIED FOR IN WRITING FROM THE COMMISSION FOR A METHODOLOGY DEVELOPED BY THE INSTITUTION THAT MANAGEMENT HAS BEEN APPLYING SINCE THAT DATE, WITH NO RESPONSE RECEIVED FROM THE COMMISSION.

CATASTROPHIC RISKS RESERVE

FOR INSURANCE OPERATIONS

EARTHQUAKE AND/OR VOLCANIC ERUPTION COVER

THE PURPOSE OF THIS RESERVE IS TO SETTLE OBLIGATIONS CONTRACTED BY GENERAL DE SEGUROS FOR EARTHQUAKE INSURANCE OF THE RETAINED RISKS. IT IS ACCRUABLE AND MAY ONLY BE APPLIED IN THE EVENT OF ACCIDENTS, HAVING BEEN AUTHORIZED BY THE COMMISSION. THE INCREASE IN SUCH RESERVE IS MADE WITH THE RELEASE OF THE CURRENT RETENTION RISKS RESERVE OF EARTHQUAKE INSURANCE AND THROUGH THE CAPITALIZATION OF FINANCIAL PRODUCTS. THE BALANCE OF THIS RESERVE HAS A MAXIMUM LIMIT DETERMINED THROUGH THE TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION.

AGRICULTURE AND ANIMALS

THE PURPOSE OF THIS RESERVE IS TO SETTLE OBLIGATIONS CONTRACTED BY THE INSTITUTION FOR AGRICULTURAL AND ANIMAL INSURANCE. IT IS ACCRUABLE AND MAY ONLY BE APPLIED IN THE EVENT OF CATASTROPHIC EVENTS.

HURRICANE AND OTHER HYDROMETEOROLOGICAL RISKS COVER

THE PURPOSE OF THIS RESERVE IS TO SETTLE OBLIGATIONS CONTRACTED BY THE INSTITUTION FOR HURRICANE, HAIL AND OTHER HYDROMETEOROLOGICAL RISKS. IT IS ACCRUABLE AND MAY ONLY BE APPLIED IN THE EVENT OF ACCIDENTS, HAVING BEEN AUTHORIZED BY THE COMMISSION. THE INCREASE IN SUCH RESERVE IS MADE THROUGH THE RELEASE OF THE CURRENT RETENTION RISKS RESERVE OF HURRICANE AND OTHER HYDROMETEOROLOGICAL RISKS INSURANCE AND THROUGH THE CAPITALIZATION OF FINANCIAL PRODUCTS. THE BALANCE OF THIS RESERVE SHALL HAVE A MAXIMUM LIMIT DETERMINED THROUGH THE TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION.

FOR REINSURANCE OPERATIONS

CATASTROPHIC EARTHQUAKE RISKS RESERVE

THE PURPOSE OF THIS RESERVE IS TO SETTLE OBLIGATIONS CONTRACTED BY THE INSTITUTION FOR RETAINED RISKS IN EARTHQUAKE INSURANCE. IT IS ACCRUABLE AND MAY ONLY BE APPLIED IN THE EVENT OF ACCIDENTS, HAVING BEEN AUTHORIZED BY THE COMMISSION. THE BALANCE OF THIS RESERVE AT YEAR END SHALL NOT EXCEED ITS MAXIMUM LIMIT, WHICH IS DETERMINED THROUGH THE TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION.

THE INCREASE IN THE RESERVE IS MADE WITH ONE TWELFTH OF THE RESERVE OF THE RETENTION RISKS PREMIUM CORRESPONDING TO EARTHQUAKE INSURANCE AND THROUGH THE CAPITALIZATION OF FINANCIAL PRODUCTS GENERATED BY THE FINANCIAL INSTRUMENTS ALLOCATED TO THE HEDGING OF THIS RESERVE.

THE CALCULATION OF THE CATASTROPHIC RISKS RESERVE USES, AMONG OTHER VARIABLES, THE DETERMINATION OF A RISK PREMIUM BASED ON THE VALUATION OF CATASTROPHIC RISKS USING A SPECIALIZED MODEL (RMS). FURTHER, FOR THE DETERMINATION OF ANY PROBABLE MAXIMUM LOSS THAT COULD BE SUSTAINED BY THE INSTITUTION, IT CONSIDERS THE CORRELATION THAT EXISTS IN A POTENTIAL CATASTROPHIC RISKS EVENT AMONG THE DIFFERENT REGIONS IN WHICH THE INSTITUTION HAS CURRENT RISK COVER.

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CATASTROPHIC HURRICANE RISKS AND OTHER HYDROMETEOROLOGICAL RISKS RESERVE.
THE PURPOSE OF THIS RESERVE IS TO SETTLE OBLIGATIONS CONTRACTED BY THE INSTITUTION FOR RETAINED RISKS IN INSURANCE COVERING HYDROMETEOROLOGICAL RISKS. IT IS ACCRUABLE AND MAY ONLY BE APPLIED IN THE EVENT OF ACCIDENTS, HAVING INFORMED THE COMMISSION.

THE BALANCE OF THIS RESERVE AT YEAR END SHALL NOT EXCEED ITS MAXIMUM LIMIT, WHICH IS DETERMINED THROUGH THE TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION.

THE INCREASE IN THE RESERVE IS MADE WITH ONE TWELFTH OF THE RETENTION RISK PREMIUM CORRESPONDING TO EARTHQUAKE INSURANCE AND THROUGH THE CAPITALIZATION OF FINANCIAL PRODUCTS GENERATED BY THE FINANCIAL INSTRUMENTS ALLOCATED TO THE HEDGING OF THIS RESERVE.

THE CALCULATION OF THE CATASTROPHIC RISKS RESERVE USES, AMONG OTHER VARIABLES, THE DETERMINATION OF THE RISK PREMIUM BASED ON THE VALUATION OF CATASTROPHIC RISKS USING A SPECIALIZED MODEL (RMS FOR FOREIGN RISK PREMIUM AND AIR FOR MEXICO). FURTHERMORE, TO DETERMINE ANY PROBABLE MAXIMUM LOSS THAT COULD BE SUSTAINED BY THE INSTITUTION FOR A POTENTIAL CATASTROPHIC RISK EVENT, IT CONSIDERS THE CORRELATION EXISTING AMONG THE DIFFERENT REGIONS IN WHICH THE INSTITUTION HAS CURRENT RISK COVER.

CURRENT FINANCE RESERVE FOR REINSURANCE OPERATIONS

IN ACCORDANCE WITH THE RULES ESTABLISHED FOR THE ESTABLISHMENT, INCREASE AND VALUATION OF CURRENT AND CONTINGENT TECHNICAL BONDS RESERVES, CERTAIN COMPONENTS IN THE VALUATION MUST BE TAKEN INTO ACCOUNT, SUCH AS: THE PAID CLAIMS INDEX OF THE BONDING COMPANY AT INSURANCE TYPE LEVEL, MARKET INDEX, A WEIGHTED INDEX AND THE AMOUNT OF LIABILITIES FOR EACH INSURANCE TYPE. THE INSTITUTION DETERMINES, FROM INFORMATION PROVIDED BY BOND INSTITUTIONS, CURRENT AND CONTINGENT BONDS RESERVES USING THE PROCEDURE INFORMED TO THE AUTHORITY.

IN ACCORDANCE WITH THE METHODOLOGY OF THE INSTITUTION, THE CURRENT BONDS RESERVE WAS CALCULATED BY APPLYING THE FACTOR OF 0.87 TO THE ASSUMED REBONDING PREMIUMS REDUCED FROM THE NET BASIC REBONDING COMMISSION OF THE REINSURANCE.

THE CURRENT BONDS RESERVE IS RELEASED THROUGH THE EIGHTH METHOD, EXCEPT FOR THE RESERVE THAT IS ESTABLISHED ON THE PREMIUMS ASSUMED IN MEXICO. THIS RESERVE CAN ONLY BE RELEASED WHEN THE LIABILITY HEDGED IN THE RESPECTIVE BONDS POLICY HAS BEEN EXTINGUISHED.

REINSURANCE OPERATIONS CONTINGENCY RESERVE

THE INSTITUTION DETERMINED THIS RESERVE BY APPLYING THE FACTOR OF 0.13 TO THE RETAINED ASSUMED REBONDING PREMIUM REDUCED FROM THE BASIC REBONDING COMMISSION. THIS RESERVE IS ACCRUABLE.

RESERVE FOR UNPAID OBLIGATIONS FOR CLAIMS INCURRED

FOR INSURANCE OPERATIONS

THIS RESERVE HAS TWO COMPONENTS:

-THE OBLIGATION DUE TO CLAIMS INCURRED AND KNOWN BY THE INSTITUTION AT YEAR END THAT ARE UNPAID, WHOSE INCREASE IS MADE IN ACCORDANCE WITH THE CLAIM OF THE ACCIDENTS INCURRED, BASED ON THE SUMS INSURED IN THE LIFE INSURANCE AND ON THE ESTIMATES MADE BY THE INSTITUTION OF THE AMOUNT OF ITS OBLIGATION DUE TO RISKS HEDGED IN DAMAGES AND ACCIDENTS AND SICKNESS INSURANCE. IN THE CASE OF CEDED REINSURANCE OPERATIONS, THE RESPECTIVE RECOVERY IS RECORDED SIMULTANEOUSLY.

- UNVALUED CLAIMS RESERVE, WHOSE CALCULATION IS MADE BY APPLYING THE ACTUARIAL METHODOLOGY DEVELOPED BY THE INSTITUTION AND AUTHORIZED BY THE COMMISSION, WHICH CONSIDERS THE EXPECTED VALUE OF FUTURE PAYMENTS OF CLAIMS THAT, HAVING BEEN REPORTED IN THE CURRENT YEAR OR IN PREVIOUS YEARS, CAN BE PAID IN THE FUTURE AND WHOSE EXACT AMOUNT IS NOT KNOWN, SINCE THERE IS NO VALUATION. SUCH METHODOLOGY CONSIDERS THE AVERAGE AMOUNT OF CLAIMS PAID IN PREVIOUS YEARS FOR EACH TYPE OF INSURANCE, IN

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ACCORDANCE WITH THE ACTUAL PAYMENT EXPERIENCE, AND THE AVERAGE AMOUNT ESTIMATED FOR FUTURE PAYMENTS OF THESE TYPES OF CLAIMS. ASSUMED REINSURANCE CLAIMS ARE RECORDED ON THE DATE ON WHICH THEY ARE REPORTED BY THE CEDING COMPANIES.

FOR REINSURANCE OPERATIONS

RESERVE FOR UNPAID OBLIGATIONS FOR CLAIMS INCURRED

THIS RESERVE IS ESTABLISHED TO DEAL WITH OBLIGATIONS RESULTING FROM UNPAID CLAIMS INCURRED. THEY ARE RECORDED WITH THE INFORMATION ON UNPAID CLAIMS REPORTED BY CEDING COMPANIES, AS ESTABLISHED IN THE AGREEMENTS AND IN THE CASE OF FACULTATIVE REINSURANCE AGREEMENTS, AS THE NOTICES ARE RECEIVED FROM CEDING COMPANIES. THE RECOVERY CORRESPONDING TO THE RETROCESSION IS RECORDED AT THE SAME TIME.

UNVALUED CLAIMS RESERVES

INSURANCE INSTITUTIONS MUST ESTABLISH THE RESERVE FOR UNPAID OBLIGATIONS FOR CLAIMS FOR WHICH THE INSURED HAVE NOT NOTIFIED ANY VALUATION. THE RESERVE FOR DAMAGES AND ACCIDENTS AND SICKNESS INSURANCE MUST BE DETERMINED THROUGH AN ACTUARIAL METHODOLOGY THAT SHALL CORRESPOND TO THE PROJECTION OF THE EXPECTED VALUE OF FUTURE PAYMENTS OF REPORTED CLAIMS THAT CAN BE PAID AND FOR WHICH NO EXACT AMOUNT IS KNOWN, SINCE THERE IS NO VALUATION, OR WHEN IT IS FORESEEN THAT THERE MAY BE ADDITIONAL FUTURE PAYMENT OBLIGATIONS FROM A PREVIOUSLY VALUED CLAIM.

ON DECEMBER 10, 2014, THROUGH OFFICIAL DOCUMENTS 06-367-III-3.1/10957 AND 06-367-III-3.1/10958, THE COMMISSION RECORDED THE ACTUARIAL METHOD USED BY REASEGURADORA PATRIA FOR THE VALUATION OF THE RESERVE FOR UNPAID OBLIGATIONS OF UNVALUED CLAIMS OF ACCIDENTS AND SICKNESS AND DAMAGES INSURANCE, ON THE UNDERSTANDING THAT REASEGURADORA PATRIA SHALL TAKE INTO ACCOUNT SOME CONSIDERATIONS MADE BY THE COMMISSION ITSELF.

RESERVE FOR CLAIMS INCURRED AND NOT REPORTED

FOR INSURANCE OPERATIONS

IN ACCORDANCE WITH THE REGULATIONS OF THE COMMISSION, INSURANCE INSTITUTIONS MUST ESTABLISH THIS RESERVE, WHOSE PURPOSE IS TO RECOGNIZE THE ESTIMATED AMOUNT OF CLAIMS ALREADY INCURRED AND THAT THE INSURED HAVE NOT REPORTED TO THE INSTITUTION, WHICH INCLUDES AN ESTIMATE OF THE RESPECTIVE ADJUSTMENT COSTS. THIS ESTIMATE IS MADE BASED ON THE ACTUAL EXPERIENCE OF CLAIMS, IN ACCORDANCE WITH THE METHODOLOGY PROPOSED BY SPECIALISTS FROM THE INSTITUTION AND APPROVED BY THE COMMISSION. SUCH METHODOLOGY SHOWS THAT THE CALCULATION OF THE RESERVE FOR CLAIMS INCURRED AND NOT REPORTED TAKES INTO ACCOUNT TWO EFFECTS: THE FIRST CORRESPONDS TO HOW LONG THE INSURED TAKES TO REPORT CLAIMS TO THE INSTITUTION, AND THE SECOND CORRESPONDS TO HOW LONG THE INSTITUTION TAKES TO ESTIMATE AND ADJUST THE AMOUNT OF THE LOSSES, IN ACCORDANCE WITH ITS ESTIMATION AND RECORDING PRACTICES.

TO SEPARATE THESE EFFECTS, THE RECORDED METHOD RECOGNIZES TWO COMPONENTS: RESERVE FOR CLAIMS INCURRED AND NOT REPORTED (SONOR) AND RESERVE FOR ACCIDENTS ALREADY REPORTED, BUT STILL NOT SETTLED (SORNOF).

THE SORNOR AMOUNT IS CALCULATED FROM THE GROSS INCURRED CLAIM RATE, APPLIED BY A FACTOR THAT CONSIDERS THE UNRECORDED ADJUSTMENTS UP TO THE SETTLEMENT OF REPORTED CLAIMS. THE AMOUNT RETAINED IS CALCULATED BASED ON INFORMATION ON RETAINED CLAIMS FROM EACH POLICY.

ALSO, THE RESERVE OF CLAIMS INCURRED AND NOT REPORTED IS DETERMINED AS THE GLOBAL RESERVE CALCULATED USING THE TECHNICAL NOTES RECORDED FOR EACH OPERATION, REDUCED FROM THE OBTAINED SORNOF AMOUNT.

FOR REINSURANCE OPERATIONS

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THE PURPOSE OF THIS RESERVE IS TO RECOGNIZE THE ESTIMATED AMOUNT OF CLAIMS INCURRED, BUT NOT REPORTED BY THE INSURED TO THE CEDING COMPANIES. THE ESTIMATE IS MADE BASED ON THE CLAIMS REPORT GIVEN BY THE CEDING COMPANY TO THE REINSURANCE COMPANY, IN ACCORDANCE WITH THE METHODOLOGY PROPOSED BY REASEGURADORA PATRIA AND APPROVED BY THE COMMISSION.

ON DECEMBER 10, 2014, THROUGH OFFICIAL DOCUMENTS 06-367-III-3.1/10960, 06-367-III-3.1/10961 AND 06-367-III-3.1/10963, THE COMMISSION RECORDED THE METHODOLOGY USED BY REASEGURADORA PATRIA FOR THE VALUATION OF THE RESERVE FOR UNPAID OBLIGATIONS FOR CLAIMS INCURRED AND NOT REPORTED, AND ADJUSTMENT COSTS ALLOCATED TO THE CLAIM, OF LIFE, ACCIDENTS AND SICKNESS AND DAMAGES INSURANCE, ON THE UNDERSTANDING THAT REASEGURADORA PATRIA SHALL TAKE INTO ACCOUNT SOME CONSIDERATIONS MADE BY THE COMMISSION.

RESERVE FOR DIVIDENDS ON POLICIES

THIS IS DETERMINED BASED ON AN ACTUARIAL STUDY THAT CONSIDERS THE PROFIT GENERATED BY LIFE AND HEALTH INSURANCE, INDIVIDUAL, GROUP AND COLLECTIVE, AND PERSONAL ACCIDENT POLICIES.

ADMINISTRATION INSURANCE FUNDS

THESE CORRESPOND TO MATURITIES AND THEIR INTEREST OF LIFE ENDOWMENTS CONTRACTED BY THE INSURED OF THE INSTITUTION AS PART OF SAVINGS AND INVESTMENT LIFE INSURANCE PLANS.

(H) PROVISIONS

THE INSTITUTION RECOGNIZES, BASED ON MANAGEMENT ESTIMATES, LIABILITY PROVISIONS FOR THOSE PRESENT OBLIGATIONS, IN WHICH THE TRANSFER OF ASSETS OR THE PROVISION OF SERVICES IS VIRTUALLY BINDING AND ARISE AS A RESULT OF PAST EVENTS, PRIMARILY RETROCEDED PREMIUMS, COMMISSION TO AGENTS AND REINSURANCE COMPANIES, GRATUITIES AND OTHER PAYMENTS TO PERSONNEL.

(I) EMPLOYEE BENEFITS

SEVERANCE PAY AS A RESULT OF TERMINATION FOR REASONS OTHER THAN RESTRUCTURING AND RETIREMENT, TO WHICH EMPLOYEES HAVE THE RIGHT, ARE RECOGNIZED IN INCOME FROM EACH FISCAL YEAR, BASED ON ACTUARIAL CALCULATIONS IN ACCORDANCE WITH THE PROJECTED UNIT CREDIT METHOD, CONSIDERING THE PROJECTED SALARIES. FOR THE PURPOSES OF THE RECOGNITION OF RETIREMENT BENEFITS, THE AVERAGE REMAINING WORKING LIFE OF EMPLOYEES WITH THE RIGHT TO BENEFITS FROM THE PLAN IS FOR GENERAL DE SEGUROS APPROXIMATELY 21 AND 20 YEARS FOR GROUP 1 AND 5, AND 13 YEARS FOR GROUP 2, RESPECTIVELY, AND FOR REASEGURADORA PATRIA IT IS APPROXIMATELY 15 YEARS.

REMUNERATIONS AT THE END OF THE EMPLOYMENT RELATIONSHIP, FOR REASONS OTHER THAN RESTRUCTURING, ARE PRESENTED IN INCOME AS PART OF THE ORDINARY OPERATIONS, IN GENERAL EXPENSES. REMUNERATIONS AT THE END OF THE EMPLOYMENT RELATIONSHIP AS A RESULT OF RESTRUCTURING MUST BE DEALT WITH IN ACCORDANCE WITH NIF C-9 AND D-3 AND THEIR EFFECTS ON INCOME ARE PRESENTED AS PART OF OTHER INCOME AND EXPENDITURE, WHICH ARE PRESENTED IN THE "ADMINISTRATIVE AND OPERATING EXPENSES" SECTION.

THE ACTUARIAL PROFIT OR LOSS IS RECOGNIZED DIRECTLY IN INCOME OF THE PERIOD AS IT IS ACCRUED, WITH REGARD TO SEVERANCE PAY. IN THE CASE OF RETIREMENT BENEFITS, IT IS AMORTIZED, TAKING AS A BASE THE REMAINING WORKING LIFE OF EMPLOYEES THAT ARE EXPECTED TO RECEIVE BENEFITS FROM THE PLAN.

(I) COMPENSATION PAYMENTS

IN ACCORDANCE WITH THE FEDERAL LABOR LAW, THE INSTITUTION HAS THE RESPONSIBILITY TO COMPENSATE ANY OF ITS EMPLOYEES WHO ARE DISMISSED UNDER CERTAIN CONDITIONS. THE

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PRACTICE OF RECORDING SUCH COMPENSATION IN INCOME OF THE FISCAL YEAR IN WHICH IT IS PAID WAS FOLLOWED.

(K) INCOME TAX AND EMPLOYEE PROFIT SHARING (PTU)

INCOME TAX AND PTU INCURRED DURING THE FISCAL YEAR ARE DETERMINED IN ACCORDANCE WITH CURRENT TAX PROVISIONS.

DEFERRED INCOME TAX AND PTU ARE RECORDED IN ACCORDANCE WITH THE ASSETS AND LIABILITIES METHOD, WHICH COMPARES THEIR BOOK AND TAX VALUES. DEFERRED INCOME TAX AND PTU (ASSETS

AND LIABILITIES) ARE RECOGNIZED FOR FUTURE TAX CONSEQUENCES ATTRIBUTABLE TO THE TEMPORARY DIFFERENCES BETWEEN THE VALUES REFLECTED IN THE FINANCIAL STATEMENTS OF EXISTING ASSETS AND LIABILITIES AND THEIR RELATIVE TAX BASES, AND IN THE CASE OF INCOME TAX, FOR UNAMORTIZED TAX LOSSES AND TAX CREDITS. DEFERRED INCOME TAX AND PTU ASSETS AND LIABILITIES ARE CALCULATED USING THE RATES ESTABLISHED IN THE RESPECTIVE LAW, WHICH SHALL BE APPLIED TO TAXABLE PROFIT IN THE YEARS IN WHICH IT IS ESTIMATED THAT THE TEMPORARY DIFFERENCES SHALL BE REVERSED. THE EFFECT OF CHANGES IN TAX RATES ON DEFERRED INCOME TAX AND PTU IS RECOGNIZED IN CONSOLIDATED INCOME OF THE PERIOD IN WHICH SUCH CHANGES ARE APPROVED.

INCURRED AND DEFERRED INCOME TAX AND PTU ARE PRESENTED AND CLASSIFIED IN INCOME OF THE PERIOD, EXCEPT THOSE ARE CAUSED BY A TRANSACTION THAT IS DIRECTLY RECOGNIZED IN A STOCKHOLDERS' EQUITY SECTION.

(L) UPDATING OF CAPITAL STOCK, OTHER CONTRIBUTIONS AND ACCRUED INCOME

UNTIL DECEMBER 31, 2007, THIS WAS DETERMINED BY MULTIPLYING CAPITAL STOCK CONTRIBUTIONS, OTHER CONTRIBUTIONS AND ACCRUED INCOME BY FACTORS DERIVING FROM THE INPC, WHICH MEASURE ACCRUED INFLATION FROM THE DATES ON WHICH THE CONTRIBUTIONS WERE MADE. PROFITS OR LOSSES UP TO THE END OF 2007 WERE GENERATED, WHICH IS WHEN THERE WAS A CHANGE TO AN NON-INFLATIONARY ECONOMIC ENVIRONMENT, IN ACCORDANCE WITH NIF B-10 "EFFECTS OF INFLATION." AMOUNTS OBTAINED THUS REPRESENTED THE CONSTANT VALUES OF THE SHAREHOLDERS' INVESTMENT.

(M) RECOGNITION OF INCOME

INCOME FROM INSURANCE AND REINSURANCE PREMIUMS

LIFE - INCOME IN THIS INSURANCE TYPE IS RECORDED ACCORDING TO THE ISSUANCE OF RECEIPTS UPON COLLECTION, IN ADDITION TO ASSUMED REINSURANCE PREMIUMS AND REDUCED BY CEDED REINSURANCE PREMIUMS.

ACCIDENTS AND SICKNESS AND DAMAGES - INCOME FROM THESE INSURANCE TYPES IS RECORDED ACCORDING TO THE PREMIUMS CORRESPONDING TO THE CONTRACTED POLICIES, IN ADDITION TO THE ASSUMED REINSURANCE PREMIUMS, AND ARE REDUCED BY THE CEDED REINSURANCE PREMIUMS.

INSURANCE PREMIUMS CORRESPONDING TO THE AFOREMENTIONED INSURANCE TYPES THAT HAVE NOT BEEN PAID BY THE INSURED WITHIN THE PERIOD STIPULATED BY LAW ARE AUTOMATICALLY CANCELLED, RELEASING THE CURRENT RISKS RESERVE, AND IN THE CASE OF REHABILITATIONS, THE RESERVE IS RE-ESTABLISHED FROM THE MONTH IN WHICH THE VALIDITY OF THE INSURANCE IS RECOVERED.

ASSUMED AND RETROCEDED REINSURANCE

THIS INCOME DERIVES FROM DIFFERENT AGREEMENTS AND FACULTATIVE ACCEPTANCES OF THE ASSUMED AND RETROCEDED REINSURANCE THAT ARE EXECUTED WITH CEDING COMPANIES AND

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REINSURANCE COMPANIES, BOTH DOMESTIC AND FOREIGN.

OPERATIONS RESULTING FROM THE ASSUMED REINSURANCE ARE CALCULATED, IN THE CASE OF FACULTATIVE BUSINESS, ACCORDING TO THE ACCEPTANCE OF THE BUSINESS OR WHEN THE GUARANTEE OF PAYMENT OF THE PREMIUM IS RECEIVED, WITH REGARD TO AUTOMATIC AGREEMENTS THROUGH THE STATEMENTS OF ACCOUNT RECEIVED FROM CEDING COMPANIES, WHICH HAVE A QUARTERLY AND SIX-MONTHLY ACCOUNTABILITY DATE, WHICH CAUSE THE DEFERRAL OF AT LEAST ONE QUARTER IN THE RECORDING OF THE PREMIUMS, CLAIMS, COMMISSION, ETC. FROM 2013, AMENDING CIRCULAR 56/11 OF THE SINGULAR INSURANCE CIRCULAR ISSUED BY THE COMMISSION ESTABLISHES THAT OPERATIONS MUST BE RECOGNIZED NO LATER THAN THE MONTH AFTER THEY HAVE BEEN PERFORMED, THEREFORE, IN ADDITION, REASEGURADORA PATRIA DETERMINES AN ESTIMATE IN THE RECORDING OF PREMIUMS, CLAIMS, COMMISSION, ETC. BASED ON THE ACTUAL EXPERIENCE OF THE AFOREMENTIONED ITEMS, IN ACCORDANCE WITH THE ACCOUNTING METHODOLOGY AND RECORDS PROPOSED BY SPECIALISTS FROM REASEGURADORA PATRIA AND INFORMED TO THE COMMISSION.

INCOME FROM INSURANCE OPERATIONS SALVAGE

INCOME FROM SALVAGE IS RECOGNIZED AS ACCOUNTABLE INCOME AND AS AN ASSET AND A REDUCTION IN THE CLAIM RATE COST ON THE DATE ON WHICH IT IS KNOWN AND RECORDED AT ITS ESTIMATED REALIZATION VALUE.

PROFIT SHARING FROM REINSURANCE OPERATIONS

IN INSURANCE OPERATIONS

PROFIT SHARING CORRESPONDING TO CEDED AND ASSUMED REINSURANCE IS RECORDED AS AN INCOME AND EXPENSE, RESPECTIVELY, IN ACCORDANCE WITH THE ESTIMATES MADE BY MANAGEMENT OF THE TECHNICAL INCOME THEREOF.

IN REINSURANCE OPERATIONS

PROFIT SHARING CORRESPONDING TO ASSUMED AND RETROCEDED REINSURANCE IS DETERMINED AND RECORDED AS INCOME OR EXPENDITURE UNTIL THE TECHNICAL INCOME OF THE AGREEMENTS IS KNOWN, WHICH USUALLY OCCURS IN THE FISCAL YEAR IN WHICH THE SAME EXPIRE.

MINIMUM AND DEPOSIT PREMIUM FOR REINSURANCE OPERATIONS

THE MINIMUM AND DEPOSIT PREMIUM FOR ASSUMED REINSURANCE NON-PROPORTIONAL AGREEMENTS IS RECORDED FROM THE START OF VALIDITY, WITH THE GENERATION OF THE RESPECTIVE CURRENT RISKS RESERVE.

RIGHTS ON POLICIES AND SURCHARGES ON PREMIUMS

INCOME FROM RIGHTS ON POLICIES CORRESPONDS TO RECOVERY THROUGH THE ISSUANCE COSTS THEREOF AND ARE DIRECTLY RECOGNIZED IN INCOME ON THE DATE OF THE ISSUANCE OF THE POLICY.

INCOME FROM SURCHARGES ON PREMIUMS CORRESPONDS TO THE FINANCING RESULTING FROM POLICIES WITH SECTIONED PAYMENTS AND ARE RECOGNIZED IN INCOME AS THEY ARE ACCRUED.

INCOME FROM SERVICES-

INCOME FROM SERVICES IS RECORDED AS THESE ARE PROVIDED.

(N) DOUBTFUL ACCOUNTS ALLOWANCE

IN ACCORDANCE WITH THE PROVISIONS OF THE COMMISSION, INSTITUTIONS MUST CONDUCT, AT LEAST ONCE A YEAR, A DETAILED ANALYSIS OF ACCOUNTS RECEIVABLE AND PAYABLE WITH REINSURANCE COMPANIES, FOR THE PURPOSES OF THE ACCOUNTING DETERMINATION AND RECORDING OF ITEMS OF DOUBTFUL RECOVERY ALLOWANCES.

(O) NET ACQUISITION COST

FOR INSURANCE OPERATIONS

COMMISSION TO INSURANCE AGENTS IS RECOGNIZED IN INCOME WHEN THE POLICIES ARE ISSUED. PAYMENT IS MADE TO AGENTS WHEN THE PREMIUMS ARE COLLECTED. THIS ALSO INCLUDES INCOME FROM CEDED REINSURANCE COMMISSION.

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FOR REINSURANCE OPERATIONS

ACQUISITION COSTS (PAID COMMISSION AND BROKERAGE) ARE CALCULATED WHEN THE ASSUMED PREMIUMS REPORTED BY CEDING COMPANIES ARE RECOGNIZED. LIKEWISE, COMMISSION EARNED IN INCOME OF THE FISCAL YEAR IS APPLIED JOINTLY WITH THE RESPECTIVE RETROCEDED PREMIUM.

(P) COMPREHENSIVE INCOME FROM FINANCING (CIF)

CIF INCLUDES INTEREST, VALUATION EFFECTS, SURCHARGES ON PREMIUMS, INCOME FROM THE SALE OF FINANCIAL INSTRUMENTS AND EXCHANGE INCOME.

TRANSACTIONS IN FOREIGN CURRENCY ARE RECORDED AT THE EXCHANGE RATE IN EFFECT ON THE DATES OF THEIR EXECUTION OR SETTLEMENT. THE INSTITUTION MAINTAINS ITS ACCOUNTING RECORDS IN PESOS AND IN FOREIGN CURRENCIES WHICH, FOR THE PURPOSES OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS, WERE CONVERTED AT THE EXCHANGE RATE OF THE LAST BUSINESS DAY OF THE MONTH PUBLISHED BY THE BANK OF MEXICO (SEE NOTE 4). EXCHANGE DIFFERENCES INCURRED IN RELATION TO ASSETS AND LIABILITIES CONTRACTED IN FOREIGN CURRENCY ARE RECORDED IN CONSOLIDATED INCOME OF THE YEAR.

(Q) BUSINESS CONCENTRATION

THE POLICIES OF THE INSTITUTION ARE MARKETED TO A LARGE NUMBER OF CLIENTS, WITHOUT THERE BEING A SIGNIFICANT CONCENTRATION IN ANY SPECIFIC CLIENT.

(R) CONTINGENCIES

SIGNIFICANT CONTINGENCY-RELATED OBLIGATIONS OR LOSSES ARE RECOGNIZED WHEN THEIR EFFECTS ARE LIKELY TO MATERIALIZE AND THERE ARE REASONABLE ELEMENTS FOR THEIR QUANTIFICATION. IF THESE REASONABLE ELEMENTS DO NOT EXIST, THEIR DISCLOSURE IS INCLUDED QUALITATIVELY IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. INCOME, PROFIT OR CONTINGENT ASSETS ARE RECOGNIZED UNTIL THERE IS CERTAINTY OF THEIR REALIZATION.

(S) SUPPLEMENTARY CLAUSE

INSURANCE INSTITUTIONS SHALL OBSERVE THE NIF ACCOUNTING GUIDELINES, EXCEPT WHEN, IN THE OPINION OF THE COMMISSION, IT IS NECESSARY TO APPLY A REGULATION OR SPECIFIC ACCOUNTING CRITERIA, TAKING INTO ACCOUNT THAT INSTITUTIONS PERFORM SPECIALIZED OPERATIONS. IN THE EVENT THAT INSURANCE INSTITUTIONS BELIEVE THAT THERE IS NO VALUATION, PRESENTATION OR DISCLOSURE CRITERIA FOR ANY OPERATION ISSUED BY NIF OR THE COMMISSION, THEY SHALL INFORM THE LATTER IN THIS REGARD, IN ORDER THAT IT CONDUCT AN ANALYSIS AND, IF APPLICABLE, ISSUE THE RESPECTIVE CRITERIA.

INDEPENDENT ANALYST

ON OCTOBER 31, 2015, THE SELECTION SUB-COMMITTEE OF THE MEXICAN STOCK EXCHANGE AGREED TO APPOINT THE COMPANY PROGNOSIS ECONOMÍA FINANZAS E INVERSIONES, S.C "PROGNOSIS" AS RESPONSIBLE FOR HEDGING THE SECURITIES OF PEÑA VERDE, S.A.B.

DERIVATIVES

PEÑA VERDE, S.A.B. DECLARES THAT, TO DATE, IT HAS NOT ENTERED INTO ANY AGREEMENT AND HAS NOT CARRIED OUT ANY TRANSACTIONS WITH DERIVATIVES.

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V.

TRADING SYMBOL: PV

QUARTER: 04 YEAR: 2016

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