



Peña Verde, S.A.B.
Sierra Mojada No. 626
Col. Lomas Barilaco
CDMX, C.P. 11010

T. 56834900

Mexico City, Mexico

April 27, 2018

SUBJECT: RECORD FIRST QUARTER 2018

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 **first** quarter of 2018.

“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: 01 YEAR: 2018

PEÑA VERDE S.A.B.

INSURANCE COMPANY BALANCE SHEET

AS AT MARCH 31 2018 AND 2017

CONSOLIDATED

(PESOS)

Final Printout

ACCOUNT	SUBACCOUNT	SUB-SUBACCOUNT	ACCOUNT / SUB-ACCOUNT	END CURRENT PERIOD AMOUNT	PRECEDING YEAR QUARTER AMOUNT
100			Assets	19,340,595,501	18,236,846,691
110			Investments	13,762,354,934	13,340,185,863
111			Securities and Transactions with Derivatives	13,052,944,865	12,661,856,077
	112		Securities	13,052,944,865	12,661,856,077
		113	Government	6,528,892,532	6,014,683,672
		115	Private Companies. Known Rate	251,799,274	205,346,108
		116	Private Companies. Variable Income	5,656,742,417	5,732,556,636
		117	Foreign	615,510,641	709,269,661
		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	90,722,491	122,860,765
171			Loan Portfolio (Net)	39,625,721	18,304,498
	172		Outstanding Loan Portfolio	40,105,688	19,029,276
	133		Due Loan Portfolio	222,690	276,561
	135		(-) Preventative Credit Risk Allowances	-702,657	-1,001,339
137			Real property (Net)	579,061,858	537,164,523
140			Investments for Labor Obligations	208,665,191	209,831,623
141			Liquid Assets	463,454,475	726,186,076
	142		Cash and Banks	463,454,475	726,186,076
143			Debtors	1,785,431,826	1,609,520,170
	144		Under a Premium	1,642,961,814	1,540,288,230
	173		Debtors under Damages Subsidy Premium	43,659,946	12,684,442
	174		Debits charged against Departments and Entities of the Federal Public Administration	0	0
	145		Agents and Adjusters	2,261,009	4,960,149
	146		Notes Receivable	10,964,556	17,100,817
	175		Paid Claims Surety Bond Receivables	28,478,210	0
	148		Others	71,038,454	41,455,331
	149		(-) Write-offs Allowance	-13,932,162	-6,968,798
150			Reinsurance Companies and Rebonding Companies (Net)	2,717,215,991	2,019,001,207
	151		Insurance and Bonding Institutions	942,363,545	461,372,262
	152		Retained Deposits	101,706,706	77,924,873
	176		Reinsurance Recoverables	1,656,068,319	1,444,843,242
	177		(-) Preventative Foreign Reinsurance Company Credit Risks Allowance	-625,349	-1,283,647
	156		Reinsurance and Rebonding Intermediaries	497,813	0
	158		(-) Write-offs Allowance	17,204,958	36,144,477
159			Permanent Investments	45,263,664	3,466,775
	160		Subsidiaries	0	0
	161		Associated	28,379,689	0
	162		Other Permanent Investments	16,883,975	3,466,775
163			Other Assets	358,209,419	328,654,977
	164		Furniture and Equipment (Net)	54,912,148	54,194,963
	165		Assets Awarded (Net)	7,975	7,975
	166		Sundries	261,674,390	225,907,307
	178		Amortizable Intangible Assets (Net)	41,614,907	53,450,517
	179		Long-term Intangible Assets (Net)	0	-4,905,785
200			Liabilities	14,680,544,976	13,411,973,902
210			Technical Reserves	11,637,673,144	10,500,440,246
211			Current Risks	3,121,355,972	3,201,218,951
	212		Life Insurance	514,860,649	642,898,032
	213		Accident and Sickness Insurance	179,671,673	147,553,034
	214		Damages Insurance	1,994,852,660	2,022,760,243
	249		Assumed Rebonding	0	0
	215		Bonds In Force	431,970,989	388,007,643
216			Reserve for Pending Obligations	3,974,545,314	3,058,881,694
	217		Due to policies due and unpaid claims incurred	2,563,805,448	1,867,836,789
	218		Due to claims incurred and unreported and adjustment expenses allocated to the claim	1,343,544,468	1,087,734,953
	220		Due to administration funds	15,835,606	10,589,270

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

TRADING SYMBOL: PV

QUARTER: 01 YEAR: 2018

PEÑA VERDE S.A.B.

INSURANCE COMPANY BALANCE SHEET

AS AT MARCH 31 2018 AND 2017

(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	51,359,792	92,720,682
	225		Contingency Reserve	183,740,951	161,332,703
	226		Reserves for Specialised Insurance	0	0
	224		Reserves for Catastrophic Risks	4,358,030,907	4,079,006,897
227			Reserves for Labor Obligations	235,379,606	231,677,651
228			Creditors	467,284,439	297,979,217
	229		Agents and Adjusters	97,286,833	94,281,388
	230		Loss Administration Funds	9,327	-786,795
	231		Established Liability Bond Creditors	30,025,525	0
	232		Sundries	339,962,754	204,484,623
233			Reinsurance Companies and Rebonding Companies	954,060,865	901,221,456
	234		Insurance and Bonding Institutions	757,967,064	877,518,452
	235		Retained Deposits	7,364,908	9,868,553
	236		Other Interests	188,387,648	13,428,620
	237		Reinsurance and Rebonding Intermediaries	341,246	405,830
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	1,386,146,921	1,480,655,332
	245		Provision for Employee Profit Sharing	21,318,339	14,100,100
	246		Provision for Tax Payment	60,999,754	61,328,918
	247		Other Obligations	184,684,743	216,744,291
	248		Deferred Credits	1,119,144,085	1,188,482,023
300			Stockholders' Equity	4,660,050,525	4,824,872,789
301			Contributed Capital	422,608,784	422,608,784
310			Paid Capital or Social Fund	422,608,784	422,608,784
	311		Capital or Social Fund	422,608,784	422,608,784
	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	4,191,655,135	4,354,528,907
316			Reserves	961,830,269	961,015,799
	317		Legal	2,023,368	1,288,898
	318		For Acquisition of Own Treasury Stock	231,151	151,151
	319		Others	959,575,750	959,575,750
320			Surplus due to Valuation	67,117,141	49,662,833
321			Permanent Investments	2,061,221,994	2,129,012,453
323			Income OR Earnings from Previous Years	1,282,091,824	714,911,171
324			Income OR Earnings of Year	-180,606,093	499,926,650
325			Income from Holding of Non-monetary Assets	0	0
303			Controlling Interest	4,614,263,919	4,777,137,691
326			Non-controlling Interest	45,786,607	47,735,098
327			Liabilities and Stockholders' Equity	19,340,595,501	18,236,846,691
			Memorandum Accounts		
810			Deposit Securities	0	161,265
820			Administration Funds	0	14,611,719
830			Current Bond Liabilities	4,829,254,975	4,332,062,395
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	81,801,489	0
900			Unfunded Reserve for Labor Obligations	0	-900,194

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V.TRADING SYMBOL: **PV**QUARTER: **01** YEAR: **2018****PEÑA VERDE S.A.B.****INSURANCE COMPANY BALANCE SHEET**

AS AT MARCH 31 2018 AND 2017

CONSOLIDATED**(PESOS)****Final Printout**

				END CURRENT PERIOD	PRECEDING YEAR QUARTER
ACCOUNT	SUBACCOUNT	SUB-SUBACCOUNT	ACCOUNT / SUBACCOUNT	AMOUNT	AMOUNT
910			Registration Accounts	967,296,529	2,975,661,019
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	0	36,795

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

TRADING SYMBOL: **PV**

QUARTER: **01** YEAR: **2018**

PEÑA VERDE S.A.B.

INSURANCE COMPANY CASH FLOW STATEMENT

FROM 1 JANUARY TO 31 MARCH 2018 AND 2017

CONSOLIDATED

(PESOS)

Final Printout

			CURRENT YEAR	PREVIOUS YEAR
ACCOUNT	SUBACCOUNT	ACCOUNT / SUBACCOUNT	AMOUNT	AMOUNT
21100		Net income	-180,606,093	476,561,112
21200		Adjustment due to items not involving cash flow	48,679,875	-487,487,591
	21201	Profit or loss due to valuation relating to investment and financing activities	305,826,710	-501,836,475
	21202	Write-offs or uncollectibles Allowance	-49,346,530	-46,158,070
	21203	Losses due to impairment or reversion effect of impairment related to investment and financing activities	0	0
	21204	Depreciations and amortizations	7,477,432	5,453,421
	21205	Adjustment or increase in technical reserves	-321,133,381	-179,833,569
	21206	Provisions	144,466,367	149,448,458
	21207	Incurred and deferred income tax	-35,910,293	88,619,596
	21208	Interest in income from non-consolidated subsidiaries and associates	-2,368,411	-2,847,772
	21209	Discontinued operations	-332,018	-333,179
		Operating activities		
	21301	Change in margin accounts	0	0
	21302	Change in securities investments	545,155,303	540,483,481
	21303	Change in debtors under repurchase	141,789,310	29,055,093
	21304	Change in securities lending (assets)	0	0
	21305	Change in derivatives (assets)	0	0
	21306	Change in unpaid premiums	-25,339,291	240,647,723
	21307	Change in debtors	-3,839,305	26,688,639
	21308	Change in reinsurance and rebonding companies	27,777,912	33,761,199
	21309	Change in assets awarded	0	0
	21310	Change in other operational assets	-37,402,668	-16,608,896
	21311	Change in contractual obligations and claims-related expenses	-320,650,385	-178,725,799
	21314	Change in derivatives (liabilities)	0	0
	21315	Change in other operational liabilities	-253,594,502	-299,313,346
	21316	Change in hedging instruments (of operating activity-related hedged items)	0	0
21300		Net cash flow from operating activities	73,896,373	375,988,094
		Investment activities		
	21401	Collections due to disposal of real property, furniture or equipment	536,039	126,128
	21402	Payments for the acquisition of real property, furniture or equipment	-1,824,092	-2,517,972
	21403	Collections due to the disposal of subsidiaries or associated companies	0	0
	21404	Payments for the acquisition of subsidiaries or associated companies	-78,809,713	-3,500,000
	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	0	0
	21408	Payments for the acquisition of intangible assets	0	0
	21409	Collections due to the disposal of long-term assets available for sale	318,857	0
	21410	Collections due to the disposal of other long-term assets	13,161	125,980
	21411	Payments for the acquisition of other long-term assets	0	0
21400		Net cash flow from investment activities	-79,765,747	-5,765,864
		Financing activities		
	21501	Collections due to share issues	0	0
	21502	Payments for the reimbursement of capital stock	0	0
	21503	Payments of cash dividends	0	0
	21504	Payments related to the repurchase of treasury stock	0	0
	21505	Collections due to the issue of subordinated debentures with capital characteristics	0	0
	21506	Payments related to subordinated debentures with capital characteristics	78,809,713	0
21500		Net cash flow from financing activities	78,809,713	0
21000		Net cash increase or decrease	-58,985,878	359,295,751
22000		Effects of changes in cash value	-7	70
23000		Cash and cash equivalents at start of period	522,440,360	366,890,255
20000		Cash and cash equivalents at end of period	463,454,475	726,186,076

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

TRADING SYMBOL:

PV

QUARTER:

01

YEAR:

2018
PEÑA VERDE S.A.B.

INSURANCE COMPANY INCOME STATEMENT

FROM 1 JANUARY TO 31 MARCH 2018 AND 2017

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(PESOS)

		END CURRENT PERIOD	PRECEDING YEAR QUARTER
ACCOUNT	ACCOUNT / SUB-ACCOUNT	AMOUNT	AMOUNT
400	Premiums	0	0
410	Issued	1,390,661,069	1,675,318,732
420	(-) Ceded	286,296,515	328,280,543
430	Retention	1,104,364,553	1,347,038,189
440	(-) Net Increase in Current Risks and Bonds Reserve	-182,186,790	92,657,726
450	Accrued Retention Premiums	1,286,551,344	1,254,380,463
460	(-) Net Acquisition Cost	360,694,030	373,910,874
470	Agent Commissions	62,740,423	61,172,832
480	Additional Agent Compensation	37,013,359	34,742,369
490	Assumed Reinsurance and Rebonding Commissions	154,962,537	130,748,938
500	(-) Ceded Reinsurance Commissions	-74,822,586	-62,210,537
510	Excess Loss Hedging	75,737,746	62,082,563
520	Others	105,062,550	147,374,709
530	(-) Net Costs of Accident, Claim, and Other Pending Obligations	735,412,635	579,252,975
540	Accidents and Other Pending Obligation	700,880,739	575,928,823
550	Accident Recovered from Non-proportional Reinsurance	15,211,011	3,389,953
560	Claims	19,320,886	-65,801
570	Technical (Loss) Profit	190,444,678	301,216,614
580	(-) Net Increase in Other Technical Reserves	164,223,455	129,169,433
590	Catastrophic Risks Reserve	159,469,326	124,462,076
810	Specialised Reinsurance Reserve	0	0
610	Contingency Reserve	4,754,129	4,707,357
620	Other Reserves	0	0
625	Revenue from Similar and Related Operations	13,293	14,758
630	Gross Profit (Loss)	26,234,516	172,061,939
640	(-) Net Operation Expenses	73,160,277	124,810,979
650	Administration and Operations Expenses	-13,265,464	-15,352,513
660	Personnel Remunerations and Benefits	79,091,463	134,469,899
670	Depreciations and Amortisations	7,334,278	5,693,593
680	Profit of Operation (Loss)	-46,925,760	47,250,960
690	Comprehensive Financing Income	-171,716,415	514,740,757
700	From Investments	71,887,647	80,999,277
710	From Sales of Investments	2,537,072	32,637,096
720	From Valuation of Investments	-305,826,710	505,590,750
730	From Premium Surcharge	8,339,510	7,639,214
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	490,905	-326,580
840	Preventive Penalisation for Credit Risks	174,443	587,835
770	Others	4,818,448	3,764,031
780	Exchange Income	45,862,271	-116,150,866
790	Monetary Position Result	0	0
795	Participation in Income from Permanent Investments	0	0
801	Profit Before Income Tax (Loss)	-218,642,175	-29,231,922
802	Provision for Income Tax Payment	-35,667,664	60,151,506
804	Profit Before Discontinued Operations (Loss)	-182,974,511	-89,383,428
808	Discontinued Operations	0	0
805	Profit of Year (Loss)	-180,606,093	499,926,650
806	Non-controlling Interest	-2,368,418	6,349,981
807	Controlling Interest	-180,606,093	499,926,650

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

TRADING SYMBOL: PV

QUARTER: 01 YEAR: 2018

PEÑA VERDE S.A.B.

INSURANCE COMPANIES STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FROM 31 DECEMBER 2016 TO 31 MARCH 2018

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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	961,830,269	2,760,381,352	582,932,466	0	0	63,829,967	48,092,940	4,839,675,778
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	0	0	0	0	0	0	0
Transfer of revenue from previous fiscal years	0	0	0	582,932,466	-582,932,466	0	0	0	0	3
Others.	0	0	0	0	0	0	0	0	0	0
Total.	0	0	0	582,932,466	-582,932,466	0	0	0	0	3
MOVEMENTS INHERENT TO THE RECOGNITION OF COMPREHENSIVE INCOME										
Comprehensive income										
Income of fiscal year	0	0	0	0	-180,606,093	0	0	0	-2,368,411	-182,974,504
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	0	0	0	0	3,287,174	62,077	3,349,251
Total	0	0	0	0	-180,606,093	0	0	3,287,174	-2,306,334	-179,625,253
Balance at end of period	422,608,784	0	961,830,269	3,343,313,818	-180,606,093	0	0	67,117,140	45,786,607	4,660,050,525

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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 MARCH, 2018

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

COMMENTS AS AT MARCH 2018 COMPARED WITH MARCH 2017 (CONSOLIDATED FIGURES).

INCOME STATEMENT

PREMIUMS ISSUED

THE PEÑA VERDE PREMIUMS ISSUED AS AT MARCH, 2018 AMOUNTED TO \$1,390.7 MILLION PESOS WHICH COMPARED WITH \$1,675.3 MILLION PESOS FROM MARCH, 2017 SHOW A 17% INCREASE. THIS INCREASE IS MAINLY INFLUENCED BY THE SUBSIDIARY "GENERAL DE SEGUROS" WHICH, AS AT MARCH, 2018, HAD \$697.7 MILLION PESOS IN SALES, REPRESENTING A 22.7% INCREASE FROM THE PREVIOUS YEAR, ORIGINATED MAINLY BY THE NON RENEWAL OF A BUSINESS IN THE LIFE SECTOR, FOR AN APPROXIMATE AMOUNT OF \$238 MILLION PESOS. THE PREVIOUS DECREASE WAS PARTIALLY OFFSET BY INCREASES IN THE AGRICULTURE AND FIRE SECTORS. ON THE OTHER HAND, THE PREMIUMS ASSUMED BY GENERAL DE SEGUROS AMOUNTED TO 3.2 MILLION PESOS.

THE SUBSIDIARY "REASEGURADORA PATRIA" ACHIEVED SALES FOR \$689.8 MILLION PESOS, WHICH REPRESENTS A 1.1% DECREASE IN RELATION TO THE SAME PERIOD OF THE PREVIOUS YEAR, ORIGINATED BY THE PORTFOLIO WITHDRAWAL OF AN OPERATION IN THE CLAIMS AND DISEASES SECTOR AMOUNTING TO \$81 MILLION PESOS, WHICH WAS COMPENSATED BY INCREASES IN REBONDING PREMIUMS ASSUMED IN THE LIFE, AS WELL AS CATASTROPHIC RISKS, CAR AND FIRE SECTORS.

NET INCREASE IN CURRENT RISK RESERVE AND BONDS IN FORCE

AS AT MARCH 2018, THE CURRENT RISK RESERVE AND BONDS IN FORCE SHOWED A DECREASE OF \$182.2 MILLION PESOS, ORIGINATED MAINLY BY THE CANCELLATION OF SEVERAL RELEVANT OPERATIONS OF THE SUBSIDIARIES.

NET ACQUISITION COST

AT THE CLOSING OF MARCH, 2018, THE CONSOLIDATED NET ACQUISITION COST OF PEÑA VERDE AMOUNTED TO \$360.7 MILLION PESOS WHICH, COMPARED WITH THE \$373.9 MILLION PESOS IN MARCH, 2017, SHOWS A 3.5% DECREASE, INFLUENCED BY THE DECREASE IN THE OTHER ACQUISITION EXPENSES ACCOUNT. WITH REGARD TO THE RETAINED PREMIUM, IT REPRESENTED 32.7%, WHILE THE SAME PERIOD OF THE PREVIOUS YEAR WAS 27.8%. 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.

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

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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 57.2% FOR PREMIUMS ACCRUED UNDER RETENTION, A HIGHER PERCENTAGE BY 11 POINTS THAN THE PREVIOUS YEAR, ORIGINATED MAINLY BY THE INCREASE IN THE RESERVE FOR OUTSTANDING LIABILITIES DUE TO CLAIMS INCURRED AND UNREPORTED OF THE SUBSIDIARY PATRIA AMOUNTING TO \$106.8 MILLION PESOS. AS FOR THE SUBSIDIARY GENERAL DE SEGUROS, IT RECORDED IMPORTANT CLAIMS IN THE DAMAGES SECTOR BY \$18.8 MILLION PESOS.

TECHNICAL PROFIT

THE CONSOLIDATED TECHNICAL INCOME OF PEÑA VERDE AS AT MARCH 31, 2018 FINISHED WITH A UTILITY OF \$190.4.2 MILLION PESOS, WHICH COMPARED WITH THE \$301.2 MILLION PESOS LOSS FROM MARCH, 2017, REPRESENTED A DECREASE BY 36.8% DUE TO THREE FACTORS: A) AN INCREASE IN THE RESERVE FOR OUTSTANDING LIABILITIES DUE TO CLAIMS INCURRED AND UNREPORTED, AND B) CLAIMS COST REGISTERED IN THE PERIOD.

OTHER TECHNICAL RESERVES

THE INCREASE IN OTHER TECHNICAL RESERVES (CATASTROPHIC RESERVES) AS AT 31 MARCH, 2018 WAS OF \$164.2 MILLION PESOS, WHICH COMPARED WITH THE \$129.2 MILLION PESOS FROM MARCH, 2017 REPRESENT AN INCREASE BY 27.1%. THE SECTORS WITH THE GREATEST VOLUME WERE: EARTHQUAKE, HYDROMETEOROLOGICAL RISKS AND AGRICULTURE. THE MAIN ORIGIN OF THE INCREASE IS IN THE RELEASE OF THE RISK PREMIUM AND THE FINANCE PRODUCTS AT THE CLOSING OF THE QUARTER.

OPERATING EXPENDITURE

CONSOLIDATED OPERATING EXPENSES AMOUNTED TO \$73.2 MILLION PESOS, WHICH REPRESENT 5.3% OF THE PREMIUMS ISSUED, AN AMOUNT WHICH, COMPARED WITH THE OPERATING EXPENSES AS AT MARCH, 2017 OF \$124.8 MILLION PESOS, SHOW A 41.4% DECREASE, DUE PRIMARILY TO A DECREASE BY \$84.5 MILLION PESOS IN THE ACTUAL AND DEFERRED EMPLOYEE PROFIT SHARING (PTU) ACCOUNT AS A CONSEQUENCE OF THE DECREASE WHICH THE VALUATION OF THE ASSETS PORTFOLIO REPRESENTS.

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FINANCING COMPREHENSIVE INCOME

THE COMPREHENSIVE INCOME FROM FINANCING SHOWS A NEGATIVE AMOUNT OF \$171.7 MILLION PESOS, DUE ESPECIALLY TO THE DECLINE IN THE VALUATION OF INVESTMENTS.

INCOME OF THE YEAR

AS A RESULT OF THE ABOVE, THE ISSUER, ON MARCH 31, 2018, SHOWS A NET LOSS OF \$180.6 MILLION PESOS, DUE ESPECIALLY TO THE FOLLOWING FACTORS: A) AN INCREASE IN THE RESERVE FOR OUTSTANDING LIABILITIES DUE TO CLAIMS INCURRED AND UNREPORTED, AND B) THE POOR PERFORMANCE OF THE FINANCIAL MARKETS, WHICH CAUSED THE DECLINE IN THE VALUATION OF INVESTMENTS.

STATEMENT OF FINANCIAL POSITION

AS ON 31 MARCH, 2018, THE ASSETS AMOUNT TO \$19,340 MILLION PESOS WHICH, COMPARED WITH THE SAME PERIOD FROM THE PREVIOUS YEAR, SHOW A 6.1% INCREASE. PROMINENT AMONG THE MAJOR CHANGES IN THE YEAR ARE THE INCREASE IN INVESTMENTS TALLING \$391.1 MILLION PESOS, THE INCREASE IN REINSURERS BY \$698.2 MILLION PESOS. THE REMAINING ASSETS SECTIONS SHOW IRRELEVANT CHANGES.

AMONG LIABILITIES, TECHNICAL RESERVES AMOUNTED TO \$11,637.7 MILLION PESOS WHICH, COMPARED WITH THE SAME PERIOD FROM PREVIOUS YEAR, SHOW A 10.8% INCREASE, COMPRISING A 29.9% INCREASE IN THE RESERVE FOR PENDING OBLIGATIONS AND AN INCREASE IN THE CATASTROPHIC RISKS SECTION BY 6.8%.

THE OTHER LIABILITIES SECTION AMOUNTED TO \$1,386.1 MILLION PESOS WHICH, COMPARED WITH THE PREVIOUS YEAR SHOWS A 6.4% DECREASE, DUE MAINLY TO THE VARIATION SHOWN BY INCURRED AND DEFERRED ISR (INCOME TAX) AND PTU (EMPLOYEE PROFIT SHARING) PROVISIONS.

AS AT MARCH, 2018, THE STOCKHOLDERS' EQUITY AMOUNTED TO \$4,660.1 MILLION PESOS, WHICH COMPARED WITH \$4,824.9 MILLION PESOS FROM MARCH, 2017, REPRESENTS A DECREASE BY 3.4%, CAUSED BY THE LOSS RECORDED OVER THE PERIOD.

INDEPENDENT ANALYST

AS OF OCTOBER 31, 2017, 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 ACCOUNTING POLICIES SHOWN HAVE BEEN APPLIED UNIFORMLY IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS THAT ARE PRESENTED, AND HAVE BEEN APPLIED CONSISTENTLY BY THE INSTITUTION.

(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). THE PERCENTAGE OF ANNUAL AND ACCUMULATED INFLATION OVER THE LAST THREE YEARS AND THE INDICES USED TO DETERMINE INFLATION, ARE SHOWN BELOW:

(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 AS AT DECEMBER 31, 2017 AND 2016, WHICH WERE PREPARED IN ACCORDANCE WITH THE ACCOUNTING STANDARDS AND PRACTICES ISSUED BY THE COMMISSION.

(C) TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN OPERATIONS -

THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS ARE TRANSLATED INTO THE REPORTING CURRENCY, INITIALLY IDENTIFYING WHETHER THE OPERATING CURRENCY AND THE REPORTING CURRENCY OF THE FOREIGN OPERATION ARE DIFFERENT AND THEN TRANSLATING THE OPERATING CURRENCY INTO THE REPORTING CURRENCY USING THE HISTORICAL EXCHANGE RATE AND/OR THE YEAR-END EXCHANGE RATE.

(D) 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:

NEGOTIABLE INSTRUMENTS

THESE ARE DEBT OR CAPITAL INSTRUMENTS HELD BY THE INSTITUTION WITH THE INTENTION OF HEDGING CLAIMS AND OPERATING EXPENSES. SO FROM THE MOMENT OF INVESTING IN THEM THERE IS AN INTENTION TO NEGOTIATE THEM IN THE SHORT TERM, AND IN THE CASE OF DEBT INSTRUMENTS ON DATES PRIOR TO MATURITY.

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

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COST WILL BE TAKEN AS THE UPDATED PRICE FOR VALUATION. 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. AT THE DATE OF ITS DISPOSAL, THE RESULTS OF YEAR SHALL BE RECOGNISED IN THE DIFFERENTIAL BETWEEN THE SELLING PRICE AND THE BOOK VALUE OF THE INSTRUMENTS. THE VALUATION RESULT OF THE SECURITIES TO BE ALIENATED, RECOGNISED IN THE RESULTS OF THE YEAR, IS RECLASSIFIED TO THE CATEGORY OF "INTEGRAL RESULT OF FINANCING FROM DISPOSAL OF INVESTMENTS" IN THE CONSOLIDATED INCOME STATEMENT ON THE DATE OF THE SALE. 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-

ARE THOSE FINANCIAL ASSETS FOR WHICH, FROM THE MOMENT OF INVESTING IN THEM, THE ADMINISTRATION HAS A DIFFERENT INTENTION THAN AN INVESTMENT FOR NEGOTIATION OR TO RETAIN AT MATURITY, AND IT IS INTENDED TO NEGOTIATE THEM IN THE MEDIUM TERM AND IN THE CASE OF DEBT INSTRUMENTS ON A DATE PRIOR TO MATURITY, WITH THE PURPOSE OF MAKING GAINS BASED ON THEIR MARKET VALUE CHANGES AND NOT JUST THROUGH INHERENT RETURNS.

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 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.

FOR DEBT AND CAPITAL INSTRUMENTS, THEIR 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.

ONLY TRANSFERS OF INSTRUMENTS CLASSIFIED AS AVAILABLE FOR SALE MAY BE MADE.

TRANSFERS OF CATEGORIES OF FINANCIAL INSTRUMENTS FOR NEGOTIATION PURPOSES ARE NOT PERMITTED, EXCEPT IN THE EVENT THAT A FINANCIAL INSTRUMENT IS IN A MARKET WHICH, DUE TO UNUSUAL CIRCUMSTANCES BEYOND THE CONTROL OF THE INSTITUTION, CEASES TO BE ACTIVE, LOSING LIQUIDITY. SUCH INSTRUMENT CAN BE TRANSFERRED TO THE CATEGORY OF FINANCIAL INSTRUMENTS AVAILABLE FOR SALE (FINANCIAL INSTRUMENTS OF DEBT OR CAPITAL).

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UNREALIZED VALUATION GAINS

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 CONSOLIDATED 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.

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.

(E) 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.

(F) DEBTORS-

UNDER PREMIUMS-

FROM INSURANCE OPERATIONS

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 EXCEPT IN THE CASE OF PREMIUMS RECEIVABLE FROM DEPENDENCIES OR ENTITIES OF THE FEDERAL PUBLIC ADMINISTRATION WHICH ARE RECLASSIFIED IN THE SECTION "DEBITS CHARGED AGAINST DEPARTMENTS AND ENTITIES OF THE FEDERAL PUBLIC ADMINISTRATION", PROVIDED THEY ARE SUPPORTED BY A NATIONAL PUBLIC TENDER IN CHARGE OF SUCH ENTITIES WHICH HAS ENTERED INTO AN AGREEMENT, FOR THE PURPOSES OF THE TENDER, WITH THE EXECUTIVE SUPPORTED IN THE EXPENDITURE BUDGET OF THE FEDERATION IN THE CORRESPONDING FISCAL YEAR.

UNDER REBONDING OPERATIONS

PREMIUM BALANCES CORRESPOND TO THE AMOUNT DUE FROM THE MINIMUM AND DEPOSIT PREMIUMS OF THE REINSURANCE OPERATIONS ASSUMED BY NON-PROPORTIONAL CONTRACTS AND WHOSE RECOGNITION IS ANNUAL FROM THE BEGINNING OF ITS VALIDITY.

THE ACCRUAL OF THE MINIMUM AND DEPOSIT PREMIUMS IS RECOGNIZED AS CASH FLOWS ARE RECEIVED ACCORDING TO THE TERMS AND CONDITIONS AGREED IN THE CONTRACT, WHICH CAN BE QUARTERLY, OR 25% QUARTERLY, WITH A 90-DAY GUARANTEE.

IF THE AGREED DEADLINE IS NOT MET, AN ESTIMATION MUST BE RECOGNIZED.

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IN THE EVENT OF FAILURE TO MEET THE AGREED DEADLINE, COVERAGE MUST BE CANCELLED OR THE PAYMENT OF THE ABOVE MENTIONED GUARANTEE EXTENDED UPON AGREEMENT.

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. 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.

THE COMMERCIAL CREDIT PORTFOLIO IS QUALIFIED QUARTERLY, MONTHLY IN THE CASE OF HOUSING CREDITS, APPLYING A METHODOLOGY THAT CONSIDERS THE PROBABILITY OF DEFAULT, THE SEVERITY OF LOSS AND EXPOSURE TO DEFAULT, RECOGNIZING THE EFFECT ON THE RESERVE IN THE RESULTS OF THE YEAR UNDER THE CATEGORY OF "INTEGRAL FINANCING OUTCOME".

THE COMMISSION MAY ORDER THE ESTABLISHMENT OF PREVENTIVE RESERVES AGAINST RISK ADDITIONAL TO THOSE REFERRED TO IN THE PREVIOUS PARAGRAPH, FOR THE TOTAL BALANCE OF THE DEBIT IN THE FOLLOWING CASES:

I. WHERE THE RELEVANT FILES DO NOT CONTAIN OR DO NOT HAVE THE DOCUMENTATION CONSIDERED AS NECESSARY IN ACCORDANCE WITH THE REGULATION IN FORCE TO EXERCISE THE COLLECTION ACTION, THIS RESERVE IS ONLY RELEASED WHEN THE INSTITUTION CORRECTS THE DEFICIENCIES OBSERVED.

II. WHEN A REPORT ISSUED BY A CREDIT INFORMATION SOCIETY HAS NOT BEEN OBTAINED ON THE CREDIT RECORDS OF THE DEBTOR (EXCEPT LOANS TO OFFICIALS AND EMPLOYEES, WHEN THE COLLECTION OF THE CREDIT IS MADE THROUGH DISCOUNTS AGAINST THEIR SALARY), SAID RESERVE IS ONLY CANCELLED THREE MONTHS AFTER THE REQUIRED REPORT IS OBTAINED.

(G) 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 YEARLY APPRAISALS.

AS OF JANUARY 1 2007, ACQUISITIONS OF ASSETS DURING CONSTRUCTION OR INSTALLATION PERIOD INCLUDE THE INTEGRAL RESULT OF FINANCING CORRESPONDING AS PART OF THE VALUE OF THE ASSETS.

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

REAL PROPERTY DEPRECIATION IS CALCULATED ON THE BASIS OF THE REMAINING SERVICE LIFE ON THE UPDATED VALUE OF THE CONSTRUCTIONS DETERMINED BY THE LAST APPRAISALS EXECUTED.

DEPRECIATION OF FURNITURE AND EQUIPMENT IS CALCULATED UNDER THE STRAIGHT LINE METHOD, ESTIMATED BY THE INSTITUTION'S MANAGEMENT. TOTAL SERVICE LIVES AND ANNUAL DEPRECIATION RATES OF MAJOR ASSET GROUPS ARE MENTIONED BELOW.

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.

(H) TECHNICAL RESERVES

THE INSTITUTION CONSTITUTES AND VALUES THE TECHNICAL RESERVES ESTABLISHED BY THE LAW, IN ACCORDANCE WITH THE GENERAL PROVISIONS ISSUED BY THE COMMISSION IN SECTION 5 OF THE

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MEMORANDUM OF INSURANCE AND BONDS (CIRCULAR UNICA DE SEGUROS Y FIANZAS). TECHNICAL RESERVES ARE CONSTITUTED AND VALUED IN RELATION TO ALL THE INSURANCE AND REINSURANCE OBLIGATIONS WHICH THE INSTITUTION HAS ASSUMED BEFORE THE INSURED AND BENEFICIARIES OF INSURANCE AND REINSURANCE CONTRACTS, ADMINISTRATION COSTS, AS WELL AS AS THE ACQUISITION COSTS WHICH, IF ANY, IT ASSUMES IN RELATION TO THEM. FOR THE CONSTITUTION AND VALUATION OF THE TECHNICAL RESERVES, ACTUARIAL METHODS WILL BE USED BASED ON THE APPLICATION OF THE ACTUARIAL PRACTICE STANDARDS IDENTIFIED BY THE COMMISSION THROUGH GENERAL PROVISIONS, AND CONSIDERING THE INFORMATION AVAILABLE IN THE FINANCIAL MARKETS AS WELL AS THE INFORMATION AVAILABLE ON TECHNICAL RISKS OF INSURANCE AND REINSURANCE. THE VALUATION OF THESE RESERVES IS RULED BY AN INDEPENDENT ACTUARY AND REGISTERED BEFORE THE COMMISSION ITSELF. IN THE CASE OF TECHNICAL RESERVES RELATING TO CATASTROPHIC RISK INSURANCE AND OTHER RESERVES WHICH THE COMMISSION MAY DETERMINE UNDER THE LAW, THE ACTUARIAL METHODS OF CONSTITUTION AND VALUATION APPLIED BY THE INSTITUTION, WERE DETERMINED BY THE COMMISSION BY MEANS OF GENERAL PROVISIONS.

THE FOLLOWING ASPECTS ARE THE MOST RELEVANT TO THEIR DETERMINATION AND ACCOUNTING:

CURRENT RISKS RESERVE (CRR)

THE INSTITUTION HAS RECORDED THE TECHNICAL NOTES AND ACTUARIAL METHODS THROUGH WHICH THEY ESTABLISH AND VALUE THE CURRENT RISKS RESERVE BEFORE THE COMMISSION.

FOR INSURANCE OPERATIONS-

IN THE YEAR 2016, NEW METHODOLOGIES ENTERED INTO FORCE FOR THE CALCULATION OF THE RISK RESERVE IN PROGRESS.

THIS RESERVE IS INTENDED TO COVER THE EXPECTED VALUE OF FUTURE OBLIGATIONS (BEST ESTIMATE), DERIVED FROM THE PAYMENT OF CLAIMS, BENEFITS, GUARANTEED VALUES, DIVIDENDS, ACQUISITION AND ADMINISTRATION EXPENSES, AS WELL AS ANY OTHER FUTURE OBLIGATION DERIVED FROM INSURANCE CONTRACTS, PLUS A MARGIN OF RISK.

THE BEST ESTIMATE WILL BE EQUAL TO THE EXPECTED VALUE OF FUTURE FLOWS, CONSIDERING INCOME AND EXPENSES, OF OBLIGATIONS, UNDERSTOOD AS THE WEIGHTED AVERAGE BY PROBABILITY OF THESE FLOWS, CONSIDERING THE TEMPORARY VALUE OF MONEY BASED ON THE CURVES OF MARKET RISK-FREE INTEREST RATES FOR EACH CURRENCY OR MONETARY UNIT PROVIDED BY THE INDEPENDENT PRICING SUPPLIER AT THE DATE OF VALUATION. THE ASSUMPTIONS AND PROCEDURES BY WHICH FUTURE FLOWS OF OBLIGATIONS ARE DETERMINED, BASED ON WHICH THE BEST ESTIMATE IS OBTAINED, WERE DEFINED BY GENERAL DE SEGUROS AND GENERAL DE SALUD IN THEIR OWN METHOD REGISTERED FOR THE CALCULATION OF THE BEST ESTIMATE.

FOR THE PURPOSES OF CALCULATING FUTURE INCOME FLOWS PREMIUMS ARE NOT CONSIDERED WHICH ARE OVERDUE AND UNPAID AT THE TIME OF VALUATION, NOR THE INSTALMENT PAYMENTS ACCOUNTED IN THE CATEGORY OF "DEBTOR UNDER PREMIUM" IN THE GENERAL CONSOLIDATED BALANCE SHEET.

MULTI-YEAR INSURANCE-

IN THE CASE OF MULTI-YEAR POLICIES, THE CURRENT RISK RESERVE IS THE BEST ESTIMATE OF THE FUTURE OBLIGATIONS OF THE YEAR OF VALIDITY IN QUESTION, PLUS THE PREMIUMS CORRESPONDING TO FUTURE ANNUITIES ACCUMULATED WITH THE PERFORMANCE CORRESPONDING TO THESE ANNUITIES, FOR AS LONG AS THE POLICY HAS BEEN IN FORCE, PLUS THE MARGIN OF RISK. THE COST OF ACQUISITION SHOULD BE SUBTRACTED FROM THE PREMIUMS CORRESPONDING TO FUTURE ANNUITIES WHICH, WHERE APPROPRIATE, FOR ACCOUNTING PURPOSES, MUST BE RECORDED AT THE TIME OF ISSUANCE SEPARATELY FROM THE RESERVE.

GENERAL DE SEGUROS CONSIDERS MULTI-YEAR POLICIES AS THOSE INSURANCE CONTRACTS WHOSE

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VALIDITY IS GREATER THAN ONE YEAR AS LONG AS IT IS NOT A LONG-TERM LIFE INSURANCE TERM OR INSURANCE WHERE FUTURE PREMIUMS ARE CONTINGENT AND ARE NOT EXPECTED TO BE RETURNED AT THE TIME THE RISK IS TERMINATED.

CATASTROPHIC RISKS INSURANCE

GENERAL DE SEGUROS DETERMINES THE BALANCE OF THE CURRENT RISKS RESERVE OF EARTHQUAKE, HURRICANE AND OTHER HYDROMETHEOROLOGICAL RISKS COVER IN THE CURRENT RETAINED UNACCRUED YEARLY RISK PREMIUM. CONSIDERING THE TECHNICAL BASES ESTABLISHED IN THE MEMORANDUM, ANNEX 5.1.5-A FOR EARTHQUAKE AND ANNEX 5.1.6-A FOR HURRICANE AND OTHER HYDROMETHEOROLOGICAL RISKS. IN THE CASE OF THOSE POLICIES WHICH PROTECT FROM RISKS WHOSE CHARACTERISTICS MAY NOT BE VALUED USING THE TECHNICAL BASES INDICATED, MAINLY REINSURANCE ASSUMED ABROAD OR COVERED GOODS LOCATED ABROAD, THE CURRENT RISK RESERVE IS CALCULATED AS THE UNACCRUED PART OF THE RETAINED RISK PREMIUM, SUCH RISK PREMIUM CALCULATED, AS 35% OF PREMIUMS ISSUED FROM EACH OF THE POLICIES IN FORCE AT THE TIME OF VALUATION.

RISK MARGIN-

IT IS CALCULATED BY DETERMINING THE NET CAPITAL COST CORRESPONDING TO THE EQUITY REQUIRED TO SUPPORT THE SOLVENCY CAPITAL REQUIREMENT (RCS), NECESSARY TO DEAL WITH THE INSURANCE AND REINSURANCE OBLIGATIONS OF GENERAL DE SEGUROS, DURING THEIR PERIOD OF VALIDITY. FOR THE PURPOSES OF VALUATION OF THE CURRENT RISK RESERVE, THE CORRESPONDING RCS OF THE IMMEDIATE PRIOR QUARTERLY CLOSING TO THE VALUATION DATE IS USED. RISK MARGIN IS DETERMINED FOR EACH SECTION AND TYPE OF INSURANCE, ACCORDING TO THE TERM AND CURRENCY CONSIDERED IN THE CALCULATION OF THE BEST ESTIMATE OF THE CORRESPONDING INSURANCE OBLIGATION. THE NET CAPITAL COST RATE USED FOR CALCULATING THE MARGIN OF RISK IS 10%, WHICH IS EQUIVALENT TO THE ADDITIONAL INTEREST RATE, IN RELATION TO THE MARKET RISK-FREE INTEREST RATE WHICH AN INSURANCE INSTITUTION WOULD REQUIRE TO COVER THE COST OF CAPITAL REQUIRED TO MAINTAIN THE AMOUNT OF ELIGIBLE OWN FUNDS SUPPORTING THE RESPECTIVE RCS.

FOR REINSURANCE OPERATIONS-

IN THE YEAR 2016, NEW METHODOLOGIES ENTERED INTO FORCE FOR THE CALCULATION OF THE CURRENT RISK RESERVE.

THIS RESERVE IS INTENDED TO COVER THE EXPECTED VALUE OF FUTURE OBLIGATIONS (BEST ESTIMATE), DERIVED FROM THE PAYMENT OF CLAIMS, BENEFITS, GUARANTEED VALUES, DIVIDENDS, ACQUISITION AND ADMINISTRATION EXPENSES, AS WELL AS ANY OTHER FUTURE OBLIGATION DERIVED FROM INSURANCE CONTRACTS, BENEFITS, GUARANTEED VALUES, DIVIDENDS, ACQUISITION AND ADMINISTRATION EXPENSES PLUS A MARGIN OF RISK. THE BEST ESTIMATE WILL BE EQUAL TO THE EXPECTED VALUE OF FUTURE FLOWS, CONSIDERING INCOME AND EXPENSES, OF OBLIGATIONS, UNDERSTOOD AS THE WEIGHTED AVERAGE BY PROBABILITY OF THESE FLOWS, CONSIDERING THE TEMPORARY VALUE OF MONEY BASED ON THE CURVES OF MARKET RISK-FREE INTEREST RATES FOR EACH CURRENCY OR MONETARY UNIT PROVIDED BY THE INDEPENDENT PRICING SUPPLIER AT THE DATE OF VALUATION. THE ASSUMPTIONS AND PROCEDURES WITH WHICH FUTURE FLOWS OF OBLIGATIONS ARE DETERMINED, BASED ON WHICH THE BEST ESTIMATE WILL BE OBTAINED, WERE DEFINED BY REASEGURADORA PATRIA IN THE OWN METHOD RECORDED FOR THE CALCULATION OF THE BEST ESTIMATE.

CATASTROPHIC RISK INSURANCE-

REASEGURADORA PATRIA DETERMINES THE BALANCE OF THE CURRENT RISK RESERVE OF THE COVERAGE OF EARTHQUAKE, HURRICANE AND OTHER HYDRO-METEOROLOGICAL RISKS, WITH THE UNACCRUED PART OF THE YEARLY RISK PREMIUM, CONSIDERING THE TECHNICAL BASES DESCRIBED IN THE METHODOLOGY FOR CALCULATING RESERVES FOR CATASTROPHIC RISKS, EARTHQUAKE HAZARDS

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AND HYDROMETEOROLOGICAL AND CALCULATING THE MAXIMUM PROBABLE LOSS (PML) FOR REASEGURADORA PATRIA BASED ON THE RISK ASSESSMENT MODEL RISK MANAGEMENT SOLUTIONS (RMS).

RISK MARGIN-

IT IS CALCULATED BY DETERMINING THE NET CAPITAL COST CORRESPONDING TO THE OWN FUNDS REQUIRED TO SUPPORT THE RCS, NECESSARY TO COPE WITH THE OBLIGATIONS OF INSURANCE AND REINSURANCE OF REASEGURADORA PATRIA, DURING ITS PERIOD OF FORCE. FOR THE PURPOSES OF THE VALUATION OF THE CURRENT RISK RESERVE, THE CORRESPONDING RCS FROM THE CLOSING OF THE MONTH IMMEDIATELY PRECEDING THE DATE OF VALUATION IS USED.

IN THE EVENT OF SIGNIFICANT INCREASES OR DECREASES IN THE AMOUNT OF THE OBLIGATIONS OF REASEGURADORA PATRIA AT THE DATE OF REPORT, REASEGURADORA PATRIA MAKES ADJUSTMENTS TO THAT RISK MARGIN, THIS ALLOWS FOR RECOGNITION OF THE INCREMENT OR DECREMENT THAT CAN HAVE THE SAME DERIVATIVE AS THE AFOREMENTIONED SITUATIONS. IN THESE CASES, THE COMMISSION IS INFORMED OF THE ADJUSTMENTS MADE AND THE PROCEDURES USED TO MAKE THAT ADJUSTMENT.

THE RISK MARGIN IS DETERMINED BY EACH SECTION AND TYPE OF INSURANCE, ACCORDING TO THE TERM AND CURRENCY CONSIDERED IN CALCULATING THE BEST ESTIMATE OF THE CORRESPONDING INSURANCE OBLIGATION.

THE NET CAPITAL COST RATE USED FOR CALCULATING THE MARGIN OF RISK IS 10%, WHICH IS EQUIVALENT TO THE ADDITIONAL INTEREST RATE, IN RELATION TO THE MARKET RISK-FREE INTEREST RATE, THAT AN INSURANCE INSTITUTION WOULD REQUIRE TO COVER THE COST OF CAPITAL REQUIRED TO MAINTAIN THE AMOUNT OF ELIGIBLE FUNDS THAT ARE SUPPORTING THE RESPECTIVE RCS.

RESERVE FOR UNPAID OBLIGATIONS-
FOR INSURANCE OPERATIONS-

THE ESTABLISHMENT, INCREASE, VALUATION AND REGISTRATION OF THE RESERVE FOR UNPAID OBLIGATIONS, ACCORDING TO ARTICLE 216, SECTION II, OF THE LASAF, IS CARRIED OUT BY ESTIMATING OBLIGATIONS, WHICH IS DONE USING THE METHODS WHICH, AS APPROPRIATE, THE INSURANCE INSTITUTIONS SHOULD REGISTER FOR SUCH EFFECT BEFORE THE COMMISSION, IN THE TERMS OF THE PROVISIONS OF CHAPTER 5.5 OF THE MEMORANDUM AND ADHERING TO THE PRINCIPLES AND GUIDELINES SET OUT IN THEIR PROVISIONS.

THIS RESERVE IS INTENDED TO COVER THE EXPECTED VALUE OF CLAIMS, BENEFITS, SECURITIES OR DIVIDENDS, ONCE THE EVENTUALITY PROVIDED FOR IN THE INSURANCE CONTRACT HAS ACCURRED, PLUS A MARGIN OF RISK.

THE AMOUNT OF THE RESERVE FOR OUTSTANDING OBLIGATIONS SHALL BE EQUAL TO THE SUM OF THE BEST ESTIMATE PLUS A RISK MARGIN, WHICH ARE CALCULATED SEPARATELY AND IN TERMS OF THE PROVISIONS OF CHAPTER 5 OF THE MEMORANDUM.

THIS RESERVE IS INTEGRATED WITH THE FOLLOWING COMPONENTS:

- (A) BY OVERDUE POLICIES AND UNPAID INCURRED CLAIMS;
- (B) BY DIVIDENDS AND PERIODIC PROFIT SHARING;
- (C) FOR CLAIMS INCURRED AND NOT REPORTED, AS WELL AS FOR THE ADJUSTMENT COSTS ALLOCATED TO THE CLAIM; AND
- (D) BY THE OPERATIONS DEALT WITH IN THE 21ST FRACTION OF ARTICLE 118 OF THE LAW OF INSURANCE AND BONDS.

RESERVES FOR UNPAID OBLIGATIONS FOR CLAIMS AND OTHER OBLIGATIONS OF
KNOWN AMOUNT-

THESE ARE THE OBLIGATIONS WHICH, AT THE END OF THE FINANCIAL YEAR, ARE PENDING PAYMENT FOR REPORTED CLAIMS, OVERDUE TOTALS, OVERDUE RENTS, GUARANTEED VALUES AND DIVIDENDS ACCRUED, AMONG OTHERS, WHOSE AMOUNT TO BE PAID IS DETERMINED AT THE TIME OF VALUATION AND IS NOT LIKELY TO HAVE ADJUSTMENTS IN THE FUTURE, THE BEST ESTIMATE,

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FOR THE PURPOSES OF ESTABLISHING OF THIS RESERVE IS THE AMOUNT CORRESPONDING TO EACH OBLIGATION KNOWN AT THE TIME OF VALUATION.

IN THE CASE OF A FUTURE OBLIGATION PAYABLE IN INSTALMENTS, THE CURRENT VALUE OF THE FUTURE PAYMENTS FLOWS, DISCOUNTED USING THE MARKET RISK-FREE INTEREST RATE CURVES FOR EACH CURRENCY OR MONETARY UNIT, PLUS THE MARGIN OF RISK CALCULATED IN ACCORDANCE WITH THE PROVISIONS IN FORCE.

IN THE CASE OF CEDED REINSURANCE OPERATIONS, THE CORRESPONDING RECOVERY IS SIMULTANEOUSLY RECORDED.

RESERVE FOR OBLIGATIONS PENDING THE OCCURRENCE OF UNREPORTED CLAIMS AND ADJUSTMENT EXPENSES ALLOCATED TO THE CLAIM-
IN THE YEAR 2016, NEW METHODOLOGIES FOR CALCULATING THE RESERVE FOR UNPAID OBLIGATIONS WITH UNREPORTED CLAIMS AND OF ADJUSTMENT EXPENSES ALLOCATED TO THE CLAIM ENTERED INTO FORCE. THESE ARE THE OBLIGATIONS ARISING FROM INCURRED CLAIMS WHICH AT THE DATE OF VALUATION HAVE NOT YET BEEN REPORTED OR HAVE NOT BEEN FULLY REPORTED, AS WELL AS THEIR ADJUSTMENT, SALVAGE AND RECOVERY COSTS. THE RESERVE AT THE TIME OF VALUATION IS DETERMINED TO BE THE BEST ESTIMATE OF FUTURE OBLIGATIONS, BROUGHT TO PRESENT VALUE USING DISCOUNT RATES CORRESPONDING TO THE MARKET RISK-FREE INTEREST RATE CURVE FOR EACH CURRENCY OR MONETARY UNIT, PLUS THE RISK MARGIN CALCULATED IN ACCORDANCE WITH THE PROVISIONS IN FORCE. IN THE CASE OF REINSURANCE OPERATIONS TRANSFERRED, THE CORRESPONDING RECOVERY IS SIMULTANEOUSLY RECORDED. FOR PURPOSES OF CALCULATING THE RESERVATION, IT IS DEFINED THAT AN ACCIDENT HAS NOT BEEN COMPLETELY REPORTED, WHEN HAVING OCCURRED IN DATES PRIOR TO THE VALUATION, OF SUCH LOSS MAY DERIVE FUTURE COMPLEMENTARY CLAIMS OR ADJUSTMENTS TO THE ESTIMATES INITIALLY MADE.

RISK MARGIN-

THIS IS CALCULATED BY DETERMINING THE NET CAPITAL COST CORRESPONDING TO THE OWN FUNDS REQUIRED TO SUPPORT THE RCS, NECESSARY TO COPE WITH THE INSURANCE AND REINSURANCE OBLIGATIONS OF GENERAL DE SEGUROS AND GENERAL DE SALUD, DURING ITS VALIDITY PERIOD. FOR THE PURPOSES OF THE VALUATION OF THE RESERVES OF OUTSTANDING OBLIGATIONS, THE CORRESPONDING RCS OF THE IMMEDIATE QUARTERLY CLOSING PRIOR TO THE VALUATION DATE IS USED.

THE RISK MARGIN IS DETERMINED BY EACH SECTION AND TYPE OF INSURANCE, ACCORDING TO THE TERM AND CURRENCY CONSIDERED IN CALCULATING THE BEST ESTIMATE OF THE CORRESPONDING INSURANCE OBLIGATION.

THE NET CAPITAL COST RATE USED FOR CALCULATING THE RISK MARGIN IS 10%, WHICH IS EQUIVALENT TO THE ADDITIONAL INTEREST RATE, IN RELATION TO THE MARKET RISK-FREE INTEREST RATE WHICH AN INSURANCE INSTITUTION WOULD REQUIRE TO COVER THE COST OF CAPITAL REQUIRED TO MAINTAIN THE AMOUNT OF ELIGIBLE FUNDS THAT ARE SUPPORTING THE RESPECTIVE RCS.

RESERVE FOR UNPAID OBLIGATIONS FOR PAYMENT MANAGEMENT AND OVERDUE BENEFITS-
THIS CORRESPONDS TO THE ADMINISTRATION OF SUMS THAT BY DIVIDENDS, AND TOTALITIES ENTRUSTED TO THE POLICY HOLDERS OR THEIR BENEFICIARIES TO GENERAL DE SEGUROS, THE BETTER ESTIMATE OF FUTURE OBLIGATIONS WITH WHICH THE RESERVE IS ESTABLISHED, CORRESPOND TO THE KNOWN AMOUNT OF EACH OF THOSE OBLIGATIONS AND, WHERE APPROPRIATE, THE YIELDS TO BE CREDITED TO SUCH AMOUNTS.

RESERVES CORRESPONDING TO ASSUMED REINSURANCE OPERATIONS ARE DETERMINED BY APPLYING THE METHODOLOGIES MENTIONED ABOVE.

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FOR REINSURANCE OPERATIONS-

THE ESTABLISHMENT, INCREASE, VALUATION AND REGISTRATION OF THE RESERVE FOR UNPAID OBLIGATIONS, IS ESTABLISHED BY THE ESTIMATION OF OBLIGATIONS, WHICH IS CARRIED OUT BY EMPLOYING THE ACTUARIAL METHODS THAT REASEGURADORA PATRIA HAS REGISTERED FOR SUCH EFFECTS BEFORE THE COMMISSION.

THIS RESERVE IS INTENDED TO COVER THE EXPECTED VALUE OF LOSSES, BENEFITS, GUARANTEED VALUES OR DIVIDENDS, ONCE THE CLAIM IN THE INSURANCE CONTRACT HAS BEEN INCURRED, PLUS A RISK MARGIN.

THE AMOUNT OF THE RESERVE FOR UNPAID OBLIGATIONS WILL BE EQUAL TO THE SUM OF THE BEST ESTIMATION AND A RISK MARGIN, WHICH ARE CALCULATED SEPARATELY AND IN TERMS OF THE FORECASTS IN SECTION 5 OF THE MEMORANDUM.

THIS RESERVATION IS INTEGRATED WITH THE FOLLOWING COMPONENTS:

RESERVE FOR UNPAID OBLIGATIONS FOR CLAIMS AND OTHER OBLIGATIONS OF KNOWN AMOUNT-

THE OBLIGATIONS AT THE CLOSING OF THE UNPAID YEAR FOR LOSSES REPORTED, TOTALITIES EXPIRED, LOST REVENUES, GUARANTEED SECURITIES AND DEDUCTED DIVIDENDS, AMONG OTHERS, WHOSE AMOUNT TO BE PAID IS DETERMINED AT THE TIME OF THE VALUATION AND IS NOT SUSCEPTIBLE OF BEING ADJUSTED IN THE FUTURE, THE BEST ESTIMATION, FOR THE EFFECTS OF THE ESTABLISHMENT OF THIS RESERVE IS THE AMOUNT THAT CORRESPONDS TO EACH OF THE OBLIGATIONS KNOWN AT THE TIME OF THE VALUATION.

IN CASE OF CEDED REINSURANCE OPERATIONS, CORRESPONDING RECOVERY IS RECORDED SIMULTANEOUSLY.

RESERVE FOR UNPAID OBLIGATIONS FOR INCURRED CLAIMS NOT REPORTED AND ADJUSTMENT EXPENSES ALLOCATED TO THE CLAIM-

IN THE YEAR 2016, NEW METHODOLOGIES FOR THE CALCULATION OF THE RESERVE FOR UNPAID OBLIGATIONS FOR INCURRED CLAIMS NOT REPORTED AND ADJUSTMENT EXPENSES ALLOCATED TO THE CLAIM, CAME INTO FORCE.

THESE ARE THE OBLIGATIONS ORIGINATED BY CLAIMS WHICH, BEING INCURRED AT THE DATE OF VALUATION, HAVE NOT BEEN REPORTED OR NOT COMPLETELY REPORTED, AS WELL AS THEIR ADJUSTMENT EXPENSES, SALVAGE AND RECOVERY COSTS. THE RESERVE, AT THE TIME OF THE VALUATION, IS DETERMINED AS THE BEST ESTIMATION OF FUTURE OBLIGATIONS, BROUGHT TO PRESENT VALUE USING DISCOUNT RATES CORRESPONDING TO MARKET RISK-FREE INTEREST RATE CURVES FOR EACH CURRENCY OR MONETARY UNIT, PLUS MARGIN OF RISK CALCULATED IN ACCORDANCE WITH THE PROVISIONS IN FORCE. IN CASE OF OPERATIONS OF CEDED REINSURANCE, THE CORRESPONDING RECOVERY IS SIMULTANEOUSLY RECORDED.

FOR CALCULATION PURPOSES OF THE RESERVATION IT IS DEFINED THAT A SINISTER HAS NOT BEEN COMPLETELY REPORTED WHEN BEING INCURRED AT DATES PRIOR TO VALUATION, CLAIMS OR ADJUSTMENTS TO SUCH DAMAGES MAY BE DERIVED TO FUTURE COMPLEMENTARY ESTIMATES INITIALLY MADE.

RISK MARGIN-

IT IS CALCULATED BY DETERMINING THE NET CAPITAL COST CORRESPONDING TO THE OWN FUNDS ADMISSIBLE REQUIRED TO SUPPORT THE RCS, NECESSARY TO MEET THE INSURANCE AND REINSURANCE OBLIGATIONS OF ASEGURADORA PATRIA, DURING THE PERIOD OF VALIDITY. FOR THE EFFECT OF THE VALUATION OF RESERVES OF UNPAID OBLIGATIONS, THE RCS CORRESPONDING TO THE CLOSING OF THE IMMEDIATE MONTH PRIOR TO THE DATE OF VALUATION. IN THE EVENT OF INCREASES OR RELEVANT DECREASES IN THE AMOUNT OF THE OBLIGATIONS OF REINSURANCE AGENCY TO THE DATE OF REPORT, REASEGURADORA PATRIA MAKES ADJUSTMENTS TO THAT RISK MARGIN, WHICH ALLOWS IT TO RECOGNIZE INCREASES OR DECREASES THAT MAY HAVE THE SAME DERIVATIVES FROM SAID SITUATIONS. IN THESE CASES, THE COMMISSION IS INFORMED OF THE ADJUSTMENT PROCEDURES

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USED TO MAKE SUCH ADJUSTMENT.

THE RISK MARGIN IS DETERMINED BY EACH SECTION AND TYPE OF INSURANCE, ACCORDING TO THE TERM AND CURRENCY CONSIDERED IN THE CALCULATION OF THE BEST ESTIMATION OF THE CORRESPONDING INSURANCE OBLIGATION.

THE NET CAPITAL COST RATE USED FOR THE CALCULATION OF THE RISK MARGIN IS 10%, EQUIVALENT TO THE ADDITIONAL INTEREST RATE, IN RELATION TO THE MARKET RISK-FREE INTEREST RATE THAT AN INSURANCE INSTITUTION WOULD REQUIRE TO COVER THE COST OF CAPITAL REQUIRED TO MAINTAIN THE AMOUNT OF ELIGIBLE OWN FUNDS THAT SUPPORTS THE RESPECTIVE RCS.

RESERVE FOR CATASTROPHIC RISKS-
FOR INSURANCE OPERATIONS-

COVERAGE OF EARTHQUAKE AND/OR VOLCANIC ERUPTION-

THIS RESERVE IS INTENDED TO COVER THE VALUE OF THE MAXIMUM PROBABLE LOSS DERIVED FROM THE INCURRENCE OF CATASTROPHIC CLAIMS FROM THE OBLIGATIONS CONTRACTED BY GENERAL DE SEGUROS FOR RISK EARTHQUAKE RETAINED INSURANCE. IT IS ACCUMULATIVE AND ITS ESTABLISHMENT AND MONTHLY INCREASE WILL TAKE PLACE WITH THE ACCRUED PART OF RETAINED RISK PREMIUMS CALCULATED ACCORDING TO MODEL AND TECHNICAL PROCEDURES ESTABLISHED IN ANNEX 5.1.5-A OF THE MEMORANDUM FROM THE POLICIES THAT HAVE BEEN IN FORCE IN THE MONTH IN CASE. THE FINANCIAL PRODUCTS OF THE ABOVE MENTIONED WILL BE ADDED TO THE BALANCE OF THE RESERVE, CALCULATED ON THE AVERAGE MONTHLY RATE EFFECTIVE OF THE ISSUES OF THE MONTH IN QUESTION, OF THE CERTIFICATES OF THE FEDERAL TREASURY AT 28 DAYS AND, FOR THE CONSTITUTION IN FOREIGN CURRENCY, IN THE ARITHMETIC MEDIAN OF THE LIBOR RATE AT 30 DAYS. THE RESPECTIVE FINANCIAL PRODUCTS WILL BE CAPITALIZABLE MONTHLY, AND CAN ONLY BE AFFECTED IN THE EVENT OF A CLAIM AND UNDER CERTAIN SITUATIONS REFERRED TO IN THE REGULATION IN FORCE, AS MENTIONED IN CHAPTER 5.6.5 SECTION V OF THE MEMORANDUM WITH PREVIOUS AUTHORIZATION BY THE COMMISSION. THE BALANCE OF THIS RESERVE WILL HAVE A MAXIMUM LIMIT, DETERMINED BY THE TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION IN ACCORDANCE WITH SECTION VI OF CHAPTER 5.6.5 OF THE MEMORANDUM.

COVERAGE OF HURRICANE AND OTHER HYDROMETEOROLOGICAL RISKS-

THIS RESERVE IS INTENDED TO COVER THE VALUE OF THE MAXIMUM PROBABLE LOSS DERIVED FROM THE OCCURRENCE OF CATASTROPHIC CLAIMS FROM THE OBLIGATIONS CONTRACTED BY GENERAL SEGUROS THROUGH HURRICANE INSURANCE AND OTHER HYDROMETEOROLOGICAL RISKS. IT IS ACCUMULATIVE AND ITS ESTABLISHMENT AND MONTHLY INCREASE WILL TAKE PLACE WITH THE ACCRUED PART OF RETAINED RISK PREMIUMS CALCULATED ACCORDING TO MODEL AND TECHNICAL PROCEDURES ESTABLISHED IN ANNEX 5.1.6-A OF THE MEMORANDUM FROM THE POLICIES THAT HAVE BEEN IN FORCE IN THE MONTH IN CASE. THE FINANCIAL PRODUCTS OF THE ABOVE MENTIONED WILL BE ADDED TO THE BALANCE OF THE RESERVE, CALCULATED ON THE AVERAGE MONTHLY RATE EFFECTIVE OF THE ISSUES OF THE MONTH IN QUESTION, OF THE CERTIFICATES OF THE FEDERAL TREASURY AT 28 DAYS AND, FOR THE CONSTITUTION IN FOREIGN CURRENCY, IN THE ARITHMETIC MEDIAN OF THE LIBOR RATE AT 30 DAYS. THE RESPECTIVE FINANCIAL PRODUCTS WILL BE CAPITALIZABLE MONTHLY, AND CAN ONLY BE AFFECTED IN THE EVENT OF A CLAIM AND UNDER CERTAIN SITUATIONS REFERRED TO IN THE REGULATION IN FORCE, AS MENTIONED IN CHAPTER 5.6.5 SECTION VI OF THE MEMORANDUM WITH PREVIOUS AUTHORIZATION BY THE COMMISSION. THE BALANCE OF THIS RESERVE WILL HAVE A MAXIMUM LIMIT, DETERMINED BY THE TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION IN ACCORDANCE WITH SECTION VIII OF CHAPTER 5.6.5 OF THE MEMORANDUM.

AGRICULTURE AND ANIMAL-

THIS RESERVE IS INTENDED TO COVER THE VALUE OF THE MAXIMUM PROBABLE LOSS DERIVED FROM THE OCCURRENCE OF CATASTROPHIC CLAIMS FROM THE OBLIGATIONS CONTRACTED BY GENERAL SEGUROS THROUGH AGRICULTURAL AND ANIMAL INSURANCE. IT IS CUMULATIVE AND ITS

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ESTABLISHMENT AND MONTHLY INCREASE WILL COME FROM 35% OF THE ACCRUED PART OF RETAINED RISK PREMIUMS OF THE VALID CONTRACTS IN THE MONTH IN QUESTION. THE FINANCIAL PRODUCTS OF THE ABOVE MENTIONED WILL BE ADDED TO THE BALANCE OF THE RESERVE, CALCULATED ON THE EFFECTIVE AVERAGE MONTHLY RATE OF THE ISSUES OF THE MONTH IN QUESTION, OF THE CERTIFICATES OF THE FEDERAL TREASURY AT 28 DAYS AND, FOR THE CONSTITUTION IN FOREIGN CURRENCY, IN THE ARITHMETIC MEDIAN OF THE LIBOR RATE AT 30 DAYS. THE RESPECTIVE FINANCIAL PRODUCTS WILL BE CAPITALIZABLE MONTHLY, AND CAN ONLY BE AFFECTED IN THE EVENT OF A CLAIM AND UNDER CERTAIN SITUATIONS REFERRED TO IN THE REGULATION IN FORCE, AS MENTIONED IN CHAPTER 5.6.1 SECTION VI OF THE MEMORANDUM WITH PREVIOUS AUTHORIZATION BY THE COMMISSION.

THE BALANCE OF THIS RESERVE WILL HAVE A MAXIMUM LIMIT, DETERMINED BY THE TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION IN ACCORDANCE WITH SECTION VII OF CHAPTER 5.6.1 OF THE MEMORANDUM.

FOR REINSURANCE OPERATIONS -

COVERAGE OF EARTHQUAKE AND/OR VOLCANIC ERUPTION-

THIS RESERVE IS INTENDED TO COVER THE VALUE OF THE MAXIMUM PROBABLE LOSS DERIVED FROM THE OCCURRENCE OF CATASTROPHIC CLAIMS FROM THE OBLIGATIONS CONTRACTED BY ASEGURADORA PATRIA THROUGH EARTHQUAKE INSURANCE OF RISK RETAINED, IT IS CUMULATIVE AND CAN ONLY BE AFFECTED IN THE EVENT OF CLAIMS AND UNDER SOME SITUATIONS REFERRED TO IN THE REGULATION IN FORCE, WITH THE AUTHORIZATION OF THE COMMISSION. THE INCREASE TO SAID RESERVE IS EXECUTED BY THE RELEASE OF THE CURRENT RISK RESERVE RETENTION OF THE EARTHQUAKE SECTION AND BY THE CAPITALIZATION OF THE FINANCIAL PRODUCTS. THE BALANCE OF THIS RESERVE WILL HAVE A MAXIMUM LIMIT, DETERMINED THROUGH TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION.

COVERAGE OF HURRICANE AND OTHER HYDROMETEOROLOGICAL RISKS-

THIS RESERVE IS INTENDED TO COVER THE VALUE OF THE MAXIMUM PROBABLE LOSS DERIVED FROM THE INCURRENCE OF CATASTROPHIC CLAIMS FROM THE OBLIGATIONS CONTRACTED BY ASEGURADORA PATRIA THROUGH HURRICANE INSURANCE AND OTHER HYDROMETEOROLOGICAL RISKS. IT IS CUMULATIVE AND CAN ONLY BE AFFECTED IN THE EVENT OF CLAIMS AND UNDER SOME SITUATIONS REFERRED TO IN THE REGULATION IN FORCE, WITH THE AUTHORIZATION OF THE COMMISSION. THE INCREASE TO SAID RESERVE IS EXECUTED BY THE RELEASE OF THE CURRENT RISK RESERVE RETENTION OF THE EARTHQUAKE SECTION AND BY THE CAPITALIZATION OF THE FINANCIAL PRODUCTS. THE BALANCE OF THIS RESERVE WILL HAVE A MAXIMUM LIMIT, DETERMINED THROUGH TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION.

CATASTROPHIC RISK RESERVE FOR AGRICULTURAL AND ANIMAL INSURANCE-

THIS RESERVE IS INTENDED TO COVER THE VALUE OF THE MAXIMUM PROBABLE LOSS DERIVED FROM THE INCURRENCE OF CATASTROPHIC CLAIMS FROM THE OBLIGATIONS CONTRACTED BY ASEGURADORA PATRIA THROUGH RETAINED RISKS BY AGRICULTURAL INSURANCE AND OF ANIMALS. IT IS CUMULATIVE AND CAN ONLY BE AFFECTED IN THE EVENT OF CLAIMS AND UNDER SOME SITUATIONS REFERRED TO IN THE REGULATION IN FORCE, WITH THE AUTHORIZATION OF THE COMMISSION. THE INCREASE TO SAID RESERVE IS EXECUTED MONTHLY AS 35% OF THE ACCRUED PART OF THE RETAINED PREMIUM PLUS THE FINANCIAL PRODUCT. THE BALANCE OF THIS RESERVE WILL HAVE A MAXIMUM LIMIT, DETERMINED BY THE TECHNICAL PROCEDURE ESTABLISHED IN THE RULES ISSUED BY THE COMMISSION.

RESERVE OF CATASTROPHIC RISKS OF CREDIT INSURANCE-

THIS RESERVE HAS THE PURPOSE OF COVERING THE VALUE OF THE MAXIMUM PROBABLE LOSS DERIVED FROM THE OCCURRENCE OF CATASTROPHIC CLAIMS FROM THE OBLIGATIONS CONTRACTED BY ASEGURADORA PATRIA OF THE RISKS HELD BY THE INSURANCE CREDIT. IT IS CUMULATIVE AND CAN

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ONLY BE AFFECTED IN THE EVENT OF A CLAIM AND UNDER CERTAIN SITUATIONS REFERRED TO IN THE REGULATION IN FORCE, WITH PREVIOUS AUTHORIZATION OF THE COMMISSION. THE INCREASE TO THAT RESERVE IS ESTABLISHED WITH AN ANNUAL CONTRIBUTION WHICH IS CALCULATED AS 75% OF THE DIFFERENCE BETWEEN THE RETAINED PART OF THE ACCRUED RISK PREMIUM AND THE PART RETAINED FROM THE CLAIMS REGISTERED IN THE FINANCIAL YEAR. THE BALANCE OF THIS RESERVE WILL HAVE A MAXIMUM LIMIT, DETERMINED BY THE REGISTERED PROCEDURE BEFORE THE COMMISSION.

RESERVE FOR VALID BONDS FOR REINSURANCE OPERATIONS-
IN ACCORDANCE WITH THE RULES ESTABLISHED FOR THE ESTABLISHMENT, INCREASE AND VALUATION OF TECHNICAL RESERVES FOR VALID BONDS AND CONTINGENCIES, THERE SHOULD BE CONSIDERED COMPONENTS IN THE VALUATION SUCH AS: THE INDEX OF COMPANY PAID CLAIMS AT THE SECTION LEVEL, MARKET INDEX, WEIGHTED INDEX AND THE AMOUNT OF RESPONSIBILITIES PER SECTION. REASEGURADORA PATRIA DETERMINES THE RESERVES FOR VALID BONDS AND CONTINGENCY ACCORDING TO THE PROCEDURE MADE KNOWN TO THE AUTHORITY RESULTING FROM THE INFORMATION PROVIDED BY BONDING INSTITUTIONS. ACCORDING TO THE METHODOLOGY APPLIED BY REASEGURADORA PATRIA, THE RESERVE FOR VALID BONDS WAS CALCULATED BY APPLYING THE FACTOR OF 0.87 TO THE PREMIUMS FROM ASSUMED REBONDING DIMINISHED FROM THE BASIC REBONDING COMMISSIONS, NET FROM REINSURANCE.

THE CURRENT RESERVE FOR BONDS IS RELEASED THROUGH THE EIGHTHS' METHOD, EXCEPT THE RESERVE THAT IS CONSTITUTED ON THE PREMIUMS ASSUMED IN MEXICO. THIS RESERVE CAN ONLY BE RELEASED WHEN THE RESPONSIBILITY COVERED IN THE RESPECTIVE BOND POLICY HAS EXPIRED.

RESERVE FOR CONTINGENCIES UNDER REINSURANCE-
IN THE FINANCIAL YEARS OF 2017 AND 2016, REASEGURADORA PATRIA DETERMINED THIS RESERVE BY APPLYING THE FACTOR OF 0.13 TO THE RETAINED PREMIUMS OF ASSUMED REBONDING DEDUCTED FROM THE BASIC REBONDING COMMISSIONS. THIS RESERVE IS CUMULATIVE.

(I) PROVISIONS-

THE INSTITUTION RECOGNIZES, ON THE BASIS OF ADMINISTRATION ESTIMATES, PROVISIONS OF LIABILITY FOR THOSE OBLIGATIONS PRESENT IN WHICH THE TRANSFER OF ASSETS OR THE PROVISION OF SERVICES IS VIRTUALLY INELUTABLE AND ARISES AS A RESULT OF PAST EVENTS, MAINLY DERIVED ACQUISITION COSTS, OPERATING EXPENSES, SALARIES, GRANTS AND OTHER PAYMENTS TO STAFF.

(J) EMPLOYEE BENEFITS-

DIRECT SHORT-TERM BENEFITS

THE BENEFITS OF SHORT-TERM DIRECT EMPLOYEES ARE RECOGNIZED IN THE RESULTS OF THE PERIOD IN WHICH THE SERVICES EARNED WERE RENDERED. A LIABILITY IS RECOGNIZED FOR AN AMOUNT TO BE PAID IF THE INSTITUTION HAS A LEGAL OR ASSUMED OBLIGATION TO PAY THIS AMOUNT AS A RESULT OF PAST SERVICES PROVIDED AND THE OBLIGATION CAN BE ESTIMATED REASONABLE.

DIRECT LONG-TERM BENEFITS

THE INSTITUTION'S NET OBLIGATION ON LONG-TERM DIRECT BENEFITS (EXCEPT FOR DEFERRED PTU - SEE SECTION (K) TAXES ON PROFIT AND WORKERS' PROFIT SHARING) AND THAT THE INSTITUTION IS EXPECTED TO PAY AFTER THE TWELVE MONTHS OF THE MOST RECENT CONSOLIDATED BALANCE SHEET DATE PRESENT, IS THE AMOUNT OF FUTURE BENEFITS THAT EMPLOYEES HAVE OBTAINED IN EXCHANGE FOR THEIR SERVICE IN THE CURRENT YEAR AND IN PREVIOUS YEARS. THIS BENEFIT IS DISCOUNTED TO DETERMINE ITS CURRENT VALUE. REMEDIES ARE RECOGNIZED IN THE RESULTS OF THE PERIOD IN WHICH THEY ARE ACCRUED.

TERMINATION BENEFITS

A LIABILITY FOR TERMINATION BENEFITS AND A COST OR EXPENSE IS RECOGNIZED WHEN THE

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INSTITUTION HAS NO REALISTIC ALTERNATIVE OTHER THAN THAT OF FACING PAYMENT OR IS UNABLE TO WITHDRAW THE OFFER OF THESE BENEFITS, OR WHEN IT COMPLIES WITH THE CONDITIONS FOR RECOGNITION OF THE COSTS OF A RESTRUCTURING, WHICHEVER OCCURS FIRST. IF THEY ARE NOT EXPECTED TO BE SETTLED WITHIN 12 MONTHS AFTER THE CLOSING OF THE YEAR, THEN THEY WILL BE DISCOUNTED.

POST-EMPLOYMENT BENEFITS

DEFINED CONTRIBUTION PLANS

THE OBLIGATIONS FOR CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS ARE RECOGNIZED IN RESULTS AS THE RELATED SERVICES ARE PROVIDED BY EMPLOYEES.

CONTRIBUTIONS PAID IN ADVANCE ARE RECOGNIZED AS AN ASSET TO THE EXTENT THAT THE ADVANCE PAYMENT RESULT IN A REDUCTION IN THE PAYMENTS TO BE MADE IN THE FUTURE OR A CASH REIMBURSEMENT.

DEFINED BENEFIT PLANS

THE INSTITUTION'S NET OBLIGATION FOR BENEFIT PLANS DEFINED BY: PENSION PLANS, SENIORITY PREMIUMS, LEGAL COMPEMSATION BENEFITS, CALCULATED SEPARATELY FOR EACH PLAN, ESTIMATING THE AMOUNT OF FUTURE BENEFITS EMPLOYEES HAVE GAINED IN THE CURRENT YEAR AND REVIOUS YEARS, DEDUCTING SAID AMOUNT AND DEDUCTING THEMSELVES, THE REASONABLE VALUE OF THE ASSETS OF THE PLAN.

THE CALCULATION OF THE OBLIGATIONS BY DEFINED BENEFIT PLANS IS DONE ANNUALLY BY QUALIFIED ACTUARIES, USING THE PROJECTED UNIT CREDIT METHOD. WHEN THE CALCULATION RESULTS IN A POSSIBLE ASSET FOR THE INSTITUTION, THE RECOGNITION IS LIMITED TO THE CURRENT VALUE OF THE AVAILABLE ECONOMIC BENEFITS AS FUTURE REFUNDS TO THE PLAN OR REDUCTIONS IN FUTURE CONTRIBUTIONS. IN ORDER TO CALCULATE THE CURRENT VALUE OF THE ECONOMIC BENEFITS, ANY MINIMUM FINANCING REQUIREMENT MUST BE CONSIDERED.

THE LABOR COST OF CURRENT SERVICE, WHICH REPRESENTS THE COST OF THE PERIOD OF BENEFITS TO THE EMPLOYEE FOR HAVING FULFILLED ONE MORE YEAR OF WORK LIFE BASED ON THE BENEFIT PLANS, ARE RECOGNIZED IN THE OPERATING EXPENSES. THE INSTITUTION DETERMINES THE EXPENDITURE (INCOME) ON NET LIABILITIES (ASSETS) DEFINED FOR THE PERIOD, MULTIPLYING THE DISCOUNT RATE USED TO MEASURE THE OBLIGATION OF DEFINED BENEFIT BY NET LIABILITIES (ASSETS) DEFINED AT THE BEGINNING OF THE ANNUAL PERIOD IN WHICH IT IS INFORMED, TAKING INTO ACCOUNT THE CHANGES IN NET LIABILITIES (ASSETS) OF DEFINED BENEFITS DURING THE PERIOD AS A RESULT OF ESTIMATES OF CONTRIBUTIONS AND PAYMENTS OF BENEFITS. NET INTEREST IS RECOGNIZED IN THE CONSOLIDATED RESULTS.

MODIFICATIONS TO PLANS AFFECTING THE COST OF PAST SERVICES ARE ACKNOWLEDED IN THE IMMEDIATE RESULTS IN THE YEAR IN WHICH THE MODIFICATION OCCURS, WITHOUT POSSIBILITY OF DIFFERENCE IN LATER YEARS. LIKEWISE, LIQUIDATION OR REDUCTION OF OBLIGATIONS EVENTS IN THE PERIOD, WHICH SIGNIFICANTLY REDUCE THE COST OF FUTURE SERVICES AND/OR THAT SIGNIFICANTLY REDUCE THE POPULATION SUBJECT TO THE BENEFITS, RESPECTIVELY, ARE RECOGNIZED IN THE RESULTS OF THE PERIOD.

REMEASUREMENT (BEFORE EARNINGS AND ACTUARIAL LOSS), RESULTING FROM DIFFERENCES BETWEEN THE ACTUARIAL HYPOTHESES PROJECTED AND REAL ONES AT THE END OF THE PERIOD, ARE RECOGNIZED IN THE PERIOD IN WHICH THEY ARE INCURRED AS PART OF THE INTEGRAL RESULTS WITHIN THE TOTAL EQUITY.

AS OF DECEMBER 31, 2017 AND 2016, FOR THE PURPOSES OF RECOGNITION OF POST-EMPLOYMENT BENEFITS IN GENERAL DE SEGUROS, THE REMAINING AVERAGE EMPLOYEE LIFE OF EMPLOYEES THAT HAVE THE RIGHT TO THE BENEFITS OF THE PLAN IS ABOUT 16 AND 20 YEARS RESPECTIVELY FOR GROUP 1 AND 1 AND 2 YEARS FOR GROUP 2, RESPECTIVELY.

(K) TAXES ON PROFIT AND WORKERS' PROFIT SHARING (PTU) -
UTILITY AND PTC TAXES RESULTED FOR THE YEAR ARE DETERMINED IN ACCORDANCE WITH FISCAL PROVISIONS IN FORCE.

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DEFERRED UTILITY TAX AND DEFERRED PTU ARE REGISTERED IN ACCORDANCE WITH THE METHOD OF ASSETS AND LIABILITIES, WHICH COMPARES THEIR ACCOUNTING AND TAX SECURITIES. INCOME TAX AND DEFERRED PTU (ASSETS AND LIABILITIES) ARE RECOGNIZED BY THE FUTURE CONSEQUENCES ATTRIBUTABLE TO THE TEMPORARY DIFFERENCES BETWEEN THE VALUES REFLECTED IN THE FINANCIAL STATEMENTS OF EXISTING ASSETS AND LIABILITIES AND RELATIVE TAX BASES AND IN THE CASE OF TAXES TO THE PROFIT, FOR TAX LOSSES FOR AMORTIZING AND OTHER TAX CREDITS TO BE RECOVERED. ASSETS AND LIABILITIES FOR DEFERRED UTILITY TAX AND PTU ARE CALCULATED USING THE RATES ESTABLISHED IN THE CORRESPONDING LAW, WHICH WILL APPLY TO THE TAXABLE UTILITY IN THE YEARS IT IS INTENDED TO REVERT THE TEMPORARY DIFFERENCES. THE EFFECT OF CHANGES IN TAX RATES ON DEFERRED UTILITY TAX AND PTU ARE RECOGNIZED IN THE RESULTS OF THE PERIOD IN WHICH THESE CHANGES ARE APPROVED.

TAXES AND FEES CAUSED AND DEFERRED ARE PRESENTED AND CLASSIFIED IN THE RESULTS OF THE PERIOD, EXCEPT THOSE ARISING OUT OF A TRANSACTION RECOGNIZED DIRECTLY ON A SECTION OF THE TOTAL EQUITY.

(L) CUMULATIVE TRANSLATION EFFECT-

THIS REPRESENTS THE DIFFERENCE RESULTING FROM TRANSLATING FOREIGN OPERATIONS FROM THEIR OPERATING CURRENCY TO THE REPORTING CURRENCY.

(M) SURPLUS BY VALUATION-

THE "VALUATION SURPLUS" ITEM INCLUDES THE VALUATION EFFECT OF REAL ESTATE, VALUATION OF CURRENT LONG-TERM RISK RESERVES AND ITS RESPECTIVE INCOME TAX AND DEFERRED PTU TAX.

N) INCOME RECOGNITION-

INCOME FROM INSURANCE AND REINSURANCE PREMIUMS-

REVENUES FOR THESE OPERATIONS ARE RECORDED IN TERMS OF PREMIUMS CORRESPONDING TO THE POLICIES CONTRACTED, SUPPLEMENTED BY REINSURANCE PREMIUMS ASSUMED AND DIMINISHED BY THE PREMIUMS CEDED IN REINSURANCE.

INSURANCE PREMIUMS OR THE CORRESPONDING FRACTION, ORIGINATED BY THE OPERATIONS MENTIONED ABOVE THAT HAVE NOT BEEN PAID BY THE INSURED WITHIN THE PERIOD STIPULATED BY LAW ARE AUTOMATICALLY CANCELLED, RELEASING THE RESERVE FOR RISKS IN COURSE AND IN THE CASE OF REHABILITATIONS, THE RESERVATION IS RECONSTITUTED FROM THE MONTH IN WHICH THE INSURANCE VALIDITY IS RECOVERED.

REINSURANCE-

FOR INSURANCE OPERATIONS-

ASSUMED

THE OPERATIONS DERIVED FROM REINSURANCE ACCEPTANCES ARE ACCOUNTED FOR IN THE STATEMENTS RECEIVED FROM THE ASSIGNORS, WHICH ARE GENERALLY FORMULATED IN MONTHLY, AN ASPECT THAT CAUSES A MONTH TO BE DEFERRED IN THE REGISTER OF THE PREMIUMS, CLAIMS, COMMISSIONS, ETC.

CEDED

THE INSTITUTION LIMITS THE AMOUNT OF ITS RESPONSIBILITY FOR THE RISKS ASSUMED BY THE DISTRIBUTION WITH REINSURERS, THROUGH AUTOMATIC AND FACULTATIVE CONTRACTS YIELDING TO SUCH REINSURERS A PART OF THE PREMIUM.

THE INSTITUTION HAS LIMITED RETENTION CAPACITY IN ALL SECTIONS AND CONTRACTS COVERAGE OF EXCESS LOSS, COVERING FIRE, AUTOMOBILE, EARTHQUAKE AND OTHER CATASTROPHIC RISKS.

BY REINSURANCE OPERATIONS

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REINSURANCE TAKEN AND RETROCEDED-

THE MAIN INCOME AND COSTS OF REASEGURADORA PATRIA ARE DERIVED FROM VARIOUS OPTIONAL CONTRACTS AND ACCEPTANCES OF REINSURANCE ASSUMED AND RETROCEDED, WHICH HAVE BEEN ENTERED INTO WITH THE LICENSING COMPANIES AND THE REINSURERS, BOTH DOMESTIC AND FOREIGN.

THE OPERATIONS DERIVED FROM THE ASSUMED REINSURANCE, ARE ACCOUNTED FOR IN THE CASE OF THE BUSINESSES, DEPENDING ON THE ACCEPTANCE OF BUSINESS OR WHEN RECEIVING THE GUARANTEE OF PREMIUM PAYMENT; WITH RESPECT TO AUTOMATIC CONTRACTS THROUGH STATEMENTS RECEIVED FROM THE TRANSFERORS, WHICH HAVE A PRESENTATION DATE OF ACCOUNTS, IN A QUARTERLY AND HALF-YEARLY BASIS, ASPECTS THAT CAUSE THE DEFERMENT OF AT LEAST A QUARTER IN THE REGISTRATION OF PREMIUMS, CLAIMS, COMMISSIONS, ETC. FROM 2013, THE AMENDING MEMORANDUM 56/11 OF THE CIRCULAR LETTER ON INSURANCE ISSUED BY THE COMMISSION, STATES THAT THE OPERATIONS SHOULD BE RECOGNIZED NO LATER THAN THE FOLLOWING MONTH IN WHICH THEY HAVE BEEN CARRIED OUT, AND, IN ADDITION, REASEGURADORA PATRIA DETERMINES AN ESTIMATION IN THE REGISTRATION OF PREMIUMS, CLAIMS, COMMISSIONS, ETC., BASED ON THE EXPERIENCE OF THE AFOREMENTIONED CONCEPTS, ACCORDING TO THE METHODOLOGY AND ACCOUNTING RECORDS PROPOSED BY SPECIALISTS FROM REASEGURADORA PATRIA AND MADE KNOWN TO THE COMMISSION.

THE INSTITUTION LIMITS THE AMOUNT OF ITS RESPONSIBILITY BY DISTRIBUTING THE RISKS ASSUMED AMONG REINSURERS, THROUGH AUTOMATIC CONTRACTS AND BY GIVING OR RECEDING TO SUCH REINSURERS A PART OF THE PREMIUM.

THE INSTITUTION HAS LIMITED RETENTION CAPACITY IN ALL SECTIONS AND CONTRACTS COVERAGE OF EXCESS LOSS, COVERING BASICALLY FIRE, CAR, EARTHQUAKE, HYDROMETEOROLOGICAL, LIFE, BOND AND OTHER CATASTROPHIC RISKS.

REINSURERS OR RETROCESSIONARIES ARE OBLIGED TO REIMBURSE THE INSTITUTION THE CLAIMS REPORTED BASED ON THEIR PARTICIPATION.

INCOME FROM INSURANCE OPERATIONS SALVAGE-

INCOME FROM SALVAGE IS RECOGNISED AS AN ASSET AND A DECREASE IN THE COST OF ACCIDENTS ON THE DATE ON WHICH THEY ARE KNOWN AND ITS ESTIMATED REALIZATION VALUE.

PROFIT SHARING OF REINSURANCE OPERATIONS-

IN INSURANCE OPERATIONS

PROFIT SHARING CORRESPONDING TO CEDED REINSURANCE IS RECORDED AS INCOME IN ACCORDANCE WITH THE TIME LIMITS STIPULATED IN THE RESPECTIVE CONTRACTS, AS THEIR TECHNICAL RESULTS ARE DETERMINED.

IN REINSURANCE OPERATIONS

PROFIT SHARING CORRESPONDING TO ASSUMED AND RECEDED REINSURANCE IS DETERMINED AND RECORDED AS INCOME OR COST, UNTIL THE TECHNICAL RESULT OF THE CONTRACTS BECOMES KNOWN, WHICH USUALLY OCCURS WITHIN THE PERIOD IN WHICH THEY EXPIRE.

RECOVERABLE AMOUNTS FROM REINSURANCE-

THE INSTITUTION RECORDS THE PARTICIPATION OF REINSURERS IN THE RESERVES FOR CURRENT RISKS AND UNPAID OBLIGATIONS WITH CLAIMS NOT REPORTED AND ADJUSTMENT EXPENSES ALLOCATED TO THE CLAIMS, AS WELL AS THE AMOUNT EXPECTED FROM FUTURE LIABILITIES ARISING FROM REPORTED CLAIMS.

THE INSTITUTION'S MANAGEMENT DETERMINES THE ESTIMATE OF RECOVERABLE AMOUNTS BY THE PARTICIPATION OF REINSURERS IN THE RESERVERS MENTIONED IN THE PARAGRAPH ABOVE, CONSIDERING THE TEMPORARY DIFFERENCE BETWEEN RECOVERY OF REINSURANCE AND DIRECT PAYMENTS, AND THE PROBABILITY OF RECOVERY, AS WELL AS THE LOSSES EXPECTED FROM DEFAULT OF THE COUNTERPARTY. THE METHODOLOGIES FOR THE CALCULATION OF THIS ESTIMATE ARE RECORDED BEFORE THE COMMISSION, THE EFFECT IS

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RECOGNISED IN THE INCOME STATEMENT UNDER THE CATEGORY "COMPREHENSIVE FINANCING INCOME" AND "CLAIMS AND OTHER UNPAID OBLIGATIONS " IN THE CASE OF INSURANCE AND REINSURANCE OPERATIONS, RESPECTIVELY.

IN ACCORDANCE WITH THE PROVISIONS OF THE COMMISSION, THE RECOVERABLE AMOUNTS FROM REINSURANCE CONTRACTS WITH NON-REGISTERED COUNTERPARTIES ARE NOT LIKELY TO COVER THE INVESTMENT BASE, NOR MAY THEY BE PART OF THE ADMISSIBLE OWN FUNDS.

MINIMUM AND DEPOSIT PREMIUM FOR REINSURANCE OPERATIONS-
MINIMUM PREMIUM AND DEPOSIT BY NON-PROPORTIONAL REINSURANCE CONTRACTS ASSUMED IS RECORDED FROM THE START OF THE VALIDITY WITH THE CREATION OF THE RESPECTIVE RESERVE FOR CURRENT RISKS.

POLICY RIGHTS AND PREMIUM SURCHARGES-
REVENUE FROM POLICY RIGHTS CORRESPOND TO THE RECOVERY OF EXPENSES AND ARE RECOGNISED DIRECTLY UNDER RESULTS ON THE DATE OF THE ISSUANCE OF THE POLICY.

INCOME FROM PREMIUM SURCHARGES PERTAINS TO THE FINANCING DERIVED FROM THE POLICIES WITH SPLIT PAYMENTS AND ARE RECOGNISED UNDER RESULTS AS ACCRUED.

INCOME FROM SERVICES-
REVENUE FROM SERVICES IS RECORDED AS IT IS PROVIDED.

(O) NET ACQUISITION COST-
FOR INSURANCE OPERATIONS
THIS ITEM IS MAINLY INTEGRATED BY COMMISSIONS TO INSURANCE AGENTS THAT ARE RECOGNIZED IN INCOME AT THE TIME OF THE ISSUANCE OF THE POLICIES, ADDITIONAL COMPENSATIONS TO AGENTS AND OTHER ACQUISITION COSTS, AND IS REDUCED BY INCOME COMMISSIONS FOR CEDED REINSURANCE. PAYMENT TO AGENTS IS MADE WHEN THE PREMIUMS ARE CHARGED.

FOR REINSURANCE OPERATIONS
THE ACQUISITION COSTS (PAID COMMISSIONS AND BROKERAGES) ARE ACCOUNTED FOR WHEN THE PREMIUMS ASSMED BY THE CEDING COMPANIES ARE RECOGNISED.
LIKewise, COMMISSION EARNED IN INCOME OF THE FISCAL YEAR IS APPLIED JOINTLY WITH THE RESPECTIVE RETROCEDED PREMIUM.

(P) BUSINESS CONCENTRATION-
THE PRODUCTS OF THE INSTITUTION ARE MARKETED TO A LARGE NUMBER OF CUSTOMERS, WITHOUT THERE BEING AN IMPORTANT CONCENTRATION IN ANY SPECIFIC CLIENT.

(Q) COMPREHENSIVE INCOME FROM FINANCING (CIF)
CIF INCLUDES INTEREST, VALUATION EFFECTS, SURCHARGES ON PREMIUMS, INCOME FROM THE SALE OF FINANCIAL INSTRUMENTS, EXCHANGE INCOME AND PREVENTIVE RESERVES FOR CREDIT RISK FOR LOANS ISSUED AND RECOVERABLE AMOUNTS FROM REINSURANCE.

TRANSACTIONS IN FOREIGN CURRENCY ARE RECORDED AT THE EXCHANGE RATE IN EFFECT ON THE DATES OF THEIR EXECUTION OR SETTLEMENT. REASEGURADORA PATRIA 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.

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(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) RISK MANAGEMENT-

AS PART OF THE CORPORATE GOVERNANCE SYSTEM, THE INSTITUTION HAS ESTABLISHED A SYSTEM OF INTEGRAL RISK MANAGEMENT WITHIN INSURANCE COMPANIES, INCLUDING THE DEFINITION AND CATEGORIZATION OF THE RISKS TO WHICH THE INSTITUTION MAY BE EXPOSED. ACCORDINGLY, THE FOLLOWING RISKS ARE CONSIDERED:

I. ASSUMED INSURANCE AND REINSURANCE UNDERWRITING RISK - THIS REFLECTS THE RISK DERIVED FROM UNDERWRITING, IN RESPONSE TO COVERED CLAIMS AND OPERATION PROCESSES RELATED TO THEIR ATTENTION AND, DEPENDING ON THE TYPE OF INSURANCE, CONSIDERS THE RISKS OF MORTALITY, LONGEVITY, DISABILITY, DISEASE, MORBIDITY, ADMINISTRATION EXPENDITURE, EXPIRATION, CONSERVATION, POLICIES SALVAGE, RISK OF EPIDEMIC, RISKS OF PREMIUMS AND RESERVES, AS WELL AS EXTREME EVENTS.

II. ASSUMED REBONDING UNDERWRITING RISK- REFLECTS THE RISK DERIVING FROM UNDERWRITING, ADDRESSING RISKS OF PAYMENT OF RECEIVED CLAIMS WITH EXPECTATION OF PAYMENT, FOR RECOVERY GUARANTEES, OF NON-GUARANTEED BONDING CONTRACT UNDERWRITING, AS WELL AS PAID CLAIMS, PREMIUMS AND RESERVES.

III. MARKET RISK- REFLECTS POTENTIAL LOSS FROM CHANGES IN RISK FACTORS WHICH INFLUENCE THE VALUE OF ASSETS AND LIABILITIES, SUCH AS INTEREST RATES, CURRENCY EXCHANGE, PRICE INDEXES, AMONG OTHERS.

IV. RISK OF MISMATCH BETWEEN ASSETS AND LIABILITIES - REFLECTS POTENTIAL LOSS DERIVED FROM THE LACK OF STRUCTURAL CORRESPONDENCE BETWEEN ASSETS AND LIABILITIES IN THE EVENT THAT A POSITION CAN NOT BE COVERED BY ESTABLISHING AN EQUIVALENT CONTRARY POSITION, AND CONSIDERS DURATION, CURRENCY, INTEREST RATES, CURRENCY EXCHANGE RATES, PRICE INDEXES, AMONG OTHERS.

V. LIQUIDITY RISK- REFLECTS POTENTIAL LOSS FOR ADVANCE OR FORCED SALE OF ASSETS AT UNUSUAL DISCOUNTS IN ORDER TO MEET OBLIGATIONS, OR THE FACT THAT A POSITION CANNOT BE OPPORTUNELY DISPOSED OR ACQUIRED.

VI. CREDIT RISK- REFLECTS THE POTENTIAL LOSS ARISING FROM THE DEFAULT OF PAYMENT, OR DETERIORATION OF THE SOLVENCY OF CONTRAPARTEES AND DEBTORS IN THE OPERATIONS WHICH THE INSTITUTION PERFORMES, INCLUDING THE GUARANTEES GIVEN TO IT. THIS RISK CONSIDERS THE POTENTIAL LOSS ARISING OUT OF THE BREACH OF CONTRACTS INTENDED TO REDUCE RISK, SUCH AS REINSURANCE AND REBONDING CONTRACTS, AS WELL AS ACCOUNTS RECEIVABLE FROM INTERMEDIARIES AND OTHER CREDIT RISKS WHICH CANNOT BE ESTIMATED IN RESPECT OF THE LEVEL OF THE RISK-FREE INTEREST RATE.

VII. CONCENTRATION RISK- REFLECTS THE POTENTIAL LOSSES ASSOCIATED WITH AN INADECUATE DIVERSIFICATION OF ASSETS AND LIABILITIES, AND WHICH DERIVES FROM EXPOSURES CAUSED BY CREDIT, MARKET, UNDERWRITING, LIQUIDITY, OR A COMBINATION OR INTERACTION OF THEM, BY COUNTERPARTY, BY TYPE OF ASSET, AREA OF ECONOMIC ACTIVITY OR GEOGRAPHIC AREA.

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VIII. OPERATIONAL RISK- REFLECTS POTENTIAL LOSS FROM DEFICIENCIES OR FAILURES IN OPERATING PROCESSES, INFORMATION TECHNOLOGY, HUMAN RESOURCES, OR ANY OTHER ADVERSE EXTERNAL EVENT RELATED TO THE OPERATION OF THE INSTITUTION SUCH AS LEGAL RISK, STRATEGIC RISK AND REPUTATIONAL RISK, AMONG OTHERS.

RISK MANAGEMENT POLICIES

THE INSTITUTION'S BOARD OF DIRECTORS HAS THE OVERALL RESPONSIBILITY FOR THE ESTABLISHMENT AND SUPERVISION OF COMPREHENSIVE RISK MANAGEMENT POLICIES. THE BOARD OF DIRECTORS HAS INTRODUCED A COMPREHENSIVE RISK MANAGEMENT SYSTEM WHICH IS PART OF THE ORGANIZATIONAL STRUCTURE OF THE INSTITUTION, INTEGRATED TO DECISION-MAKING PROCESSES AND SUPPORTED BY THE INTERNAL CONTROL SYSTEM. TO THIS END, IT HAS APPOINTED A SPECIFIC AREA OF THE INSTITUTION RESPONSIBLE FOR DESIGNING, IMPLEMENTING AND MONITORING THE COMPREHENSIVE RISK MANAGEMENT SYSTEM. ADDITIONALLY, A RISK MANAGEMENT COMMITTEE HAS BEEN IMPLEMENTED, WHICH WILL TAKE ON THE SUPERVISION OF THE ADMINISTRATION'S RISK MANAGEMENT POLICIES AND REPORT TO THE BOARD OF DIRECTORS REGULARLY.

THE INSTITUTION'S RISK MANAGEMENT POLICIES ARE ESTABLISHED TO IDENTIFY AND ANALYZE THE RISKS IT FACES, ESTABLISH LIMITS AND ADEQUATE RISK CONTROLS AND MONITORING RISKS AND COMPLIANCE WITH THE LIMITS. RISK MANAGEMENT POLICIES AND SYSTEMS ARE REVISED CONSTANTLY IN ORDER TO REFLECT THE CHANGES IN MARKET CONDITIONS AND ACTIVITIES WITHIN THE INSTITUTION.

THE RISK MANAGEMENT AREA'S AIMS ARE:

I. MONITOR, ADMINISTER, MEASURE, CONTROL, MITIGATE, AND REPORT RISKS TO WHICH THE INSTITUTION IS EXPOSED, INCLUDING THOSE THAT CANNOT BE PERFECTLY QUANTIFIABLE.

II. MONITOR THE IMPLEMENTATION OF THE INSTITUTION'S OPERATIONS TO BE ADJUSTED TO THE LIMITS, OBJECTIVES, POLICIES AND PROCEDURES FOR COMPREHENSIVE RISK MANAGEMENT APPROVED BY THE BOARD OF DIRECTORS.

(T) 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 CASES WHERE THE INSURANCE INSTITUTIONS CONSIDER THAT THERE IS NO ACCOUNTING CRITERION APPLICABLE TO ANY OF THE OPERATIONS THEY PERFORM, ISSUED BY THE CINIF OR THE COMMISSION, THE BASES FOR SUPLETORIEDAD ENVISAGED IN THE NIF A-8 SHALL APPLY, CONSIDERING THAT:

(I) IN NO CASE, SHOULD ITS APPLICATION CONTRAVENE THE GENERAL CONCEPTS SET OUT IN THE ACCOUNTING CRITERIA FOR INSURANCE INSTITUTIONS IN MEXICO DESIGNATED BY THE COMMISSION.

(II) THE RULES THAT HAVE BEEN APPLIED IN THE SUPLETORIETY PROCESS SHALL BE REPLACED WHEN A SPECIFIC ACCOUNTING CRITERION IS ISSUED BY THE COMMISSION, OR A NIF, ON THE SUBJECT ON WHICH THIS PROCESS WAS APPLIED. THE INSTITUTIONS THAT FOLLOW THE SUPPLEMENTARY PROCESS MUST COMMUNICATE IN WRITING THE ACCOUNTING RULE ADOPTED TO THE COMMISSION, AS WELL AS THE BASIS FOR ITS APPLICATION AND THE SOURCE USED. MOREOVER, CORRESPONDING DISCLOSURES MUST BE MADE IN ACCORDANCE WITH PREVAILING REGULATIONS.

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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.