



2016 ANNUAL REPORT

CONTENTS

| | |
|--|----|
| MISSION, VISION AND VALUES | 1 |
| FINANCIAL HIGHLIGHTS | 2 |
| REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS | 3 |
| REPORT OF THE CEO TO THE BOARD OF DIRECTORS | 6 |
| SALES | 8 |
| PRODUCTS, SERVICES AND DISTRIBUTION CHANNELS | 10 |
| PRODUCTIVE FORCE | 15 |
| CUSTOMER SERVICE | 16 |
| OPERATING EFFICIENCY | 19 |
| TECHNICAL RESULT | 20 |
| INVESTMENTS | 23 |
| RESULTS AND SOLVENCY | 24 |
| SOCIAL PROGRAMS | 27 |
| SOCIAL RESPONSIBILITY | 28 |
| ADVERTISING CAMPAIGNS | 30 |
| SUBSIDIARIES | 32 |
| BOARD OF DIRECTORS | 36 |
| PRINCIPAL OFFICERS | 37 |

OUR MISSION

To meet the Mexican society's protection,
financial forecast and health service needs.

OUR VISION

By launching our Vision 2019, we are strengthening through measures that will enable us to remain a leading company in the insurance sector, establishing ourselves as a cutting-edge institution aimed at profitable growth with incomparable service:

To be the best in three dimensions, with two approaches, in three stages

(3 x 2 in 3)

Three dimensions

PROFITABLE GROWTH

INCOMPARABLE SERVICE

CUTTING-EDGE INSTITUTION

with two approaches

People

Business

in three Stages

1

Gain market share

2

Establish market leadership

3

Set the tone in the industry

OUR VALUES

Business-oriented:

Results
Responsibility
Innovation

People-oriented:

Integrity
Collaboration
Passion and Loyalty

Service-oriented:

"We treat our customers as we would like to be treated as customers."

GRUPO NACIONAL PROVINCIAL, S.A.B.

FINANCIAL HIGHLIGHTS*(Consolidated Figures in millions of current pesos)*

| Item | 2016 | 2015 | Variation |
|-------------------------------------|----------------|---------|-----------|
| | \$ | \$ | % |
| Total assets | 142,257 | 108,622 | 26.5 |
| Technical reserves | 116,557 | 93,003 | 21.0 |
| Net worth | 11,335 | 6,167 | 77.5 |
| Solvency margin | 3,676 | 221 | 1,506.5 |
| Premiums and funds under management | 55,213 | 47,145 | 13.1 |
| Premium issued | 54,701 | 46,631 | 13.3 |
| Technical earnings | 884 | -1,021 | (183.6) |
| Operating expenses | 3,017 | 2,447 | 19.1 |
| Financial products | 4,972 | 3,746 | 28.2 |
| Insurance earnings | 2,118 | 170 | 1,103.5 |
| Net earnings | 2,124 | 168 | 1,121.2 |

GRUPO NACIONAL PROVINCIAL, S. A. B.
ANNUAL REPORT FROM THE BOARD OF DIRECTORS
TO THE STOCKHOLDERS MEETING FOR THE 2016 FISCAL YEAR



Alberto Baillères

CHAIRMAN OF THE BOARD OF DIRECTORS

GRUPO NACIONAL PROVINCIAL, S.A.B.

Dear Stockholders,

In my capacity as Chairman of the Board of Directors of Grupo Nacional Provincial, S.A.B. (GNP), I am pleased to present you with the following report, prepared based on an analysis of the information provided by the Chief Executive Officer in his Annual Report on the Performance of the Company, the results obtained and the highlights from the 2016 fiscal year, as well as a report on the main activities of the Board of Directors.

This year marked the 115th anniversary of GNP. Few institutions in the world can boast such longevity and continuous renewed dynamism. Clearly, this is the result of great vision and the solid values on which we have built one of the most successful stories in the Mexican insurance market.

The year 2016 tested the company's capacities to face one of the most complex years in the macroeconomic environment, particularly for the insurance industry.

On one hand, the extreme volatility of the financial markets was magnified by the electoral process in the United States, which resulted in exchange rate and interest rates hikes, as well as a drop in the country's growth rate.

On the other, the insurance sector experienced one a major change in regulation: the entry into force of the new Law of Insurance and Bonds Institutions (*Ley de Instituciones de Seguros y de Fianzas*) and its circular, which lead to a strengthening of the sector's solvency by promoting deeper technical discipline in the market and the optimization of the use of equity. With these changes, our country is at the forefront of the most advanced prudential regulation.

Even in this context, Sales results for 2016 were positive and better than in previous years: we achieved 13.3% growth in consolidated issued premiums in actual terms; this translates into 2.7 percentile points above the sector's growth, which was 10.6%. Net profit was 2.124 billion pesos, equity profit(1) was 13.301 billion pesos and profitability(1) was 31.6%.

The total volume of consolidated issued premiums was 54.701 billion pesos, with excellent performance in Individual Life, Group Life and Medical, with growth rates of 24.2%, 26.6% and 10.0%, respectively. Moreover, we continue to strengthen our commercial structures, which include more than 8,500 professional advisors working throughout the country. On the other hand, we have continued to develop new distribution channels serving people with lower income levels.

During this period, we achieved major market share digitally. To remain competitive, we launched innovative products that enriched our value offer in the areas of Life, Medical Expenses and Automobile.

Despite increases in the exchange rate and the inflation, we managed to contain the claim rate costs, which was an additional challenge. This year there were important claims, such as the one by Petroquímica Mexicana de Vinilo, part of grupo Mexichem, calculated in 400 million dollars: this has been the most important claim in the history of a single company's insurance in Mexico.

Also, the increase in tractor-truck theft had a negative impact on the Automobile division. This challenge forced the company to take actions to maintain profitability and provide professional and timely services to our insureds.

In the Damages division, we took an important step in GNP's internationalization by signing a strategic alliance with Sompo Canopus, a prestigious British firm that is part of Lloyd's. This alliance will enable us to offer new underwriting options in more specialized market segments and to broaden our reinsurance capacities.

The sum of these efforts establishes again our position as the leading and best composite company in the market, and the second, proudly Mexican company in the sector. We maintain our commitment to Mexico and continue working to support the attributes that make us a Socially Responsible Company.

The continuation of our social programs was particularly noteworthy. "Goal for Mexico", "Living is Incredible Helping Others", "Medals for Education", "Accessible Corners" and "Responsible Driver" have benefitted over 1 million Mexicans. We have a firm belief that these actions make our dear Mexico a better country.

During the year we strengthened our campaign *Vivir es Increíble* (Living is Incredible), whose main message is that it is not enough to think that living is incredible, we have to dare to live, seizing every moment and enjoying it to the most, leaving aside fear and showing that we are full of passion.

AM BEST and Standard & Poor's confirmed the institution's financial solidity as "Satisfactory," giving us ratings on a national level of "Excellent" ("aa+MX") and "mxAAA" (the highest degree granted by Standard & Poor's), respectively. These ratings are based on the solid position, brand value, good operative performance, and healthy business diversification of the companies in the market.

According to the opinion of the Audit and Company Practices Committee (*Comité de Auditoría y Prácticas Societarias*), which took into account the External Auditor's decision and other relevant information provided by the institution's officers, our accounting and information policies and criteria are appropriate and sufficient, and have been applied consistently. For that reason, the Report of the CEO that is presented to this Stockholders Meeting accurately reflects the company's financial situation and results.

Based on the established policies, the performance of senior officials is evaluated on a yearly basis. Each salary and benefits increase must be approved by the Appointment, Evaluation and Compensation Committee (*Comité de Nominación, Evaluación y Compensaciones*). Salary increases are given annually and bonuses are determined based on the results of performance evaluations. The compensation package for senior officials' includes basic salary, legal benefits and other benefits.

The Board of Directors reviewed and ratified the decisions of the Executive Committee. Furthermore, the company's Financial Statements presented for the various terms of the 2016 fiscal year were reviewed and approved, as well as the bottom line and actions of its affiliates.

The Board of Directors adheres to solid corporate governance practices. It is supported by the committees suggested in the Code of Best Corporate Practices (*Código de Mejores Prácticas Corporativas*), which carry out the recommended tasks, in the performance of its tasks.

The Board of Directors submits, for the consideration of this Stockholders Meeting, the report stating and explaining the accounting policies and criteria used to prepare the Financial Statements, which include the basis for presentation, consolidation, important accounting policies and new accounting declarations which were ruled by the external auditors and are integral part of this Report.

It is the opinion of the Board of Directors that the Report of the CEO that is submitted to this Stockholders Meeting reasonably reflects the financial situation, bottom line and important aspects of the company's operations in 2016.

Dear Stockholders,

The uncertainty in the economic environment and major changes to laws in the insurance sector have posed increasing challenges; however, we maintain our efforts to better serve our customers and improve the company's productivity.

I would like to thank the members of the Board of Directors, and on its behalf, the Executive Committee for its valuable support. I would also like to thank our stockholders for their continuous trust and all our collaborators for their professionalism and the commitment, passion and loyalty with which they constantly do their jobs.



Alberto Baillères

CHAIRMAN OF THE BOARD OF DIRECTORS
GRUPO NACIONAL PROVINCIAL, S.A.B.

GRUPO NACIONAL PROVINCIAL, S. A. B.
REPORT ON THE PERFORMANCE OF THE COMPANY
PRESENTED BY THE CHIEF EXECUTIVE OFFICER TO THE BOARD OF DIRECTORS,
FOR THE 2016 FISCAL YEAR



Mario A. Vela Berrondo

CHIEF EXECUTIVE OFFICER

GRUPO NACIONAL PROVINCIAL, S. A. B.

**To the Chairman of the Board
and all other Board Members,**

In my capacity as Chief Executive Officer of Grupo Nacional Provincial, S.A.B (GNP), and pursuant to the terms established in the Securities Market Law (*Ley del Mercado de Valores*), I submit for your consideration the following Annual Report on the performance and results obtained by the Company during the 2016 fiscal year, as well as the Financial Statements and their explanatory notes, which include the main accounting and reporting policies and criteria used to prepare the financial data presented herein.

The year 2016 brought one of the greatest challenges for Grupo Nacional Provincial because the economic context created a high degree of uncertainty for us to sustain our profitable growth and, this, in addition to the historic change that meant the implementation of the new *Solvencia II* regulatory framework.

In the economic arena, the country faced a complicated period resulting from low global growth expectations and the elections in the United States, which led to a devaluation that ended with an exchange rate of 21 pesos per dollar, and an increase in interest rates and inflation. Because of this, while the gross domestic product (GDP) recorded an increase of 2.3%, the insurance market maintained its real growth dynamics at 10.6%.

Furthermore, the insurance sector made significant changes after the entry into force of the New Law for Insurance and Securities Institutions (*Nueva Ley de Instituciones de Seguros y Fianzas*), specifically in terms of strengthening the solvency framework.



During the year, the implementation of a new type of risk-based management involved changes to the methodology and management of reserves, the regulatory capital requirement, financial investments and reinsurance. All this enables us to have an improved technical discipline in the market and optimize the use of capital resources. Without a doubt, we have a long way to go and its consolidation will take several years.

Faced with this historic change, GNP played a major role as a player in the sector's proposals that helped strengthen the government framework.

Our results for 2016 ratify our position as the second largest company in the insurance sector and the largest composite and multichannel company in the industry, and we are proudly Mexican.

We faced new challenges in 2016, so we saw the need to adjust the direction of several businesses. Net profit for the year was up 1,121.1% in current terms compared to 2015, as a result of higher sales, better control of the claim rate and an adequate reinsurance strategy. ROIC grew because of the good operating result and the effect that the new methodology has on the reserves, mainly due to the changes presented in the new Life technical note.

| | 2015 | 2016 |
|---|----------|-------------------|
| Return On Invested Capital (ROIC) | 13.3% | 31.6% (*) |
| Sales | \$46,631 | \$54,701 |
| Profit from Equity | \$1,746 | \$3,301(*) |
| Net Profit | \$168 | \$2,124 |
| Market Share | 12.8% | 13.1% |
| <i>Figures in millions of pesos</i> <i>(*)Future value of the profits of the Individual Life portfolio is not included and being revised by an External Auditor.</i> | | |

These results are, without a doubt, the product of extraordinary team work.

Finally, this is a memorable year for the company, which celebrated 115 years of greatness with the launch of the Carbon Neutral (*Carbono Neutral*) concept and green initiatives.

These achievements are a source of pride for all those who work in GNP and confirm our commitment to making our Vision 2019 a reality.

Leveraging the use of cloud storage technologies contributes to reducing uncontrolled tree felling. Each year around 150,000 square kilometers of forest are destroyed.



SALES

We closed 2016 with \$54.701 billion pesos in consolidated premiums issued, which is a 13.3% increase from the previous year. We recorded growth in every area, especially Group Life (26.6%), Individual Life (24.2%) and Medical Expenses (10%).

Meanwhile, Funds Under Management recorded an unfavorable 3.8% real drop, closing at \$512 million pesos.

With these results, GNP maintains the second position in terms of sales in the insurance sector, with a 13.1% market share. Furthermore, we remain the strong leader in Medical Expenses and continue to rank second in Automobile.

| GNP: SALE BY LINES (nominal figures) | | | | |
|--|---------------|---------------|-------------------|----------------|
| Line | 2016 | 2015 | Nominal Variation | Real Variation |
| | million pesos | million pesos | % | % |
| Life | 22,172 | 17,199 | 28.9 | 24.5 |
| Medical Expenses and Casualty | 16,157 | 14,182 | 13.9 | 10.0 |
| Automobile | 11,632 | 10,847 | 7.2 | 3.6 |
| Damages | 4,723 | 4,388 | 7.6 | 4.0 |
| Total premiums (consolidated figure) | 54,701 | 46,631 | 17.3 | 13.3 |
| | | | | |
| Funds under Administration | 512 | 514 | -0.4 | -3.8 |
| Total Premiums plus Funds under Administration | 55,213 | 47,145 | 17.1 | 13.1 |

GNP INSURANCE INCREASED ITS SALES BY 13.3% HOLDING ITS LEADERSHIP AS A MULTI-LINE INSURER.

PRODUCTS, SERVICES AND DISTRIBUTION CHANNELS

BROKERS AND GOVERNMENT

This year saw adjustments to firm, broker and government channel management. We got positive results in assistance and service to our business partners, increasing sales by 9%.

We continued to develop our relationship with the leading insurance firms, which resulted in a 7% increase in sales in this segment. Our broker premiums recorded a 7% rise and our share in the public sector increased by 21%.

AUTOMOBILE INSURANCE

Our 6% growth in the area of Automobile compared to the previous year establishes our position as second largest provider in the market, with sales exceeding \$11.5 billion pesos, which is \$1 billion more than the company that is ranked third.

During this period, we expanded our share in the total market and the various distribution channels by 12.7%: the agents channel grew by more than 10% and we finalized commercial alliances with several banks and our participation in assemblers that joined the Mexican automotive market.

Moreover, we maintained our momentum in price updating, which enabled us to remain competitive and face parts and labor price hikes that resulted from the economic conditions. We also reinforced theft prevention policies and actions, particularly for heavy equipment.

In terms of assistance, we improved considerably in critical services: contact center, contracts and appraisal, maintaining an appropriate net satisfaction rate. Promoting the use of our self-service tools enabled us to increase their use rates. This year, 100% of quotes and more than 45% of Individual Automobile policies were issued through these tools. This helped increase our production force satisfaction rate.

We continued our information and positioning campaign in digital media, which promotes products and driving and automobile care tips through corporate social networks (#seguroentuauto).

**GNP PRODUCTS AND SERVICES REMAIN AT THE
FOREFRONT TO MEET MARKET NEEDS AND
EXPECTATIONS.**



MEDICAL EXPENSES

In the Major Medical Expenses sector, we recorded one of the highest growth rates in recent years and maintained our position as leaders in the market, with a share slightly above 26.1%.

In the Individual Medical Expenses sector, we made important changes to the maternity aid coverage of our domestic products, which improved the cost-benefit ratio.

We also corrected free hospital expansion coverage for new sales, effective January 1st, 2017, and strengthened the defined hospital expansion coverage to minimize the impact in new sales.

To strengthen our value offer, we developed new *Línea Azul Plenitud* and *Respaldo Efectivo* products which we'll launch during the first quarter of 2017.

With the goal of improving service to the distribution channel, we developed a new tool to underwrite the new SMB business. This tool will enable our sales force to obtain insurance proposals automatically and quickly.



Thermos flasks! Reduce the consumption of disposable cups which take around 100 years to degrade.

MASS INSURANCE

The Bancaseguros business maintained a stable growth rate, reaching 9% nominal growth and serving more than 500,000 insureds. This growth was due mainly to a great performance in the areas of Automobile and Individual Life.

In the Agencies channel, we experienced 12% growth in issued premiums, with close to 500,000 valid policies. We consolidated alliances with General Motors, Mercedes Benz, KIA, BMW and BNP Paribas.

In the Payroll Discount segment we achieved 17% growth in issued premiums, particularly in Individual Life, where we exceeded 250,000 valid policies.

In the Affinity business, we recorded a 48% increase thanks mainly to automobile insurance sales through the Internet and call center.

DAMAGES

In the area of Damages, we took an important step towards the internationalization of GNP by signing a strategic alliance agreement with Sompo Canopus, a British insurance and re-insurance company. The agreement strengthens the mechanisms to evaluate complex and specialized risks.

In 2016, the occurrence of natural events was less relevant than previous years.

In terms of non-natural risks, 2016 brought two events: the PMV Pajaritos and Pemex's Burgos tanker claims. Both claims combined exceeded \$400 million dollars. The first claim is the largest individual claim in GNP's history and perhaps in the Mexican insurance sector's history.

These types of events confirm the company's economic strength and its commitment towards its customers when facing large-scale events.

THE DAMAGES SECTOR TOOK A KEY STEP IN THE INTERNATIONALIZATION OF GNP THROUGH A STRATEGIC PARTNERSHIP WITH SOMPO CANOPIUS, THE ENGLISH INSURER AND REINSURER.



Turn off the lights! When leaving a room to avoid excessive use of energy, which reduces fuel consumption, and also avoids the emission of air-polluting gases.





Vivir es increíble®

Walk! to nearby places instead of using the car or transportation, to help reduce carbon dioxide (CO₂) production.



PRODUCTIVE FORCE

Thanks to the execution of growth, development and commercial figure retention strategies, and the momentum of actions aimed at increasing completeness, in 2016 GNP had a higher number of agents that strengthened results in the areas of Life, Major Medical Expenses, Automobiles, Damages and SMBs.

Our sales force has a solid career plan and one of the best incentive frameworks in the market. It is constituted by 145 Agency Managements that support 8,500 agents that are distributed across 50 cities in Mexico.

We will maintain our expansion strategy with the goal of sustainability. At the same time, our agent development model will solidify with more and improved specialization schemes, enabling us to increase the number and productivity in this channel, which accounts for 50% of total premiums and 60% of the company's profitability.

OUR SALES FORCE IS STRONG AND CONTINUOUSLY GROWING. TODAY WE HAVE 145 AGENCY DIRECTORS AND 8,500 PROFESSIONAL INSURANCE ADVISERS.

CUSTOMER SERVICE

To bring the service closer to our insureds and intermediaries, we are redesigning key operative processes, such as the new service model aligned to the territorial network to create a positive experience by fulfilling the promises we make to our insureds.

During this period we began a substantial change to our Medical Expenses and Automobile claim models, which include a new approach to customer service and improvements in expenditure control.

In addition to technology developments and best practices, we work to improve our operations and guarantee a distinctive service by using mobile devices, self-service apps and pages. Furthermore, we began developing operation work flows, implemented changes to our call center operation and redesigned all the operative areas of Mass Insurance.

In 2016, the total cost of claim rates was \$30.195 billion pesos, which represents a real growth of 5.1% compared to 2015, generating a 70% rate over premiums.

In Automobile, claim rates were affected by the fleet segment and, to a lesser degree, in agencies, where we will reinforce our policies for target portfolio underwriting, follow-up and management through prevention programs and security devices.

INTERNATIONAL STRATEGIC ALLIANCES

We continue strengthening business alliances with world-class health centers in the United States, such as the Mayo Clinic, in both its Rochester and Arizona complexes; the Baptist Health System in Florida; and the Methodist and St. Luke's hospitals in Texas.

GNP is the only insurance company that offers its customers with international coverage access to a direct payment network with close to one million health care providers in the United States. With the new GNP international card, these providers identify our insureds and provide them the same services they offer to local insureds: GNP is an insurance company with certified solvency with financial backup.

**AT GNP, WE STRIVE TO BE ONE STEP AHEAD, USING
TECHNOLOGICAL ADVANCES AND BEST PRACTICES
TO INCREASE OUR CLIENTS' SATISFACTION.**





MEDICAL EXPENSES PROVIDERS

GNP meets the insurance needs of multinational customers who have operations in Mexico through partnership with the world's leading insurance brokers and cooperation agreements with renowned international networks constituted by world-class insurance and reinsurance companies in the United States, Canada, Europe and Asia. This network serves businesses in an increasingly globalized insurance market.

Our strict commitment to service and assistance has enabled GNP to establish itself as the sole partner in Mexico of the International Network of Insurance (INI) and the *Red Internacional de Aseguradoras* (RIDA).

In addition, we have developed several initiatives to change the existing private health service provision models.

Checking that the products we use are made from biodegradable materials and are environment-friendly is healthier for the body.



A bucket! Under the shower collects 80% of water.





OPERATIVE EFFICIENCY

As part of our constant efficiency efforts in expenditure management, in 2016 we completed reviewing our business areas and sales channels and we began reviewing our support areas. As a result of this analysis, in 2016 we experienced a 6.6% improvement in efficiency in payroll expenses, which will continue in 2017.

Furthermore, we analyzed operative processes, supported by external consulting, to monitor our productivity and strengthen our supervision frameworks. This resulted in improved efficiency of \$1.5 million dollars which, at the close of the year, represents a 3.3% improvement in the total service and operations payroll.

TECHNOLOGY INFRASTRUCTURE

In 2016 we upgraded our telecommunications and computer infrastructure. We did a complete upgrade of the hardware and software platforms of our two main systems—Info and Evolución. This enabled us to resolve operation issues caused by a lack of computer power in our systems.

Furthermore, we strengthened and improved the quality of operation by reducing the number of systems operating incidents by 36%. An important achievement was the adoption in July 2016 of Google's collaborative platform, which includes new communication and collaboration tools: every month, an average 1,880 video conferences are carried out on a national level. This platform has enabled us to improve employee communications.

THE ANALYSIS OF OPERATING PROCESSES ALLOWED US TO MONITOR PRODUCTIVITY AND STRENGTHEN SUPERVISION SCHEMES ACHIEVING AN EFFICIENCY OF 1.5 MILLION DOLLARS.

TECHNICAL RESULT

The year's consolidated technical results were \$884 million pesos, which represents a real increase of 183.6% compared to the previous year, where the good results of the Group Life, Medical Expenses and Damages areas are worth noting.

These results are the product of lower claim rates, improvements in the supplier payment control and the correct reinsurance strategy.

| GNP: TECHNICAL RESULT BY LINE | | | | |
|-------------------------------|-------|--------|-------------------|----------------|
| Concept | 2016 | 2015 | Nominal Variation | Real Variation |
| | | | % | % |
| Individual Life | -710 | -2,131 | (66.7) | (67.8) |
| Other areas | 1,478 | 1,076 | 37.4 | 32.7 |
| GNP Total* | 884 | -1,021 | (186.6) | (183.6) |

(*) GNP Total takes into account the Consolidated Technical Result

THE TECHNICAL RESULT WAS AN INCREASE OF 183.6%, WITH PARTICULARLY GOOD RESULTS FROM GROUP LIFE, MEDICAL EXPENSES AND DAMAGES.



Changing from a gas to a solar heater takes advantage of solar energy and its benefits, since it does not product carbon dioxide (CO₂).







INVESTMENTS

Throughout 2016 we complied with the company's Investment Policy. The investment portfolio behaved defensively in light of an extremely volatile macroeconomic environment. We maintained the ratio of term bonds (82% long term and 18% short term), currency (64% in dollars and 36% in pesos) and a low risk appetite, with a portfolio of government (80%) and corporate (20%) instruments with a high degree of investment rating.

DURING 2016, GNP COMPLIED WITH THE COMPANY'S INVESTMENT POLICY, REMAINING STABLE IN A VOLATILE MACROECONOMIC ENVIRONMENT.

Recycle! Materials like glass to reduce the consumption of new raw materials, which in turn reduces energy use and air and water pollution.

RESULTS AND SOLVENCY

The company's total profitability was 31.6% which represents a 23 point increase compared to the previous year and equity of \$11,335 mdp.

The results for GNP and Affiliates were \$2.124 billion pesos, a 1,121.2% increase compared to the \$168 million pesos recorded during the previous year. This profit has an effect of \$718 million pesos resulting from the new Law.

The entry into force of the new New Law for Insurance and Securities Institutions, the margin of solvency benefited from the removal of capital legal requirements from the previous regime.

Our solvency margin was \$3.676 billion pesos, compared to \$221 million pesos reported in 2015, or a 1,506.5% increase.

This year, Standard & Poor's ratified our "mxAAA" national financial solidity rating and maintained our "BBB+" rating on a global scale with a stable forecast. AM BEST maintained our "Excellent" rating on a national level ("aa+MX") and our "A-(Excellent)" rating on an international level, so our forecasts remain positive. This is proof of our strong competitiveness and leadership and our healthy business composition.

THE COMPANY'S PROFITABILITY INCREASED BY 23% COMPARED TO LAST YEAR. THE RESULTS REFLECT GNP'S STRONG COMPETITIVE POSITION AGAINST THE MARKET.



Use a bucket! Of water to wash the car to save more than 500 liters of water.



House plants! Purify the air by absorbing carbon dioxide and transforming it into oxygen.





SOCIAL PROGRAMS

GOL POR MÉXICO

Gol por México has enabled more than 615,000 students to access various support programs—scholarships, school libraries, classrooms with Internet access, etc.—to continue their studies. Furthermore, it has enabled more than 300,000 children and their families to receive nutrition support and more than 22,000 families to have access to decent homes.

The initiative has also supported more than 176,000 people affected by natural disasters and improved the health of more than 9,000 people through cataract surgery, cornea and kidney transplant, hearing aid and prosthesis, mammography, and health and dental follow-up.

VIVIR ES INCREÍBLE AYUDANDO A LOS DEMÁS

Throughout four years, our social program *Vivir es Increíble Ayudando a los Demás* (It's Great to Live Helping Others) has connected people and socially responsible organizations. It has supported the dissemination of more than 200 social organizations nationwide and provided them with cash donations that enable them to continue their work to benefit the weakest sectors of society.

In 2016 we supported social organizations that support several causes, such as health, integral assistance to low-income individuals, education, social and economic development, as well as specific work inclusion, artistic and cultural, human and civil rights, environmental, social inclusion, housing, philanthropy and volunteer programs.

LULI Y GABO

GNP Seguros launched the first animated series for kids focusing on accident prevention: *Luli y Gabo* is the product of GNP's commitment to the well-being and safety of Mexican families. Its goal is to raise awareness among children and their parents about daily risks, especially at home, and teach them prevention measures to protect their health and their physical integrity.

**GNP CONTINUES ITS ACTIONS IN FAVOR OF MEXICO,
CREATING INITIATIVES THAT BENEFIT THE MOST
VULNERABLE SECTORS OF MEXICAN SOCIETY.**

SOCIAL RESPONSIBILITY

SOCIALLY RESPONSIBLE COMPANY

Por decimotercer año consecutivo, recibimos el distintivo de Empresa Socialmente Responsable que otorga el Centro Mexicano para la Filantropía a aquellas empresas que demuestran su compromiso con la sociedad y el medio ambiente.

HEALTH-RESPONSIBLE ORGANIZATION

For the fifth consecutive year, the Consejo *Empresarial de Salud y Bienestar* (Business Health and Well-Being Council, CESB) recognized GNP as a leader in building the health and well-being movement in Mexico and for promoting and supporting it through initiatives and programs that help improve the health and well-being of its 3,000 employees.

COMPANY COMMITTED TO THE EDUCATION OF ITS WORKERS

As a Company Committed to the Education of its Workers recognized by the *Instituto Nacional para la Educación de los Adultos* (National Institute for Adult Education, INEA), GNP maintained its support program in 2016 for workers to complete primary and secondary education.

SOCIAL RESPONSIBILITY REPORT

For the sixth consecutive year the Global Reporting Initiative (GRI) gave GNP its highest rating, "A+ GRI Checked," in its sixth Business Social Responsibility Report.





MEXICAN STANDARD ON LABOR EQUALITY AND NON-DISCRIMINATION

This year, GNP's Plaza GNP, Puebla, Merida, Guadalajara and Monterrey offices received certification in the Mexican Standard on Labor Equality and Non-Discrimination. GNP was recognized as a company that has labor equality and non-discrimination practices in its management and human resources processes. Based on the report, GNP's five offices were certified with 88 points out of 100 possible points.

GILBERTO RINCÓN GALLARDO INCLUSIVE COMPANY

Like last year, GNP received this recognition from the Secretaría del Trabajo y Previsión Social (Ministry of Labor and Social Welfare, STPS), which certifies it as a company with good labor practices in terms of equal opportunities, inclusion and development, with no discrimination towards vulnerable individuals.

FAMILY-RESPONSIBLE COMPANY

For the second time, GNP received from the Undersecretary of Labor the Distinction for Family-Responsible Company (DEFR), certifying it as a company that promotes good labor practices in terms of work-family conciliation, equal opportunities and prevention of sexual harassment and violence in the workplace.

GNP CONTINUES TO BE RECOGNIZED AS A SOCIALLY RESPONSIBLE COMPANY DISTINGUISHED BY ITS INCLUSIVE ACTIONS AND SOCIAL COMMITMENT.



Depositing alkaline batteries in special containers promotes environmental improvement and is a commitment we should all adopt.

ADVERTISING CAMPAIGNS

In 2016, GNP continued to underline positive and love for life messages through its various social and advertising campaigns. Its message *Vivir es increíble* (It's Great to Live) was expressed in a memorable way in the various actions undertaken by the company.

We received the golden Effie to the best advertising campaign for the *Amarás tenerlos cerca* (You'll Love Having them Close) campaign that we launched in 2015 to highlight insurance agents' important work to safeguard the safety of Mexican families.

LANDMARK *VIVIR ES INCREÍBLE*

We believe that the *Vivir es increíble* philosophy must be disseminated in every possible media, and GNP has turned it into the communications platform that governs all its messages, both inside and outside the organization, promoting positive communications.

GNP Seguros created the landmark *Vivir es increíble*, a unique advertising piece that is considered the biggest of its kind and the only one that shares the positive concept of celebrating life. This landmark is located in the Mexico – Queretaro highway, at the 79 km, and has unique elements that make it emblematic.

SPONSORSHIPS WITH A SOCIAL CAUSE

GNP Driving School

At GNP we know that prevention is the best way to care for what is closest to our heart, and that is why we join efforts to help reduce road accidents by promoting a culture of road responsibility. Through the GNP Driving School we promote responsible driving, recreating extreme driving conditions that help develop driving abilities to reduce or prevent road accidents.

Zona DMX

GNP Seguros is involved in the *Zona DMX* project to make Mexico a healthier country. As part of the project, it organizes events and activities promoting physical activities to help the population lead a more active lifestyle.

Zona DMX is the first wellness center in Mexico City where people can exercise, interact and practice a healthy lifestyle in a simple, safe, effective and fun way.

***VIVIR ES INCREÍBLE* (LIVING IS INCREDIBLE) HAS BECOME THE ESSENCE OF GNP ADVERTISING CAMPAIGNS, INFUSING EVERYONE WITH A POSITIVE, JOYFUL, UNIQUE AND INCREDIBLE PHILOSOPHY OF LIFE.**



Replacing incandescent bulbs with energy-saving bulbs consumes 75% less electricity generating considerable savings, helping the planet and the economy.



AFFILIATES

CRÉDITO AFIANZADOR, S.A., COMPAÑÍA MEXICANA DE GARANTÍAS (CASA)

CASA successfully executed the corporate governance required by the Law for Insurance and Securities Institutions for the insurance and bonds sector.

The authorities determined the criteria for reserve appraisal in 2016. The effects of the change in appraisal methods meant a net release before taxes of \$40.8 million pesos. The release includes the Valid Bond Reserve of \$11.0 million pesos and the Contingency Reserve of \$29.7 million pesos.

Therefore, together with the positive results of the operation, which exceeded the budget, at the close of 2016, the company's accounting equity was \$137.1 million pesos.

Fitch Ratings ratified its "AA-(mex)" corporate rating on a national level; the rating forecast remains stable.

VALMEX, SOLUCIONES FINANCIERAS, S.A. DE C.V., SOFOM E.N.R. (VALMEX)

In 2016, our profit after income tax (ISR) was \$12.8 million pesos, a 34.6% increase compared to the previous year, due mainly to an increase in income from interests from our financing operations and our non-financial income. We have a healthy portfolio with a past-due portfolio rate of 0.38%. At the close of the year, we had a capitalization rate of 30.0%, which is proof of financial strength.

During the year we maintained our philosophy of conservative risk management because safety is one of the pillars of our operation.

In terms of expenditure, we maintained our strict control policy, which has translated into 10.2% budget savings.

Fitch Ratings rated VALMEX's long- and short-term counterparty risk national ratings at "A+(-mex)" and "F1(mex)," respectively. The long-term rating forecast remains stable.

MÉDICA MÓVIL

In 2016, *Médica Móvil* made updates in several areas related to prehospital care. The company received more than 62,000 calls and provided 7,240 home doctor visits and 4,824 ambulance services.

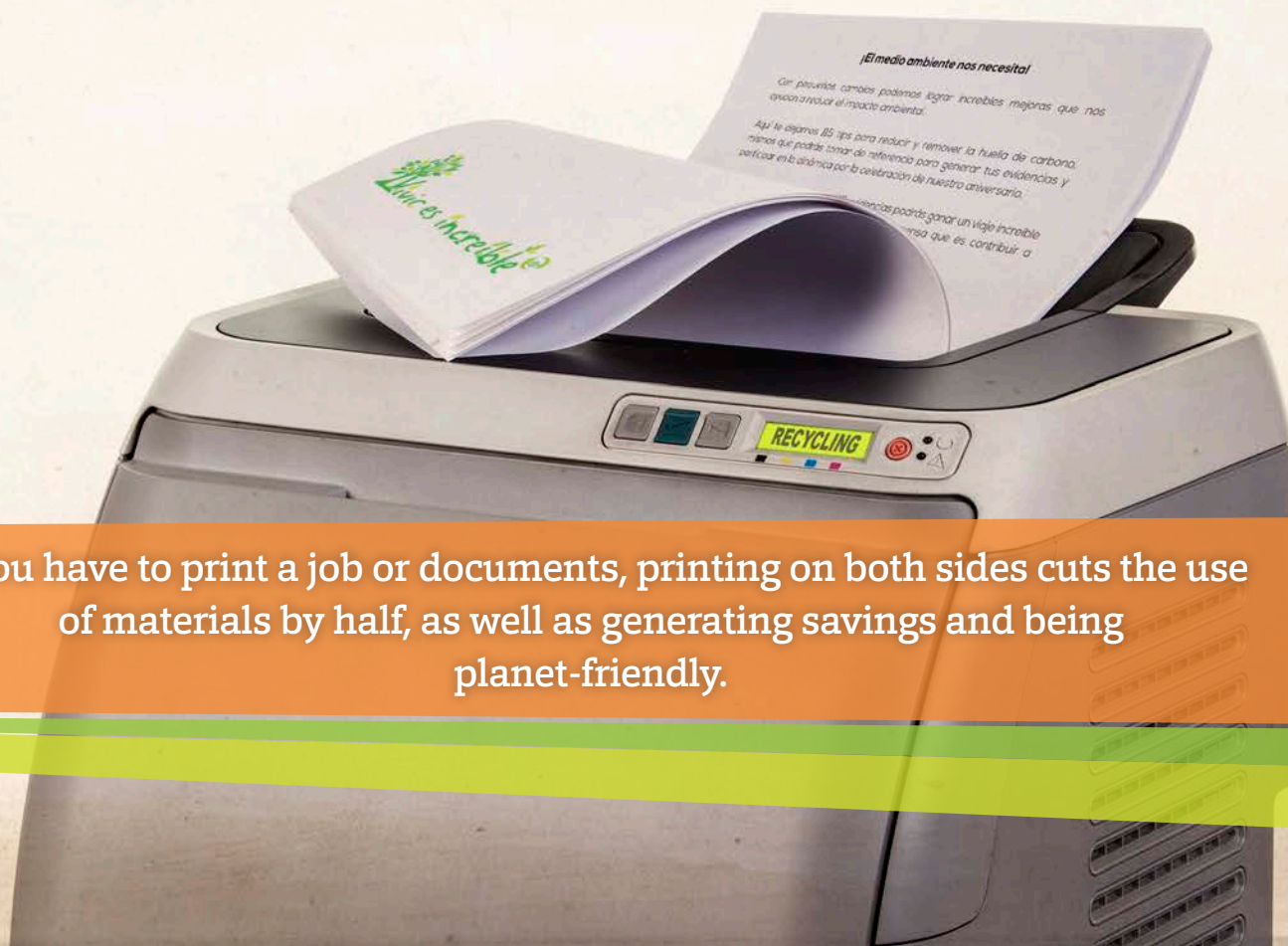


During the period, *Médica Móvil* deployed a campaign aimed at automobile insureds and achieved a 54% increase for the second half of the year and a net satisfaction rate of 94%.

Through the GNP *Cuida Tu Salud* program, 4,945 people from 16 companies in the country were screened. The screening helped detect 777 high-risk cases and helped prevent health issues.

Our communications with our customers also improved. We redesigned the automatic response system and our health telephone service has been streamlined and accelerated. This reduced call transfers by 50%.

**WITH A FIRM COMMITMENT TO THEIR CLIENTS, THE
SUBSIDIARY COMPANIES CONTINUE IMPROVING TO REMAIN
ON THE LEADING EDGE.**



If you have to print a job or documents, printing on both sides cuts the use of materials by half, as well as generating savings and being planet-friendly.

Dear Members of the Board,

Undoubtedly, these developments encourage and force us to continue our hard work in an uncertain economy, and to sustain the profitability of our businesses, our quality and service standards to maintain our position as the leading insurance company in the Mexican market.

I profoundly appreciate the invaluable trust of our customers, and I acknowledge the wonderful work and dedication of all our employees to achieve these results. Furthermore, I am immensely grateful for the support provided by the Chairman and the members of the Board of Directors and the Executive Committee.



Mario A. Vela Berrondo

CHIEF EXECUTIVE OFFICER

GRUPO NACIONAL PROVINCIAL, S.A.B.



Vivir es increíble®



Board of Directors

| CHAIRMAN | | | |
|--|-----------------|---|---------|
| Alberto Baillères González | | | |
| PROPRIETARY DIRECTORS | | ALTERNATE DIRECTORS | |
| Alberto Baillères González Chairman of the Board of Grupo Nacional Provincial, Grupo Profuturo, Industrias Peñoles, Fresnillo plc, Grupo Palacio de Hierro and Tane | (A) (B) (C) (1) | Alejandro Paredes Huerta General Vice President of Planning and Evaluation, Técnica Administrativa Bal | (3) |
| Fernando Senderos Mestre Chairman of the Board of Directors and the Executive Committee, Grupo Kuo and Dine | (2) | Emilio Carrillo Gamboa Founding Partner, Bufete Carrillo Gamboa, S. C. | (2) |
| Norberto Augusto Domínguez Amescua (†) Trustee President of Asociación Mexicana de la Cruz Blanca Neutral | (2) | Luis A. Aguilar y Bell Independent Consultant | (2) |
| Raúl Baillères Gual Special Projects Manager, Técnica Administrativa Bal | (3) | Alejandro Noriega General Vice President of Organizational Development, Técnica Administrativa Bal. | (3) |
| Juan Bordes Aznar Corporate Vice President de Grupo Bal | (A) (B) (C) (3) | Juan Ignacio Gil Antón Vice President of Planning, Development and Legal, Grupo Nacional Provincial | (3) |
| Arturo Manuel Fernández Pérez Rector, Instituto Tecnológico Autónomo de México | (A) (B) (C) (3) | Alejandro Hernández Delgado Vice Rector, Instituto Tecnológico Autónomo de México | (3) |
| Alejandro Baillères Gual Executive Vice President, Grupo Bal | (A) (C) (3) | Andreas M. Raczynski von Oppen Advisor to the Chairman, Grupo Bal | (3) |
| Héctor Rangel Domene Chairman, BCP Securities México | (2) | Tomás Lozano Molina Public Notary No. 10 of Mexico City | (D) (2) |
| Alberto Tiburcio Celorio Independent Consultant | (D) (2) | Fernando Ruíz Sahagún Advisor, Chevez, Ruíz, Zamarrípa y Cía, S.C. | (2) |
| José Luis Alfonso Simón Havaux Chief Executive Officer, Formas y Sistemas Mexicanos, Formas para Negocios and Compañía Litográfica y Tipográfica América | (2) | Raúl Obregón del Corral Managing Partner, Alianzas, Estrategia y Gobierno Corporativo | (D) (2) |
| Jaime Lomelín Guillén Corporate Vice President, Grupo Bal | (A) (C) (3) | Gabriel Kuri Labarthe General Vice President of Financial Activities, Técnica Administrativa Bal | (3) |
| Jose Octavio Figueroa García Corporate Vice President, Grupo Bal | (A) (C) (3) | Mario Antonio Vela Berrondo Chief Executive Officer, Grupo Nacional Provincial | (3) |
| José Eduardo Silva Chief Executive Officer, Grupo Profuturo, S.A.B. de C.V. | (A) (C) (3) | Carlos A. Zozaya Gorostiza Area Vice President, Técnica Administrativa Bal | (3) |
| PROPRIETARY AUDITOR Guillermo Babatz García | | ALTERNATE AUDITOR Jorge Rico Núñez | |
| SECRETARY | | | |
| Gerardo Carreto Chávez | | | |

- (A) Executive Committee
 (B) Nomination, Evaluation and Compensation Committee
 (C) Finance and Planning Committee
 (D) Auditing and Corporate Practices Committee

- (1) Independent Patrimonial Director
 (2) Independent Director
 (3) Related Director



PRINCIPAL OFFICERS

CHAIRMAN OF THE BOARD OF DIRECTORS

Alberto Baillères González

EXECUTIVE VICEPRESIDENT

Alejandro Baillères Gual

CHIEF EXECUTIVE OFFICER

Mario Antonio Vela Berrondo

PRINCIPAL OFFICERS

Florencio García Buxo
Brokers and Governance Channel

Luis Raúl Kuri Hernández
Agents Channel

Germán Arturo Aguado Vanegas
Mass Channel

Diana Noemí Wright Rebolledo
Services and Operations

Juan Ignacio Gil Antón
Planning, Development and Legal

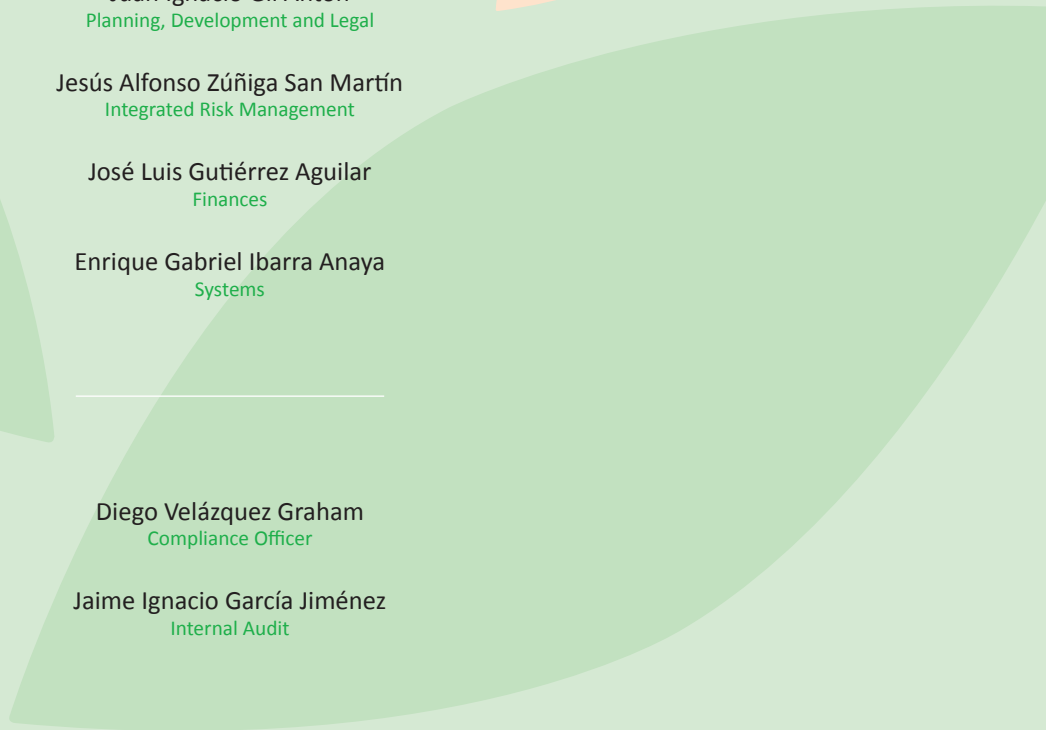
Jesús Alfonso Zúñiga San Martín
Integrated Risk Management

José Luis Gutiérrez Aguilar
Finances

Enrique Gabriel Ibarra Anaya
Systems

Diego Velázquez Graham
Compliance Officer

Jaime Ignacio García Jiménez
Internal Audit





B

GNP is part of Grupo Bal, one of the country's leading Mexican consortia, with companies in diverse sectors of the economy, constituted by highly prestigious institutions, such as:

FINANCING SECTOR:

Crédito Afianzador, S.A. Compañía Mexicana de Garantías

MEDICAL SERVICES SECTOR:

Médica Móvil, S.A. de C.V.

FUND ADMINISTRATION FOR RETIREMENT AND PENSIONS SECTOR:

Grupo Profuturo, S.A.B. de C.V.

STOCK BROKERAGE SECTOR:

Valores Mexicanos Casa de Bolsa, S.A. de C.V.
Operadora Valmex de Sociedades de Inversión, S.A. de C.V.
Valmex Soluciones Financieras, S.A. de C.V., SOFOM, E.N.R.

COMMERCIAL SECTOR:

Grupo Palacio de Hierro, S.A.B. de C.V.
Tane, S.A. de C.V.

INDUSTRIAL SECTOR:

Industrias Peñoles, S.A.B. de C.V.
Fresnillo plc

EDUCATION SECTOR:

Grupo Bal realiza una importante contribución a la educación, a través de su labor filantrópica apoyando al Instituto Tecnológico Autónomo de México (ITAM).

AGRIBUSINESS SECTOR:

In recent years, Grupo Bal has diversified towards the agro-industry sector with diverse projects. Its main activities include dairy production, raising of horses and beef and bullfighting cattle and the production of fodder products and vegetables.

ENERGY SECTOR:

PetroBal, S.A.P.I de C.V., dedicated to the exploration and exploitation of hydrocarbons.



Grupo Nacional Provincial S.A.B.
Corporate Offices
Av. Cerro de las Torres No. 395,
Campestre Churubusco, 04200, Mexico City
Tel. 5227 3999
gnp.com.mx

