Quálitas Controladora, S.A.B. de C.V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report Dated February 23, 2016

Quálitas Controladora, S.A.B. de C.V. and Subsidiaries

Independent auditors' report and consolidated financial statements for 2015 and 2014

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Independent Auditors' Report to the Board of Directors and Stockholders of Quálitas Controladora, S.A.B. de C.V. and Subsidiaries

We have audited the accompanying consolidated financial statements of Quálitas Controladora, S.A.B. de C.V. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting criteria established by the National Insurance and Bonding Commission (the "Commission") through the provisions documented in the General Law of Mutual Insurance Companies and Institutions contained in the Sole Insurance and Bonding circular, issued on December 19, 2014 (the "Regulatory Insurance Accounting Principles"), and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors´ responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Quálitas Controladora, S.A.B. de C.V. and subsidiaries for the years ended December 31, 2015 and 2014, have been prepared, in all material respects, in accordance with Regulatory Insurance Accounting Principles.

Emphasis paragraph

As indicated in Note 20 to the accompanying consolidated financial statements of Quálitas Controladora, S.A.B. de C.V. and subsidiaries, on January 1, 2016, a number of changes in accounting standards and criteria entered into effect in accordance with the Insurance and Bonding Sole Circular. The Company's management will apply the new accounting criteria, of which the main changes relate to the new model for the valuation of technical reserves. At the date of our report, management is currently evaluating the quantitative effect of the Commission's new accounting criteria including the valuation of the technical reserves.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

Francisco Javier Vázquez Jurado

February 23, 2016

Quálitas Controladora, S.A.B. de C.V. and Subsidiaries

Consolidated balance sheets

For the years ended December 31, 2015 and 2014
(In Mexican pesos)

Assets

Assets	2015	2014 (As adjusted- See Note 2d)
Investments:		
Securities:		
Government	$ 3,819,561,516	$ 2,423,659,103
Private companies:		
Fixed rate	6,577,400,282	5,640,554,422
Equities	2,012,592,949	1,813,207,489
Foreign securities	412,361,119	208,206,324
Net valuation	899,835,352	715,703,627
Interest receivable	17,258,277	16,697,628
Restricted securities	1,389,479	-
	13,740,398,974	10,818,028,593
Repurchase agreements	628,408,192	1,165,189,495
Loans:		
Secured	11,923,128	17,590,571
Discounts and re-discounts	209,487,036	168,166,666
Interest receivable	41,861	-
(-) Allowance for doubtful accounts	3,239,141	3,239,141
	218,212,884	182,518,096
Property:		
Real estate	616,939,735	595,720,085
Net valuation	432,732,579	431,872,896
(-)Depreciation	53,345,211	48,893,480
	996,327,103	978,699,501
Investment related to labor obligations	65,707,922	63,851,826
Cash:		
Cash and banks	424,135,230	143,848,477
Debtors:		
Premiums	10,176,892,045	8,451,302,037
Agents and adjusters	33,583,471	48,018,432
Accounts receivable	64,382,088	66,092,151
Loans to employees	11,842,853	12,207,513
Other	548,821,482	661,858,988
(-)Allowance for doubtful accounts	85,840,746	60,974,137
	10,749,681,193	9,178,504,984
Reinsurance companies:		
Reinsurance companies	716,537	812,450
Participation of re-insurers in outstanding claims	46,168,578	36,457,110
Participation of re-insurers in unearned premiums	3,675,391	54,001,303
Other	-	4,315,863
	50,560,506	95,586,726
Other permanent investments	47,692,065	46,658,860
Other assets:		
Furniture and equipment, net	494,206,119	377,955,577
Other	1,595,949,834	1,359,167,586
Amortizable expenses	46,671,756	20,207,459
(-)Amortization	7,121,252	6,792,138
	2,129,706,457	1,750,538,484
Total assets	$ 29,050,830,526	$ 24,423,425,042

Liabilities

Liabilities	2015	2014 (As adjusted- See Note 2d)
Technical reserves:		
Unearned premiums reserve	$ 14,211,814,375	$ 11,641,361,417
Contractual obligations:		
Unpaid claims and expirations	4,236,830,781	3,535,818,838
Claims incurred but not reported	134,389,432	135,299,177
Policy dividends	37,457,961	40,361,340
Premiums on deposit	70,440,848	96,766,541
	4,479,119,022	3,808,245,896
Total reserves	18,690,933,397	15,449,607,313
Reserve for employee retirement obligations	169,681,622	148,534,897
Creditors:		
Agents and adjusters	884,653,836	692,136,233
Funds for loss management	2,089,042	4,712,080
Sundry creditors	2,111,937,406	1,725,515,813
	2,998,680,284	2,422,364,126
Reinsurance companies	35,327,703	99,013,790
Other liabilities:		
Provisions for employee profit sharing	23,510,294	52,321,400
Income tax payable	301,090,873	324,596,081
Other obligations	1,607,202,787	1,387,301,122
Deferred credits	252,031,651	186,409,528
	2,183,835,605	1,950,628,131
Total liabilities	24,078,458,611	20,070,148,257
Stockholders' equity:		
Capital stock	2,578,777,564	2,646,707,025
Reserves:		
Legal	118,602,979	87,036,746
Other	135,000,000	135,000,000
	253,602,979	222,036,746
Valuation surplus	17,921,050	3,880,998
Retained earnings from prior years	1,424,985,322	828,639,619
Net income for the year	556,067,737	631,324,655
Foreign currency translation effects of foreign operations	113,588,858	33,583,285
Controlling interest	4,944,943,510	4,366,172,328
Non-controlling interest	27,428,405	(12,895,543)
Total stockholders' equity	4,972,371,915	4,353,276,785
Total liabilities and stockholders' equity	$ 29,050,830,526	$ 24,423,425,042

Memorandum accounts

	2015	2014
Employee retirement obligations reserve pending	$ -	$ 5,896,753
Recording accounts	3,957,583,471	3,939,956,916
Collateral received for repurchase agreements	613,842,357	990,190,091
	$ 4,571,425,828	$ 4,936,043,760

See accompanying notes to consolidated financial statements.

“Paid-in capital includes the amount of $ 11, 545,094 Mexican pesos, caused by the partial capitalization of real state valuation surplus”

“The consolidated balance sheets were prepared in accordance with the accounting provisions issued by the National Insurance and Bonding Commission, applied on a consistent basis, and, taken as a whole, correctly reflect the operations performed by Quálitas Controladora S.A.B. de C.V. and subsidiaries up to the aforementioned date, which were carried out and valued in accordance with sound corporate practices and applicable legal and administrative provisions, and were recorded in the respective accounts in conformity with the current chart of accounts”

“These balance sheets were approved by the Board of Directors under the responsibility of the signing officers.”

“The consolidated financial statements and the notes which form part of the consolidated financial statements, can be consulted by Internet on the following webpage: http://inversionistas.qualitas.com.mx/qinv/images/pdf/Key_fin_data/Reports/Edos_fin/Notas_edos_fin/2015/ef_dictaminados_15.pdf

“The consolidated financial statements were audited by Accountant Francisco Javier Vázquez Jurado, a partner of Galaz, Yamazaki, Ruiz Urquiza, S.C., who was hired to render the external audit services to Quálitas Controladora S.A.B. de C.V. and Subsidiaries; furthermore, the technical reserves of Quálitas Controladora S.A.B. de C.V. were audited by Actuary Liliana Ganado Santoyo.

“The report issued by the external auditor, the consolidated financial statements and the notes which form part of the audited consolidated financial statements, will be made available for consultation by Internet on the following webpage:, http://inversionistas.qualitas.com.mx/qinv/images/pdf/Key_fin_data/Reports/Edos_fin/Notas_edos_fin/2015/ef_dictaminados_15.pdf, as of the 60 calendar days following the close of the year 2015”.

Joaquín Brockman Lozano Chief Executive Officer	Gabriel García Ruíz Internal Auditor	Juan Daniel Muñoz Juárez General Accountant

Quálitas Controladora, S.A.B. de C.V. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2015 and 2014
(In Mexican pesos)

	2015	2014 (As adjusted- See Note 2d)
Premiums:		
Premiums written	$ 19,856,339,272	$ 17,340,423,098
(-) Premiums ceded	4,312,175	3,685,350
Retained premiums	19,852,027,097	17,336,737,748
(-) Net increase in the reserve for unearned premiums	2,787,129,324	1,980,725,284
Earned retained premiums	17,064,897,773	15,356,012,464
(-) Net acquisition cost:		
Commissions paid to agents	1,181,518,895	1,001,274,199
Additional compensation paid to agents	260,499,054	252,751,269
Commissions for reinsurance ceded	785,153	702,286
Coverage due to excess losses	47,024,508	28,683,415
Other costs	3,029,409,869	2,861,187,790
	4,517,667,173	4,143,194,387
(-) Net cost of claims and other contractual obligations:		
Claims and other contractual obligations	11,747,330,327	10,674,393,046
Technical income	799,900,273	538,425,031
Net increase in other technical reserves:		
(-) Catastrophic risk reserve	-	(131,886)
Gross income	799,900,273	538,556,917
Operating expenses, net:		
Administrative and operating expenses	174,909,653	320,049,028
Employee salaries and benefits	425,022,772	230,440,967
Depreciation and amortization	202,869,824	173,198,299
	802,802,249	723,688,294
Operating loss	(2,901,976)	(185,131,377)

(Continued)

	2015	2014
Net financing income:		
Investments	557,538,052	460,469,756
Sale of investments	16,239,992	193,261,420
Fair valuation of investments	184,082,781	221,965,362
Surcharges on premiums	140,824,401	117,979,758
Other	(783,012)	1,237,180
Foreign exchange rates fluctuation	(64,994,145)	41,084,369
	832,908,069	1,035,997,845
Equity in income of permanent investments	-	3,191,221
Income before income taxes	830,006,093	854,057,689
Income tax expense	266,233,961	230,461,284
Net consolidated income	$ 563,772,132	$ 623,596,405
Controlling interest	$ 556,067,737	$ 631,324,655
Non-controlling interest	7,704,395	(7,728,250)
Net consolidated income	$ 563,772,132	$ 623,596,405
Basic earnings per common share	$ 1.2528	$ 0.2772
Diluted earnings per share	$ 1.2528	$ 0.2772

(Concluded)

See accompanying notes to consolidated financial statements.

“These consolidated statements of income were prepared in accordance with the accounting provisions issued by the National Insurance and Bonding Commission, applied on a consistent basis, and reflect all the revenues and expenses derived from the operations performed by Qualitas Controladora S.A.B. de C.V. and subsidiaries up to the aforementioned date, which were carried out and valued in accordance with sound corporate practices and applicable legal and administrative provisions, and were recorded in the respective accounts in conformity with the current chart of accounts”.

“These consolidated statements of income were approved by the Board of Directors under the responsibility of the signing officers.”

Joaquín Brockman Lozano Chief Executive Officer	Gabriel García Ruíz Internal Auditor	Juan Daniel Muñoz Juárez General Accountant

Quálitas Controladora, S.A.B. de C.V. and Subsidiaries

Consolidated statements of Changes in Stockholders' Equity

For the years ended December 31, 2015 and 2014
(In Mexican pesos)

	Common Stock	Reserves	Retained Earnings from Prior Years	Net Income for the Year	Valuation surplus and deficit	Foreign currency Translation Effects of Foreign Operations	Non-controlling Interest	Total Stockholders Equity
Balances as of January 1, 2014	$ 2,677,717,585	$ 180,821,494	$ 60,418,179	$ 817,917,153	$ (5,686,295)	$ 6,223,026	$ 19,311,424	$ 3,756,722,566
Movements inherent to stockholders' decisions:								
Legal reserve	-	41,215,252	(41,215,252)	-	-	-	-	-
Repurchase of shares	(31,010,560)	-	-	-	-	-	-	(31,010,560)
Transfer of results from prior year	-	-	817,917,153	(817,917,153)	-	-	-	-
Total	(31,010,560)	41,215,252	776,701,901	(817,917,153)	-	-	-	(31,010,560)
Movements inherent to the recognition of comprehensive income:								
Comprehensive income:								
Net income for the year	-	-	-	631,324,655	-	-	(7,728,250)	623,596,405
Increase in valuation of properties	-	-	-	-	9,567,293	-	-	9,567,293
Other	-	-	6,387,903	-	-	27,360,259	(24,478,717)	9,269,445
Total	-	-	6,387,903	631,324,655	9,567,293	27,360,259	(32,206,967)	642,433,143
Balances as of December 31, 2014 as originally reported	2,646,707,025	222,036,746	843,507,983	631,324,655	3,880,998	33,583,285	(12,895,543)	4,368,145,149
Other comprehensive income movement related to adoption of modified NIF D-3, Employee benefits.	-	-	10,584,955	-	-	-	-	10,584,955
Retained earnings	-	-	(25,453,319)	-	-	-	-	(25,453,319)
Balances as of December 31, 2014 as adjusted	2,646,707,025	222,036,746	828,639,619	631,324,655	3,880,998	33,583,285	(12,895,543)	4,353,276,785
Movements inherent to stockholders' decisions:								
Increase in legal reserves	-	31,566,233	(31,566,233)	-	-	-	-	-
Repurchase of shares	(67,929,461)	-	-	-	-	-	-	(67,929,461)
Transfer of results from prior year	-	-	631,324,655	(631,324,655)	-	-	-	-
Total	(67,929,461)	31,566,233	599,758,422	(631,324,655)	-	-	-	(67,929,461)
Movements inherent to the recognition of comprehensive income:								
Comprehensive income:								
Net income for the year	-	-	-	556,067,737	-	-	7,704,395	563,772,132
Increase in valuation of properties	-	-	-	-	14,040,052	-	-	14,040,052
Other comprehensive income movement related to NIF D-3, Employee benefits D-3	-	-	(12,469,259)	-	-	-	-	(12,469,259)
Other	-	-	9,056,540	-	-	80,005,573	32,619,553	121,681,666
Total	-	-	(3,412,719)	556,067,737	14,040,052	80,005,573	40,323,948	687,024,591
Balances as of December 31, 2015	$ 2,578,777,564	$ 253,602,979	$ 1,424,985,322	$ 556,067,737	$ 17,921,050	$ 113,588,858	$ 27,428,405	$ 4,972,371,915

See accompanying notes to consolidated financial statements.

"These consolidated statements of changes in stockholders' equity were prepared in accordance with the accounting provisions issued by the National Insurance and Bonding Commission, applied on a consistent basis, and reflect all the movements in the stockholders' equity accounts derived from the operations performed by Quálitas Controladora S.A.B. de C.V. and subsidiaries up to the aforementioned date, which were carried out and valued in conformity with sound corporate practices and applicable legal and administrative provisions."

"These consolidated statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the signing officers."

Joaquín Brockman Lozano	Gabriel García Ruíz	Juan Daniel Muñoz Juarez
Chief Executive Officer	Internal Auditor	General Accountant

Quálitas Controladora, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended as of December 31, 2015 and 2014
(In Mexican pesos)

	2015	2014
Net consolidated income	$ 563,772,132	$ 623,596,405
Adjustments for non-cash items:		
Gain on sale of fixed assets	(20,454,860)	(35,642,666)
Allowance for doubtful accounts	24,866,609	5,820,263
Depreciation and amortization	202,869,824	173,198,299
Increase in technical reserves	2,618,966,081	1,847,196,852
Provisions	2,834,121	15,800,636
Current and deferred income taxes	275,218,985	230,461,284
	3,668,072,893	2,860,431,073
Operating activities:		
Change in investment securities	(2,922,412,241)	(1,693,067,428)
Change in receivables arising from repurchase agreements	536,781,303	(471,598,627)
Change in premiums receivable	(1,725,590,009)	(1,766,382,295)
Change in debtors	93,894,263	(258,229,140)
Change in reinsurers	(68,985,779)	(7,661,080)
Change in other operating assets	(236,782,248)	(135,869,387)
Changes in contractual obligation and costs associated with claims	670,873,126	677,669,465
Change in other operating liabilities	581,780,778	737,879,053
Net cash provided by operating activities	(3,070,440,807)	(2,917,259,439)
Investing activities:		
Proceeds from disposal of property and equipment	69,864,670	36,133,308
Purchase of other permanent investments	(1,033,205)	(704,689)
Purchase of property and equipment	(398,252,909)	(282,138,445)
Net cash used in investing activities	(329,421,445)	(246,709,826)
Financing activities:		
Repurchase of shares	(67,929,461)	(31,010,560)
Net cash used in financing activities	(67,929,461)	(31,010,560)
Net increase (decrease) in cash	200,281,180	(334,548,752)
Effects of exchange rate changes on the balance of cash held in foreign currencies	80,005,573	27,360,259
Cash at beginning of year	143,848,477	451,036,970
Cash at end of year	$ 424,135,230	$ 143,848,477

See accompanying notes to consolidated financial statements.

“These consolidated statements of cash flows were prepared in accordance with the accounting provisions issued by the National Insurance and Bonding Commission, applied on a consistent basis, and reflect all the cash flows derived from the operations performed by Quálitas Controladora S.A.B. de C.V and subsidiaries up to the aforementioned date, which were carried out and valued in conformity with sound corporate practices and applicable legal and administrative provisions.”

“These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the signing officers.”

Joaquín Brockman Lozano	Gabriel García Ruíz	Juan Daniel Muñoz Juarez
Chief Executive Officer	Internal Auditor	General Accountant

1. Activities

Quálitas Controladora, S.A.B. de C.V. and subsidiaries (the "Company") is engaged primarily in property and casualty insurance and reinsurance operations, mainly in the field of automobile insurance, in accordance with the General Law on Insurance Companies and Mutual Companies (the "Law") and the National Insurance and Bonding Commission (the "Commission"), as the agency established for inspection and oversight of these companies.

During 2015 and 2014, the Company did not interrupt any of its principal activities and did not carry out the following activities:

I. Derivatives transactions,
II. Financial reinsurance transactions,
III. Capital lease contracts,
IV. Issuance of debentures or other credit instruments.

2. Basis for presentation

a. ***Explanation for translation into English*** - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of the accounting criteria that may not conform with accounting principles generally accepted in the country of use.

b. ***Monetary unit of the financial statements*** - The consolidated financial statement and notes as of December 31, 2015 and 2014 and for the years then ended include balances and transactions in Mexican pesos of different purchasing power.

c. ***Consolidation of the financial statements*** - The consolidated financial statements include the financial statements of Quálitas Controladora, S.A.B. de C.V and those of its subsidiaries over which it exercises control, as of December 31, 2015 and 2014, and for the years then ended. The Company´s shareholding percentage in their capital stock is shown below:

Subsidiary	Ownership Percentage 2015	Ownership Percentage 2014	Activity
Quálitas Compañía de Seguros, S.A. de C.V.	99.99	99.99	Sale of insurance policies and reinsurance operations in the automobile insurance sector
Activos Jal, S.A. de C.V.	99.99	99.99	Real estate leasing
Cristafacil, S.A. de C.V.	56.00	51.00	Purchase, sale and maintenance of automotive glasses
Quálitas Compañía de Seguros (Costa Rica), S.A.	99.99	99.99	Sale of insurance policies
Car One Outlet de Refacciones, S.A. de C.V.	51.00	51.00	Purchase and sale of spare parts
Easy Car Glass S.A. de C.V.	75.25	72.44	Purchase, sale and services of automotive glass installation
Quálitas Financial Services, Inc.	100.00	100.00	Sale of insurance policies
Autos y Salvamentos, S.A. de C.V.	51.00	-	Sale and management of salvages

Significant intercompany balances and transactions have been eliminated.

d. ***Adoption retrospective effect NIF B – 1, Accounting changes and error corrections*** - As of January 1, 2015, the Company's management early adopted the updates to NIF D-3, which was unanimously approved for issuance by the Issuing Board of the CINIF in November 2014, establishing its effective date for institutions whose years begin as of January 1, 2016.

The accounting changes produced by the initial application of this standard are recognized retrospectively in accordance with NIF B-1, Accounting changes and error corrections; the effects of such adoption on the amounts reported in the balance sheet and income statement are as follows:

	As originally reported	Adjustment	As adjusted
Balance sheet			
Liabilities			
Reserve for employee retirement obligations	$ 139,538,087	$ 8,896,810	$ 148,534,897
Stockholders' equity			
Retained earnings from prior years	843,597,983	(25,453,319)	818,054,664
Other comprehensive results	-	10,584,955	10,584,955
Results			
Operating expenses, net:			
Employee salaries and benefits (Net expense for the year)	37,302,085	(5,871,554)	31,430,531

e. ***Translation of financial statements of foreign subsidiaries*** - To consolidate financial statements of foreign operations, the accounting policies of the foreign entities are converted to the accounting criteria established by the Commission using the currency in which transactions are recorded. Foreign operations whose functional currency is the same as the currency in which transactions are recorded translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in other comprehensive income (loss) within stockholders' equity.

f. ***Comprehensive income*** - This represents changes in stockholders' equity during the year, for concepts other than capital contributions, reductions and distributions, and is comprised of the net income of the year, plus other comprehensive income items of the same period, which are presented directly in stockholders' equity without affecting the income statement. Other comprehensive income is represented mainly by the result from valuation of property, the effects of translation of foreign operations and actuarial gains or losses determined in the calculation of the reserve for labor obligations and retirement.

g. ***Classification of costs and expenses*** - Costs and expenses comprising net income were classified according to their function and nature because this is the practice of the Insurance sector to which the Company belongs.

h. ***Consolidated Statements of Cash Flows*** - They are presented in accordance with the criteria of the Commission, based on net income rather than income before taxes as required by NIF B-2, Statement of Cash Flows

3. Summary of significant accounting policies

In accordance with the General Provisions Applicable to Issuers of Securities and Other Stock Market Participants ("Sole Circular of Issuers"), because the principal subsidiary of Quálitas Controladora, S.A.B. de C.V. is mainly engaged in insurance and reinsurance operation, the Company's financial statements have been prepared and presented in accordance with the accounting criteria established by the Commission ("Regulatory Insurance Accounting Principles") through the Sole Insurance and Bonding Circular ("Circular").

The accounting policies and those for preparation of the consolidated financial statements which the Company follows are in conformity with the accounting criteria established by the Commission, in the Circular. The preparation of the consolidated financial statements requires that the Company's management make certain estimates and use assumptions for purposes of the disclosures required therein. Nevertheless, actual results may differ from such estimates. The Company's management, in the application of its professional judgment, believes that the estimates and assumptions used were appropriate under the circumstances. The significant accounting policies of the Entity are as follows:

a. ***Accounting changes -*** as of January 1, 2015, the Entity adopted the following improvements to MFRS 2015:

That result in accounting changes:

NIF B-8, Consolidated or Combined Financial Statements
Bulletin C-9, Liabilities, Provisions, Contingent Assets and Liabilities and Commitments

That do not result in accounting changes:

NIF B-13, Events Subsequent to the Date of the Financial Statements
NIF B-15, Conversion of Foreign Currencies

Some of the principal changes established in these standards are:

NIF B-8, *Consolidated or Combined Financial Statements* - Clarifies the criteria to be evaluated in order to identify an investment entity and indicates that given the nature of the primary activity of an investment entity, it may be difficult for such an entity to exercise control over the entities in which it has invested; therefore, an analysis should be carried out in order to conclude whether the entity exercises control over its investees.

Bulletin C-9, *Liabilities, Provisions, Contingent Assets and Liabilities and Commitments* - Clarifies and modifies the accounting treatment for liabilities arising from customer advances denominated in foreign currency. When an entity receives advance collections for sales or services denominated in foreign currency, the changes in exchange rates between the functional currency and the transaction currency do not affect the amount of the advance collection. Accordingly, the balance of the customer advances liability should not be modified as a result of such changes in exchange rates.

NIF B-13, *Events Subsequent to the Date of the Financial Statements* and Bulletin C-9, *Liabilities, Provisions, Contingent Assets and Liabilities and Commitments* - NIF B-13 includes in a footnote the disclosures in the financial statements of an entity that are not prepared on a going concern basis in accordance with NIF A-7, *Presentation and Disclosure*. Such requirement was included as part of the regulatory text in the disclosure standards section of NIF B-13, and as part of Bulletin C-9 to disclose the contingencies arising from the fact that the entity is not operating on a going concern basis. Consequently, Circular 57 *Sufficient Disclosure* is repealed as a result of the Commercial Bankruptcy Law.

NIF B-15, *Conversion of Foreign Currencies* - The definition of foreign operations was modified to clarify that it not only refers to a legal entity or a cash generating unit whose operations are based on or carried out in an economic environment or currency different from those of the reporting entity, but also includes legal entities or cash generating units that operate in the same country as the reporting entity (parent or holding company), but use a currency different from that of the reporting entity.

At the date of issuance of these financial statements, the adoption of these improvements did not have a material effect on the Company's financial information.

b. ***Recognition of the effects of inflation -*** Cumulative inflation rates over the three-year periods ended December 31, 2015 and 2014 were 12.08% and 11.80%, in each period. Accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2015 and 2014 were 2.13% and 4.08%, respectively.

   Beginning on January 1, 2008, the Entity discontinued recognition of the effects of inflation in its financial statements. However, non-monetary assets and liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

c. ***Investments -***

   1. ***In securities -*** Includes investments in debt and equity securities and are classified at the time of their acquisition for their valuation and recording, based on the intention of the Company's management regarding their use as: securities to finance the operation, held to maturity or available for sale. In accordance with that established in annex transition appendix A.1.1.1.1 of the Circular, the recording and valuation of investments in securities is summarized as follows:

      I. Debt securities - These are recorded at their acquisition cost. The returns accrued in accordance with the effective interest rate are applied to results of the year. They are classified in one of the following categories:

         a) Securities to finance operation - These are valued at fair value, which is measured based on the market prices published by price vendors or by official publications specializing in international markets. Unlisted securities are valued at fair value based on internal estimates of fair value. The effects from valuation are applied to results of the year.

         b) Securities held to maturity - These are valued in accordance with the effective interest method and the effects from valuation are applied to results of the year.

         c) Securities available for sale - These are securities not classified in any of the previous categories. They are valued at fair value based on the market prices published by price vendors or by official publications specializing in international markets.

            Unlisted securities are valued at fair value based on widely accepted fair value models. The result from valuation, as well as its respective effect from monetary position, are recorded in stockholders' equity and are reclassified to results at the time of their sale.

      II. Equity securities - These are recorded at acquisition cost. Listed securities are valued at net realizable value based on the market price as established in point I.a) above. Equity securities are classified into one of the following two categories:

         a) Listed securities to finance operations - The effects from valuation are applied to results of the year. If there are no market prices, the last price recorded will be used for the valuation, using the lower of the book value of the issuer or the acquisition cost as the (As adjusted- See Note 2d) price.

b) Available for sale - The result from valuation, as well as its respective effect from monetary position, are recognized in stockholders' equity and are reclassified to results at the time of their sales.

2. ***In real estate -*** Investment in real estate is recorded at acquisition cost and is adjusted to fair value based on appraisals performed by independent experts authorized by the National Banking and Securities Commission ("CNBV"). Investment in buildings is depreciated by the straight-line method based on the estimated useful life. Appraisals must be performed at least every two years when the economic environment is not inflationary and every one year when the economic environment is inflationary.

   Variance between (As adjusted- See Note 2d) and acquisition cost is the increase or decrease in appraisal of properties, which is recorded in stockholders' equity net of its deferred tax.

d. ***Cash*** - This consists mainly of bank deposits in checking accounts and petty cash. They are valued at fair value and the returns generated are recognized in results as they are accrued.

e. ***Premium debtor -*** Uncollected premiums represent the balances of premiums aged a maximum of 45 days, unless there is agreement wherein a specific date of collection is expressly indicated, as established in Article 40 of the Contract Insurance Law. In accordance with the relevant provisions of the Law and the Commission, premiums aged by more than 45 days in cases where a specific date of collection is not established or that are not government issued policies, should be canceled against results for the year.

   In accordance with the Rules for Investment of Technical Reserves of Insurance Institutions and Mutual Societies, the amount of premium debtor can only be considered for Technical reserves coverage when overdue is no more than 30 days.

f. ***Reinsurers -*** The Company limits the amount of its liability by distributing the risks assumed to reinsurers, using proportional contracts, by ceding a part of its premium to such reinsurers.

   The reinsurers are obligated to reimburse the Company for the claims reported based on their participation.

g. ***Coinsurance -*** The operations derived from the coinsurance contracts that the Company performs in the auto and casualty segments are accounted for on a monthly basis and adjusted based on the account statements received from the co-insurers, which are received monthly.

h. ***Furniture and equipment -*** Are recorded at their acquisition cost. The balances derived from acquisitions made prior to December 31, 2007 were (As adjusted- See Note 2d) by applying factors taken from the National Consumer Price Index ("NCPI") until that date. Depreciation is calculated according to the straight line method based on the estimated useful life of assets, as follows:

	Years
Furniture and equipment	10
Computer equipment	3
Sundry	4
Transport equipment	4

i. ***Costs subject to amortization -*** Installment expenses are recorded at their acquisition cost. The balances derived from acquisitions made prior to December 31, 2007 were (As adjusted- See Note 2d) by applying factors taken from the NCPI until that date. Amortization is calculated according to the straight line method by considering the period established by the Company for each particular asset.

j. ***Salvages -*** Is presented under the heading of other assets in the balance sheet; salvage is recognized based on known claims as a total loss, based on the Company's experience, salvage is valued at a 35% of the indemnity.

In connection with a contract entered into on March 1, 2015 between the Company and its related party, Autos and Rescues, S.A. de C.V., the Company ceded the management, custody and marketing of salvages to its related party.

k. ***Technical reserves -*** The Commission requires that all technical reserves be audited annually by independent actuaries. On February 22, 2016 and February 16, 2015, the Company's independent actuaries issued their report to the effect that the reserves created for current risks, outstanding obligations and catastrophic risks at December 31, 2015 and 2014 were determined in accordance with the legal provisions, rules, criteria and practices established and permitted by the Commission and the actuarial practice standards adopted by the CONAC. Accordingly, on an aggregate basis, these reserves are sufficient to enable the Company to underwrite the obligations resulting from its insurance portfolio.

Technical reserves have been created according to legal provisions and those issued by the Commission. In order to value its technical reserves, the Company utilized the valuation methods and assumptions contained in its technical notes and the provisions detailed in Chapters 1.1, 1.7, 1.11, 2.1 and 2.2 of the Circular annex transitory 2.

According to the provisions issued by the Commission, technical reserves must be valued as follows:

1. ***Reserve for current risks***

a. Casualty operation reserves are determined in the following manner:

The expected value of future obligations derived from the payment of claims and benefits is projected by utilizing the recorded valuation method; this value is then matched with the unearned risk premium of current policies to obtain the efficiency factor used to calculate the reserves needed for each area or, if applicable, the types of insurance operated by the Company.

The efficiency factor applied for this purposes must not be less than one. The adjustment applied to correct the insufficiency of the current risks reserve must be based on the result of multiplying the unearned risk premium by the respective sufficiency factor, less one. The unearned portion of administrative expenses must also be added to this calculation. Consequently, the amount determined for the current risks reserve is composed by the unearned risk premium of current policies, the reserve insufficiency adjustment and the unearned portion of administrative expenses.

2. ***Contractual obligations:***

a. ***Unpaid claims -*** A reserve is created for damages based on the estimated amount of the obligation.

b. ***Claims incurred but not reported -*** This reserve is used to recognize the estimated amount of casualties yet to be reported to the Company. The estimate obtained by using the methodology approved by the Commission is recorded.

c. ***Policy dividends -*** Represent the refund of a portion of the insurance premium; this amount is determined based on actuarial calculations which consider the casualty rate and severity.

d. ***Premiums on deposit -*** Represent the collected premiums which, at the financial reporting date, have not been identified with premium debtor accounts to permit their allocation.

e. ***Reserve for unvalued claims -*** This reserve reflects the expected amount of potential future payments to be made for claims reported to the casualty claims area and for which valuations have either not been reported or for which there is insufficient information to allow for the accurate determination of the future payment obligations.

3. ***Catastrophic risks -*** Through 2009, the Company issued policies covering home damage risks; therefore, an allowance for catastrophic risks was established. As established in the Sole Insurance Circular, the surplus allowance for catastrophic risks recognized up to December 31, 2009 was recognized to the income statement until its full amortization in 2014.

l. ***Provisions -*** A provision is recognized when the Company has a current obligation based on a past event, for which the disbursement of economic resources is probable and can be fairly estimated.

m. ***Employee benefits -*** Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned, as follows:

1. ***Employee benefits from termination, retirement and other -*** The liability for seniority premium, pensions and severance for termination of the employment relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

2. ***Statutory employee profit sharing (PTU) –*** PTU is recorded in the results of the year in which it is incurred. As result of the *2014 Tax Reform*, as of December 31, 2015 and 2014, PTU is determined based on taxable income, according to Section I of Article 10 of the Income Tax Law. Deferred PTU derived from temporary differences between the accounting and tax bases of assets and liabilities is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

n. ***Income tax -*** Income tax (“ISR”) are recorded in results of the year in which they are incurred. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carry forwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

o. ***Transactions denominated in foreign currency -*** Transactions denominated in foreign currency are recorded based on the exchange rate in effect at each transaction date. Monetary assets and liabilities denominated in foreign currency are valued in Mexican pesos according to the exchange rate in effect at the date of the financial statements. Exchange rate fluctuations are recorded in results.

p. ***Premium revenues -*** Revenues are recorded by considering contracted policy premiums net of premiums assigned to reinsurers and are recognized when the policies are issued.

Unpaid premiums are canceled after 45 days and released from the current risks reserve. In the event of policy rehabilitation, the reserve is replenished as of the month in which insurance coverage is recovered.

Premium rights represent revenues related to the cost of issuing policies and are recognized when the policies are issued.

Premium surcharges represent revenues related to the financing derived from policies with installment payments (damages) and are recognized in income as they are accrued.

q. ***Commissions -*** Commission expenses are recognized in the income statement when the respective policies are issued.

r. ***Use of facilities*** **-** The expenses incurred by the Company for the use of facilities ("UOF") are recognized in the income statement as policies are issued.

s. ***Claims cost*** **-** The claim cost is recognized in results when claims are received.

t. ***Memorandum accounts*** **-** These accounts are used to record informative data on taxes or other items which are excluded from the balance sheet. Audit procedures are only applied to the accrued amounts recorded in memorandum accounts when they result in the creation of an accounting entry:

1) *Reserve for labor obligations at retirement (unaudited)*. This reserve is used to record the excess amount obtained by matching the net current liability with the net projected liability so as to recognize the figures of each new period.

2) *Record accounts:*

   Sundry (unaudited) – These accounts are utilized to record uncollectible loans which were written-off by the Company; unidentified items and transactions are also recognized.

   The Company recognizes the unapplied or non-deducted amount or the accumulated amortization of fixed assets and unamortized expenses.

u. ***Earnings per share*** - Basic earnings per common share are calculated by dividing consolidated net income of the controlling interest by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined only when there is income from continuing operations by adjusting consolidated net income and common shares on the assumption that the Entity's commitments to issue or exchange its own shares are to be met.

4. Investments

In accordance with applicable law and regulatory provisions issued by the Commission, the Company must maintain investments to cover the obligations represented by its technical reserves and its minimum guarantee capital. These investments are made in diversified instruments which are selected based on a combination of term and measured risk, as reflected by the Company's investment policies and requirements concerning the collateral exposure of assets and liabilities.

a. Based on the instrument type and issuer:

	2015			
Nature and category	**Acquisition cost**	**Valuation**	**Interest**	**Total**
Debt instruments -				
National:				
Government:				
To finance operations	$ 3,819,561,516	$ 142,483	$ -	$ 3,819,703,999
Private National:				
To finance operations	6,577,400,282	151,060,914	17,258,277	6,745,719,473
Equity instruments -				
National:				
Private:				
To finance operations	2,012,592,949	665,487,248	-	2,678,080,197
Total debt and capital – National	12,409,554,747	816,690,645	17,258,277	13,243,503,669
Restricted securities	1,389,479	-	-	1,389,479
Equity instruments				
Private Foreign:				
To finance operations	412,361,119	83,144,707	-	495,505,826
Total investments	$12,823,305,345	$ 899,835,352	$ 17,258,277	$13,740,398,974

Nature and category	2014 Acquisition cost	Valuation	Interest	Total
Debt instruments -				
National:				
Government:				
To finance operations	$ 2,423,659,103	$ (8,446,029)	$ 2,053,076	$ 2,417,266,150
Private National:				
To finance operations				
Held to maturity	5,640,554,422	182,566,886	14,644,552	5,837,765,860
Total Private				
Equity instruments -				
National:				
Private:				
To finance operations	1,813,207,489	474,059,449	-	2,287,266,938
Total debt and capital – National	9,877,421,014	648,180,306	16,697,628	10,542,298,948
Equity instruments -				
Private Foreign:				
To finance operations	208,206,324	67,523,321	-	275,729,645
Total investments	$10,085,627,338	$ 715,703,627	$ 16,697,628	$10,818,028,593

b. Based on instrument maturity:

Maturity	2015 Acquisition cost	Valuation	Interest	Total
One year or less	$ 8,895,678,249	$ 749,734,531	$ 549,307	$ 9,645,962,087
More than one year and up to five years	815,254,266	(10,638,499)	4,229,391	808,845,158
More than five years and up to 10 years	1,498,404,755	11,092,051	3,125,381	1,512,622,187
More than 10 years	1,613,968,075	149,647,269	9,354,198	1,772,969,542
Total	$12,823,305,345	$ 899,835,352	$ 17,258,277	$13,740,398,974

Maturity	2014 Acquisition cost	Valuation	Interest	Total
One year or less	$ 5,039,909,569	$ 528,434,895	$ 1,609,113	$ 5,569,953,577
More than one year and up to five years	3,186,239,294	16,107,264	5,326,446	3,207,673,004
More than five years and up to 10 years	828,067,423	2,228,052	1,494,865	831,790,340
More than 10 years	1,031,411,052	168,933,416	8,267,204	1,208,611,672
Total	$10,085,627,338	$ 715,703,627	$ 16,697,628	$10,818,028,593

c. In accordance with Chapter 1.2 of the Circular annex transitory, the investments made in securities by the Company to cover technical reserves must be rated by securities rating institutions authorized by the National Banking and Securities Commission (“CNBV”). These security ratings must fall within the ranges established by the Commission. The Company's investments in securities have the following ratings:

	2015			
Rating	**Maturity in less than one year**	**Maturity in more than one year**	**Total**	**%**
Outstanding	$ 1,689,707	$ 3,018,423,536	$ 3,020,113,243	22
High		330,253,552	330,253,552	2
Good	725,254,242	735,855,595	1,461,109,837	11
Equity instruments	5,471,467,468		5,471,467,468	40
Government	3,447,550,670	9,904,204	3,457,454,874	25
Total	$ 9,645,962,087	$ 4,094,436,887	$13,740,398,974	100%

	2014			
Rating	**Maturity in less than one year**	**Maturity in more than one year**	**Total**	**%**
Outstanding	$ 740,248,028	$ 3,917,365,538	$ 4,657,613,566	43
High	596,187,718	826,017,064	1,422,204,782	13
Good	135,776,108	64,438,046	200,214,154	2
Equity instruments	2,562,997,174	-	2,562,997,174	24
Government	1,534,744,549	440,254,368	1,974,998,917	18
Total	$ 5,569,953,577	$ 5,248,075,016	$10,818,028,593	100%

As of December 31, 2015 and 2014, the Company has no restricted liquidity investments for the settlement of legal proceedings.

As of December 31, 2015 and 2014, the Company did not sell financial instruments classified as securities held to maturity prior to their redemption date.

5. Cash

	2015	2014
Cash	$ 13,115,593	$ 14,596,375
Banks	411,019,637	129,252,102
Total	$ 424,135,230	$ 143,848,477

6. Other receivables

	2015	2014
Sundry debtors	$ 398,003,103	$ 542,594,228
Guarantee deposits	30,865,371	27,205,333
Value Added Tax	119,953,008	92,059,427
Total	$ 548,821,482	$ 661,858,988

7. Furniture and equipment, net

	2015	2014
Furniture and equipment	$ 236,760,642	$ 202,557,548
Computer equipment	544,914,750	415,857,286
Sundry	363,328,484	279,550,166
Vehicles	353,064,214	329,132,780
	1,498,068,090	1,227,097,780
Less accumulated depreciation	1,003,861,971	849,142,203
	$ 494,206,119	$ 377,955,577

8. Other assets

	2015	2014
Salvage inventory(a)	$ 481,465,634	$ 410,235,283
Prepaid expenses	285,148,024	130,007,794
Prepaid taxes (b)	518,388,425	566,134,495
Deferred income taxes	245,652,443	198,853,042
Deferred PTU	65,295,308	53,936,972
	$ 1,595,949,834	$ 1,359,167,586

(a) As regards to claims classified as total losses, based on its experience, the Company recognizes an unrealized salvage inventory equal to approximately 35% of the indemnity.

(b) This amount refers to estimated payments made on account of annual income tax, which can be applied to the respective liability when payment is made, in addition to recoverable balances derived from taxes paid in prior years.

9. Sundry creditors

	2015	2014
UOF provision	$ 1,364,897,920	$ 1,135,444,403
Bank deposits	457,427,095	305,226,128
Other	190,956,295	245,230,343
Lawsuits	95,477,663	36,342,434
Dividends payable on shares	3,178,433	3,272,505
Total	$ 2,111,937,406	$ 1,725,515,813

10. Employee benefits

The Company has a defined-benefit pension plan for employees who reach the age of 65, or 60 when they have 10 or more years' of service and decreasing the pension plan 3% for each year that anticipates the normal retirements. Under this plan, employees receive a pension based on the average salary of the last twelve months of employment prior to the retirement date, including annual bonus split by twelve and excluding all other compensation in cash or in kind.

This plan also covers seniority premiums, which include a single payment equal to 12 days' salary per each year worked, based on the most recent salary and limited to twice the legal minimum wage. This liability and the annual cost of benefits are calculated by an independent actuary utilizing the projected unit credit method and plan bases.

Similarly, this plan covers employee termination benefits, which are composed by a single payment equal to three months' salary plus 20 days for each year worked, based on the employee's final salary. This liability and the annual cost of benefits are calculated by an independent actuary utilizing the projected unit credit method and plan bases.

In November 2014 the Issuing Board of the CINIF unanimously approved the NIF D-3 "Employee benefits" for its issuance, establishing its effective date for entities whose years begin as of January 1, 2016, but early application is permitted as of January 1, 2015. The Company's management decided to early adopt such application.

The principal effects generated by changes in the financial information of the year 2015 are as follows:

i. The discount rate of the Defined Benefits Obligation is based on rates of high-quality corporate bonds with a deep market or, in the absence of bonds or markets with such characteristics, on government bond rates. Also, it establishes the criteria to be followed to classify the high quality corporate bonds, and what should be understood as a deep market. Consequently, the existence of a deep market must be determined in order to identify the discount rates to be applied. The standard establishes the criteria to identify the existence of a deep market; however, as of February 3, 2016, it has yet to be defined whether there is a deep market in Mexico.

ii. The discount rates used for the valuation of the DBO at the close of the year 2015 were those related to long-term government bonds as of that date, according to the duration of each benefits plan, as follows:

Benefit	**Rate %**
Seniority premiums	7.25
Legal compensation	6.25
Pension plan	7.50

The Company has estimated that for 2016, if the existence of a deep market in Mexico is identified, the use of a high-quality corporate bonds rate will not have a significant effect on the financial figures.

iii. The net liability for defined benefits or net asset for defined benefits, which is the deficit or surplus, respectively, between the defined benefits obligation and the plan assets, is recognized.

iv. The amortization of actuarial losses and/or gains is eliminated, for which reason such amounts are recognized immediately within other comprehensive results (ORI), and they are recycled to results over the remaining employee service period.

v. The prior service cost for the initiation of or improvements to a defined benefits plan should be recognized immediately in the year in which it occurs.

vi. The procurement of the cost for prior services is recognized in equity within the results of previous years, because it is the first application of the standard.

vii. One important change in this NIF D-3 is the elimination, in the recognition of postemployment benefits, of the focus on the fluctuation corridor or band used for the treatment of the Plan Gains and Losses (GPP). In other words, they can no longer be deferred and, instead, are recognized immediately in the provision as they are accrued, although such recognition will take place directly as re-measurements in Other Comprehensive Results (ORI), and must be subsequently recycled to net income or loss. Previously, the NIF D-3 granted an entity the option of recognizing the actuarial gains or losses as they are accrued directly in the results for the period.

The present value of these obligations and the rates used for the calculations are:

	2015	2014
Defined benefit obligation	$ 169,681,622	$ 148,534,897
Plan assets at fair value	(65,401,368)	(63,877,025)
Net projected liability	$ 104,280,254	$ 84,657,872

As of December 31, 2015 and 2014, pension plan assets are invested in a trust with a bank:

	2015	2014
Private financial sector paper	$ 65,707,922	$ 63,851,826

The reserve for labor obligations is financed by contributions to a fund administered by the Company. Most of this reserve is covered by investments in investment funds; accrued interest is recognized within the reserve balance.

Net period cost includes the following items:

	2015	2014
Service costs	$ 22,423,803	$ 17,266,377
Financial cost	10,076,612	7,201,514
Expected yield on plan assets	(4,427,982)	(3,814,042)
Actuarial gain and loss	-	16,648,236
Recycling measurements of NPL or AMD	(434,473)	-
Net cost for the period	$ 27,637,960	$ 37,302,085

The accumulated effect of the early adoption of NIF D-3 “Employee benefits” as of December 31, 2015 is $25,453,319, which was recorded to results of retained earnings.

The main items giving rise to a deferred PTU asset are:

	2015	2014
Deferred PTU (asset):		
Use of facilities provision	$ 139,232,010	$ 113,869,142
Commissions for accrued	31,946,069	26,823,065
Provisions	4,080,303	7,417,968
Surcharges of premiums	24,395,050	18,051,160
Additional agents compensations reserve	9,800,000	8,800,000
Furniture and equipment	10,678,365	8,529,753
Current account agents	3,956,623	3,345,303
Dividends reserve	3,745,796	4,036,134
Employee benefits D-3	5,510,606	
Fee provision	90,555	31,839
Total deferred PTU asset	233,435,377	190,904,364

	2015	2014
Deferred PTU (liability):		
Inventory of salvages	(40,647,791)	(30,542,740)
Debt instruments valuation	(89,947,221)	(71,547,533)
In real state	(32,514,958)	(32,380,501)
Others	(5,030,099)	(2,496,618)
Total deferred PTU liability	(168,140,069)	(136,967,392)
Total deferred asset	$ 65,295,308	$ 53,936,972

As of December 31, 2014, the deferred PTU effect resulting from the merger of its subsidiaries Quálitas Compañía de Seguros, S.A de C.V with its personnel and administrative services subsidiaries was recognized, and the rights, obligations, and responsibilities of the absorbed companies regarding their employees were assumed.

11. Stockholders' equity

a. As of December 31, 2015 and 2014, subscribed and paid-in capital at par value (historical pesos) is as follows:

	2015		2014	
	Number of shares	Amount	Number of shares	Amount
Fixed Capital				
Serie I	450,000,000	$2,684,887,926	-	-
Serie A	-	-	1,350,000,000	$1,606,630,551
Serie B	-	-	900,000,000	1,071,087,034
Repurchased shares	-	(106,110,362)	-	(31,010,560)
Total	450,000,000	$2,578,777,564	2,250,000,000	$2,646,707,025

b. Pursuant to a resolution of the general extraordinary stockholders' meeting on February 9, 2015 a restructure of the shares was approved. The fixed minimum capital of the company was divided by a reduction of 1,800,000 common shares, without nominative value, without reducing the capital and the shares of serie A and serie B were converted to a unique serie class I.

The share capital of the company amounts to $ 2,684,887,926 represented by 450,000,000 common shares, nominative, unique serie, Class I represents the minimum fixed capital of the company.

c. According to the criteria issued by the Commission, gains derived from the valuation effects of investments in securities must be considered as unrealized. Accordingly, they cannot be capitalized and dividends cannot be paid to stockholders until they are realized in cash.

d. Under the LGISMS, the Company must utilize at least 10% of its profits of the year to create a legal reserve, until reaching 75% of paid-in capital. The legal reserve can be capitalized and must be replenished according to the new amount of paid-in capital. The legal reserve balance must not be distributed unless the company is dissolved. As of December 31, 2015 and 2014 its nominal value is $118,602,979 and $87,036,746, respectively.

e. The distribution of stockholders' equity, except (As adjusted- See Note 2d) paid-in capital and tax retained earnings, is subject to the payment of income tax at the rate in effect when the dividend is distributed. Any tax paid on this distribution may be credited against the payable income tax of the year in which the tax on the dividend is paid and against the tax of the year and estimated tax payments during the two subsequent fiscal years.

f. As of December 31, 2015 and 2014, tax account balances are as follows:

	2015	2014
Contributed Capital Account	$ 2,041,873,761	$ 2,977,479,930
Net Tax Income Account	2,563,474,622	2,062,413,608
Total	$ 4,605,348,383	$ 5,039,893,538

12. Advanced premiums

During 2015 and 2014, the Company issued insurance policies which took effect as of December 31, 2015 and 2014 ("advanced premiums"), respectively. As of December 31, 2012 and 2014, the following information on these advanced premiums is presented in the balance sheets and statements of income:

Balance sheets:

	2015	2014
Assets:		
Premium debtor	$ 1,447,453,412	$ 1,594,267,367
Participation of re-reinsurers in unearned premiums	-	3,132,547
	$ 1,447,453,412	$ 1,597,399,914
Liabilities:		
Unearned premiums reserve	$ 964,178,013	$ 948,474,203
Payables to insurance institutions	4,312,175	3,685,350
Unaccrued commissions	38,490,362	47,702,247
Sundry creditors (UOF)	246,351,178	284,562,590
VAT payable	199,635,093	219,883,411
Policy surcharges	17,512,906	24,587,256
	$ 1,470,749,727	$ 1,528,895,057

Statements of income:

	2015	2014
Income:		
Premiums	$ 1,193,648,145	$ 1,300,898,745
Expenses:		
Premiums ceded	4,312,175	3,685,350
Increase to the reserve of unearned premiums	964,178,013	945,341,656
Agent commissions	39,051,896	48,526,219
Acquisition cost	246,351,178	284,562,590
	1,253,893,262	1,282,115,815
Technical (loss)	(60,245,117)	18,782,930
Administrative expenses net (policy rights)	37,218,802	49,721,927
Net effect on statements of income	$ (23,026,315)	$ 68,504,857

13. Other acquisition costs

	2015	2014
UOF	$ 2,690,631,747	$ 2,565,592,463
Employee salaries and benefits	268,005,863	203,208,256
Sundry expenses	70,772,259	92,387,071
Total	$ 3,029,409,869	$ 2,861,187,790

14. Contingent commissions

Contingent commissions are payments or compensations paid to individuals or entities engaged in intermediation activities or which intervened in the acquisition of the Company's insurance products. These amounts are paid in addition to the direct commissions or compensations considered in the design of each product.

In 2015 and 2014, the Company executed agreements for the payment of contingent commissions with the individuals and entities acting as intermediaries and described in this note. During 2015 and 2014, the total amount of payments made under these agreements for issuances and UOF was $2,566,586,587 and $2,382,494,757, respectively, thereby representing 13.30 % and 13.98 %, of the total premiums issued by the Company during 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the contingent commissions paid by the Company are comprised as follows:

	2015	2014
Individuals	$ 76,874,329	$ 75,332,406
Entities	378,388,876	330,978,424
Entities UOF	2,111,323,382	1,976,183,927
	$ 2,566,586,587	$ 2,382,494,757

Contingent commission agreements have the following characteristics:

a. *Individuals* - New sales, conservation, low casualty rate, profitability and general support.

b. *Entities* - New sales, conservation, low casualty rate and profitability, advisory services, portfolio management and technical and operating support for insurance policy management.

The Company does not hold any equity in the entities with which it has executed contingent commission agreements.

15. Foreign currency position

a. As of December 31, 2015 and 2014, the foreign currency monetary position is as follows:

	U.S. Dollars 2015	U.S. Dollars 2014
Monetary assets	90,356,839	88,274,528
Monetary liabilities	49,493,915	6,219,205
Monetary asset position - Net	40,862,924	82,055,323
Equivalent in Mexican pesos	$ 704,832,317	$ 1,209,610,338

b. Transactions in foreign currency were as follows:

	2015	2014
	(U.S. Dollars),	
Premiums written	$ 55,607,004	$ 33,968,031
Claims incurred	26,812,458	22,079,029
Other costs and expenses (1)	10,799,191	6,687,011

(1) Mainly includes expenses for commissions paid to agents, payroll and interests.

c. The following Mexican peso exchange rates were in effect at the date of the financial statements and respective report:

	2015	2014	February 23, 2016
US dollar	$ 17.2487	$ 14.7414	$ 18.1948

16. Income taxes

The Entity is subject to ISR. As a result of the new 2014 ISR law (2014Tax Law), the rate is 30% in 2015 and 2014 and it will continue at 30% in 2016 and thereafter.

The CINIF issued INIF 20 Financial Effects of the Tax Reform 2014, effective as of December 31, 2014, to provide guidance regarding the accounting recognition of the issues included in the 2014 tax reform.

Income taxes are as follow:

	2015	2014
ISR:		
Current	$ 306,559,739	$ 329,216,637
Deferred	(40,325,778)	(98,755,353)
	$ 266,233,961	$ 230,461,284

a. The reconciliation of the statutory and effective rates expressed as a percentage of income before income taxes is:

	2015	2014
Statutory rate	30%	30%
Effects of inflation	2	(1)
Other permanent items	-	(2)
Effective rate	32%	27%

b. The main items generating the deferred ISR asset (liability) are as follows:

		2015		2014
Deferred ISR asset:				
UOF provision	$	417,696,030	$	341,607,426
Unaccrued commissions		95,838,206		80,469,196
Provisions		22,284,635		(160,263)
Premium surcharges		73,185,149		54,153,480
Agents bonus reserve		29,400,000		26,400,000
Furniture and equipment		33,858,006		27,367,584
Agents current account		11,869,869		10,035,909
Policy dividend reserve		11,237,388		12,108,402
Tax loss carry forwards		16,102,814		(10,437,646)
Employee profit sharing		7,053,088		15,696,420
Honorarium provisions		271,664		42,084,012
Employee benefits D-3		31,192,110		-
Others		83,690		83,690
Deferred ISR asset		750,072,649		599,408,210

		2015		2014
Deferred ISR (liability):				
Salvage inventory		(121,943,374)		(91,628,219)
Valuation of debt instruments		(269,841,663)		(214,642,600)
Property		(97,544,873)		(76,173,647)
Insurance premiums		(3,909,435)		(4,203,068)
Others		(11,180,861)		(3,286,787)
Deferred ISR liability		(504,420,206)		(389,934,321)
Total deferred assets	$	245,652,443	$	209,473,889

Deferred ISR asset is recognized within other assets (sundry) balance. The recognition of deferred ISR assets in 2015 and 2014 generated credits to profit of the year of $40,325,778 and $98,755,353 respectively, and debits to valuation surplus in real state in the stockholders' equity balance of $ 4,147,224 and $1,060,195, respectively.

17. Contingencies

As part of the normal course of its operations, the Company is involved in various legal proceedings. The Company's management considers that the provisions recorded at December 31, 2015 and 2014 fully cover these contingencies and are sufficient to settle the amounts which could result from these lawsuits. It is therefore unlikely that these lawsuits, whether individually or collectively, will lead the Company to record an additional liability with a material effect on its financial position, the results of its operations or liquidity.

18. Risk level according to the credit rating

According to the credit rating issued by the ratings agency Standard & Poor's, on May 29, 2015, the Company's risk level is "stable". The principal factors considered by the ratings agency are as follows:

Factor	Rating
Counterparty risk rating	BB

19. Business segment information

Operating segment information is determined based on the information used by management to assess performance and allocate resources.

a. Condensed information by business lines

	2015			
	Written premiums	Ceded premium	Unearned premiums reserve	Earned retained premiums
Car fleets, financial and other	$15,269,076,460	$ 4,312,175	$ 2,261,149,381	$13,003,614,904
Individual	3,927,619,966	-	14,586,385	3,913,033,581
Subsidiaries	659,642,846	-	511,393,558	148,249,288
Total consolidated	$19,856,339,272	$ 4,312,175	$ 2,787,129,324	$17,064,897,773

	2014			
	Written premiums	Ceded premium	Unearned premiums reserve	Earned retained premiums
Fleets, financial and other	$13,634,939,028	$ 3,685,350	$ 1,781,858,063	$11,849,395,615
Individual	3,447,073,137	-	(48,446,229)	3,495,519,366
Subsidiaries	258,410,933	-	247,313,450	11,097,483
Total consolidated	$17,340,423,098	$ 3,685,350	$ 1,980,725,284	$15,356,012,464

Total assets (Premium debtor)	2015	2014
Individual	$ 4,031,693,386	$ 3,535,119,115
Fleets, financial and other	5,938,279,345	4,823,549,196
Subsidiaries	206,919,314	92,633,726
Total consolidated	$ 10,176,892,045	$ 8,451,302,037

b. Condensed segment information by geographical area.

	Premiums written	
	2015	2014
Mexico	$ 19,241,053,414	$ 17,106,348,407
United States	282,757,961	19,529,382
Central America	332,527,897	214,545,309
Total consolidated	$ 19,856,339,272	$ 17,340,423,098

	Premium debtor	
	2015	2014
Mexico	$ 9,969,972,732	$ 8,358,668,310
United States	65,260,467	2,923,744
Central America	141,658,846	89,709,983
Total consolidated	$ 10,176,892,045	$ 8,451,302,037

20. New accounting principles issued by the CNSF

a. ***Accounting criteria.*** On December 19, 2014, the Federal Official Gazette published the Insurance and Bonding Sole Circular (“the “Circular”), which entered into effect as of April 4, 2015. Chapter 22.1 of the Circular establishes the accounting criteria for the estimation of the assets and liabilities of insurance companies and mutual entities (“Accounting Criteria”). However, the 12th Transitory Provision of the Circular establishes that during the period from April 4 through December 31, 2015, insurance companies and mutual funds will comply with the accounting criteria established in Transitory Exhibit 1 of the Circular, which are the same as those in effect through to April 3, 2015. For this reason, the applicable Accounting Criteria in the years 2015 and 2014 are consistent.

The principal changes identified in Exhibit 22.1.2, which go into effect January 1, 2016, are as follows:

1. A glossary of terms is included.
2. The criteria for the general accounting scheme are established.
3. The criteria for specific items of insurance and bonding operations are established.
4. The specific criteria for the consolidated basic financial statements are established
5. If the insurance companies and mutual entities consider that there is no accounting treatment applicable to any of the operations that they perform, issued by the CINIF or by the Commission, the supplemental bases established in NIF A-8 will be applied.

According to the analysis performed by the Company, the adoption of the new accounting criteria will have an effect mainly in the following headings:

- *Loans* - Allowances for loan losses must be created, and the respective adjustments made in conformity with provisions 8.14.55 to 8.14.80 and 8.14.82 to 8.14.92 of the CUSF. The accounting adjustment will be made in conformity with Criterion B5 of Title 22.

- *Reinsurance* - The estimates of the recoverable amounts of Reinsurance must be made, in conformity with the Provision 8.20.2 of the CUSF. The accounting adjustment will be made in conformity with Criterion B9 of Title 22

At the date of issuance of these consolidated financial statements, the Entity has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

b. ***New regime for the valuation of technical reserves***

With the enactment of the CUSF on April 4, 2015, and amendments published on December 14, 2015, new accounting criteria are established for the valuation, presentation, and disclosure of the reserve for unearned premiums, the reserve for incurred and unreported losses, and the reserve for adjustment expenses assigned to the claim for Insurance Companies.

The new model for the valuation of the technical reserves establishes the use of proprietary experience and different factors such as the risk margin and other actuarial components.

At the date of our report, management is still evaluating the quantitative effects on the financial statements of applying the Commission’s new regime for the valuation of technical reserves. When the new model for technical reserves is applied, if additional reserves are established, they must be immediately recorded to results; if reserves are released, the insurance companies may elect to amortize the effect of the release over 24 months, in conformity with the accounting criteria of the Commission.

Pursuant to the foregoing, the Company’s management is currently analyzing the principal implications derived from the adoption of the new regime for the valuation of technical reserves.

In accordance with that established in article 219 of the Law and Chapter 5.5 “Recording of actuarial methods for the creation, increase and valuation of the technical reserves of insurance companies and mutual entities” in the Circular, during the months from September through December 2015, Quálitas Compañía de Seguros, S.A. de C.V. the primary subsidiary of Quálitas Controladora S.A.B. de C.V. submitted for registration with the Commission the technical notes related to the actuarial methods for the estimation of the reserve for unearned premiums, incurred but unreported losses and unadjusted expenses, which were authorized in the months of December 2015 and January 2016.

The documents were prepared based on that established in articles 216, 217 and 218 of the Law; Chapters 5.1 “Creation, increase, valuation and recording of the reserve for unearned premiums in insurance companies and mutual funds”, 5.4 “Risk margin” and 8.20 “Recoverable amounts of reinsurance” of the CUSF; as well as Actuarial Practice Standard No. 08 relative to the actuarial value of the reserve fund and premiums, issued by the National College of Actuaries.

Pursuant to that established in Chapter 5.5., numeral 5.5.1, section III of the CUSF, the actuarial methods registered with the Commission have the favorable opinion issued by the Actuary Liliana Ganado Santoyo.

The information source used in the model refers to statistical information over six years. At the date of issuance of the financial statements, the Company is still determining the quantitative effect due to the change in methodology for the calculation of the technical reserves.

21. New accounting pronouncements

As of December 31, 2015, the CINIF has issued the following NIF which may affect the financial statements of the Entity:

a. Effective as of January 1, 2016:
NIF D-3, *Employee Benefits*

b. Effective as of January 1, 2018:
NIF C-2, Investment in financial instruments
NIF C-3, *Accounts Receivable*
NIF C-9, *Provisions, Contingencies and Commitments*

NIF D-3, *Employee benefits*- When there is a pre-existing payments condition due to the end of the employment relationship, such payments have to be valued as post-employment benefits. Additionally, the past service cost, plan amendments, personnel cutbacks, and gains and losses due to advance settlements such as compensation classified as termination benefits, are recognized immediately in results. In contrast, the actuarial gains and losses resulting from the re-measurements should be recognized in the ORI and recycled to the income statement over the average working life. Such re-measurements derive from comparing the defined benefits plan and the plan assets determined at the close of the year, with the amounts that were projected at the beginning of the period for the current year. Another relevant change consists of identifying the discount rate of the benefits obligation with a rate based on high-quality corporate bonds and in a deep market and, if not, using government bond rates. The same rate will be used to calculate the projection of the plan assets (net rate). The changes are recognized retrospectively.

Early application of NIF C-3 is permitted as of January 1, 2016, as long as both standards are adopted.

Improvements to the NIF 2016 - The following improvements were issued, effective January 1, 2016, which generate accounting changes:

NIF B-7, *Business acquisitions* - Clarifies that the acquisition and/or merger of entities under common control, and the acquisition of noncontrolling equity or the sale without losing control of the subsidiary, are outside the scope of this NIF, regardless of how the amount of the consideration was determined.

NIF C-1, *Cash and cash equivalents* and NIF B-2, *Statement of cash flows* - Modified to consider foreign currency as cash and not as cash equivalents. Clarifies that both the initial and subsequent valuation of cash equivalents must be at fair value.

Bulletin C-2, *Financial instruments and Document of amendments to Bulletin C-2* -

a) The definition of financial instruments available for sale is modified to clarify that they are those in which investment is made from time to time with the intention of trading them over the medium-term prior to maturity, so as to obtain profits based on changes in market value, and not only through their related returns.

b) Criteria for classifying a financial instrument as available for sale is clarified to prohibit such classification when i) the intention is to hold it for an indefinite period, ii) the entity is willing to sell the financial instrument, iii) it has a sale or redemption option on the instrument, and iv) the issuer of the instrument has the right to liquidate the financial instrument at an amount significantly lower than its amortized cost.

c) The concept of purchase expenses is eliminated and the definition of transaction costs is incorporated.

d) The reversal of impairment losses from financial instruments held to maturity is allowed, in the net income or loss for the period.

NIF C-7, *Investments in associates, joint ventures and other permanent investments* – Establishes that contributions in kind should be recognized at the fair value that was negotiated between owners or shareholders, unless they are the result of debt capitalization, in which case they should be recognized for the capitalized amount.

Bulletin C-10, F*inancial derivatives and hedge transactions-*

a) The method to be used to measure the effectiveness should be defined, which should be evaluated at the beginning of the hedge, in the following periods and at the date of the financial statements.
b) Clarifies how to designate a primary position.
c) The accounting for the transaction costs of a financial derivative is modified to be recognized directly in the net income or loss of the period at acquisition, and not deferred and amortized during its effective term.
d) Clarifications are made on the recognition of embedded derivatives.

At the date of issuance of these consolidated financial statements, the Entity has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

22. Authorization to issue the financial statements

The issuance of these consolidated financial statements was authorized on February 23, 2016 by the Company’s Board of Directors under the responsibility of General Director, Mr. Joaquín Brockman Lozano, General Accountant, Mr. Juan Daniel Muñoz Juarez, and Internal Audit Director, Mr. Gabriel García Ruíz. However, these financial statements are subject to the approval of the Ordinary Meeting of the Company's stockholders, which could request their modification under the General Corporate Law. Furthermore, the financial statements are subject to review by the Commission, which could request their issuance with certain modifications within the legal deadline established for this purpose.

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