Quálitas

THE FIRST 20 YEARS

FINANCIAL STATEMENTS

'14 annual report

FINANCIAL STATEMENTS

QUÁLITAS CONTROLADORA, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 AND INDEPENDENT AUDITORS' REPORT DATED MARCH 2, 2015

Quálitas

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, 2014 and 2013, 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 Circular, issued on December 13, 2010 (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, 2014 and 2013, have been prepared, in all material respects, in accordance with Regulatory Insurance Accounting Principles.

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
March 2, 2015

CONSOLIDATED BALANCE SHEETS

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

For the years ended December 31, 2014 and 2013 (In Mexican pesos)

Assets	2014	2013
Investments:		
Securities:		
Government	$ 2,423,659,103	$ 1,419,537,072
Private companies:		
Fixed rate	5,640,554,422	5,472,053,437
Equities	1,813,207,489	1,520,348,407
Foreign securities	208,206,324	202,992,015
Net valuation	715,703,627	495,006,810
Interest receivable	16,697,628	15,023,424
	10,818,028,593	9,124,961,165
Repurchase agreements	1,165,189,495	693,590,868
Loans:		
Secured	17,590,571	17,895,598
Discounts and re-discounts	168,166,666	98,557,468
(-) Allowance for doubtful accounts	3,239,141	3,296,391
	182,518,096	113,156,675
Property:		
Real estate	595,720,085	564,515,887
Net valuation	431,872,896	385,179,542
(-)Depreciation	48,893,480	43,875,641
	978,699,501	905,819,788
Investment related to labor obligations	63,851,826	58,565,654
Cash:		
Cash and banks	143,848,477	451,036,970
Debtors:		
Premiums	8,451,302,037	6,684,919,742
Agents and adjusters	48,018,432	35,620,177
Accounts receivable	66,092,151	121,739,294
Loans to employees	12,207,513	32,060,466
Other	661,858,988	409,832,179
(-)Allowance for doubtful accounts	60,974,137	55,096,624
	9,178,504,984	7,229,075,234
Reinsurance companies:		
Reinsurance companies	812,450	3,732,228
Participation of re-insurers in outstanding claims	36,457,110	64,790,740
Participation of re-insurers in unearned premiums	54,001,303	104,368,192
Other	4,315,863	4,315,863
	95,586,726	177,207,023
Other permanent investments	46,658,860	45,954,171
Other assets:		
Furniture and equipment, net	377,955,577	339,488,793
Other	1,359,167,586	1,223,298,199
Amortizable expenses	20,207,459	13,208,048
(-)Amortization	6,792,138	6,463,025
	1,750,538,484	1,569,532,015
Total assets	$ 24,423,425,042	$ 20,368,899,563

Liabilities		2014		2013
Technical reserves:				
Unearned premiums reserve	$	11,641,361,417	$	9,850,787,474
Contractual obligations:				
Unpaid claims and expirations		3,535,818,838		2,899,480,877
Claims incurred but not reported		135,299,177		108,882,996
Policy dividends		40,361,340		54,780,016
Premiums on deposit		96,766,541		67,432,542
		3,808,245,896		3,130,576,431
Preventive reserve:				
Catastrophic risks		-		131,886
Total reserves		15,449,607,313		12,981,495,791
Reserve for employee retirement obligations		139,538,087		118,451,279
Creditors:				
Agents and adjusters		692,136,233		558,098,126
Funds for loss management		4,712,080		5,359,321
Sundry creditors		1,719,644,259		1,178,787,141
		2,416,492,572		1,742,244,588
Reinsurance companies		99,013,790		137,928,278
Other liabilities:				
Provisions for employee profit sharing		52,321,400		4,789,449
Income tax payable		324,596,081		380,790,982
Other obligations		1,387,301,122		1,115,154,274
Deferred credits		186,409,528		131,322,356
		1,950,628,131		1,632,057,061
Total liabilities		20,055,279,893		16,612,176,997
Stockholders' equity:				
Capital stock		2,646,707,025		2,677,717,585
Reserves:				
Legal		87,036,746		45,821,494
Other		135,000,000		135,000,000
		222,036,746		180,821,494
Valuation surplus (deficit)		3,880,998		(5,686,295)
Retained earnings from prior years		843,507,983		60,418,179
Net income for the year		631,324,655		817,917,153
Foreign currency translation effects of foreign operations		33,583,285		6,223,026
Controlling interest		4,381,040,692		3,737,411,142
Non-controlling interest		(12,895,543)		19,311,424
Total stockholders' equity		4,368,145,149		3,756,722,566
Total liabilities and stockholders' equity	$	24,423,425,042	$	20,368,899,563

Memorandum accounts	2014	2013
Employee retirement obligations reserve pending	$ 5,896,753	$ 804,010
Recording accounts	3,939,956,916	3,979,829,612
Collateral received for repurchase agreements	990,190,091	-
	$ 4,936,043,760	$ 3,980,633,622

See accompanying notes to consolidated financial statements.

"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/2014/ef_dictaminados_14.pdf

"The consolidated financial statements were audited by Accountant Francisco Javier Vázquez Jurado, a partner of Galaz, Yamazaki, Ruiz Urquiza, S.C., which 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/2014/ef_dictaminados_14.pdf, as of the 60 calendar days following the close of the year 2014".

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Juan Daniel Muñoz Juárez
General Accountant

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

CONSOLIDATED STATEMENTS OF INCOME

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

For the years ended December 31, 2014 and 2013 (In Mexican pesos)

	2014	2013
Premiums:		
Premiums written	$ 17,340,423,098	$ 15,226,078,713
(-) Premiums ceded	3,685,350	104,851,235
Retained premiums	17,336,737,748	15,121,227,478
(-) Net increase in the reserve for unearned premiums	1,980,725,284	1,563,669,946
Earned retained premiums	15,356,012,464	13,557,557,532
(-) Net acquisition cost:		
Agents' commissions	1,001,274,199	955,882,008
Additional agents compensations	252,751,269	208,672,293
(-) Commissions for reinsurance ceded	702,286	686,926
Coverage due to excess of losses	28,683,415	14,253,805
Other costs	2,861,187,790	2,376,144,968
	4,143,194,387	3,554,266,148
(-) Net cost of claims and other contractual obligations:		
Claims and other contractual obligations	10,674,393,046	8,996,839,220
(-) Claims recovered on non-proportional reinsurance	-	87,821
Other claims	-	34,333,752
	10,674,393,046	9,031,085,151
Technical income	538,425,031	972,206,233
Net increase in other technical reserves:		
(-) Catastrophic risk reserve	(131,886)	(460,763)
Gross income	538,556,917	972,666,996
Operating expenses, net:		
Administrative and operating expenses	320,049,028	138,376,469
Employee salaries and benefits	230,440,967	213,153,302
Depreciation and amortization	173,198,299	156,239,552
	723,688,294	507,769,323
Operating (loss) income	(185,131,377)	464,897,673
Net financing income:		
Investments	460,469,756	432,591,423
Sale of investments	193,261,420	168,076,696
Fair valuation of investments	221,965,362	38,636,595
Surcharges on premiums	117,979,758	116,607,966
Other	1,237,180	17,386,024
Foreign exchange rates fluctuation	41,084,369	8,212,069
	1,035,997,845	781,510,773
Income participation interest of permanent investments	3,191,221	-
Income before income taxes	854,057,689	1,246,408,446
Income tax expense	230,461,284	424,549,490
Net consolidated income	$ 623,596,405	$ 821,858,956
Controlling interest	$ 631,324,655	$ 817,917,153
Non-controlling interest	(7,728,250)	3,941,803
Net consolidated income	$ 623,596,405	$ 821,858,956
Basic earnings per common share	$ 0.2772	$ 0.3664
Diluted earnings per share	$ 0.2772	$ 0.3664

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

For the years ended December 31, 2014 and 2013 (In Mexican pesos)

	Common Stock	Reserves	Retained Earnings from Prior Years
Balances as of January 1, 2013	$ 2,684,887,926	$ -	$ (285,598)
Movements inherent to stockholders' decisions:			
Dividends declared	-	-	(674,960,718)
Increase in reserves	-	45,821,494	(45,821,494)
Reserve for future repurchase of shares	-	135,000,000	(135,000,000)
Repurchase of shares	(7,170,341)	-	-
Transfer of results from prior year	-	-	916,429,873
Total	(7,170,341)	180,821,494	60,647,661
Movements inherent to the recognition of comprehensive income:			
Comprehensive income:			
Net income for the year	-	-	-
Increase in valuation of properties	-	-	-
Other	-	-	56,116
Total	-	-	56,116
Balances as of December 31, 2013	2,677,717,585	180,821,494	60,418,179
Movements inherent to stockholders' decisions:			
Increase in reserves	-	41,215,252	(41,215,252)
Repurchase of shares	(31,010,560)	-	
Transfer of results from prior year	-	-	817,917,153
Total	(31,010,560)	41,215,252	776,701,901
Movements inherent to the recognition of comprehensive income:			
Comprehensive income:			
Net income for the year	-	-	-
Increase in valuation of properties	-	-	-
Other	-	-	6,387,903
Total	-	-	6,387,903
Balances as of December 31, 2014	**$ 2,646,707,025**	**$ 222,036,746**	**$ 843,507,983**

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 Subsidaries 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."

Earned Capital				
Net Income for the Year	Valuation surplus	Foreign currency translation effects of foreign operations	Non-controlling interest	Total stockholders´ equity
$ 916,429,873	$ (28,603,008)	$ 3,569,069	$ 6,984,809	$ 3,582,983,071
-	-	-	-	(674,960,718)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(7,170,341)
(916,429,873)	-	-	-	-
(916,429,873)	-	-	-	(682,131,059)
817,917,153	-	-	3,941,803	821,858,956
-	22,916,713	-	-	22,916,713
-	-	2,653,957	8,384,812	11,094,885
817,917,153	22,916,713	2,653,957	12,326,615	855,870,554
817,917,153	(5,686,295)	6,223,026	19,311,424	3,756,722,566
-	-	-	-	-
				(31,010,560)
(817,917,153)	-	-	-	-
(817,917,153)	-	-	-	(31,010,560)
631,324,655	-	-	(7,728,250)	623,596,405
-	9,567,293	-	-	9,567,293
-	-	27,360,259	(24,478,717)	9,269,445
631,324,655	9,567,293	27,360,259	(32,206,967)	642,433,143
$ 631,324,655	**$ 3,880,998**	**$ 33,583,285**	**$ (12,895,543)**	**$ 4,368,145,149**

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Juan Daniel Muñoz Juarez
General Accountant

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

For the years ended as of December 31, 2014 and 2013 (In Mexican pesos)

	2014	2013
Net consolidated income	$ 623,596,405	$ 821,858,956
Adjustments for non-cash items:		
Gain on sale of fixed assets	(35,642,666)	(14,100,814)
Allowance for doubtful accounts	5,820,263	8,202,679
Depreciation and amortization	173,198,299	156,239,552
Increase in technical reserves	1,847,196,852	1,456,712,809
Provisions	15,800,636	11,774,190
Current and deferred income taxes	230,461,284	424,549,490
	2,860,431,073	2,865,236,862
Operating activities:		
Change in investment securities	(1,693,067,428)	(922,583,098)
Change in receivables arising from repurchase agreements	(471,598,627)	511,258,468
Change in premiums receivable	(1,766,382,295)	(677,092,963)
Change in debtors	(258,229,140)	(138,961,674)
Change in reinsurers	(7,661,080)	7,178,086
Change in other operating assets	(135,869,387)	(209,616,488)
Changes in contractual obligation and costs associated with claims	677,669,465	172,561,004
Change in other operating liabilities	737,879,053	(256,577,412)
Net cash flows from operating activities	(2,917,259,439)	(1,513,834,077)
Investing activities:		
Proceeds from disposal of property and equipment	36,133,308	20,609,377
Purchase of other permanent investments	(704,689)	(30,404,865)
Purchase of property and equipment	(282,138,445)	(271,834,901)
Net cash flows from investing activities	(246,709,826)	(281,630,389)
Financing activities:		
Dividends paid	-	(674,960,718)
Repurchase of shares	(31,010,560)	(7,170,341)
Net cash flows from investing activities	(31,010,560)	(682,131,059)
Net increase (decrease) in cash	(334,548,752)	387,641,337
Effects of exchange rate changes on the balance of cash held in foreign currencies	27,360,259	2,653,957
Cash at beginning of year	451,036,970	60,741,676
Cash at end of year	$ 143,848,477	$ 451,036,970

See accompanying notes to consolidated financial statements.

"These consolidated statements of cash flows was 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
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Juan Daniel Muñoz Juarez
General Accountant

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the years ended December 31, 2014 and 2013 (In Mexican pesos)

1. Activities

Quálitas Controladora, S.A.B. de C.V. and subsidiaries (the "Company") primarily engaged to 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 2014 and 2013, the Company did not interrupt any of its principal activities and did not perform 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, 2014 and 2013 and for the years then ended include balances and transactions in pesos of different purchasing power.

c. Comprehensive income - This represents the modification in stockholders' equity during the year for items which are not capital contributions, reductions and distribution; it is composed of the net income for the year plus other items which represent a gain or loss from the same period, and are presented directly in stockholders' equity without affecting the income statement. In 2014 and 2013, the other comprehensive income items are represented mainly by the result from valuation of property and the effects of translation of foreign operations.

d. Consolidation of the financial statements - The consolidated financial statements and notes as of December 31, 2014 include the financial statements of the Company and those of its subsidiaries over which it exercises control, as of December 31, 2014 and 2013, and for the years then ended. The Company´s shareholding percentage in their capital stock is shown below:

SUBSIDIARY	% EQUITY	ACTIVITY
Quálitas Compañía de seguros, S.A. de C.V.	99.99	Sale of insurance policies and reinsurance operations in the automobile insurance sector
Activos Jal, S.A. de C.V.	99.99	Real estate leasing
Cristafacil, S.A. de C.V.	51.00	Purchase, sale and maintenance of automotive glasses
Quálitas Compañía de Seguros (Costa Rica) S.A.	99.99	Sale of insurance policies in Costa Rica
Car One Outlet de Refacciones, S.A. de C.V.	51.00	Purchase and sale of spare parts
Easy Car Glass S.A. de C.V.	72.44	Purchase, sale and services of automotive glass installation
Quálitas Financial Services, S.A. de C.V.	100.00	Sale of insurance policies in the United States of America

Significant intercompany balances and transactions have been eliminated.

e. Translation of financial statements of foreign subsidiaries - To consolidate financial statements of foreign subsidiaries, 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. The financial statements are subsequently translated to Mexican pesos using the following methodology:

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.

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 the 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 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.

I. Accounting changes - As part of the Regulatory Insurance Accounting Principles, as of January 1, 2014, the Company adopted the following new MFRS:
NIF B-12, Offsetting of Financial Assets and Financial Liabilities
NIF C-11, Stockholders' Equity
NIF C-12, Financial Instruments with Debt and Equity Characteristics
NIF C-14, Transfer and Cancellation of Financial Assets

Improvements to Financial Reporting Standards 2014

Some of the principal changes established in these standards are:
NIF B-12, Offsetting of Financial Assets and Financial Liabilities- Establishes that the offsetting of financial assets and liabilities in the statement of financial position is appropriate when: a) there is a legal right and obligation to collect or pay an offset amount, and b) the amount resulting from offsetting the financial assets of the financial liability reflects the expected cash flows of the Entity when it liquidates two or more financial instruments.

As the Company has no compensation agreement, the adoption of this standard had no significant effect on the disclosures or balances recognized in the consolidated financial statements.

NIF C-11, Stockholders' Equity- Establishes the standards for presentation and disclosure and indicates that advances for future capital increases are presented in stockholders' equity, only when: i) there is resolution issued by a meeting of partners or owners, where they stipulated that the amounts paid will be applied to capital increases in the future; ii) a fix number of shares set to be issued by such advances, iii) the price per share to be issued for such advances is fixed and iv) it amounts cannot be reimbursed before they are capitalized.

NIF C-12, Financial Instruments with Debt and Equity Characteristics- Establishes that: i) the principal characteristic for a financial instrument to qualify as an equity instrument is that the holder must be exposed to the risks and benefits of the entity, instead of having the right to collect a fixed amount from the entity; ii) the classification of a redeemable equity instrument as stockholders' equity, can be made when certain conditions are fulfilled, such as that the redemption may only be exercised when a company is liquidated, as long as there is no other unavoidable payment obligation in favor of the holder; iii) incorporates the concept of subordination, a crucial element in this standard, because if a financial instrument has a preferential order of payment or reimbursement before other instruments, it qualifies as a liability because of the obligation to settle it; iv) allows for the classification as equity of an instrument with an option to issue a fixed number of shares at a fixed price established in a currency different from the functional currency of the issuer, provided that the option is available to all the owners of the same class of equity instruments, in proportion to their participation.

NIF C-14, Transfer and Cancellation of Financial Assets- Establishes the standards related to the accounting recognition of transfers and cancellations of financial assets different from cash and cash equivalents, such as receivables or negotiable financial instruments, as well as the presentation in the financial statements of such transfers and the related disclosures. In order for a transfer to also qualify as a cancellation, there should be a full assignment of the risks and benefits inherent to the financial asset.

The transferor of the financial asset will eliminate it from its statement of financial position at the time that it no longer has rights or is exposed to the future profit or loss, respectively, therefrom. Conversely, the recipient will assume the risks inherent to such financial asset acquired and will have an additional return if the cash flows originated thereby exceed those originally estimated, or a loss if the cash flows received were lower.

Improvements to NIF 2014- The following improvements that result in accounting changes were issued:

NIF C-5, Prepaid Expenses– Establishes that amounts paid in foreign currency should be recognized at the exchange rate in effect on the transaction date, and should not be modified for subsequent changes in exchange rates.

NIF C-5, Prepaid Expenses and NIF C-15, Impairment in the Value of Long-lived Assets and their Disposal– Establish that losses from impairment, as well as their reversals, should be presented as part of net income or loss for the period in the heading considered suitable according to professional judgment. Under no circumstances shall losses from impairment be presented as part of the costs that are capitalized in the value of an asset.

NIF C-15, Impairment in the Value of Long-lived Assets and their Disposal– Establishes that, in the case of long-lived assets held for sale, an extension of the period to complete the sale beyond one year does not preclude held for sale classification. Furthermore, the assets and liabilities associated with a discontinued operation should generally be presented on the balance sheet grouped into single headings of current assets and liabilities. The balance sheets of previous periods shall not be restated due to this reclassification.

NIF B-3, Statement of Comprehensive Income, NIF B-16, Financial Statements of Nonprofit Entities, NIF C-6, Property, Plant and Equipment, NIF C-8, Intangible Assets, Bulletin C-9, Liabilities, Provisions, Contingent Assets and Liabilities and Commitments, and NIF D-3, Employee Benefits– Establish that the presentation of the headings other income and other expense is not required in the statement of comprehensive income, for which reason the references to such headings are eliminated in these NIFs.

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.

II. Accounting policies - The significant accounting policies followed by the Company are as follows:

a. Recognition of the effects of inflation - Cumulative inflation rates over the three-year periods ended December 31, 2014 and 2013 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, 2014 and 2013 were 4.08% and 3.97%, 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.

b. 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 Chapter 12.2 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 the operation - These are valued at fair value, which is measured based on the market prices published by the 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 the operation - The effects from valuation are applied to results of the year. If there were no market prices, the last price recorded will be taken for the valuation, using the lower of the book value of the issuer or the acquisition cost as the restated 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.

   The difference between the book value and the acquisition cost, comprises the increase or decrease by valuation of real estate, which is booked in the stockholders' equity, net from its deffered tax.

c. 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.

d. 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 General Law of Mutual Insurance Companies and Institutions, regarding the Rules for the Investment of Technical Reserves, the premium debtor amount considered for technical reserves coverage needs to have a maturity of no more than 30 days.

e. 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.

f. 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.

g. Furniture and fixtures - Are recorded at their acquisition cost. The balances derived from acquisitions made prior to December 31, 2007 were restated 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
Other	4
Transport equipment	4

h. Costs subject to amortization - Installment expenses are recorded at their acquisition cost. The balances derived from acquisitions made prior to December 31, 2007 were restated 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 installation.

i. Salvage - 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% compensation rate.

j. Technical reserves - The Commission requires that all technical reserves be audited annually by independent actuaries. On February 16, 2015 and February 24, 2014, 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, 2014 and 2013 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 7.6, 7.8, 7.9, 7.10, 7.12, 7.13 and 7.14 of the Circular.

   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 obligation amount.

      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 are not enough elements available to allow the future payment obligations to be accurately determined.

3. Catastrophic risks – Up to 2009, the Company issued policies covering home damage risks; therefore, an allowance for catastrophic risks was established. The surplus of the allowance for catastrophic risks recognized up to December 31, 2009 was applied in the income statement until its full amortization in 2014, as established in the Sole Insurance Circular.

k. Employee benefits - The liability derived from seniority premiums and compensation at the end of the work relationship is recorded when it is accrued; this amount is calculated by independent actuaries using the projected unit credit method and nominal interest rates.

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. 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, 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 and business flat tax - Income tax ("ISR") and business flat tax (IETU) are recorded in results of the year in which they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. 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.

As a result of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is not recognized.

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.

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 to utilize the facilities where its products ("UOF") are sold 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.

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:

		2014		
Nature and category	Acquisition cost	Valuation	Interest	Total
Debt instruments - National:				
Government:				
To finance operations	$ 2,423,659,102	$ (8,446,029)	$ 2,053,076	$ 2,417,266,149
Private National:				
To finance operations	5,640,554,422	182,566,886	14,644,552	5,837,765,860
Equity instruments - Private National:				
To finance operations	1,813,207,489	474,059,449	-	2,287,266,938
Total debt and capital – National	9,877,421,013	648,180,306	16,697,628	10,542,298,947
Equity instruments - Private Foreign:				
To finance operations	208,206,325	67,523,321	-	275,729,646
Total investments	$ 10,085,627,338	$ 715,703,627	$ 16,697,628	$ 10,818,028,593

		2013		
Nature and category	Acquisition cost	Valuation	Interest	Total
Debt instruments - National:				
Government:				
To finance operations	$ 1,419,537,072	$ 176,321	$ 389,360	$ 1,420,102,753
Private National:				
To finance operations	5,438,375,423	165,814,952	14,308,034	5,618,498,409
Equity instruments - Private National:				
To finance operations	1,520,348,407	281,338,626	-	1,801,687,033
Total debt and capital – National	8,378,260,902	447,329,899	14,697,394	8,840,288,195
Debt instruments - Private Foreign:				
To finance operations	33,678,014	-	326,030	34,004,045
Equity instruments - Private Foreign:				
To finance operations	202,992,015	47,676,911	-	250,668,926
Total investments	$ 8,614,930,931	$ 495,006,810	$ 15,023,424	$ 9,124,961,165

b. Based on instrument maturity:

2014								
Maturity		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

2013								
Maturity		Acquisition cost		Valuation		Interest		Total
One year or less	$	3,432,068,668	$	329,462,714	$	2,190,443	$	3,763,721,825
More than one year and up to five years		3,537,729,522		8,482,178		5,488,754		3,551,700,454
More than five years and up to 10 years		713,612,020		8,015,614		1,337,009		722,964,643
More than 10 years		931,520,721		149,046,304		6,007,218		1,086,574,243
Total	$	8,614,930,931	$	495,006,810	$	15,023,424	$	9,124,961,165

c. In accordance with Chapter 8.2 of the Circular, 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:

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%

2013							
Rating		Maturity in less than one year		Maturity in more than one year		Total	%
Outstanding	$	203,051,957	$	4,112,419,588	$	4,315,471,545	47
High		325,275,974		648,768,574		974,044,548	11
Good		256,861,973		76,673,679		333,535,652	4
Equity instruments		2,047,802,623		-		2,047,802,623	22
Government		946,439,322		507,667,475		1,454,106,797	16
Total	$	3,779,431,849	$	5,345,529,316	$	9,124,961,165	100%

As of December 31, 2014 and 2013, the Company has no restricted liquidity investments for the settlement of legal proceedings.

As of December 31, 2014 and 2013, the Company did not sell financial instruments classified as securities held to maturity prior to their redemption date.

5. Cash

		2014		2013
Cash	$	14,596,375	$	22,156,744
Banks		129,252,102		428,880,226
Total	$	143,848,477	$	451,036,970

6. Other receivables

		2014		2013
Sundry debtors	$	542,594,228	$	333,054,077
Guarantee deposits		27,205,333		28,491,849
Value Added Tax		92,059,427		48,286,253
Total	$	661,858,988	$	409,832,179

7. Furniture and equipment, net

		2014		2013
Furniture and fixtures	$	202,557,548	$	175,228,564
Computer equipment		415,857,286		362,129,345
Other		279,550,166		260,628,164
Vehicles		329,132,780		273,490,713
		1,227,097,780		1,071,476,786
Less accumulated depreciation		849,142,203		731,987,993
	$	377,955,577	$	339,488,793

8. Other assets (Sundry)

		2014		2013
Salvage inventory(a)	$	410,235,283	$	374,670,903
Prepaid expenses		130,007,794		88,281,211
Prepaid taxes (b)		566,134,495		648,567,354
Deferred income taxes		198,853,042		111,778,731
Deferred PTU		53,936,972		-
	$	1,359,167,586	$	1,223,298,199

(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

		2014		2013
UOF provision	$	1,135,444,403	$	700,741,917
Bank deposits		305,226,128		235,145,778
Other		239,358,789		221,626,939
Lawsuits		36,342,434		18,000,000
Dividends payable on shares		3,272,505		3,272,507
Total	$	1,719,644,259	$	1,178,787,141

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.

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

	2014	2013
Defined benefit obligation	$ 158,925,427	$ 118,671,295
Plan assets at fair value	(63,877,025)	(57,707,496)
Underfunded	95,048,402	60,963,799
Past service costs total	19,556,566	-
Actuarial gain (loss) not recognized	194,425	(1,078,176)
Net projected liability	$ 75,686,261	$ 59,885,623

As of December 31, 2014 and 2013, pension plan assets are invested in a trust with a bank:

	2014	2013
Private financial sector paper	$ 63,851,826	$ 58,565,656

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:

	2014	2013
Service costs	$ 17,266,377	$ 14,322,471
Financial cost	7,201,514	5,771,531
Expected yield on plan assets	(3,814,042)	(3,106,099)
Actuarial gain and loss	16,648,236	9,362,587
Net cost for the period	$ 37,302,085	$ 26,350,490

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

		2014
Deferred PTU (asset):		
Use of facilities provision	$	113,869,142
Commissions for accrued		26,823,065
Provisions		7,417,968
Surcharges of premiums		18,051,160
Additional agents compensations reserve		8,800,000
Furniture and equipment		8,529,753
Current account agents		3,345,303
Dividends reserve		4,036,134
Fee provision		31,839
Total deferred PTU asset		190,904,364
Deferred PTU (liability):		
Inventory of salvages		(30,542,740)
Debt instruments valuation		(71,547,533)
In real estate		(32,380,501)
Others		(2,496,618)
Total deferred PTU liability		(136,967,392)
Total deferred asset	$	53,936,972

As of December 31, 2014, the deferred PTU effect resulting from the merger of the Company with its personnel and administrative services subsidiaries was recognized, and the rights, obligations, and responsibilities of the absorbed companies regarding their employees were assumed. As of December 31, 2013, the Company only had one employee; therefore, no significant temporary differences were identified between the book and tax values of the assets and liabilities which generate deferred PTU.

11. Stockholders' equity

a. As of December 31, 2014 and 2013, subscribed and paid-in capital at par value (historical pesos) is as follows:

	2014			2013		
	Number of shares		Amount	Number of shares		Amount
Fixed Capital						
Serie A	1,350,000,000	$	1,606,630,551	1,350,000,000	$	1,610,932,756
Serie B	900,000,000		1,071,087,034	900,000,000		1,073,955,170
Repurchased shares	-		(31,010,560)	-		(7,170,341)
Total	2,250,000,000	$	2,646,707,025	2,250,000,000	$	2,677,717,585

b. Pursuant to a resolution of the General Ordinary Stockholders' Meeting on March 15, 2013, payment of dividends in cash, for $314,960,718 was approved.

c. Pursuant to a resolution of the General Ordinary Stockholders' Meeting on November 26, 2013, payment of dividends in cash, for $360,000,000 was approved.

d. 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.

e. 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.

f. The distribution of stockholders' equity, except restated 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.

g. As of December 31, 2014 and 2013, tax account balances are as follows:

	2014	2013
Contributed Capital Account	$ 2,977,479,930	$ 2,860,760,886
Net Tax Income Account	$ 2,062,413,608	$ 1,965,184,329

12. Advanced premiums

During 2014 and 2013, the Company issued insurance policies which took effect as of December 31, 2014 and 2013 ("advanced premiums"), respectively. As of December 31, 2012 and 2013, the following information on these advanced premiums is presented in the balance sheets and statements of income:

Balance sheets:

	2014	2013
Assets:		
Premium debtor	$ 1,594,267,367	$ 1,699,985,188
Participation of re-reinsurers in unearned premiums	3,132,547	104,360,575
	$ 1,597,399,914	$ 1,804,345,763
Liabilities:		
Unearned premiums reserve	$ 948,474,204	$ 1,113,675,886
Payables to insurance institutions	3,685,350	104,851,235
Unaccrued commissions	47,702,247	52,266,515
Sundry creditors (UOF)	284,562,590	259,981,303
VAT payable	219,883,411	234,295,510
Policy surcharges	24,587,256	15,999,326
	$ 1,528,895,058	$ 1,781,069,775

Statements of income:

	2014	2013
Income:		
Premiums	$ 1,300,898,745	$ 1,404,230,634
Expenses:		
Premiums ceded	3,685,350	104,851,235
Increase to the reserve of unearned premiums	945,341,656	1,009,315,312
Agent commissions	48,526,219	54,680,799
Acquisition cost	284,562,590	259,981,302
	1,282,115,815	1,428,828,648
Technical income (loss)	18,782,930	(24,598,014)
Administration expenses (policy rights)	49,721,927	47,874,003
Net effect on statements of income	$ 68,504,857	$ 23,275,989

13. Other acquisition costs

	2014	2013
UOF	$ 2,565,592,463	$ 2,214,997,529
Employee salaries and benefits [1]	203,208,256	57,730,524
Sundry expenses	92,387,071	93,997,090
Total	$ 2,861,187,790	$ 2,366,725,143

[1] Relates to the effect of the Company's merger with its personnel and administrative services subsidiaries.

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 2014 and 2013, the Company executed agreements for the payment of contingent commissions with the individuals and entities acting as intermediaries and described in this note. During 2014 and 2013, the total amount of payments made under these agreements for issuances and UOF was $2,382,,494,757 and $1,899,594,389, respectively, thereby representing 13.98 % and 12.27 %, of the total premiums issued by the Company during 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the contingent commissions paid by the Company are comprised as follows:

	2014	2013
Individuals	$ 75,332,406	$ 63,677,209
Entities	330,978,424	258,357,533
Entities UOF	1,976,183,927	1,577,559,647
	$ 2,382,494,757	$ 1,899,594,389

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, 2014 and 2013, the foreign currency monetary position is as follows:

	U.S. Dollars	
	2014	2013
Monetary assets	88,274,528	204,711,770
Monetary liabilities	6,219,205	86,016,841
Monetary asset position - Net	82,055,323	118,694,929
Equivalent in Mexican pesos	$ 1,209,610,338	$ 1,553,040,060

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

	December 31st		
	2014	2013	March 2, 2015
US dollar	$ 14.7414	$ 13.0843	$ 14.9862

16. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU.

ISR - The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law (2014Tax Law), the rate will continue at 30% in 2014 and thereafter.

The CINIF issued INIF 20 Financial Effects of the Tax Reform 2014, effective as of December 31, 2013, to provide guidance regarding the accounting recognition of the issues included in the 2014 tax reform.

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.

Income tax incurred will be the higher of ISR and IETU up to 2013.

Based on its financial projections, the Company determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR.

Income taxes are as follow:

	2014	2013
ISR:		
Current	$ 329,216,637	464,737,249
Deferred	(98,755,353)	(40,187,759)
	$ 230,461,284	$ 424,549,490

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

	2014	2013
Statutory rate	30%	30%
Effect of permanent differences, mainly non-deductible expenses	-	4
Effects of inflation	(1)	2
Other permanent items	(2)	(2)
Effective rate	27%	34%

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

	2014	2013
Deferred ISR asset:		
UOF provision	$ 341,607,426	$ 215,622,576
Unaccrued commissions	80,469,196	74,170,648
Provisions	(160,263)	37,732,281
Premium surcharges	54,153,480	38,684,283
Agents bonus reserve	26,400,000	20,664,072
Furniture and fixtures	27,367,584	21,523,979
Agents current account	10,035,909	8,418,576
Dividend reserve	12,108,402	16,434,005
Tax loss carry forwards	(10,437,646)	(11,188,697)
Employee profit sharing	15,696,420	1,436,835
Honorarium provisions	42,084,012	-
Others	83,690	1,474,367
Deferred ISR asset	599,408,210	424,972,925
Deferred ISR (liability):		
Salvage inventory	(91,628,219)	(94,340,841)
Valuation of debt instruments	(214,642,600)	(148,020,396)
Property	(76,173,647)	(68,252,689)
Insurance premiums	(4,203,068)	(2,652,353)
Others	(3,286,787)	72,085
Deferred ISR liability	(389,934,321)	(313,194,194)
Total deferred assets	$ 209,473,889	$ 111,778,731

Deferred ISR asset is recognized on other assets (sundry) balance. The recognize of deferred ISR asset in 2014 and 2013 generated credits to profit of the year by $98,755,353 and $40,187,759 respectively, and debits to valuation surplus in real state in the stockholders' equity balance by $1,060,195 and $13,820,301 respectively.

17. Contingencies

As part of the normal course of its operations, the Company is involved in different legal proceedings. The Company's management considers that the provisions recorded at December 31, 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. New accounting pronouncements

As of December 31, 2014, 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-3, Accounts Receivable
NIF C-20, Financial Instruments Receivable
NIF C-9, Provisions, Contingencies and Commitments
NIF C-19, Financial Instruments Payable

Early application of NIF C-3 and C-20 is permitted as of January 1, 2016, as long as both standards are adopted.

Improvements to NIF 2015 –The following improvements, which result in accounting changes were issued and are effective January 1, 2015:

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.

The following improvements that do not result in accounting changes were issued:

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 when the latter 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 should not only be understood as a legal entity or as 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 to include legal entities or cash generating units which, in relation to the reporting entity (parent or holding company), that operate using a currency different from that of the reporting entity, even though it operates in the same country.

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.

On April 4, 2013, the new Insurance and Bonding Companies Law was published in the Federal Official Gazette, adding several provisions to the Insurance Contract Law, whose purpose is to guarantee that insurance companies have the solvency, stability, and financial security to fulfill the obligations assumed with the insured parties. The new regulations will become effective 24 months after their publication.

The main provisions included therein are as follows:

a) The strengthening of corporate governance of insurance companies.
b) The determination and hedging of the solvency capital requirement.
c) The disclosure in the notes to the financial statements.
d) The determination of an appropriate level of capital resources in regard to various risks.

Company management is implementing the provisions included in the new law and the related supplementary regulations.

On December 19, 2014, a new Sole Insurance Circular (CUS) was published in the Federal Official Gazette. The provisions of the new CUS will become effective on April 4, 2015; however, several provisions which have financial reporting and accounting changes will become effective on January 1, 2016.

19. Authorization to issue the financial statements

The issuance of these consolidated financial statements was authorized on March 2, 2015 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.

THE FIRST 20 YEARS

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