>> OUR EXPERIENCE IS FUNDAMENTAL

Quálitas

ANNUAL REPORT 2010

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V. IS AN INSURANCE COMPANY SPECIALIZED IN THE AUTOMOBILE SECTOR WHICH OFFERS QUALITY SERVICE WITH COST CONTROLS. QUÁLITAS FOCUS ITS EFFORTS ON SATISFYING ITS CLIENTS' NEEDS FOR SAFETY AND REASSURANCE, OWNING THE LARGEST NETWORK OF SERVICE OFFICES IN MEXICO, HAVING A CONSIDERABLE UNDERSTANDING OF THE INDUSTRY, AND UNDERTAKING CONSTANT SERVICE AND PRODUCT INNOVATION.

CONTENTS

Quálitas

Throughout this document, figures are stated in millions of pesos, except in the Financial Statements, in the Report of the Independent Auditors and when stated.

Among the various lessons that the year 2010 granted us, probably the most important one was the value of the fundamentals of the business in difficult times.

The solid commitment of our network of agents with the advantages that Quálitas grants its clients, as well as the preference of our policyholders for the personal service we offer, resulted in a significant growth in the sales of the traditional segment, which includes individual policies and fleets, of 18.8%. This also provided us with an important diversification in the sales portfolio in a year in which premiums in the financial institutions sector, which sell our policies as part of an automobile financing, were greatly impacted by the contraction in credit and the rise in the prices of new automobiles. In this sector, sales remained at the 2009 level, while total Company sales grew by 11.2% during the year, reaching $9,810.

With regard to our international operations, we continue with our El Salvador activities, where after two years of operations we already have 3 offices and 4.4% of the market. Additionally, towards the end of 2010, we invested US$4.5 million in a new enterprise in Costa Rica that will start operations at the beginning of 2011.

On the other hand, we observe a trend towards the consolidation of the Mexican automobile insurance industry, for which we are well prepared given the economies of scale, the claims structure and positioning we have. As part of that consolidation, we undertook a coinsurance agreement with Aseguradora Interacciones in which we maintained a 95% share. This agreement allowed us to expand our network of agents and our bidding structure.

In terms of cost controls, while 2010 was a year of significant challenges in this topic, we believe that in Quálitas we have an important competitive advantage thanks to the specialization in the automobile insurance and the expertise of our management team.

The acquisition costs and operating expenses showed a favorable trend during the year, as a result of a conservative expense policy vis-à-vis a complicated environment which allowed us to diminish in 203 bp the acquisition plus operating expense ratio to reach a level of 22.2%.

In the loss & loss adjustment expenses, we faced during the year important climatic and national security challenges that caused the material damages and thefts items to surge. While the magnitude of these challenges overcame us in several occasions, we designed numerous strategies to deal with them, such as: set up a claims purchasing area; develop improved systems for theft control and for the management of recoveries; adjust prices per type of vehicle and zone promptly to continue offering all products and coverages; release a spare parts auction website; further integrate efforts between the call center and the claims coordinators in local offices to offer a better service to our policyholders who faced climatic emergencies.

We also implemented a tool to manage the strategic plan, the Balance Score Card, concentrating our efforts initially in the indicators and the information website of the claims areas.

Another of the fundamental features of our business has been the congruence of the investment policy with our long term activities and strategy, which in 2010 undoubtedly resulted critical for the Company's financial health and profitability. The yields obtained in the investment portfolio were very satisfactory, favored by an environment of attractive rates.

A company differentiates itself for its capacity to execute its strategy successfully and to face its problems in the environment in which it operates. At Quálitas, we have the team, the commitment, the motivation and the competencies for it. We appreciate the trust you have put in us.

Joaquín Brockman Lozano

OUR POSITIONING

>> OUR POLICYHOLDERS' PREFERENCE FOR A PERSONAL SERVICE HAS POSITIONED US AS THE BEST CHOICE FOR OUR CLIENTS.


19.6% MARKET SHARE IN THE MEXICAN MARKET
4.4% MARKET SHARE IN EL SALVADOR
3 SERVICE OFFICES IN EL SALVADOR
US$4.5 MILLION INVESTMENT IN COSTA RICA

OUR POLICYHOLDERS' PREFERENCE FOR A PERSONAL SERVICE IN ALL PHASES OF THE AUTOMOBILE INSURANCE PROCESS HAS POSITIONED US AS THE BEST OPTION FOR OUR CLIENTS.

AT YEAR END 2010, WE HAD A LEADING MARKET SHARE, OF 19.6%, AND 1,598,274 INSURED VEHICLES.

The automobile insurance industry showed a trend towards lower rates of growth and profitability, especially at the operating margin level. In recent years, the market has been impacted by the drop in the sales of new automobiles and the credit contraction. These tendencies as well as the competitive environment in the market have created the conditions for its consolidation.

At year end, the market consisted of 31 companies which issued policies for a total of $50,000. The five leading companies of the automobile insurance industry accounted for 65.1% of the market and contributed 38.5% of total profits. The 10 medium companys, on the other hand, held 28.8% of the market, while the rest was represented by 16 small companies.

Automobile insurance in Mexico is typically distributed via traditional sales, which include individual policies and fleets, and the financial institutions segment, which sells policies as part of an automobile credit. Quálitas positioning in both segments is solid.

At year end 2010, 63.1% of premiums written during the year resulted from the traditional segment, while sales to financial institutions accounted for 36.2% and toll roads for 0.7% of the total. The traditional segment displayed a significant growth during the year, of 18.8%, while the financial institutions sales did not registered growth, remaining at the 2009 level. We consider, however, that this responds to the current conditions of the sector and that we are well positioned to benefit from its recovery once the credit and the sales in the automobile industry have been reestablished in the medium term.

During the year, Quálitas undertook a coinsurance agreement with Aseguradora Interacciones which allowed us to expand our network of agents and our bidding structure. In this agreement, in which Quálitas maintained a 95% share, sales and costs are divided between the companies in proportion of their share, being Quálitas who underwrites the policy and is responsible to grant the policyholder with assistance in case of a casualty.

We also continued with our internationalization process in the Centroamerican market. After two years of operating in El Salvador, we have 2 additional offices, in the cities of Santa Ana and San Miguel, and a network of 220 agents. Quálitas El Salvador has replicated the Company's original business model and occupies the 7th place in the market with a 4.4% share. Towards the end of 2010, Quálitas invested US$4.5 million in a new enterprise in Costa Rica which will start operations at the beginning of 2011.

OUR SERVICE

WE HAVE THE TECHNOLOGICAL INFRASTRUCTURE AND THE HUMAN RESOURCES TO PROVIDE SERVICE TO MORE THAN 600 THOUSAND CLAIMS PER YEAR.

400 AUTOMOBILE AGENCIES TRAINED TO OFFER A BETTER SERVICE

↓20% LESS TIME TO REPAIR VEHICLES

ONLINE OPERATOR A TECHNOLOGY SOLUTION WHICH ALLOWS TO QUOTE OR PAY A POLICY

156 NATIONWIDE OFFICES GRANT A HIGH QUALITY SERVICE TO OUR POLICYHOLDERS

We continue profiting from the local presence of Quálitas via its 156 nationwide offices to promote a high quality service for its policyholders, both when the policy is sold, in case of a casualty, and in the post-casualty assistance. This presence allowed for a joint effort between the call center and the local claims coordinators vis-à-vis the floods and other climatic emergencies to forecast the surge in the number of calls and prevent the needs for adjusters.

In the post-casualty assistance, we detected the importance of keeping the policyholder informed of the process of valuation and repair of his vehicle, and of following up on his medical expenses. This is why, at the beginning of 2010, we created an area focused on quality and designated supervisors to evaluate the process of automobile repair. At year end, most of the processes of repaired vehicles were reviewed and the repair time had been reduced by 20%. Additionally, there is a group of supervisors of medical expenses that evaluate the medical assistance granted to policyholders who suffer an injury and make certain that the agreement established with the hospital is fulfilled.

In recent years, we have also implemented numerous technological applications to automate processes that allow agents to make their sales more effective. Currently these applications are used in 37% of the Company's sales. During 2010, we expanded some of these tools, such as new payment options for the policyholder, and promoted actively our online operator. This operator consists of a website installed in the intranet of a company for those policyholders that prefer to quote their policy online or pay it via payroll discount or credit card charge. Approximately 4% of our annual sales took place in this system.

Another important feature of the enhancement of our service during the year was the evolution of the call center to a multi-channel contact center for policyholders, agents, office representatives, suppliers, investors, among others. This center allows them to express their suggestions, doubts, complaints and comments via telephone, mail and a variety of ways, and will be reinforced in the short term with an integral client management system which will generate an electronic file of the calls received and the follow up granted.

In the financial institutions segment, we continued positioning ourselves by offering added value options to the automakers. In January 2010, we began a training project with the sales advisors of the automobile agencies in the processes of issuing policies, types of coverage, where to direct policyholders in case of a claim and other features of the automobile insurance. The Quálitas executives that take care of this training are certified by the National Insurance and Bonds Commission, and currently take care of approximately 400 agencies.

ONE OF THE MOST OUTSTANDING FEATURES OF 2010 WAS TO VALIDATE THE LOYALTY OF THE TRADITIONAL SEGMENT, WHICH IS THE RESULT BOTH OF THE POLICYHOLDERS' PREFERENCE AND OF THE COMMITMENT OF OUR AGENTS' NETWORK.

OUR FINANCIAL RESOURCES

OUR INVESTMENT POLICIES HAVE AS THEIR MAIN OBJECTIVE TO PROTECT OUR POLICYHOLDERS' ASSETS.

↑ 11.2% GROWTH IN PREMIUMS WRITTEN

$13.90 IN INVESTMENTS PER CPO

8.3% INVESTMENTS YIELD

$6,250 RISE IN CASH AND INVESTMENTS

FINANCIAL HIGHLIGHTS

Figures expressed in million of Mexican pesos

BALANCE SHEET	2010	2009	Var 10-09
Cash & Investments	6,250	6,163	1.4%
Total Assets	13,498	12,376	9.1%
Total Liabilities	11,452	10,540	8.7%
Shareholder's Equity	2,047	1,836	11.4%
INCOME STATEMENT			
Premiums Written	9,810	8,824	11.2%
Net Premims Earned	8,743	7,793	12.2%
Acquisition Cost	1,793	1,681	6.6%
L&LAE	6,755	5,780	16.9%
Underwriting Income	195	332	(41.3%)
Operating Expenses	264	275	(4%)
Operating Income	(47)	76	NA
Integral Financing Result	648	542	19.4%
Income before Non Ordinary Items	379	553	(31.4%)
Non Ordinary Items [1]	-	402	NA
Net Income	379	151	151.6%
RATIOS			pb / %
Acquisition + Operating Ratio	22%	24%	(203)
L&LAE Ratio	77%	74%	310
Combined Ratio	99%	98%	106
ROE	20%	8%	1,123
EBTDA	714	346	106%
Insured Vehicles	1,598,274	1,478,007	8.1%
Total Employees	2,419	2,363	2.4%

(1) In 2009 we charged $402 to Operating Expenses as a fiscal contingency. To simplify the financial analysis, in this section we have decided to present it as a Non Ordinary Item, while in the audited financial statements included at the end of this report, this charge was registered as an Operating Expense.

PREMIUMS WRITTEN

Premiums written during 2010 achieved an 11.2% growth, attributable to our traditional business line which represented 63.1% of total sales, amounting to $6,183. This result makes us proud because it validates that our business model is counter cyclical and has bear fruits, since even in difficult times our quality service and our agents' great commitment built a high level of loyalty from our policyholders. This explains why insured vehicles closed the year at 1,598,274 units, which represents an 8.1% growth.

The financial institutions business, on the other hand, remained flat in spite of some recovery signs in the sales of new automobiles during 2010. Some factors that explain the results in this segment are the increases in the prices of new automobiles, shorter terms in the financings granted, and the increase in the sales of used imported cars.

PREMIUMS CEDED, NET PREMIUMS WRITTEN AND REINSURANCE

During February, we decided to change our reinsurance strategy which is why the premiums ceded ratio decreased from 8.4% in 2009 to 5.4% in 2010. This represents a 28.6% decrease when compared to last year's figure, since we ceded only $527 during 2010. This decision is the result of favorable operating figures and moderate equity requirements from the authority, since the level of growth of our operations has been lower. This is how the net premiums written registered $9,283 with a 14.8% growth.

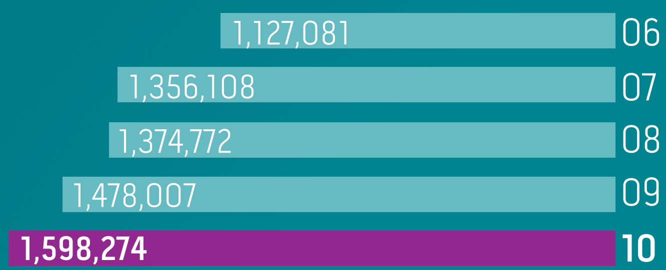
NET PREMIUMS EARNED

Net premiums earned grew by 12.2%, in line with the 11.2% growth in premiums written given that, since last year, our sales mix reversed so that 80.4% of our sales result from annual policies of our traditional business line and from shorter term policies which are earned in a monthly basis. The unearned premiums reserve adjusted in accordance with the increases of premiums written during the year, and at year end 2010 registered an 84.2% increase.

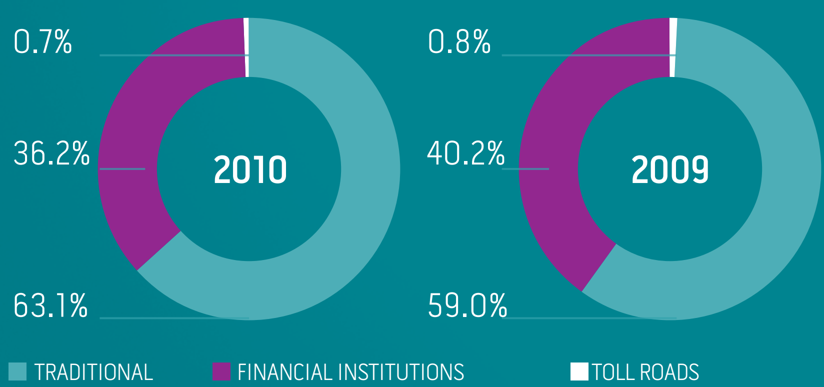
ACQUISITION COST

The net acquisition cost increased slightly, by 6.6%, when compared to last year's figure, registering $1,793. This increase is mainly explained by the payment of commissions to our agents who promoted the traditional segment sales and by the payment of fees to financial institutions (UOFs). The 2010 acquisition ratio was of 19.3%, and decreased by 148 bp due to the increase in net premiums written as a result of the new reinsurance strategy.

INSURED VEHICLES CAGR:9.1%



PREMIUMS WRITTEN BY SEGMENT



OPERATING EXPENSES

Operating expenses diminished by 4.0% vis-à-vis last year, amounting to $264 and registering a favorable 2.8% ratio as a result of the increase in revenues of policies' fees received when individual policies are sold. The sum of the acquisition plus operating ratio was 22.2%, which implies a 203 bp decrease.

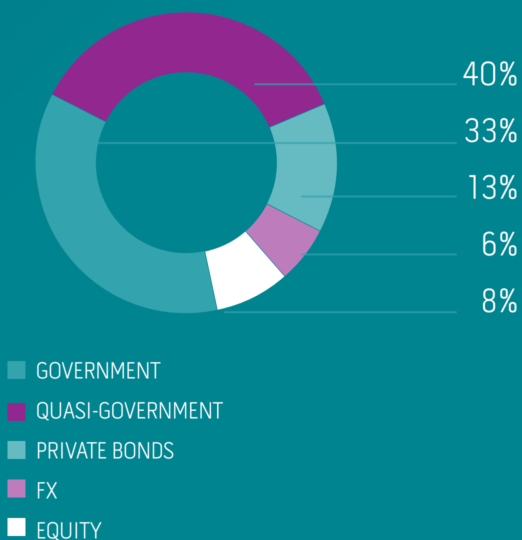
NET LOSS & LOSS ADJUSTMENT EXPENSES

L&LAE represented a great challenge for Quálitas during 2010 since there were several factors which tested our controls and experience. During the year, L&LAE increased by 16.9%, reaching $6,755 and a 77.3% ratio, 310 bp higher than last year.

As a result of the environment of insecurity in the country, one of our main challenges was the increase in the number of claims due to thefts, of 39.5%. Undoubtedly, our directors' involvement and our specialization in the sector have played a decisive part in the decision making to face this challenge. We took new preventive measures in underwriting, analyzing details of each vehicle and geographic zone; we also focused on being more efficient in the recovery of vehicles and recovered 26% of all cars stolen to the Company, while the market figures, according to OCRA (Office Coordinator of Insured Risks) stood at 24%. This figure shows that, although we face an unstable environment, we can focus on improving our controls and diminishing our risks.

Damages resulting from natural catastrophes accentuated during the third quarter, caused by intense rains which brought about floods that impacted us with damages amounting to $50. Other natural disasters were the Alex and Karl hurricanes, which generated the Company costs for $26.

INVESTMENT PORTFOLIO



CASH AND INVESTMENTS PER CPO

INTEGRAL FINANCING RESULT

The recovery in the equity markets and the decline of rates in Mexico brought about a new investments strategy for 2010, which consisted in increasing some exposure to risk assets. It is worth mentioning that, in spite of these changes, we maintained a conservative position.

Most of our investments were held in short-term government paper with high liquidity, to face our short-term liabilities. We maintained an exposure of 10% of the portfolio in fixed rate long term bonds, 28.2% in long term bonds indexed to inflation (bonds udizados) and 8% in equities.

This new strategy was reviewed by the Investments Committee on a monthly basis, which made decisions based on scenarios of a moderate economic recovery in Mexico and in the United States, low inflation rates and corporate bonds and equity markets with solid opportunities in select issuers. At year end, the investments yield reached 8.3%.

TAXES

We registered $220 in taxes, which is in line with the income before taxes.

NET INCOME

2010 net income amounted to $379, resulting from the sensible change in our investment strategy and from the efficient day to day management of our investment portfolio.

CASH AND INVESTMENTS

Cash and investments rose to $6,250 which represented a figure of $13.9 per CPO. It is worth noting that during 2010 non recurring payments for $301 were made to settle fiscal contingency balances, in addition to a $180 dividend.

SOLVENCY MARGIN

The solvency margin registered at year end 2010 was $304, and the solvency margin ratio, 17.5%, which is lower than the 18.4% registered en 2009.

The minimum equity requirement, on the other hand, increased by 12.1% to reach $1,737.

OUR OPERATIONS

INFORMATION NETWORKS WERE DEVELOPED BETWEEN THE CALL CENTER AND THE CLAIMS COORDINATORS IN OUR LOCAL OFFICES FOR ENHANCED PREVENTION AND ASSISTANCE OF CASUALTIES RESULTING FROM CLIMATIC EMERGENCIES.

90% OF ALL CASUALTIES DO NOT REQUIRE HOSPITALIZATION, SO THAT WE EMPLOY SPECIALIZED HEALTH CENTERS

SPARE PARTS AUCTIONS SITE, THE FIRST MANAGED BY AN INSURANCE COMPANY IN MEXICO.

BALANCE SCORE CARD DEFINED INITIATIVES TO ACHIEVE STRATEGIC OBJECTIVES

100% OF THE VALUATION OF VEHICLES WAS REMOTE

2010 was a year in which operating efficiencies and innovations were particularly important given the challenges that the country experienced both in terms of climate and of national security. To manage them, it was necessary to develop a series of innovative strategies continuously and in a timely fashion, using the competencies of the various areas of the Company. For this, it was very useful to rely on a new tool to manage our strategic plan, the Balance Score Card, which allowed us to define initiatives to achieve organizational objectives in the medium and long term and to determine ways to measure these objectives.

To reinforce the continuity and quality of our service, we centralized call centers which assist in the event of claims in Mexico City, which allowed us to unify criteria and processes for callers' assistance, adjusters' allocation and complementary services such as tow trucks and ambulances. Schedules of client service were revised and appointments were made in those cases in which, due to floods or insecurity, it was not possible to access the zone of the casualty. Additionally, information networks were developed between the call center and the claims coordinators in our local offices for enhanced prevention and assistance of casualties resulting from climatic emergencies.

With regard to medical attention, we carried out agreements with specialized health centers to assist patients that do not require hospitalization, which are about 90% of policyholders that endure a casualty. These health centers have orthopedists and traumatologists and rehabilitation areas and are already in operation in the main cities nationwide.

Most of a new system for a more timely control and report to authorities of stolen vehicles, as well as for the report and management of recovered automobiles, was designed and developed.

In terms of greater cost efficiencies, we created a purchasing department for the claims area which negotiates the acquisition of spare parts, agreements with drugstores and hospitals and contracts with a variety of suppliers such as builders, crystal and tow truck companies. This department makes certain that all suppliers comply with the minimum established requirements, defines the optimum level for each type of business, and develops profitable schemes for the Company such as discounts related to the amount of business.

2010 WAS A YEAR IN WHICH OPERATING EFFICIENCIES AND INNOVATIONS WERE PARTICULARLY IMPORTANT GIVEN THE CHALLENGES THAT THE COUNTRY EXPERIENCED BOTH IN TERMS OF CLIMATE AND OF NATIONAL SECURITY.

ANOTHER IMPORTANT INITIATIVE IN COST MANAGEMENT WAS TO ENHANCE OUR AGREEMENTS WITH AUTOMAKERS WITH AN INTEGRAL AND RECIPROCAL PERSPECTIVE THAT INCLUDES THE DIFFERENT AREAS OF THE BUSINESS, SUCH AS SALES, SERVICE AND THE PURCHASE OF SPARE PARTS.

We also released our own spare parts auctions site, the first managed by an insurance company in Mexico. This allows us to acquire spare parts for the vehicles that will be repaired in shops at more competitive prices and to have a better control over the average repair costs. Additionally, we acquired control of Car One, now called Spare Parts Outlet, which engages in piecing cars apart and comprises a strategic alliance for the sale of salvages and recovered vehicles. We also sell salvages through our online auctions site and via external suppliers, whatever results more efficient.

During the year, 100% of the valuation of vehicles was remote, granting important operating savings and greater controls and systematization than the traditional valuation. In the short term, our objective is to expand the spare parts auctions site and the remote valuation to our heavy equipment business.

With regard to administrative expenses, during 2010, the new Inter Company Payment System, SIPAC, became current for automobiles and trucks up to 3.5 tons. SIPAC, initiated by the Mexican Association of Insurance Institutions, allows for the settlement of claims payments between two insurance companies at the same cost per incident. This system, to which most insurance companies in the market are affiliated, has made collection more agile and diminished the administrative burden of recoveries.

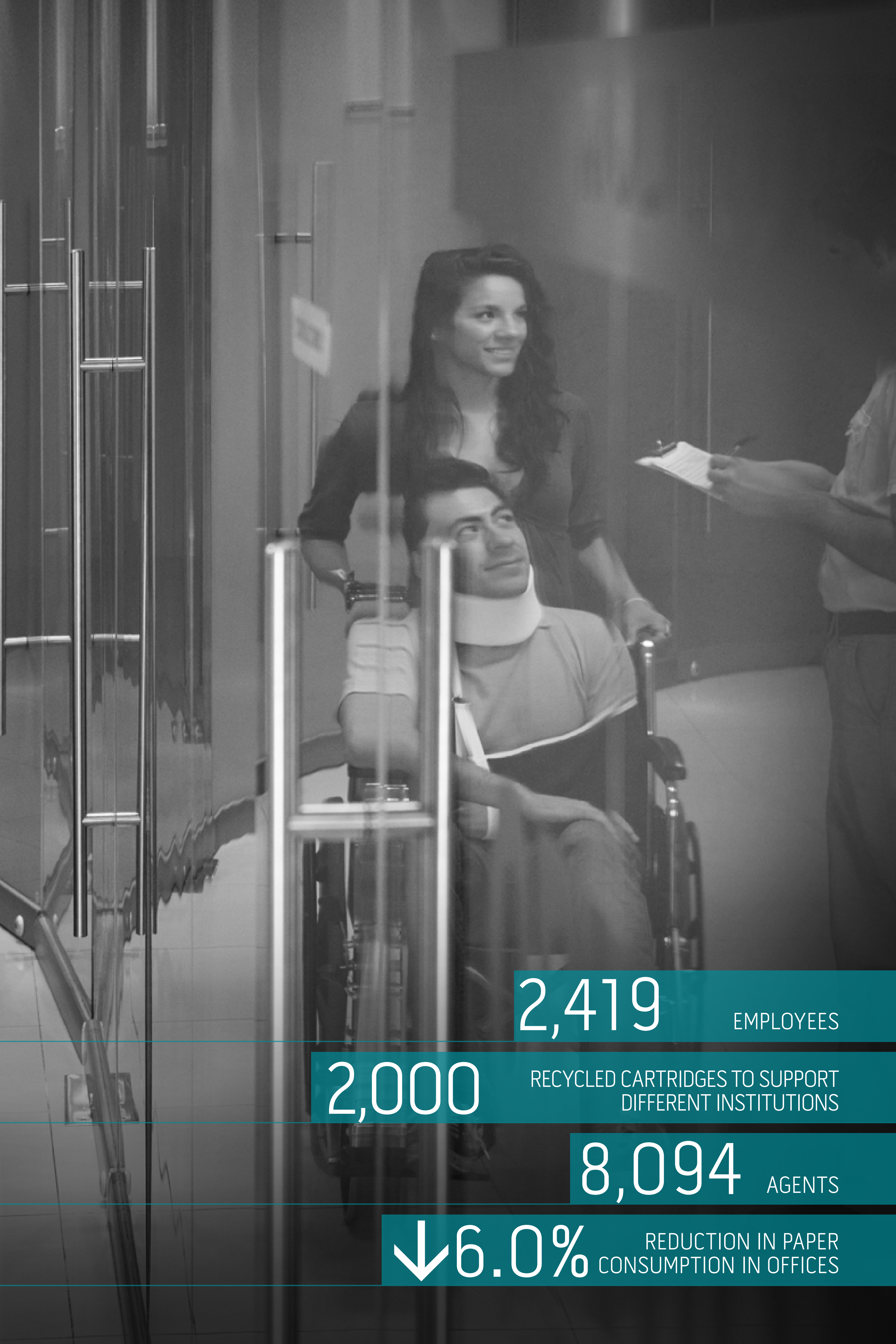
We also made significant efforts to maintain the profitability of the businesses through an appropriate underwriting. That is, the right prices were analyzed per type of vehicle and zone under the philosophy of continuing to offer products and coverage in areas of higher risk and, at the same time, maintain our competitiveness in the market.

The profitability efforts were supported by the Balance Score Card initiatives which were implemented entirely in the claims area. These initiatives included three phases: consolidating information, measuring objectives and forming strategic committees. In this area we continue managing various indicators for service, costs and productivity for call center, adjusters, claims coordinators and supervisors in our service offices, as well as variable compensation schemes linked to the attainment of certain measures.

Balance Score Card initiatives also were also launched in the sales and human resources areas during 2010 and will continue to be implemented during the following year.

OUR
SOCIAL VALUE

>> WE HAVE A GROUP OF SUPERVISORS OF MEDICAL EXPENSES THAT EVALUATE THE MEDICAL ATTENTION GRANTED TO POLICYHOLDERS THAT SUFFER AN INJURY AND MAKE CERTAIN THAT THE AGREEMENT ESTABLISHED WITH THE HOSPITAL IS FULFILLED.



2,419 EMPLOYEES

2,000 RECYCLED CARTRIDGES TO SUPPORT DIFFERENT INSTITUTIONS

8,094 AGENTS

↓6.0% REDUCTION IN PAPER CONSUMPTION IN OFFICES

AT QUÁLITAS WE CONSIDER OUR MAIN SOCIAL RESPONSIBILITY TO STRIVE TO ASSURE THE WELL BEING OF OUR EMPLOYEES, POLICYHOLDERS, OFFICE REPRESENTATIVES AND AGENTS IN THE CURRENT COMPLEX ENVIRONMENT IN WHICH WE OPERATE.

At Quálitas we consider our main social responsibility to strive to assure the well being of our employees, policyholders, office representatives and agents in the current complex environment in which we operate.

The 2,419 employees at Quálitas perform their duties in a demanding industry, in which they grow professionally, and in an environment of joint decisions and collaboration in which they are supported by directors that know their people personally.

People also work in a diverse climate, in which there is a considerable presence of women heading key areas such as Operations, Legal, Treasury, Human Resources and Underwriting, as well as several of our service offices in the country. Additionally, we count on colleagues with disabilities who work in several areas of the Company, such as Call Center, Reception, Archive, Human Resources, Sales, Claims and Delivery.

During 2010, we promoted the development of the talent pool company-wide for positions ranging from middle managers to directors, which has allowed us to identify them and, if necessary, start developing them.

Other important human capital initiatives during the year were: health prevention campaigns, a stricter application of our ethic and conduct codes and of values such as transparency and accountability; and personal finance care via our savings accounts.

In terms of our care of the environment, we implemented the use of ecological paper in corporate offices and of links paper, which allocates a portion of its revenues to the planting of trees, for a variety of products. A renewed awareness towards the recycling topic resulted in a 6.0% decrease in the consumption of paper in offices.

We also continued with the initiative of selling recycled paper to support the Jaguar Conservancy Foundation, which promotes the conservation of species in extinction in Mexico. Additionally, the sale of empty printer cartridges allowed us to benefit the Mexican Association of Support to Children with Cancer.

Through Fomento Social Quálitas we granted financial support, other type of contributions, and personal visits to the following institutions:

- **Metamorfosis Global:**
  Benefitted: 68 abandoned children, youngsters and women with mental disability
- **Unidos Pro Trasplante de Médula Ósea:**
  Benefitted: 85 people with possibilities of bone marrow transplant
- **Cadena de Ayuda contra la Fibromialgia:**
  Benefitted: 3 sick underprivileged women
- **Renovación, Unión de fuerzas, Unión de Esfuerzos:**
  Benefitted: 380 people in health and social services
- **Pro educación:**
  Benefitted: 250 people in Michoacán schools
- **Casa Santa Clara:**
  Benefitted: 10 homeless girls
- **Internado Infantil Guadalupano:**
  Benefitted: 6 boys with primary school full scholarships for tuition and food.
- **Mexico City, Guadalajara and Monterrey Offices**
  Benefitted: 175 children with packages of school articles
- **Distribution Centers in Mexico City:**
  Help was sent for victims of the natural disasters in Veracruz and Tabasco.

Additionally, we supported 25 of our employees to finish their high school studies and 15 obtained their professional degree through the CENEVAL exam.

The Board of Directors of Quálitas consists of 10 members and their corresponding alternates, of whom 5 are independent members and their corresponding alternates.

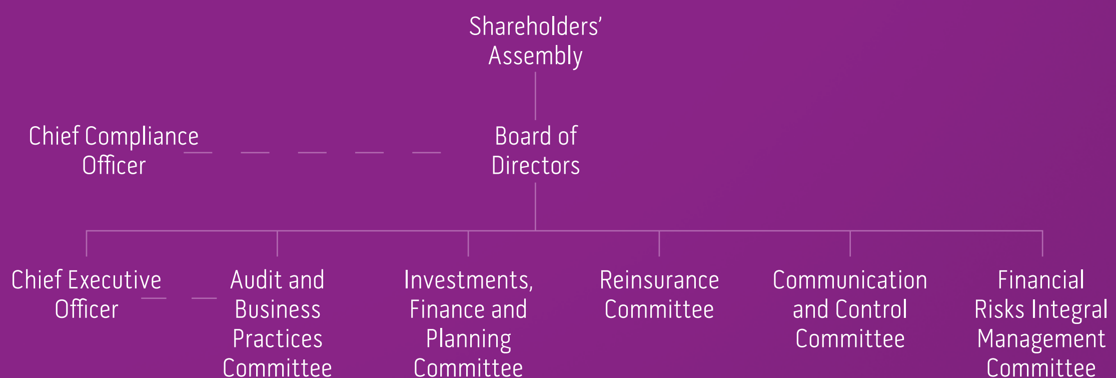
BOARD OF DIRECTORS

President	**Members – Alternates**
Joaquín Brockman Lozano	Eduardo Brockmann Lozano
Members	
Wilfrido Javier Castillo Sánchez Mejorada	Wilfrido Javier Castillo Miranda Olea
Ricardo Escamilla Ruíz	María del Pilar Moreno Alanis
Juan Murguía Pozzi	Martín Rueda de León Castillo
Héctor Rosas Rivera	Arturo Membrillo Romero
José Torres Olmos	José Antonio Zarur Ménez
Harald Feldhaus Herrmann	Carlos Sauri Campos
Juan Orozco y Gómez Portugal	Juan Marco Gutiérrez Wanless
Raúl Alejandro Jiménez-Bonnet García	Juan Felipe Sottil Achutegui
Mauricio Domenge Gaudry	Fernando Jacinto Velarde Muro

CORPORATE GOVERNANCE

The objectives of our corporate governance are:

- Management transparency
- Adequate disclosure to investors
- Equal treatment for all shareholders
- Identification, dissemination, follow up and, if appropriate, solution of key matters



AUDIT AND BUSINESS PRACTICES COMMITTEE

- Consists of: 3 Independent Members
- Give an opinion to the Board of Directors on matters of its competence according to the Regulations of the Mexican Stock Exchange.
- Evaluate the performance of the external auditor.
- Analyze the financial statements and the Company's financial information.
- Investigate about possible breaches to guidelines, operating policies and internal control systems.
- Supervise that the CEO complies with the agreements reached by the Assemblies.
- In terms of business practices, review and approve the compensation of the CEO and other significant directors, as well as the supervision of the Company's operations and related parties.

INVESTMENTS, FINANCE AND PLANNING COMMITTEE

- Consists of 4 executives, of whom 3 are Board Members, and 2 are Independent Members
- Evaluate and suggest investment policies aligned to the organizational vision.
- Propose the guidelines for the Company's strategic planning.
- Give an opinion on the budget's assumptions and follow up on the budget.
- Identify risk factors and evaluate policies to manage them.

REINSURANCE COMMITTEE

- Consists of 10 executives, of whom 5 are Board Members.
- Propose objectives and policies for hiring, monitoring, evaluating and managing the reinsurance operations.
- Propose the mechanisms for monitoring and evaluating the policies and rules in matters of reinsurance.
- Evaluate periodically the achievement of the strategic objectives set by the Board of Directors in matters of reinsurance.
- Inform on the results of its operations and on the corrective measures implemented to adjust deviations.

COMMUNICATION AND CONTROL COMMITTEE

- Consists of 9 executives, of whom 2 are Board Members.
- Make recommendations about contracts or operations that could favor terrorism or money laundering operations.
- Establish and circulate the criteria for the classification of clients, in terms of their level of risk.
- Dictate the operations that should be reported to the Finance Ministry by way of the National Insurance and Bonds Commission, as unusual or troubling

FINANCIAL RISKS INTEGRAL MANAGEMENT COMMITTEE

- 5 Members: 5 executives
- Propose the objectives and policies for the management of risks; the global limits and per type of risk; and the resource allocation policy.
- Approve the methodology to identify, measure, monitor, limit and reveal the different kinds of risks.
- Approve the models, parameters and scenarios to be used to measure and control risks.
- Approve the undertaking of new operations and services that imply risk.

Audited Consolidated Financial Statements
December 31, 2010 And 2009

Quálitas

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Mexico City, April 15, 2011

To the Stockholders of
Quálitas Compañía de Seguros, S.A.B. de C.V.

1. We have examined the accompanying consolidated balance sheets of Quálitas Compañía de Seguros, S.A.B. de C.V. and subsidiaries (Institution), at December 31, 2010 and 2009, and the consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institution's Management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of subsidiaries Administración y Dirección Corporativa Coqu, S.A. de C.V.; Activos Jal, S.A. de C.V.; Asesoría y Servicios Q, S.A. de C.V., and Outlet de Refacciones, S.A. de C.V. which assets, liabilities and expenses represent 1.86, 1.47 and 9.05%, respectively, of total consolidated in 2010 and 1.28, 0.81 and 5.74%, respectively, of total consolidated in 2009 were examined by other auditors, and our opinion as to refer to such subsidiaries, it is only based in the opinions of the other auditors.

2. We conducted our audits in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and that they were prepared in accordance with the accounting practices mentioned in paragraph 3. below. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting basis used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As mentioned in Note 2 to the financial statements, the Institution is required to prepare and present its financial statements as per the accounting rules and practices issued by the National Insurance and Bonding Commission (Commission) applicable to insurance companies in México, which, in the cases mentioned in that note, differ from mexican financial reporting standards.

4. As mentioned in Note 2 to the financial statements, the guidelines of Circulars S-18.2 “Provisions on approval and diffusion of the financial statements, as well as the bases and forms for presentation thereof” took effect as from 2010. These guidelines require presentation, as part of the basic financial statements, of the statement of cash flows in replacement of the statement of changes in financial position, and S-18.4 “Bases and provisions for formulation, presentation and publishing of consolidated financial statements”, which requires preparations of consolidated financial statements. The features and effects of these provisions on adoption thereof are described in said Note 2.

5. In our opinion, based on our audits and the reports of the other auditors referred to in paragraph 1. above, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Quálitas Compañía de Seguros, S.A.B. de C.V. and subsidiaries at December 31, 2010 and 2009, and the results of its operations, the changes in stockholders’ equity and the cash flows for the years then ended, in accordance with the accounting practices issued by the Commission.

PricewaterhouseCoopers, S. C.

Javier Zúñiga
Audit Partner

CONSOLIDATED BALANCE SHEETS

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V. AND SUBSIDIARIES
(Notes 1 and 2) Pesos (Note 2)

	ASSETS		DECEMBER 31, 2010		2009
	Investments (Note 5)				
	Securities and derivatives transactions				
	Securities				
	Government	Ps	1,965,532,895	Ps	3,170,766,528
	Private Companies				
	Fixed maturities		3,118,731,403		2,141,154,038
	Equity		286,287,914		313,922,604
	Foreign		103,341,602		125,690,205
	Securities' loan				
	Net value		251,603,854		80,436,813
	Interest receivable		20,016,445		17,520,386
(-)	Allowance for write-offs				
(-)	Restricted securities				
	Transactions with derivative products				
			5,745,514,113		5,849,490,574
	Repurchase and resale agreements		135,951,925		188,644,839
	Loans				
	On policies				-
	Secured		16,099,192		14,947,665
	Unsecured		3,708,223		3,479,207
	Reinsurance contracts		-		-
	Discounts and re-discounts		13,583,333		4,000,000
	Overdue portfolio		-		-
	Interest receivable		-		-
(-)	Allowance for doubtful accounts		(3,000,000)		(3,000,000)
			30,390,748		19,426,872
	Property				
	Real Estate		212,330,810		205,553,403
	Net value		243,255,821		215,008,321
(-)	Depreciation		(30,769,544)		(27,836,043)
			424,817,087		392,725,681
	Total investments		6,336,673,873		6,450,287,966
	Reserve for labor obligations		33,211,853		25,799,938
	Cash and cash equivalents				
	Cash and banks		368,495,968		125,024,920
	Debtors				
	Premiums		4,920,121,931		4,304,937,973
	Agents and adjusters		25,319,716		27,944,550
	Accounts receivable		147,735,863		138,201,518
	Employees' loans		26,397,479		25,945,773
	Other (Note 10)		364,301,897		322,721,363
(-)	Allowance for doubtful accounts		54,095,825		(21,218,202)
			5,429,781,061		4,798,532,975
	Re-insurers and re-bonding companies				
	Insurance and bonding companies		53,984,926		93,707,841
	Retained deposits		-		-
	Equity participation of re-insurers in outstanding claims		104,733,451		133,934,460
	Equity participation of re-insurers in unearned premiums		415,907,320		33,578,061
	Other equity participations		3,768,806		3,617,687
	Re-insurance and re-bonding intermediaries		-		-
	Re-bonding companies' equity participation in reserve of bonds in force		-		-
(-)	Allowance for write-offs		-		-
			578,394,503		264,838,049
	Other assets (Note 11)				
	Furniture and equipment		235,019,747		242,341,339
	Foreclosure		-		-
	Miscellaneous		512,660,242		466,468,229
	Amortizable expensess		9,507,157		8,074,661
(-)	Amortization		(5,475,685)		(5,146,572)
	Intangible assets		-		-
			-		-
	Derivative products		-		-
			751,711,461		711,737,657
	Total Assets	Ps	13,498,268,719	Ps	12,376,221,505

LIABILITIES		2010		2009
Underwriting reserves				
Unearned premiums				
Life				-
Accidents and health				-
Casualties	Ps	6,671,813,755	Ps	6,195,253,786
		6,671,813,755		6,195,253,786
Contractual obligations				
For claims and maturities		2,255,154,711		1,934,179,663
For incurred and non-reported claims		81,865,918		71,825,734
For dividends on policies		7,366,674		7,343,699
Funds for losses management		-		-
For premiums in deposit		57,289,656		34,902,017
		2,401,676,959		2,048,251,113
Preventive reserve				
Preventive reserve				
Catastrophic risks		2,341,656		24,128,644
Contingency		-		-
Special		-		-
		2,341,656		24,128,644
Total reserves		9,075,832,370		8,267,633,543
Reserves for labor obligations		61,549,171		47,614,817
Creditors				
Agents and adjusters		303,586,837		331,009,663
Funds for losses management		1,267,056		543,361
Creditors for bonds accountability		-		-
Miscellaneous		314,338,915		374,031,229
		619,192,808		705,584,253
Re-insurance and re-bonding companies				
Insurance and bond companies		590,598,727		247,393,329
Retained deposits		-		-
Other equity participations		-		-
Re-insurance and re-bonding intermediaries		-		-
		590,598,727		247,393,329
Transactions with derivative products		-		-
Contracted financing		-		-
Debt issued		-		-
Non-convertible subordinated debt securities		-		-
Other debt securities		-		-
Reinsurance contracts		-		-
Other liabilities				
Provisions for employee profit sharing		4,272,587		3,929,390
Income tax provisions (Note 14)		174,998,305		457,842,671
Other obligations		738,525,889		648,338,873
Deferred credits		186,782,834		161,575,834
		1,104,579,615		1,271,686,768
Total liabilities		11,451,752,691		10,539,912,710
Stockholders' equity (Note 13)				
Capital stock		342,956,574		342,956,574
Capital stock		-		-
(-) Unsubscribed capital stock		-		-
(-) Subscribed capital, not paid		-		-
(-) Stock repurchase		-		-
Subordinated mandatory convertible securities		-		-
		342,956,574		342,956,574
Reserves				
Legal		143,770,545		128,698,361
For stock repurchase		-		-
Other		288,149,864		288,149,864
		431,920,409		416,848,225
Valuation surplus		100,595,081		71,818,944
Subsidiaries		(2,638,479)		(2,638,479)
Retained earnings		723,823,796		790,729,004
Net income for the year		379,238,482		150,721,841
Excess (insufficiency) in capital restatement		65,597,647		65,597,647
Minority Interest		5,022,518		275,039
Total stockholders' equity		2,046,516,028		1,836,308,795
Total liabilities and stockholders' equity	Ps	13,498,268,719	Ps	12,376,221,505

MEMORANDUM ACCOUNTS	December 31, 2010		December 31, 2009	
Securities held in deposit				
Managed funds				
Accountability for bonds in force				
Recovery guarantees for bonds issued				
Received pending proof				
Contingent claims				
Outstanding and paid claims				
Recovery of claims paids				
Tax losses carried forward				
Reserve to incorporate labor obligations at retirement	Ps	1,241,912	Ps	1,485,295
Entry accounts		1,364,731,565		1,046,637,718
Operations with derivative products				
Operations with securities granted on loan				
Derivatives collateral				
Repurchase and resale agreement collateral				
	Ps	1,365,973,477	Ps	1,048,123,013

The accompanying seventeen notes are an integral part of these financial statements.

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Arturo Membrillo Romero
General Account

CONSOLIDATED STATEMENTS OF INCOME

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V. AND SUBSIDIARIES
(Notes 1, 2 and 3) (Pesos (Note 2)

	FOR THE YEAR ENDED ON DECEMBER 31,	
PREMIUMS	2010	2009
Written	Ps 9,809,830,306	Ps 8,823,861,897
(-) Ceded	526,737,483	737,930,052
Net premiums written	9,283,092,823	8,085,931,845
(-) Net increase in unearned premiums	540,322,264	293,298,901
Net premiums earned	8,742,770,559	7,792,632,944
(-) Net acquisition cost		
Agents' commissions	623,360,714	609,910,218
Agents' additional compensation	138,482,974	142,264,486
Commissions on acquired reinsurance	-	-
(-) Commissions on ceded reinsurance	168,518,638	210,481,584
Excess loss coverage	7,585,310	10,547,285
Other	1,192,126,281	1,129,009,733
	1,793,036,641	1,681,250,138
Net losses and loss adjustment expenses		
(-) and other contractual liabilities		
Losses and other contractual liabilities	6,757,971,481	5,781,036,349
Losses recovered on non-proportional reinsurance	(2,889,445)	(1,332,705)
Claims	-	-
	6,755,082,036	5,779,703,644
Underwriting income (loss)	194,651,882	331,679,162
(-) Net increase in other underwriting reserves		
Catastrophic risk reserve	(21,786,988)	(19,180,122)
Preventive reserve	-	-
Contingency reserve	-	-
Other reserves	-	-
	(21,786,988)	(19,180,122)
Income on related operations	-	-
Gross income (loss)	216,438,870	350,859,284
(-) Net operating expenses		
Administrative and operating expenses (Note 15)	25,690,825	423,524,542
Employees' compensation and benefits	124,782,338	123,342,376
Depreciation and amortization	113,272,826	129,636,009
	263,745,989	676,502,927
Operating income (loss)	(47,307,119)	(325,643,643)
Integral financing result		
Investments	370,488,271	353,612,252
Sale of investments	(2,901,362)	15,508,042
Non-realized gain (loss) on investments	155,584,514	83,283,187
Premiums finance charge	125,969,233	112,325,543
Underwriting of debt securities	-	-
Financial reinsurance	-	-
Other	8,853,461	9,117,970
Foreign exchange	(10,318,166)	(31,389,232)
(-) Monetary position result	-	-
	647,675,951	542,457,762
Income (loss) before taxes, employees' profit sharing	600,368,832	216,814,119
(-) Provision for income taxes (Notes 3o. and 14)	220,067,072	59,407,242
Share in net income of associated companies (Note 8)	(1,063,278)	(6,685,036)
Net income (loss)	Ps 379,238,482	Ps 150,721,841
Controlling interest in the net income	Ps 374,533,301	Ps 150,500,437
Non-controlling interest in the net income	4,705,181	221,404
Net income (loss)	Ps 379,238,482	Ps 150,721,841
Earnings per share	Ps 0.1686	Ps 0.0670

The accompanying seventeen notes are an integral part of these financial statements.

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Arturo Membrillo Romero
General Account

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2010 and 2009
QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V. AND SUBSIDIARIES
(Note 13) Pesos (Note 2)

	PAID IN CAPITAL			
CONCEPT	CAPITAL STOCK	CONVERTIBLE SUBORDINATED SECURITIES	CAPITAL RESERVES	RETAINED EARNINGS
Balance as of January 1, 2009	Ps 342,956,574		Ps 383,018,618	Ps 621,262,537
MOVEMENTS INHERENT TO STOCKHOLDERS' DECISIONS				
Shares subscription				
Profit capitalization				
Incorporation of reserves			33,829,607	
Dividends payment				(135,000,000)
Transfer of retained earnings				304,466,467
Premium on share subscription				
Total			33,829,607	169,466,467
MOVEMENTS INHERENT TO THE RECOGNITION OF COMPREHENSIVE INCOME				
Comprehensive income				
Net income				
Result on valuation of securities available for sale				
Excess (insufficiency) in stockholders' equity restatement				
Adjustments for labor obligations				
Recognition of deferred tax				
Other				
Total				
Balance at December 31, 2009	342,956,574	-	416,848,225	790,729,004
MOVEMENTS INHERENT TO STOCKHOLDERS' DECISIONS				
Shares subscription				
Profit capitalization				
Incorporation of reserves			15,072,184	(15,072,184)
Dividends payment				(180,000,000)
Transfer of retained earnings				150,721,841
Premium on share subscription				
Total			15,072,184	(44,350,343)
MOVEMENTS INHERENT TO THE RECOGNITION OF COMPREHENSIVE INCOME				
Comprehensive income				
Net income				
Result on valuation of securities available for sale				
Excess (insufficiency) in stockholders' equity restatement				
Adjustments for labor obligations				
Recognition of deferred tax				
Other				(22,554,865)
Total				(22,554,865)
Balance at December 31, 2010	Ps 342,956,574	$ -	Ps 431,920,409	$ 723,823,796

	EARNED CAPITAL						
				VALUATION SURPLUS OR DEFICIT			
	NET INCOME FOR THE YEAR	EQUITY IN OTHER STOCKHOLDERS' EQUITY ACCOUNTS OF ASSOCIATED	EXCESS IN THE RESTATEMENT OF EARNED CAPITAL	INVESTMENT	DEFICIT IN SENIORITY PREMIUM AND PENSION PLAN	MINORITY INTEREST	TOTAL STOCKHOLDERS' EQUITY
	Ps 338,296,074		Ps 65,597,647	Ps 41,156,518		Ps 136,641	Ps 1,792,424,609
							-
							-
	(33,829,607)						-
							(135,000,000)
	(304,466,467)						-
	(338,296,074)						(135,000,000)
	150,721,841						150,721,841
				4,313,867			4,313,867
							-
							-
							-
				(6,447,932)			(6,447,932)
		Ps 2,638,479)		32,796,491		138,398	30,296,410
	150,721,841	(2,638,479)		30,662,426		138,398	178,884,186
	150,721,841	(2,638,479)	65,597,647	71,818,944	-	275,039	1,836,308,795
							(180,000,000)
	(150,721,841)						
	(150,721,841)						(180,000,000)
	379,238,482						379,238,482
				5,139,036			5,139,036
				23,637,101		4,747,479	5,829,715
	379,238,482			28,776,137		4,747,479	390,207,233
	Ps 379,238,482	(Ps 2,638,479)	Ps 65,597,647	Ps 100,595,081	Ps -	Ps 5,022,518	Ps 2,046,516,028

The accompanying seventeen notes are an integral part of these financial statements.

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Arturo Membrillo Romero
General Account

CONSOLIDATED STATEMENTS OF CASH FLOWS

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V. AND SUBSIDIARIES
(Pesos (Note 2))

	YEAR ENDED DECEMBER 31	
	2010	2009
NET INCOME	Ps 379,238,482	Ps 150,721,841
Adjustments for items not including cash flows:		
Valuation gain or loss associated with investing and financing activities	15,286,372	11,280,120
Provision for loan losses	34,184,742	2,137,510
Impairment loss or reversal of the deteriorating effect on activities related to investment and financing	-	-
Depreciation and amortization	113,272,826	129,636,009
Adjustment or increase in technical reserves	72,443,722	399,592,505
Provisions	353,507,511	244,262,407
Income and deferred taxes	220,067,072	63,140,599
Equity in net income of associated companies	(8,396,969)	(13,249,397)
Discontinued operations	-	-
	1,179,603,758	987,521,594
OPERATING ACTIVITIES		
Margin accounts	-	-
Securities investments	124,601,985	(1,499,832,792)
Change in receivables reported	52,732,914	1,155,617,401
Change in securities lending (assets)	-	-
Derivate transaction (assets)	-	-
Change in premiums receivable	(615,183,958)	(491,022,367)
Change in debtors	(61,212,746)	(98,055,165)
Change in reinsurers and bonds	411,978,203	(60,584,583)
Change in foreclosed assets	-	-
Other operating assets	(112,248,320)	(72,218,497)
Changes in contractual obligation and costs associated with accidents	353,425,846	170,436,279
Report changes	-	-
Changes in collateral sold or given as security	-	-
Changes in derivations (liabilities)	-	-
Change in other operating liabilities	(762,933,685)	285,055,545
Change in hedging instruments net cash flow from operating activities	-	-
Net cash flows from operating activities	(608,839,761)	(610,604,179)
INVESTING ACTIVITIES		
Charges for property, plan and equipment	20,188,257	542,049
Purchase of property, plan and equipment	(144,940,653)	(139,765,742)
Disposal of subsidiaries	-	-
Acquisition of subsidiaries	-	-
Charges for disposal of other permanent investors	530,000	-
Payments for acquisition of permanent investors	(1,000,000)	-
Cash receipts from dividends	-	-
Payments or acquisition of intangibles assets	-	-
Charges for disposal of long term assets	-	-
Charges for disposal of other long term assets	-	-
Payments for acquisition of long term assets	-	-
Charges related to hedging instruments	-	-
Payments related to hedging instruments	-	-
Net cash flows from investing activities	(125,222,396)	(139,223,693)
FINANCING ACTIVITIES		
Charges for shares emissions	-	
Pay for refunds of social stock	-	
Pay for cash dividends	(179,515,688)	(135,000,000)
Payments related to the repurchase of shares	-	
Proceeds from issuance of subordinated debt with equity features	-	
Payments associated with subordinated debt with equity features	-	
Net cash flow from financing activities	(179,515,688)	(135,000,000)
Increase or decrease of net cash flows	266,025,913	102,693,722
Cash flow adjustments due to variations	(22,554,865)	-
Cash and cash equivalents at the beginning of the period	125,024,920	22,331,198
Cash and cash equivalents at the end of the period	Ps 368,495,968	Ps 125,024,920

The accompanying seventeen notes an integral part of these financial statements

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Arturo Membrillo Romero
General Account

NOTE 1 - HISTORY, NATURE AND OPERATIONS OF THE INSTITUTION:

Quálitas Compañía de Seguros, S.A.B. de C.V. (Institution), was incorporated and began operations in conformity with Mexican Laws on December 1, 1993, with indefinite duration and domiciled in Mexico City. It has government federal authorization, through the Ministry of Finance (MF), to operate as an insurance company regulated by the General Law for Mutual Insurance Institutions and Corporations (LGISMS for its initials in Spanish), and by the regulations of the National Insurance and Bonds Commission (Commission) as the inspection and oversight organ for insurance companies.

On December 29, 2006, the Institution received authorization from the MF to amend its bylaws, in order to comply with the provisions of the Mexican Securities Market Law, stressing the addendum to its name with the phrase "Sociedad Anónima Bursátil de Capital Variable" (Variable-Capital Marketable Corporation) or the initials "S.A.B. de C.V.".

BUSINESS PURPOSE

The Institution is engaged in the business of insurance and reinsurance coverage in property and casualty operations in the fields of civil liability, professional risk, fire, auto and miscellaneous risks, together with earthquake and other catastrophic risks. In actual practice, the business strategy is focused primarily on the operation of auto insurance.

MAIN OPERATING GUIDELINES

Movements involving the replacement and sale of investment instruments must adhere to the rules contained in the respective accounting and valuation relative criteria. Additionally, investments supporting underwriting reserves must comply with the specific limits and legal proportions applicable to each type of instrument, and, together with other assets qualified to cover underwriting reserves, must be sufficient to cover the net investment base. At December 31, 2010 and 2009, there was a surplus of Ps909,994,594 and Ps1,035,846,527, respectively, over the net investment base.

The underwriting reserves for property and casualty operations are calculated by the Institution and audited by independent actuaries, who expressed an unqualified opinion, dated February 23, 2011, on the balances at December 31, 2010 shown in the balance sheet. At December 31, 2009, the underwriting reserves were audited by independent actuaries who expressed an unqualified opinion.

The Institution limits the amount of its liability by ceding a portion of assumed risks to reinsurance companies, through contracts, assigning part of each premium to reinsures. The Institution has a limited retention capacity in all operations, and therefore contracts excess-loss coverage.

Insurance institutions are required to maintain a Minimum Capital Guarantee (MCG), regardless of whether or not they maintain the minimum paid-in capital. The procedure for its determination is established by the Commission and is intended to ensure that the Institution remains in the best possible situation and that economic and financial imbalances are kept to a minimum. At December 31, 2010, the Institution had a solvency margin of Ps303,901,251. In 2009, the solvency margin was of Ps285,547,033.

The Institution has no employees, other than the Chief Executive Officer, and all legal accounting and administrative services are provided by Administración y Dirección Corporativa Coqu, S.A. de C.V. (subsidiary).

The Institution is the holding company of the following subsidiaries:

SUBSIDIARIES	HOLDING IN 2010 (%)	HOLDING IN 2009 (%)	ACTIVITY
Asesoría y Servicios Q, S.A. de C.V.*	98.00	98.00	Administrative services
Administración y Dirección Corporativa Coqu, S.A. de C.V.**	98.00	98.00	Administrative services
Activos Jal, S.A. de C.V.**	99.99	99.99	Real estate
Outlet de Refacciones, S.A. de C.V.**	51.99	(i)	Purchase of damage vehicles

* At December 31, 2010 and 2009, financial information of this subsidiary is unaudited. Total assets at this time amount of Ps344,819 and Ps772,155, respectively.
** At December 31, 2010 and 2009, financial information of these subsidiaries was examined by other auditors.
(i) In 2009 the Institution had 42%, share in this company and did not have control. See Note 8.

As a variable-capital market corporation subject to the provisions of the General Law of Corporations and, when appropriate, of the Securities Market Act and the general provisions applicable to securities issuers and other participants of the stock market.

NOTE 2 - BASIS OF PREPARATION:

The accompanying consolidated financial statements have been prepared and presented in accordance with the basic accounting practices established by the Commission for insurance institutions, which differ from Mexican Financial Reporting Standards (NIF for its initials in Spanish) issued by the Mexican Financial Reporting Standards Research and Development Board (CINIF for its acronym in Spanish), mainly as concerns points b., e. and t. shown in Note 3, and other general matter, explained as follows:

- The standards contained in NIF Series A related to the "Conceptual Framework", providing technical support to support the accounting practice and conceptually guide issuance of particular standards are not recognized, thus discarding proposals based merely on experience, use or convention. This implies no total or partial recognition of NIF A-2 "Basic postulates", such as those related to economic substance, economic entity, accounting accrual, connection of costs and expenses to income, valuation and consistency, or of NIF A-8 "Supplementation", which allows for rectifying any lack in Mexico of particular accounting standards, and thus allowing for use of internationally recognized regulatory frameworks.
- NIF not recognized on a comprehensive basis: B-1 "Accounting changes and correction of errors"; B-2 "Statement of cash flows"; B-3 "Statement of income"; B-5 "Financial information per segment"; B-7 "Acquisition of businesses"; B-14 "Profit per share", and B-15 "Foreign currency conversion".
- Reformulation of prior years' financial statements is not required when changes in accounting policies are issued or to correct errors, unless otherwise specified. Therefore, during 2010, Management recorded Ps22,554,865 corresponding to depreciation of accumulated restatement of fixed assets that had not been recognized during 2008 and 2009. This correction was performed with a charged to retained earnings.

In accordance with the guidelines of Circular S-23.1, which closely resembles NIF B-10 "Effects of inflation", (except for treatment of the real property caption), the Mexican economy is not in an inflationary environment since there has been a cumulative inflation below 26% in the most recent three year period (threshold to define that an economy should be considered as inflationary). Therefore, as of January 1, 2008, it is required to discontinue the recognition of the inflation effects in the financial information (disconnection from inflationary accounting). Consequently, the figures of the accompanying financial statements at December 31, 2010 and 2009, are stated in historical pesos modified by the cumulative inflation effects on the financial information recognized up to December 31, 2007. The comprehensive items that have not been identified as realized are still presented in the stockholders' equity and reclassified in the results of the period as they become realized.

The inflation rates are shown below:

	DECEMBER 31,	
	2010 (%)	2009 (%)
Year inflation	4.40	3.57
Cumulative inflation in the last three years	15.19	14.48

As from 2010, the Company adopted the provisions set forth in the following circulars by the Commissions.

- **Circular S-18.2** "Provisions on approval and diffusion of financial statements, as well as the bases and forms for presentation thereof". This circular requires presentation of a statement of cash flows, as part of the basic financial statements, in replacement of the statement of changes in financial position, as per the provisions of NIF B-2 "Statement of cash flows", which shows the cash inflows and outflows that represent the Company's provision or use of resources during the year, using the indirect method, by which net income income for the year is increased or decreases as a result of a) the effects of transactions involving items that do not imply cash flows, a change that occurs in the balances of operating items, and b) cash flows related to investment or financing activities. Based on the provisions issued by the Commission, the Company prepared the 2009 consolidated statement of cash flows for comparative purposes. In addition, the related NIF is applied prospectively, thus requiring that prior years' financial statements presented for the purpose of comparison to the current period include a statement of changes in financial position.
- **Circular S-18.4** "Provisions for formulation, presentation and publication of consolidated financial statements". This circular requires preparation of consolidated financial statements in accordance with the provisions of NIF B-8 "Consolidated or combined financial statements" and NIF C-7 "Investments in associated companies and other permanent investments".

The accompanying consolidated financial statements and their notes were authorized for its issuance on April 15, 2011, by Joaquín Brockman Lozano (Chief Executive Officer) and Arturo Membrillo Romero (General Accountant).

The accompanying consolidated financial statements are subject to possible review by the Commission, which is empowered to order any changes it sees fit.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES:

Following is a summary of significant accounting practices, which have been applied consistently in the years presented, unless otherwise specified.

Accounting criteria require the use of certain critical accounting estimations in preparing the consolidated financial statements. Furthermore, financial statement preparation requires judgment by management in determining Institution accounting policies.

a. All significant balances and transactions among the consolidated companies have been eliminated for consolidated effects. The consolidation was carried out on the basis of audited financial statements of the significant subsidiaries. See Note 1.

b. The presentation, classification and disclosures of certain captions in the consolidated balance sheet and in the statement of income differ from those required by NIF, mainly because: a) in the balance sheet, certain items are not shown according to their availability and enforceability, and in some cases, no net balances are shown, and b) the statement of income is not prepared on the basis of the nature or function of its items.

c. Investments in securities include investments in debt and equity instruments, and are classified on the basis of the intended use determined by the Institution at the time of acquisition, as follows: fixed-income securities for financing operations, held to maturity; debt instruments available for sale, equity securities for financing operations available for sale. These are initially recorded at acquisition cost and subsequently valued as described below. See Note 5.

The Institution values, financial securities and financial instruments forming part of its investment portfolio are valued using restated prices for valuation provided by specialists in the calculation of prices for the valuation of securities portfolios authorized by the Commission, known as "price vendors"

DEBT SECURITIES

i. For financing operations - Quoted financial instruments are valued at their net realization value on the basis of market prices made known by a price vendor. When no such prices exist, the last price recorded in the twenty working days prior to the valuation is used. When the financial instrument has not operated in that period of time, it is value at acquisition cost. Financial instruments not quoted will be valued on the basis of technical reasonable value determination.

ii. Held to maturity - At each month-end close, these instruments are valued by the effective interest or straight line method, as applicable, according to the nature of the instrument. This classification includes repurchase agreements operated in the money market, as well as time deposit certificates and promissory notes with yield payable at maturity.

The yield on debt instruments is calculated by the straight-line or effective-interest method (depending on the type of instrument in question). Those yields are recorded in the statement of income.

EQUITY SECURITIES

iii. **For financing operations -** Investments in quoted shares are valued at their net realization value on the basis of market prices made known by the price vendors. If no such prices exist, the lower of the book value of the issuing company or the acquisition cost, is used as the restated price for the valuation, and the investment is reclassified as available for sale.

iv. **Available for sale -** Quoted debt instruments are valued at net realization value on the basis of market values provided by the price vendor. When no such prices exist, the last price recorded within 20 working days prior to the valuation is used. In the event that there is no quotation within that time period, the shares are valued at fair book value on the basis of the financial statements of the issuing company.
Adjustments resulting from the valuating to finance operations securities are applied directly to income for the period.

Adjustments resulting from valuation to securities available for sale are applied to the stockholders' equity.

The Institution may not capitalize or distribute profits arising from the valuation of any of its investments in securities until they are realized in cash. The Commission must be advised of the transfer of investments from one category to another, which requires the approval of the Investment Committee. A security is considered to be impaired, thus giving rise to an impairment loss, if and only if there is objective evidence of said impairment as a result of one or more events occurring after initial recognition of the security in question, having had an impact on estimated future cash flows that can be determined reliably. Companies should evaluate whether or not at the balance sheet date, there is objective evidence that the security is impaired.

The debtor party in a repurchase agreement is valued at its amortized cost, through recognition of the premium on income for the period as it arises, as per the effective interest method.

d. Permanent investments in associate are valued through the equity method, which consists in adjusting the share acquisition value determined with base on the purchase method, by the proportional portion of the comprehensive profit or loss and the distribution of the equity reimbursement profits subsequent the acquisition date.
The Institution's share in the result of associated companies is shown separately in the statement of income. See Note 8.
The other permanent investments over which the Company has no significant influence in terms of decision making are valued at their acquisition cost.

e. Property is initially recorded at its acquisition cost, which is restated on the basis of appraisals conducted by credit institutions at least every two years.
In 2010 and 2009, property was restated and recorded on the basis of the appraisals conducted in those years. The valuation effect, based on the provisions set forth by the Commission are shown in the stockholders' equity caption "surplus from valuation of investments".
Depreciation of said investments is calculated by the straight-line method based on the remaining useful life of the property, as determined by the appraiser.
In a noninflationary economic environment such as that currently in effect, the NIF do not require restatement of real property. NIF requires an annual impairment test to the long-lived assets, whose effects, if so, is recognized in the period income.

f. The premiums pending collection represent premiums less than 45 days past due. In accordance with the regulations of the Commission, uncollected premiums over 45 days past due must be cancelled and charged to income, including any underwriting reserves and the respective ceded reinsurance.

g. Furniture and equipment and amortizable items are expressed as follows: i) items acquired as of January 1, 2008, at historical cost, and ii) items acquired up to December 31, 2007 of national origin, at restated values determined by applying National Consumer Price Index (NCPI) factors up to December 31, 2007, to acquisition cost. Consequently, furniture and equipment and amortizable items are stated at modified historical cost less cumulated depreciation.
Depreciation and amortization are calculated by the straight-line method based on the useful lives of the assets estimated by Institution management and applied to the value of furnishings and equipment and amortizable items. See Note 11.

h. Inventory of salvaged assets included in the other assets balance-sheet caption is recognized as total losses based on known claims, and are valued at 30% of the indemnity based on experience.

i. Unearned premium reserve represent the actuarial estimation made by the Institution to cover the expected value of the cost of future claims and other contractual obligations, also considering administrative costs taking into account time distribution, real growth and growth due to inflation.
The technical bases underlying the methodology used for valuing, creating and increasing unearned premium reserve and other reserves are those provided by the Law and the respective practices, in accordance with the actuarial standards stipulated by the Commission, and accepted by the National Institute of Actuaries.
The unearned premium reserve for casualty insurance represents the amount of resources required by the Company to cover expected claims arising from the current retained-risk portfolio and management expenses arising from policy handling.
If the unearned premium reserve shows a deficit, it is offset through the transfer of balances subject to release from the preventive reserve or from other reserves showing surpluses subject to release, in accordance with the guidelines established by the Commission.

j. The reserve for unsettled claims obligations has been established to meet the obligations arising under claims that have been filed and are pending payment. This reserve is increased based on the risks covered when claims are reported.
When the claim is reported, the Institution creates the provisional reserve corresponding to the claim until the respective adjustment is made, and also records the participation of reinsures for the portion ceded. The difference is charged as part of the net losses and loss adjustment expenses in the statement of income.
Given its nature, this reserve is composed of balances estimated by the adjusters on casualties occurred and other expenses pertaining to the casualty, such as adjustment expenses, late payment interest, premium refunds and penalties.

k. The reserve for claims on occurred but unreported losses, is intended to recognize the estimated value of casualties and adjustment expenses already occurred but not yet reported by the insured parties. The estimation is calculated on the basis of casualties

experienced in accordance with the methodology proposed by the Institution and authorized by the Commission, whereby the participation of reinsures for the portion ceded is also recorded and the difference is charged to income under net losses and loss adjustment expenses.
This reserve corresponds to the liability arising when casualties occur within a particular period but are not claimed in that period for whatever reason, and must therefore be recorded in the financial statements for the period in which they occurred, regardless of when they become known.

l. The reserve for dividends on policies represents the refund of a portion of the insurance premium; the amount is determined by means of actuarial calculations considering the claims and severity.

m. The catastrophic risk reserve corresponds to risks that can simultaneously affect a number of assets, giving rise to significant economic losses for the Institution, as the premium charged is insufficient to cover the cost of claims in cases such as earthquake and other catastrophic risks covered by the Institution.
This reserve accumulates until the catastrophe occurs or until the maximum loss expected from a catastrophic event materializes.
The Institution continues its specialization in the field of auto insurance, and therefore management has stopped offering home insurance coverage. At December 31, 2010 and 2009, management release Ps21,786,988 and Ps19,180,122 of this reserve, which was credited to income for the period .

n. The liabilities' provisions represent present obligations for past events where the outflow of economic resources is possible. These provisions have been recorded based on management's best estimation.

o. Deferred income tax is recognized by the comprehensive asset-and-liability method, which consists of calculating deferred tax for all temporary differences between the book and tax values of assets and liabilities expected to materialize in the future, to the rates enacted in the effective tax provisions at financial statements dates. See Note 14.

p. Following is a description of benefits granted to the employees:
The Institution has no defined contribution benefit plans, with the exception of those required for social security purposes.
LDirect benefits (salaries, vacation, holidays and aging bonus) are recorded in income as they arise, and the respective liabilities are stated at nominal value, as they are short term. Paid absences, in the terms of legal or contractual provisions cannot be accrued.
Benefits from termination of employment for reasons other than restructuring (legal compensation for dismissal, seniority premium) and retirement benefits (pension, seniority premium and indemnification) are recorded on the basis of actuarial studies carried out by independent experts using the projected unit credit method. In order to cover those benefits, the Institution makes periodic contributions to an irrevocable trust funds.
The cost for the period of the employee benefit plans is recorded as an operating expense in the year in which it arises, and includes amortization of labour cost of past services and prior years' actuarial gains .

Unamortized items at December 31, 2007, known as transition liability, which include the labour cost of past services and unamortized actuarial gains, are amortized as from January 1, 2008 over a five-year period rather than the estimated labour life of the employee up to 2007, which is five years.
The actuarial study of employee benefits incorporates the hypothesis on projected salary charges.

q. The capital stock, the legal reserve, retained earnings, valuation surplus and other capital accounts are expressed as follows: i) at movements done as January 1, 2008 at historical cost, and ii) movements done before January 1 , 2008, at indexed values determined through the application to their originally determined values of factors derive from the NCPI up to December 31, 2007. See Note 13. Accordingly, the different stockholders equity concepts are expressed at modified historical cost.
The net share subscription premium that appears within other reserves of capital represents the difference between subscribed shares and their nominal value. See Note 13.

r. At December 31, 2010 and 2009, the excess on the restatement of stockholders' equity comprises the result from holding nonmonetary assets, which has been identified as realized and not realized. The effect of items not realized amounting to Ps65,597,647, will be recycled to income for the period in which the nonmonetary assets giving rise to those items are realized.

s. The comprehensive income comprises the net income, valuation surplus of investments and valuation of financial instruments available for sale, which is reflected in the capital stock and do not constitutes equity payments, reductions and distributions. The comprehensive income amounts of 2010 and 2009 are expressed at historical pesos.

t. Income on casualties operations are recorded on the basis of issuance of policies contracted, minus reinsurance premiums ceded.
Income from dues and surcharges on premiums for the financing of installment payments is recorded as income when collected, and the amounts uncollected are recorded as a deferred credit.
Acquisition costs of contracted policies are charged to income on the date of issuance of the policies, or jointly in recording reinsurance premiums ceded. The costs of contracts for the coverage of excess loss are recorded in the year in which they are paid
Income derived from multi-year policies is unique at the time of acquisition of auto financing. For the purposes of incorporating or increasing the unearned premiums reserve, the Institution takes into consideration the current year in order to calculate it as short-term policy, entirely reserving subsequent years, until the end of the term.
The participation in profits corresponding to re-insurance ceded is recorded in the period in which it is collected.
NIF requires that income, as well as related costs, be applied to income as they accrue.

u. The costs paid by the Institution for the use of facilities for the sale of its products are recorded under acquisition cost.

v. Transactions in foreign currency are recorded initially at recording currency, at the rate of exchange in effect on the date of the transaction. Assets and liabilities denominated in foreign currency are converted at the rate of exchange established by the Banco de México (Banxico or Central Bank) in effect on the balance-sheet date. Differences arising from fluctuations in the exchange rates between the dates on which transactions are entered into and those on which they are settled, or valued at year end, are applied to income as a component of the comprehensive financing result. See Note 4.

w. Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Institution by the weighted average number of ordinary shares in issue during the years 2010 and 2009.

x. NIF B-5 "Financial information by segments", requires the Institution to analyze its organizational structure and its reporting system with the purpose of identifying segments. In Note 16 are shown the revenues by segment the way the Management analyzes leads and controls the business and operating profit, additionally the information by geographic area, according to the same NIF is shown as well.

NOTE 4 - FOREIGN CURRENCY POSITION:

At December 31, 2010 and 2009, the Institution had the following US dollar (Dlls.) assets and liabilities:

		2010		2009
Assets	Dlls.	50,790,414	Dlls.	43,745,395
Liabilities		20,153,338		16,624,770
Short position	Dlls.	30,637,076	Dlls.	27,120,625

At December 31, 2010 and 2009, the exchange rates set by the Central Bank were Ps12.3817 and Ps13.0437 to the dollar, respectively. At April 15, 2011, date of issuance of the audited consolidated financial statements, the exchange rate was Ps11.7907 to the US dollar.

At December 31, 2010 and 2009, the Institution has contracted no hedging against exchange risks due to the fact that its foreign currency liabilities are covered with investments in the same currency.

NOTE 5 - INVESTMENTS IN SECURITIES:

At December 31, 2010 and 2009, the Institution's investments were composed as shown below:

	DECEMBER 31, 2010			DECEMBER 31, 2009		
	AMOUNTE	UNREALIZED VALUATION INCREASE (DECREASE)	INTEREST RECEIVABLE	AMOUNT	UNREALIZED VALUATION INCREASE	INTEREST RECEIVABLE
FIXED-INCOME INSTRUMENTS						
Government securities:						
To finance operations:	Ps 1,965,532,895	Ps 3,338,329	Ps 4,524,750	Ps 3,170,766,528	Ps 9,090,419	Ps 6,737,762
Private company securities at fixed maturities:						
To finance operations:						
Financial sector	Ps 42,604,900	61,250	3,855	Ps 99,806,090	684,059	31,730
Non-financial sector	2,750,304,994	94,396,942	11,837,758	1,696,628,180	21,071,363	7,097,724
	2,792,909,894	94,458,192	11,841,613	1,796,434,270	21,755,422	7,129,454
Held to maturity:						
Non-financial sector	325,821,509		3,650,082	344,719,768		3,653,170
Total private company securities at fixed maturities	Ps 3,118,731,403	Ps 97,796,521	15,491,695	Ps 2,141,154,038	Ps 30,845,841	10,782,624
Total interest receivable			Ps 20,016,445			Ps 17,520,386
EQUITY SECURITIES						
To finance operations:						
Financial sector	Ps 81,719,334	Ps 19,148,090		Ps 138,671,497	19,462,513	
Non-financial sector	167,715,645	101,790,830		125,942,764	20,850,920	
	249,434,979	120,938,920		264,614,261	40,313,433	
Available for sale:						
Non financial sector temporally	15,241,136	29,027,455		13,443,018	21,184,763	
Non -Financial Sector] (affiliates) [Note 8]	21,611,799	(4,887,373)		35,865,325	(8,956,680)	
	36,852,935	24,140,082		49,308,343	12,228,083	
Total equity securities in private companies	Ps 286,287,914	Ps 145,079,002		Ps 313,922,604	Ps 52,541,516	
Foreign securities:						
To finance operations:	Ps 103,341,602	8,728,331		Ps 125,690,205	(2,950,544)	
Total effect from valuation of securities - Net		Ps 251,603,854			Ps 80,436,813	
Repurchase and resale agreement	Ps 135,951,925			Ps 188,644,839		
Investment in labor obligation	Ps 33,211,853			Ps 25,799,938		

Investments in securities are subject to various types of risks, the major risk are related to the market in which they operate, interest rates related to the term, exchange rates and the inherent risks of credit and liquidity market.

The average time of investments in fixed-income instruments in the various classifications is 1,036 days in 2010 (1,599 days in 2009).

NOTE 6 - EMPLOYEES' BENEFITS::

a. Reconciliation between the initial and final balances of the defined benefit obligations (OBD by its initials in Spanish) present value for the period 2010 and 2009:

	SEVERANCE BENEFITS DECEMBER 31,		RETIREMENT BENEFITS DECEMBER 31,	
	2010	2009	2010	2009
OBD at January 1	Ps 27,037,977	Ps 22,879,206	Ps 31,600,730	Ps 25,483,641
More (less):				
Labor cost of the current service	6,165,659	6,078,295	4,767,059	4,229,419
Financial cost	2,069,670	1,740,569	2,476,819	1,984,275
Actuarial losses (earnings) generated in the period	10,549,749	12,605,405	(53,067)	(96,605)
Paid benefits	(14,892,785)	(16,265,498)	-	-
OBD at December 31, 2010 and 2009	Ps 30,930,270	Ps 27,037,977	Ps 38,791,541	Ps 31,600,730

b. The value of the acquired benefits obligations at December 31, 2010 and 2009 amounted Ps32,435,107 and Ps28,365,978, respectively.

c. Reconciliation of fair values of the plan assets (AP by its initials in Spanish). Reconciliation between the initial and final balances of 2010 and 2009, on the fair value of the employees' benefit plan assets is shown as follows:

	SEVERANCE BENEFITS DECEMBER 31,		RETIREMENT BENEFITS DECEMBER 31,	
	2010	2009	2010	2009
AP at January 1	$ 3,269,320	$ 2,331,092	$ 22,414,222	$ 17,062,303
More (less):				
Expected yield	276,764	195,050	1,874,226	1,420,889
Actuarial (losses) gain of the period	(53,942)	(94,026)	(71,731)	(502,169)
Company's payments	828,053	837,204	4,647,703	4,433,199
Paid benefits	-	-	-	-
AP at December 31, 2009 and 2008	Ps 4,320,195	Ps 3,269,320	Ps 28,864,420	Ps 22,414,222

d. Conciliation of the OBD, AP and the Net Projected Asset/Liability (A/PNP by its Spanish acronym)
Reconciliation between the OBD present value and the AP fair value and the A/PNP recognized in the balance sheet:

	SEVERANCE BENEFITS DECEMBER 31,		RETIREMENT BENEFITS DECEMBER 31,	
	2010	2009	2010	2009
Labor assets (liabilities):				
OBD	Ps 30,930,270	Ps 27,037,977	Ps 38,791,541	Ps 31,600,730
AP	(4,320,195)	(3,269,320)	(28,864,420)	(22,414,222)
Financing situation	26,610,075	23,768,657	9,927,121	9,186,508
Actuarial (gains) lossess			(1,539,462)	(1,076,223)
Transition liability	(4,483,681)	(6,725,521)	(1,244,542)	(1,885,616)
Modifications to the plan	-		(922,310)	(1,383,465)
A/PNP	Ps 22,126,394	Ps 17,043,136	Ps 6,220,807	Ps 4,841,204

e. Period Net Cost (CNP by its Spanish acronym)
An analysis of the CNP by plan type at December 31, 2010 and 2009 is presented as follows:

	SEVERANCE BENEFITS DECEMBER 31		RETIREMENT BENEFITS DECEMBER 31	
CNP:	2010	2009	2010	2009
Labor cost of current service	Ps 6,165,659	Ps 6,078,295	Ps 4,767,059	Ps 4,229,419
Financial cost	2,069,670	1,740,569	2,476,819	1,984,275
Plan assets expected yield	(276,764)	(195,050)	(1,874,226)	(1,420,888)
Net actuarial earning or loss	10,625,584	12,912,235	-	(315,090)
Labor cost of past service	2,241,840	2,241,840	1,333,279	1,089,694
Additional adjusted	22,396	-	-	-
Total	Ps 20,848,385	Ps 22,777,889	Ps 6,702,931	Ps 5,567,410

f. Criteria to determine the yield rate of the AP
The yield expected rate for each type of AP is based in the projections over the historical market rates. The difference with the actual rates is shown in the actuarial gains (losses) of the year.

g. Main actuarial assumptions
The main actuarial assumptions used, expressed in absolute terms, as well as the discount rates, plan assets yield, salaries increases and changes in the indexes or other changes, referred at December 31, 2010 and 2009, are as follows:

CONCEPT	%
Discount rate	8.50
Wage increase rate	5.50
Wage increase rate with projected salary charges	6.50
Growth rate minimum wage	5.00
Rate of return on AP	9.00

NOTE 7 - CASH AND CASH EQUIVALENTS:

At December 31, 2010 and 2009, the balance of cash and cash equivalents is comprised as follows:

	DECEMBER 31,	
	2010	2009
Cash	Ps 11,400,379	Ps 14,802,084
Banks	357,095,589	110,222,836
	Ps 368,495,968	Ps 125,024,920

NOTA 8 - PERMANENT INVESTMENTS:

Permanent investments balance of December 31, 2010 and 2009 is composed as follow::

	2010						
	PERCENTAGE OF INTEREST (%)		AMOUNT		UNREALIZED VALUATION INCREASE (DECREASED)		PARTPATION ON THE NET INCOME OF THE YEAR (NET LOSS)
Recorded in equity securities:							
Quálitas El Salvador,S.A.	50	Ps	21,611,799	(Ps	4,887,373)	(	1,063,278)

	2009						
	PERCENTAGE OF INTEREST (%)		AMOUNT		UNREALIZED VALUATION INCREASE (DECREASED)		PARTPATION ON THE NET INCOME OF THE YEAR (NET LOSS)
Recorded in equity securities:							
Quálitas El Salvador,S.A.	50	Ps	22,865,325	(Ps	4,045,899)	($	3,656,224)
Car One Outlet de Refacciones, S.A. de C.V.	42		13,000,000		(4,910,781)		(3,028,812)
Total		Ps	35,865,325	(Ps	8,956,680)	($	6,685,036)

At December 31, 2009, said item was reclassified to the equity in other stockholders' equity accounts of associates.

NOTE 9 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

The main balances with related parties are shown as follows:

		2010		2009
Receivable:				
Car One Outlet de Refacciones, S.A. de C.V.	Ps	-	Ps	17,851,877

During the years ended at December 31, 2010 and 2009, the Institution carried out the following operations with related parties:

	YEAR ENDED DECEMBER 31			
		2010		2009
Income:				
Car One Outlet de Refacciones, S.A. de C.V.	Ps	-	Ps	13,544,578

NOTE 10 - OTHER DEBTORS:

The balances at December 31, 2010 and 2009 were as follows:

		2010		2009
Security deposits *	Ps	26,846,853	Ps	24,497,876
Insurance companies **		136,047,291		105,338,273
Other		201,407,753		192,885,214
	Ps	364,301,897	Ps	322,721,363

* At December 31, 2010, Ps24,572,732 (Ps22,257,307 in 2009) has recorded for "surety bonds". In the event of an incident involving an insured party, the authorities require a surety bond, as a result of which the Institution makes a disbursement that is initially recognized as an account receivable. If, when the authorities hand down a sentence, it is determined that the insured party is responsible, the account receivable is canceled and it is recognized in income (loss) as part of the casualty. Otherwise, the bond is refunded by the authorities.

** These balances represent payments made to Institution clients for claims caused by parties insured by other insurance companies, which make the respective reimbursement.

NOTE 11 - FURNITURE, EQUIPMENT, AMORTIZABLE EXPENSES AND OTHER ASSETS:

Furniture and equipment, other amortizable expenses and other asset balances and rates were as follows:

	DECEMBER 31,				ANNUAL DEPRECIATION AND AMORTIZATION RATE(%)
		2010		2009	
Office furniture and equipment	Ps	130,175,452	Ps	108,654,787	10
Transportation equipment		293,183,992		279,230,863	25
Computer equipments		275,941,074		232,281,881	30
		699,300,518		620,167,531	
Accrued depreciation		(464,280,771)		(377,826,192)	
Furniture and equipment - Net	Ps	235,019,747	Ps	242,341,339	

	DECEMBER 31,				ANNUAL DEPRECIATION AND AMORTIZATION RATE(%))
		2010		2009	
Reorganization expenses and others	Ps	9,507,157	Ps	8,074,661	10
Accrued amortization		(5,475,685)		(5,146,572)	
Reorganization expenses and others - Net	Ps	4,031,472	Ps	2,928,089	
Unsold salvage inventory *	Ps	222,142,778	Ps	153,450,935	
Advance payments		48,234,680		-	
Taxes paid in advance **		212,023,450		149,627,710	
Deferred income tax (Note 14)		30,259,334		163,389,584	
	Ps	512,660,242	Ps	466,468,229	
Total others assets	Ps	751,711,461	Ps	711,737,657	

* Based on the claims known as total loss, the Institution records inventories of unrealized salvages based on the realization experience, at the rate of approximately 30% on the compensation.

** Correspond to estimated payments made towards annual taxes, to be applied against the related liability at the time the payment is made. In addition, in prior years' favorable income tax balances of 2010, Ps20,518,535 were included. See Note 14.

NOTE 12 - CONTINGENT COMMISSIONS:

In 2010, the Institution maintained agreements for the payment of contingent commissions to the intermediaries (independent individuals) and business entities specified in this note. Total payments made in connection with those agreements (the calculations have been recorded under Institution acquisition cost) amounted to Ps1,006,481,108 (Ps968,897,569 in 2009), and account for 10.28% (10.98% in 2009) of the premium issued by the Institution in that same period.

		AMOUNTS		CHARACTERISTICS	FEATURES
Individuals	Ps	41,164,966	Ps	41,303,712	Fees
Business entities		176,320,228		66,245,986	Fees
Business entities		788,995,914		861,347,871	UOF
Total	Ps	1,006,481,108	Ps	968,897,569	

Contingent commissions are considered to be payments or compensations made to individuals or business entities involved as intermediaries or participating in contracting insurance products to the Institution, in addition to direct commissions or compensations considered in the design of the product.

a. For collection, varies from 2 to 5% according to the range achieved.
b. For growth in collections, varies from 1 to 3% according to the percentage reached.

Individuals engaged in business operations, excluding agents, are paid something known as UOF (Use of Facilities), which are recorded under the Institution's net acquisition costs. They are based on collections and vary from 3% to 32%. They include the following:

a. Car dealerships
b. Car assembly companies
c. Banks
d. Retail, and
e. Financial entities

NOTE 13 - STOCKHOLDERS' EQUITY:

At the April 30, 2010 Ordinary General Stockholders' Meeting, the stockholders decreed payment of dividends in the amount of Ps180,000,000, at the rate of Ps.08 for every share representing the capital stock. The stockholders approved payment of said dividends in two installments: the first on May 11, 2010 and the second on July 30, 2010.

At the Special General Stockholders' meeting held on April 30, 2009, the stockholders agreed to payment of dividends of Ps135,000,000, at the rate of Ps.6 for every share representing the capital stock. The stock holders approved payment of said dividends in two installments. First May 29, 2009 and second June 30, 2009.

After the above-mentioned increase, the capital stock at December 31, 2010 and 2009 is composed as follows:

NUMBER OF SHARE	DESCRIPTION	PERCENTAGE OF THE TOTAL OF SHARE		AMOUNT
1,350,000,000	Series "A" represent the fixed portion of the capital stock with no withdrawal rights	60	Ps	131,490,736
900,000,000	Series "B" represents the variable portion of the capital with no withdrawal rights	40		87,660,490
2,250,000,000	Historic paid-in capital stock			219,151,226
	Accrued restatement increase up to December 31, 2007			123,805,348
	Paid-in capital stock at December 31, 2010		Ps	342,956,574

The variable portion of the capital stock with withdrawal rights may not exceed the paid-in capital with no withdrawal rights.

Entities and individuals are restricted from holding more than 15% of the Institution's paid-in capital, except in the cases established in article 29 of the Law.

Series "A" shares must at all times comprise at least 51% (fifty-one percent) of the paid capital stock and may only be acquired by Mexican individuals or business entities. Series "B" shares may represent up to 49% (forty-nine percent) of the paid-in capital stock of the Institution and may be acquired by both Mexican individuals and corporations and by foreign individuals and corporations, and are therefore free of subscription.

Any person may acquire through one or more simultaneous or successive operations the control of the paid in shares of the capital stock of this Institution, in the understanding that such operations must first be authorized by the MF, observing the views of the Commission when they exceed 5% (five percent) of that capital paid, except as established by paragraph 2 of section II of Article 29 of the law.

For the purposes of the mentioned in the above paragraph, the control of the Institution is obtained upon acquisition of 30% or more of the shares comprising the paid-in capital stock, there is control over the General Stockholders' Meeting, when the majority of the members of the Board of Directors can be appointed or when there is control over the Institution by any other means.

In accordance with Mexican laws and the Institution's by-laws, none of the following may directly or indirectly hold stock in the Institution: a) foreign governments or agencies, and b) credit institutions, mutual insurance companies, brokerage firms, auxiliary credit organizations, mutual fund operators, special purpose financial entities (non-bank banks), low-income savings and loans entities, retirement savings administrators and money exchange firms.

In the first quarter of the year, the MF established the minimum paid-in capital for insurance companies, based on the operations they are authorized to engage in and lines of business. At December 31, 2010, the minimum paid-in capital required of the Institution in the claims line of business was Ps36,983,496, which has been adequately covered.

In the terms of the law, when a net profit arises in the period, the legal reserve must be increased by at least 10% of that profit until it reaches an amount equal to 75% of the capital stock.

As required by law, the Institution may pay no dividends until the Commission concludes its review of the attached financial statements for the year being audited, unless there is express authorization from the Commission, or when the Commission has issued no observations in that regard in a period of 180 calendar days following the publication of the financial statements.

Profits arising from the results of valuation of financial instruments are considered as unrealized, and are thus not subject to capitalization or distribution to the stockholders until they are realized in cash.

Dividends paid are not subject to income tax if paid from the net tax profit account (CUFIN by its Spanish acronym), and, will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the reinvested net tax profit account. Any dividends paid in excess of this account are subject to a tax equivalent to 42.86%, if paid in 2010. The current tax is payable by the Institution and may be credited against its income tax in the same year or the following two years or against the flat tax of the year. Dividends paid coming from previously taxed by income tax are not subject to tax withholding or additional tax payment.

In the event of a capital reduction, the excess of stockholders' equity over capital contributions, the latter restated as per the provisions of the Income Tax Law, is accorded the same tax treatment as dividends.

NOTE 14 - INCOME TAX AND FLAT TAX:

a. Income tax

i. Income tax is determined on the basis of the Company's ant its subsidiary's individual tax, results and not on a consolidated basis. In 2010 and 2009, the Institution determined a tax profit of Ps312,898,908 and Ps571,213,019, respectively, which exceeds the determined for flat tax purpose. The tax result differs from the accounting result, mainly in such items cumulative by the time and deducted differently for accounting and tax purposes, by the recognition of the inflation effects for tax purposes, as well as such items only affecting either the accounting or tax result.
ii. Based on its financial and tax projections, the Institution's management determined that the tax to be paid in the future will be the income tax, therefore it has been recognized the deferred income tax.
iii. On December 7, 2009 the decreed by which diverse provisions of the Income Tax Law are reformed, added and derogated for 2010, which establishes, among other, that the income tax rate applicable from 2010 to 2012 will be 30%, for 2013 will be 29% and as of 2014 will be 28%.

Also, the possibility of using credits for the excess of deductions on taxable income for flat tax purposes (credit of tax loss of flat tax) in order to reduce the Income tax to be pay while could be credited against the flat tax base.

iv. The income tax provision for 2010 and 2009 is as follows:

		2010		2009
Incurred income tax	Ps	105,604,153	Ps	170,140,788
Deferred income tax		134,981,454		(110,733,546)
		240,585,607		59,407,242
Recoverable income tax to prior years (Note 15)		(20,518,535)		-
Total provisión	Ps	220,067,072	Ps	59,407,242

v. At December 31, 2010 and 2009 the main temporary differences on which deferred income tax was recognized are analyzed as follows.

	DECEMBER 31,			
		2010		2009
Unsold salvage inventory	(Ps	204,476,626)	(Ps	153,450,935)
Client's prepaid advertising		235,473		-
Accrued commissions		203,446,387		217,807,201
Rights and surcharges on policies and premiums		186,782,835		161,575,834
Real estate, furniture and equipment		31,889,099		32,951,523
Valuation to securities		(240,917,297)		(89,701,853)
Reserve for agent bonuses		48,691,454		66,000,000
Tax losses		14,386,360		-
		60,826,760		30,366,841
		100,864,445		265,548,611
Applicable income tax rate		30%		30%
Total consolidated deferred income tax		30,259,334		79,664,584
Temporally item pertaining to the contingency provision		-		83,725,000
Consolidated deferred income tax asset (*)	Ps	30,259,334	Ps	163,389,584

(*) It is shown in "other assets" caption. See Note 11.

b. Flat Tax

i. Flat tax of the period is calculated at the 17.5% rate (17% for 2009) on the profit determined with base on the cash flows, such net income represents the difference between the total income collected by taxable activities, less the authorized tax deduction paid. In addition, it is also allowed to reduce this amount with the flat tax credits, based on the procedures established in the law.

ii. According with the effective tax law, the Institution must pay annually the higher tax between income tax and flat tax.

NOTE 15 - CONTINGENCIES:

At December 31, 2009, the Company had recorded a provision of Ps297,903,000 (charged to administration expenses for that year), for the purpose of self-correcting its tax situation with respect to a number of tax periods, which was estimated by the Company in conjunction with its legal advisors.

During 2010, the Company performed the aforementioned self-correction, and accordingly, filed amended returns for the periods from 2005 to 2008, generating a favorable income tax balance of Ps20,518,536, which was included in the "other sundry assets" balance-sheet caption, credited to the "provision for payment of the tax on profits" income-statement caption for 2010. See Notes 11 and 14.

In accordance with the current tax provisions, the tax authorities are empowered to conduct an official review of the Company's prior years' tax situation.

NOTE 16 - FINANCIAL INFORMATION BY SEGMENT:

STATE		2010		2009
Aguascalientes	Ps	132,632,012	Ps	93,368,022
Baja California		239,060,553		240,610,009
Baja California Sur		113,351,365		117,239,189
Campeche		58,018,307		58,363,952
Coahuila		295,773,941		217,921,376
Colima		71,573,146		58,984,665
Chiapas		139,699,117		151,250,343
Chihuahua		261,948,530		301,658,669
Distrito Federal		2,022,849,824		1,802,360,149
Durango		73,621,020		68,544,828
Guanajuato		251,432,570		228,960,666
Guerrero		136,462,549		136,241,305
Hidalgo		183,148,679		159,875,281
Jalisco		713,763,345		605,866,231
México		949,205,686		924,873,059
Michoacán		223,456,818		217,029,292
Morelos		244,868,128		209,393,628
Nayarit		76,564,986		68,612,567
Nuevo León		702,137,384		548,143,233
Oaxaca		183,207,104		194,037,776
Puebla		424,104,398		340,964,669
Querétaro		220,142,203		251,696,070
Quintana Roo		116,563,947		115,268,390
San Luis Potosí		159,263,100		137,999,716
Sinaloa		353,678,981		311,014,899
Sonora		164,974,247		183,636,272
Tabasco		152,968,230		147,189,860
Tamaulipas		393,353,585		324,411,603
Tlaxcala		48,787,383		42,877,192
Veracruz		522,101,407		413,196,807
Yucatán		138,785,175		110,847,034
Zacatecas		42,332,586		41,425,145
	Ps	9,809,830,306	Ps	8,823,861,897

Following is the premium issued by area:

		2010		2009
Resident automobiles	Ps	5,994,180,726	Ps	5,353,878,362
Resident trucks		3,599,106,421		3,255,390,652
Tourist automobiles		141,840,823		147,449,880
Others		73,334,352		65,394,271
Casualty		1,367,984		1,748,732
	Ps	9,809,830,306	Ps	8,823,861,897

NOTE 17 - NEW ACCOUNTING CRITERIA:

On December 13, 2010, the commission issued the Sole Insurance Circular, a compilation of all prior circulars issued by the commission.
The aforementioned Circular took effect on January 1, 2011, and is not considered to significantly affect the financial information presented by the Company.

On February 14, 2011, the Commission published amending circular 06/11 of the Insurance Sole Circular, containing a number of accounting provisions in effect as from the first quarter of 2011.

The Company is currently in the process of evaluating the effects said provisions will have on the financial information.

In general terms, insurance companies are required to observe the accounting guidelines set forth in Mexican Financial Reporting Standards (NIF), except when the Commission considers it necessary to apply regulations or specific accounting criteria, in light of the fact that insurance companies conduct specialized operations.

a. Some of the rules set forth in said Circular are:

b. Accounting criteria are not to be applied in the case of operations that are not allowed or are prohibited, or are not expressly authorized for insurance companies.

c. With respect to commissions or any other type of compensation paid out by insurance companies for placement of insurance agreements under Mexican laws, irrespective of the form of payment used, total commissions or compensation must be applied directly to income for the period upon recording of the related insurance agreements, as well as recovered commissions corresponding to premiums ceded in reinsurance and/or rebonding, in the accounts established for the purpose in the related catalogue of accounts.

d. Reinsurance premiums taken must be recorded monthly along with the items stemming from it, such as claims and claim adjustment expenses, commissions or compensation, profit sharing, technical reserves as per the applicable provisions and other applicable items.

e. Reference is made to a number of criteria for adoption of the NIFs described below.

Insurance companies' accounting is adjusted to the basic structure determined by the CINIF for applying NIFs, which includes Interpretations thereof (INIF) and the related NIF guidelines (ONIF); therefore, insurance companies must first consider the standards contained in the NIF-A Series "General Framework", except for NIF A-8 "Supplementation", as indicated in the amending Circular.

In addition, in those cases in which insurance companies consider there is no criterion in place for valuation, presentation or disclosure of an operation, issued by NIF or by the Commission, must make this fact known to the latter, for analysis thereof and issuance of the corresponding criterion.

Additionally, insurance companies will observe, provided there are no express pronouncements issued by the Commission on the matter in question, the specific standards contained in the following accounting statements or NIF, as well as in the replacing or modifying NIF's:

I. Series NIF B "Standards applicable to the financial statements taken as a whole":

- Accouting changes and corrections of errors B-1
- Statement of cash flows B-2
- Statement of income B-3
- Comprehensive income B-4
- Financial information per segment- B-5
- Business acquisitions B-7
- Consolidated or combined financial statements B-8
- Financial information at interim dates B-9
- Effects of inflation B-10
- Events subsequent to the date of the financial statements B-13
- Earnings per share B-14
- Conversion in foreign currencies B-15

II. Series NIF C "Standards applicable to specific items of the financial statements":

- Cash and cash equivalents C-1
- Financial instruments C-2
- Accounts receivable C-3
- Inventory stock C-4
- Advance payents C-5
- Property,machinery and equipment C-6
- Investments in associated companies and other permanent investments C-7
- Intangible assets C-8
- Liabilities,provisions, contingent assents and liabilities and commitments C-9
- Derivative financial instruments and hedging operations C-10
- Stockholders´equity C-11
- Financial instruments with characteristics of liability,equity or both C-12
- Related parties C-13
- Impairment in the value of long-lived assets and their disposal C-15

The aforementioned circular sets forth a number of criteria for adoption of this series.

III. Series NIF D "Standards applicable to problems related to the determination of income":

- Employee benefits D-3
- Tax on profits D-4
- Leases D-5
- Capitalization of comprehensive financing income D-6
- Share-based payments D-8

Acquisition Cost: Includes commissions and compensations paid to agents and the fees paid to Financial Institutions for the sale of our policies (UOF).

Acquisition Ratio: Results from dividing the Acquisition Cost by Net Premiums Written.

CAGR: Compound Annual Growth Rate = [(End of Period Figure / Beginning of Period Figure) ^ (1/ Number of periods)]

Combined Ratio: In the insurance industry, the combined ratio is used as a general performance measure. It results from the addition of the Acquisition, Operating, and L&LAE Ratios.

EBTDA: Earnings before Taxes, Employees' profit sharing Depreciation and Amortization. It differs from EBITDA in that, in EBTDA, the Investment Income is not subtracted, since it is part of the operation of insurance companies.

Financial Institutions: Institutions that belong to both Financial Groups as well as to the major automakers in the industry, responsible for credit sales of new automobiles.

L&LAE: Loss and Loss Adjustment Expenses: Includes the costs incurred in the payment of claims: valuation experts, adjusters, claim's coordinators, and repair costs.

L&LAE Ratio: Results from dividing the L&LAE by Net Premiums Earned period.

Minimum Equity Requirement: Is the minimum equity level that an insurance company should maintain, according to the authorities' requirements. In Mexico, in the automobile insurance industry, it is approximately calculated as the 16.4% of the premiums written in the last 12 months or the 25.1% of the net L&LAE for the last 36 months, that which results higher.

Multi-annual Policies: Policies with a term greater than 13 months. They are typically issued for the automobiles sold on credit.

Net Premiums Earned: Portion of premiums written that is registered as income as time goes by.

Net Premiums Written: Equal to premiums written less the part yielded to reinsurance.

Operating Expenses: Includes expenses incurred in by the Company in its regular operations.

Operating Ratio: Results from dividing Operating Expenses by Net Premiums Written.

Policies' Fees: Administrative fee charged when the policy is issued and recorded as an income in operating expenses.

Premium Debtor: Records the portion of sold policies which will be paid in installments.

Premiums finance charge: Financial penalty imposed to policyholders that choose to pay their policy's premium in installments.

Premiums Written: Premiums corresponding to policies underwritten.

Solvency Margin: Results from subtracting the Minimum Equity Requirement and the Underwriting Reserves, from the sum of Securities and Cash and Banks.

Solvency Margin Ratio: Results from dividing the Solvency Margin by the Minimum Equity Requirement.

UOF: Use of Facilities: Fees paid to the Financial Institutions for the sale of our insurance policies. Acquisition

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STOCK INFORMATION

Market: **Bolsa Mexicana de Valores**
Stock Symbol: **Q CPO**
Indexes:
IPC CompMx
IRT CompMx
IPC SmallCap
IRT SmallCap

CPO's in circulation: **450,000,000**
Float: **33.2%**

DIVIDENDS' HISTORY:

FISCAL YEAR	PAYMENT DATE		AMMOUNT		DIVIDEND PER CPO
2003	March 22, 2004	$	30.00	$	0.07500
2004	April 25, 2005	$	12.50	$	0.03125
	July 1, 2005	$	12.50	$	0.03125
	October 3, 2005	$	12.50	$	0.03125
	January 2, 2006	$	12.50	$	0.03125
	Total	$	50.00	$	0.12500
2008	May 29, 2009	$	67.50	$	0.15000
	June 30, 2009	$	67.50	$	0.15000
	Total	$	135.00	$	0.30000
2009	May 11, 2010	$	90.00	$	0.20000
	July 30, 2010	$	90.00	$	0.20000
	Total	$	180.00	$	0.40000

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