

responsiveness

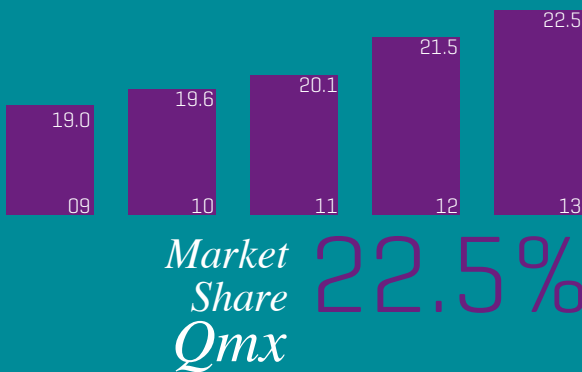
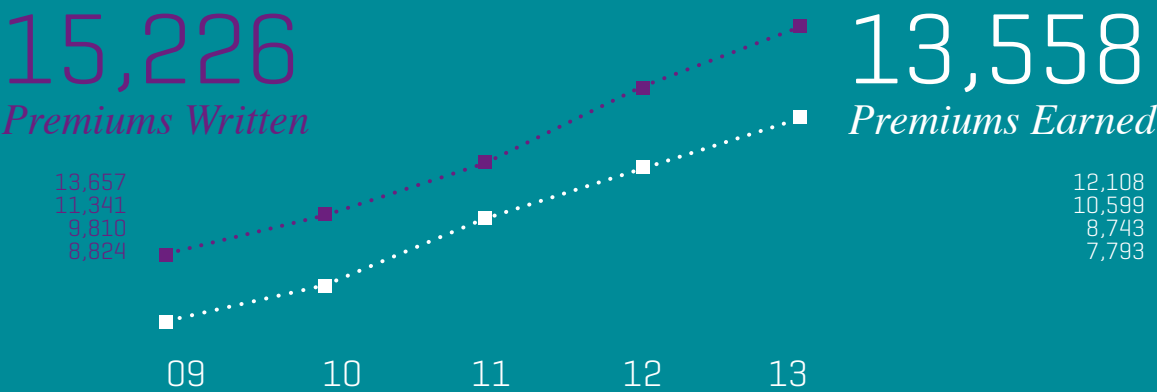
*Annual
Report 2013*



Quálitas Controladora

“in numbers...”

For comparison purposes, 2013 and 2012 figures are Quálitas Controladora's and the figures from previous fiscal years are from Quálitas Aseguradora.



Contents

08

Message to Shareholders

10

Our Positioning

17

Our Service

23

Our Operations

29

Our Human Value

34

Our Organizational Structure

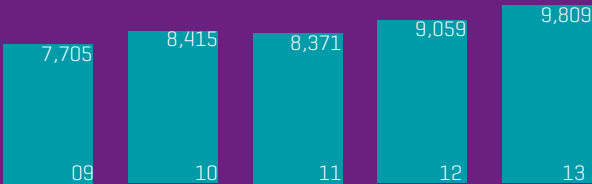
38

Our Financial Resources

44

Information on the Share

2.2 millions of insured vehicles



Agents

9,809

Claims Assisted

1,016,264



3,194
Employees



737
Adjusters

commit





ment

*Service is the
center of our
attention and
our action.*

exp

*We are experts and
specialists in our
business.*



erience



innovat



A full-page background image showing a soccer player in mid-air, performing a bicycle kick. The player is wearing a dark jersey and white socks. The background is a large, crowded stadium at night, with bright lights illuminating the scene. The word "tion" is written in large, purple, sans-serif font on the left side of the image.

tion

*We strive to reinvent
and optimize our
processes, products
and systems.*

Message to shareholders

“Our 2013 results have been very satisfactory, given that the company continues with the path of growth and development that has characterized it from the onset. It is also worth noting that our performance has been superior, both in growth as in profitability, to that of our main competitors”.

In Mexico our insurance company had a 10.2% growth while the market grew by 5.9%, which has taken us to increase our market share from 21.5% to 22.5%. The personalized service that the insurance company offers its agents and policyholders is the base to obtain these positive ratios.

Growth of our El Salvador insurance company was of 27.0% and in Costa Rica of 178.2%, important rates considering the competition in El Salvador and the resistance we have faced in a market that is opening up in Costa Rica. We feel very optimistic about the future and should maintain important growth rates.

In Mexico, in our main subsidiary, we continue strengthening our service network for insurance agents and of insurance distribution. During the year, we opened 34 offices, so that we have a total of 262 offices throughout Mexico, of which 100 are Quálitas Development Offices located in communities with low penetration of automobile insurance. This network is a very important asset that allows us to grow with a diversification, both geographic as of client type, and has been the base of our policy of bringing the service to our clients, agents and policyholders, rendering excellent results.

An important ratio of the strength of our service structure is the number of insured vehicles that we have, which increased from 1,901,504 to 2,228,530, representing a 17.2% growth for the year.

In terms of operating results, we closed the year with a \$465 operating income and a 93.5% combined cost ratio, which we consider a very good figure considering that the economy's low growth in 2013 intensified significantly the price competition. In the Company we had a decrease in prices of approximately 8%, mainly due to the competition and to the reduction in theft in some states in Mexico.

With the objective of maintaining our costs under control, we carried out revisions in the structure and in the policies and procedures of the company, so that we may have better controls and as a result achieve a competitive advantage in the market. In this aspect, we have had an important support of two of our subsidiaries, Easy Car Glass and the Outlet de Refacciones.

On the other hand, the conservative focus of our investment strategy and the strict discipline with which it is executed allowed us to benefit of various long term positions we had at the beginning of the year and of selective investments in equities, attaining a satisfactory integral financing result, of \$782 million.

We feel very satisfied with the results achieved, that undoubtedly are a result of the commitment, dedication and effort of all the people involved in this company.

As an organization, we should always look forward, and we feel prepared and ready to make the most of the opportunities that lie ahead in the upcoming years. We see the future with optimism and I believe we have the necessary resources so that the next years continue to be as successful as the past years.

To all of You, I express my gratitude for all your support.



Joaquin Brockman Lozano

Our positioning

What makes Us Different

The diversity of our distribution channels grants us a **unique positioning** to:

- reach different market segments.
- profit from new opportunities in the sector, such as the mandatory insurance.
- benefit from the areas of opportunity in the market, which still has a low penetration, of 28%.

Distribution Channels:

- Network of more than 9,200 professional **agents** who sell our products.
- Network of 162 **Service Offices** in Mexico where we offer an integral service, from a policy's renewal to the monitoring of a claim, both for the agent and for the policyholder.
- 100 **Quálitas Development Offices** in Mexico equipped to offer an integral service to a market segment that has typically not accessed the automobile insurance.
- **Technological solutions** such as our On Line Operator, which allows a client's employees to quote, issue and pay their policy via their company's intranet.
- **Contact Center** which offers integral assistance to the policyholder, agent, institutions and third parties to learn about the term and coverages of their policy, process the renewal or payment of their policy and follow up on claims, among other.
- **Financial Institutions** such as leasing companies, non-bank banks, banks, and the financial branches of automakers, which sell our products at their teller windows or as part of an automobile financing.
- **Automotive agencies** to which we offer customized services, including training sessions, systems which grant them a greater underwriting flexibility, special quotes and support for processes.
- We participated in the **web program** of a bank jointly with other 8 insurance companies, in the used cars markets, occupying the first place.
- Our **international platform** includes 6 offices in 2 Central American countries, El Salvador and Costa Rica.

2013: The Automobile Insurance Industry

- It was characterized by an **intense competition**, so that higher commissions and bonuses, and important discounts on premiums, were offered
- There was a recovery in **automobile financing** and a moderate growth in car sales.
- **Loss and loss adjustment expenses**, in various cities, benefitted from certain factors like traffic and the breathalyzer.
- Other factors, such as the enhanced security of vehicles, also contributed to a **lower severity** of collisions.
- The significant **decrease in thefts** continued.

We have an important diversity of distribution channels.



2013: Our Achievements

- We occupy the first place in the Mexican market with 2,201,314 **insured vehicles**.
- We continue to be well positioned in the various segments of the market, so that our **sales mix** in 2013 was:
 - 25.0 %: Individual segment.
 - 32.6 %: Fleet segment.
 - 39.7%: Financial Institutions segment, which sell our insurance as part of an automobile financing or at their teller windows.
 - 0.9 %: Toll Roads segment.
 - 1.8%: Subsidiaries.
- We achieved an outstanding growth, of 52.9%, in the **Fleet segment** in which we have an important positioning in heavy duty vehicles, corporates and bidding businesses, such as decentralized institutions, government offices and universities. This is the result of the value added and business intelligence we offer clients, with initiatives such as the risk management advisory and our technological solutions.
- We achieved an important growth in **Quálitas Development Offices** [ODQs], both in number of offices and in underwriting and collection. This is the result of the entrepreneurs' model we developed, reinforced by supports like the continuous training based on the needs of each community. These factors have been important features to achieve the projected goals and they enhance our position in these locations.
- We launched the **New Agents Development** project that has as objective to include new agents in the insurance sector. For this, we developed strategies to recruit and train local people in several states, granting them all the tools to know the sector and the promotion of our products. Additionally, we created the Agents Developer, who accompanies the new employees throughout the process, as they enter into the career of Professional Insurance Agent without previous experience in the field.
- Both the ODQs project and the New Agents Development promote the **insurance culture** in each location where we have presence, the penetration in the insurance sector and the solid growth of Quálitas in Mexico.
- In our **international operations**, both in El Salvador and in Costa Rica, we operated in economic environments of low growth. In both countries presidential elections programmed for February 2014 generated an atmosphere of uncertainty and cautious investment decisions.
- **In both markets**, integral service for agents and policyholders at our Service Offices differentiates us as we offer features such as policy underwriting, payment receipts, quotes and monitoring of claims. The challenges we face in our international businesses are to continue growing at a solid pace and to achieve a significant market share, attaining economies of scale to be profitable.



The New Agents Development project intends to include Agents, without previous experience in the field, in the sector. For this, we developed strategies to recruit and train them on the insurance sector and the promotion of our products.

- **In El Salvador**, we have had an innovative approach to the market, participating in segments not very penetrated by the automobile insurance such as public transportation, car rental, motorcycles, heavy duty vehicles and offering ample coverages for agencies' used vehicles. We introduced unrestricted Roadside Assistance services, which have granted us an attractive growth, well above the market's average. We also approached our main client, a Financial Institution, to work jointly towards profitability.
- Additionally, during 2013 we opened our own **call center**, which assisted during the year 4,454 claims. We continued to work with 3 Service Offices and 1 Development Office, a payroll of 30 employees and a network of approximately 200 agents.
- Major features of our **El Salvador operations**:
 - 5 years in operation
 - 5th. place in the market
 - 14,088 insured vehicles
 - 4,454 claims assisted
 - 27.0% growth in premiums written
 - \$90 in premiums written
- **In Costa Rica**, we have also been innovative in the services and products we offer, such as ample coverages for agencies' used vehicles and unrestricted Roadside Assistance. Our sales portfolio has an important participation of the Fleet segment.
- In **our second year of operations**, we continue working with 2 Service Offices, a headcount of 21 employees and a network of approximately 34 agents.
- Major features of **our Costa Rica operations**:
 - 2 years in operation
 - 2nd. place in the market, with a 2.4% share
 - 13,128 insured vehicles
 - 2,568 claims assisted
 - 178.2% growth in premiums written
 - \$76 in premiums written
- Our international businesses have granted our management team **valuable lessons**: new systems to assist claims, new valuation and management systems; different ways to measure the business results.

Regulatory Changes

On April 4 the Lower House of Congress approved, almost unanimously, the **Law for Third Party Liability Mandatory Insurance** in federal roads and bridges.

This Law determines a flexible plan for the implementation of this insurance, which will also vary since the Civil Code of each state, which regulates the mandatory insurance, is different and independent.

Accordingly, we consider the **most relevant issues of this initiative** to be:

- To promote the culture of insurance and foresight in a market in which, in 25% of all accidents in toll roads, the responsible party does not have the assets to cover the damages.
- To benefit policyholders, since as the volume of Third Party Liability policies grows, their assets will be more protected and premiums will tend to be more affordable.
- To set a precedent so that the States implement, with time, the same program.

Therefore, while we consider that the impact of such Law on our results will not be significant in the short term, we believe that the message sent with its approval is positive.

Also during the year, a **new Insurance and Bond Law** was enacted, which will come into effect in April of 2015 and which has 4 main objectives:

- To modernize the solvency regime.
- To promote the development of the activities of insurance and bonding companies.
- To foster greater competition in the market.
- To strengthen the protection regime of the users of these services.

For this, the Insurance and Bond Law considers a **Solvency II model** which consists of three cornerstones:

- Requirements of equity, investments, reserves and reinsurance.
- Requirements of corporate governance.
- Elements in matters of transparency and information disclosure.

In QC, we believe we are well prepared to face these requirements given the practices of transparency and information disclosure, as well as of Corporate Governance, that we have been reinforcing in the past 8 years, since we became a public company in the Mexican Stock Exchange. Additionally, we already comply with the quantitative requirements established in terms of technical reserves, investments and equity.

Currently, we are working on reviewing the By Laws, jointly with the Mexican Association of Insurance Institutions [AMIS] and the authorities.

On the other hand, we have analyzed the **terms of the 2013 Financial Reform** which, up to the moment, do not cause an economic impact in our results. We are still reviewing the possible consequences, on the structure of our Ordinary Participation Certificates [CPOs], of the new guideline which allows foreign investment to surpass 49% of the equity holdings of a financial institution, including insurance companies.



Our Roadside Assistance services are the only ones in the insurance industry that offer maneuvers to up right overturned trailers hauled by trucks.

Our Service

What makes Us Different

- We have the **largest claims structure in Mexico**, basis of our service:
 - 174 operators in our National Call Center answering 1.74 million calls with a 98.2% service level.
 - network of 690 own adjusters.
 - more than 300 own lawyers.
 - 262 service offices nationwide.
 - 98 quality supervisors nationwide.
 - Quálitas Roadside Assistance which exceeds the market's offer and quality.
- We offer **customized risk management advisory** to our fleet clients. We share detailed information on the client's claims openly and we perform analysis and data interpretation to enhance his decision making and the implementation of preventive measures. We work with management and Committees to understand the causes of collisions, their processes and ways to contain costs. We also continue offering training to our clients' operators in topics such as defensive driving.
- We provided the **services of our On Line Operator (OPL)** to clients with certain distribution needs. Our OPL platform is a tool which allows a client's employees to quote, issue and pay their policy via their company's intranet. OPL provides the support of an on line services team nationwide, who customizes the portals functioning according to the specific needs of each client, allowing an employee, for instance, fractionated payments via payroll, Christmas bonus and credit card.
- We seek to be **flexible to our policyholders' needs**, developing coverages and solutions for their needs with different criteria, perspectives and tools. We carried out, for instance, agreements with repair shops specialized in vehicles with certain level of armoring; we have coverages which provide a substitute vehicle and transportation expenses; we offer leveled premiums to our fleet clients that are paid according to their levels of claims.
- **Our Quality Supervisory area** is focused on enhancing the repair process and the delivery dates of vehicles. We have 98 supervisors nationwide that follow up, directly, the repair process of vehicles in the repair shops and keep the policyholders informed. Additionally, we have a call center of the Quality area in which we received, during 2013, close to 31,000 calls. Also during the year we developed a portal which provides the policyholder with information regarding his vehicles' repair process, delivery date and data of the quality supervisor allocated to him. This assistance is complemented with an on line chat in which information is granted to policyholders in real time and their questions are answered.

2013: Our Achievements

- Upon the **contingency originated by the hurricanes** Ingrid and Manuel in the Guerrero state during September, we were able to offer the greatest facilities available to our policyholders. While the intense rains, overflowing rivers, damaged roads, airports and bridges initially surpassed the claims structure we had in Acapulco, we were able to overcome the initial challenges. We deployed adjusters from Mexico City and nearby zones, as well as experts from the Quality, Valuation, Total Losses, among other areas, and installed mobile service offices in various locations within the city to offer policyholders advisory and to receive their reports. The Roadside Assistance area, in turn, extended the benefit it granted until then to our policyholders, of one hotel night upon an impediment to circulate due to natural phenomena or social acts, to 7 hotel nights in these cases.
- Our **Roadside Assistance Services** [AVQ] started offering maneuvers to trucks. In 2012, we were the first company to grant roadside assistance to these vehicles, which requires providing a tow truck to haul the truck that broke down and another truck to haul the trailer. In 2013, we started to offer maneuvers, including tow trucks to up-right the trailers hauled by trucks.
- In our **Contact Center** we developed a new integral survey that intends to gradually substitute our previous surveys. The integral survey is conducted in modules according to the affected coverage, such as the module of Cabin personnel, adjusters, Valuation personnel, Roadside Assistance, etc. The survey is sent by mail or carried out by telephone. During 2013, the integral survey was implemented with a corporate client and granted very good results.
- We are developing **attention modules** in our Service Offices, in which employees who assist the policyholder have all the tools to offer the service required by the client, in a comfortable way and without leaving him unattended. These modules reinforce the service we grant, diminish the waiting times and streamline the processes carried out.
- We developed the **Q 360° Platform**, an application which allows Service Offices to analyze in an integrated, or individual, way the information included in the portal of each one of their agents, such as their underwriting, terms, claims, repair dates and other statistics.



*Our 360° Agents' Portal
enhances the effectiveness
in the management of their
business.*



While initially the Acapulco contingency surpassed us, we moved all available resources to serve our policyholders.

What do We Continue Doing?

We continue developing, improving and enhancing the following initiatives:

- Our **Call Center in Mexico** reached outstanding service levels, of 98.2%, in the effectiveness of: response times, average call length, and percentage of abandoned calls. Our Call Center has 174 employees in 3 shifts, of which 77 are telephone operators, who service the policyholder's call and generate the claim report, and 82 are radio operators, who allocate an adjuster when it is not done via the geo-referenced maps. During 2013, we serviced 1.74 million calls.
- In the Call Center, we continue using **geo-location** to service the policyholder and allocate an adjuster in a percentage of casualties, when we have enough information on the location of the policyholder to position him on an electronic map and to assign the closest adjuster in real time.
- **Q Mobile**, our application for smart phones, now offers new features to the policyholder. In addition to letting him report a casualty and be geographically located by pressing a telephone key, Q Mobile allows him to request roadside assistance, call emergency numbers, have speed alerts, locate places of interest such as hospitals and repair shops and locate the car, if it has a satellite device.
- In our **Contact Center in Mexico**, we continued offering an integral service to the policyholder in one single call. Our 70 executives are multidisciplinary and soundly trained to service diverse concerns of policyholders, agents, institutions or third parties, such as: their policy's term, coverages, renewal or payment; monitoring a claim and vehicle valuation; an electronic invoice requirement; information on payment methods or deductibles; and a vehicle's repair times, among others.

During the year, we serviced approximately 750,000 calls in our Center.

- Additionally, in our Contact Center we carry out **service quality surveys**. We continue conducting the first care survey, which measures the service offered by the Call Center telephone operators and adjusters to the policyholder. We also measure the service provided by the executives and suppliers of Roadside Assistance. During 2013, we developed the integral survey which intends to gradually substitute the previous surveys.
- Our **Client Relationship Management system (CRM)** has been expanded to include ample information on policyholders, including the characteristics of their policy, their interaction with our contact center or quality supervisors, service surveys, claims, repair times, legal issues, total losses, among others. The CRM grants us a 360° vision of our interaction with the client.
- **Quálitas Roadside Assistance (AVQ)** serviced in Mexico 69.5% more cases than last year and continued developing **programs customized** to each client's needs. Among the services we offer the policyholder are: taxi to the policyholder's destination after a car breakdown or the use of a tow truck; return journey to the policyholder's home by ambulance when required; car rental or transportation expenses to conclude a trip; medical transport in case of a car accident, by ambulance or air ambulance, for the driver and his companions.
- Additionally, in **AVQ** we implemented **indicators** to ensure the quality of our service, such as the response time and the kindness of our executives. For our suppliers, we have pointers like the arrival time and the vehicle care. These indicators are evaluated via the service surveys carried out by the Contact Center. We survey, approximately, 7% of the direct users of AVQ services. During 2013, 95% of users evaluated the AVQ services as good or excellent.
- We work with **automotive agencies** in Mexico to which we offer customized services such as:
 - close to 1,000 face-to-face training sessions for executives in administrative and claims topics such as Transit Regulations, Delimitation Guide and management of objections and complaints.
 - systems that grant flexibility to the underwriting process;
 - monitoring and solution of processes and problems;
 - special quotes.
- **360°Agents' Portal** enhances the effectiveness in the management of their business, and supports the agent with multiple tools and with access to a great amount of information and variety of analysis: policies' underwriting, terms, claims, account statements, renewals and quotes.
- **Fleets' Management Portal** allows clients to input new records and cancellations, review payment and discount applications and validate claims details, in a timely and friendly way.



*We diminished 10
minutes the arrival
time of adjusters.*

Our Operations

What makes Us Different

- Our **underwriting program based on claims by zip code** ensures that our pricing is sufficient for high risk vehicles and zones and enhances an equal treatment among policyholders, as there are no subsidies among zones, vehicles and coverages. Additionally, this model improves the portfolio quality and strengthens our costs containment. In this program, we update prices every 3 months, according to the claims experience.
- We developed a **Suppliers area** which analyzes and follows up on suppliers to ensure service standards and costs containment. With our key suppliers, we seek to have national coverage, obtain better costs due to the volumes we purchase, and develop closer relationships.
- We enhanced our **reciprocity model with automakers**, which allows us to offer greater value to policyholders without additional coverages or costs. Among the benefits we attained for the clients are: send to agencies older vehicles to be repaired, cars up to 10 years old and heavy duty vehicles up to 6 years old, depending on the automaker, and receive guarantees and spare parts from the manufacturers. Additionally, our reciprocity model is a key part of our costs containment efforts, as it grants us:
 - important discounts in labor and spare parts costs,
 - volume related bonuses,
 - outsourcing to other shops, allowing certain repairs to be sent to specialized shops which offer high quality standards and controlled costs,
 - support to rescue total losses, in cases in which the agency grants us a significant discount or provides us with spare parts to avoid classifying a vehicle as total loss.

RECIPROCITY MODEL WITH THE FINANCIAL INSTITUTIONS OF AUTOMAKERS



- We created **digital files**, using content management technology. This allows the adjuster to upload in his mobile device claims pictures and documents such as accident statements, repair orders, tow trucks coupons and hospital orders, and with these form the claim file. We also archive electronically valuation pictures, policies images, salvages receipts and information, among others. The technology we purchased has a refined data search.

2013: Our Achievements

Policyholder Assistance:

- We decreased 10 minutes the **adjusters' arrival time**, increasing the number of bases, re-allocating bases and allocating adjusters via geo-referenced maps which allow the policyholder to be located in an electronic map and the closest adjuster to be identified in real time. We also enhanced the structure of locations where we have Development Offices and created a new compensation model to make the adjusters' job attractive in these places.
- We decreased the **integral time in which we serve policyholders**, from the moment the report is taken in the Call Center to the moment the claim is closed. This improvement was supported by the certification of 100% of our adjusters and lawyers on the Delimitation Guide, which presents possible collision scenarios to allow the parties involved to better interpret them.
- We retained the **services of specialized adjusters** in approximately 500 cases to obtain a better estimate of the damage amount of certain industrial merchandises, technologies and appliances. We also worked with authorized remediation companies in cases of soil, underground or water pollution. These services granted us important savings. Also preventive work in these aspects, for instance, with clients that manage hazardous materials, has allowed us to contain claims costs.
- We enhanced our **express adjustment** model which offers the policyholder the possibility, in certain cases, to access directly the agency or repair shop to repair his vehicle without waiting for an adjuster. During 2013, we additionally developed the **express service**, so that in express adjustment repairs of low amounts, the agency or repair shop diminished their time to supply spare parts and to repair the damages.
- We developed the **total losses virtual office** in the Quálitas portal, which offers the policyholder the possibility to send electronically the documents which prove the vehicle's ownership. These documents are reviewed by specialized executives who, in a 24 hour term, inform the policyholder of any problems with his documents, such as a mistake in the serial or engine number, or grant him their approval. In this case, the policyholder must deliver the documents in the closest Service Office so they are processed and he can receive his payment. A more timely payment of total losses implies a better service for the policyholder and enhances our costs containment.

Legal Area:

- We enhanced the control of the bonds that guarantee the freedom of our policyholders that are arrested. Through the **e-bond**, our lawyers ask for a bond, on line, from the Bonding Company, complete it and issue it electronically. The e-bond uses an electronic numbering which ensure that it is linked to a claim, facilitating its control and management, allowing for a timely service to the policyholder and avoiding the risks of being materially transported and sent.
- We strengthened our **recoveries in civil processes**, determining cases in which we do not accept the expert's opinion and proceed suing the counterpart by means of a civil action, for damages to goods or third parties. On the other hand, in penal matters, we have our own network of lawyers which, in addition to focusing on serving the policyholders and their vehicles, currently litigate to attain an appropriate recovery of payments in cases such as total losses or material damages.
- These initiatives allowed for important **operating efficiencies**:
 - Significant containment of average costs of lawyers per reviewed case.
 - Average time of vehicles' detention at the Prosecution Office decreased from 17 to 12 days.
 - Average time of drivers' detention at the Prosecution Office or Police Station decreased from 20 to 16 hours.

Operating Efficiency:

- We migrated to our own server the **Valuation Portal** to enhance its stability and efficiency, seeking to optimize the work of repair shops and agencies with our Valuation area. This portal is connected to the Spare Parts Portal, so that the required parts to repair the valuated vehicle are ordered from suppliers automatically.
- We created **new categories of valuator**s according to the severity of the damage, so that each category values collisions that require a different number of parts, while the A4 valuator is in charge of total losses. This specialization optimizes response times to repair shops and agencies and enhances our costs containment as it attains a more precise analysis of the pieces to be repaired and the spare parts to be purchased.
- Our **Spare Parts Portal** is now divided into 60 geographic zones in which suppliers are registered according to their geographic coverage, so that the delivery times are kept below 72 hours.
- We **automated** the payment of all claims services, such as spare parts, hospitals, repair shops, so that we only need to review the appropriate collection of the electronic numbering.

- During the year, a **SIPAC fund** was generated at AMIS [Mexican Association of Insurance Institutions] to function as a compensation chamber which automatically collects pending recoveries. The Inter Company Payment System, SIPAC, for automobiles and trucks up to 3.5 tons, allows for the compensation of payments between two insurance companies involved in a collision, at the same cost per event. This system, to which most of the insurance companies in the market enrolled, has streamlined collection and decreased the administrative processes of recoveries.

What do We Continue Doing?

We continue developing, improving and enhancing the following initiatives:

- The **CODE program (Deductible Condonation)** introduced in 2012 increased to more than 12,000 cases and the coverage was expanded for vehicles of 3.5 tons. This program comprises a support for the policyholder while it also enhances costs containment.
- With our **Outlet de Refacciones** in Monterrey we continue processing vehicles and pickups in the Northeast of the country, which are salvages or total losses, and are sold as pieces, spare parts or, in some cases, repaired.
- Our glass company, Easy Car Glass**, is both a wholesaler and retailer, buying directly from manufacturers worldwide and carrying out agreements with glass retailers nationwide to supply them with the glass they provide to the Quálitas policyholder. This allows us to monitor the quality of the glass we sell, as well as to work closely with retailers, to guarantee the service provided to the policyholder. During the year, for instance, approximately 50% of the glasses required by our policyholders were installed at their homes. On the other hand, this internal supply is also key to our costs containment.
- We developed the 2nd. phase of our disaster recovery plan which we began last year, the **business continuity plan**. In this new phase, the business areas identify the strategic processes needed to maintain the Company's service and operations in case of a contingency. This plan is in line with the practices of Information Technologies Governance, as it aligns the business areas with the efforts of problem monitoring and follow up to recover operations with the greatest swiftness and the least impact on the client in case of a disaster.
- We continued investing in **technological renovation**: servers, communication appliances, network investments, links, computer equipment as well as software for business monitoring and security. Additionally, we restructured the network area, which now has a division for infrastructure, telephones and networks, and a security division.



Approximately half of the glasses we installed during the year, were installed at the policyholder's home.



Our work formula consists of integrating teams of people that are professional, hardworking and committed to Quálitas.

Our Human Value

What makes Us Different

- We continue believing in the **added value of training**. During 2013, in Quálitas Mexico we offered face-to-face training to 4,113 participants, which represented 1.3 training sessions per employee. In terms of virtual training, we held sessions for 763 participants.
- As part of the New Agents development project, the **role of the Agents' Developer** was defined and developed in some of our Service Offices. The Agents' Developer is trained in recruiting tools such as psychometric exams and competencies interviewing. Once he recruits a group of agents, without previous experience in the field, he trains them in features of the automobile insurance and of our products, and supports them to obtain their certification.
- We developed and implemented the **claims coordinators' seedbed** in various states of Mexico, of which 12 professionals graduated with a managerial profile, solid knowledge in technical matters such as: valuation, heavy duty vehicles, agreements, accounting topics, and numerous soft skills such as: leadership, emotional intelligence and assertive communication. The seedbed lasted for 3 months.
- We developed a **network of Human Resources professionals** in the Service Offices which we trained and advised centrally in issues of labor, recruiting, trainees and social responsibility programs.

2013: Our Achievements

- We undertook 3 **adjusters' seedbeds** in Mexico with a total of 41 participants. The seedbed is targeted to professionals without previous experience in the adjuster field. The sessions grant concepts on the adjuster's position such as: legal framework, adjustment process, products and work systems and soft skills such as: decision making, client interaction and conflict management. During the year we added sessions on: problem analysis and assertiveness. The course also offers practical training through weekly sessions on the field with active adjusters and CESVI (Mexico's Experimentation and Road Safety Center) sessions.
- We carried out **training efforts with our commercial areas** to enhance their integral and personalized service and customized solutions offer.
- We enhanced our **talent search** with active presence in universities, agreements with a private university to offer an Actuary seminar, and an AMIS (Mexican Association of Insurance Institutions) project to develop trainees' groups.

- We refined our **variable compensation model** to further align it to the expected strategic objectives for each business unit. We continue using variable compensation schemes in all the Company's structure, both in operating areas as in managerial positions.
- Our **Program on Strategic Leadership Competencies** was awarded a distinction at the **Expo-AMEDIRH** [Mexican Association in Human Resources Management] as an on-line university success case. Currently the 200 participants, Directors, Service Offices Directors, Vice Presidents and Managers, are developing the service manual and improvement opportunities for their own areas. The interaction among participants during the past year has enhanced their business perspective and generated a culture change.
- We also received an **award for the support** Fomento Social Quálitas [our Social Advancement Area] has **granted Proeducación I.A.P.** during 15 years for its valuable work of improving the quality of education granted to children in schools, mainly, of Michoacán.

What do We Continue Doing?

We continue developing the following initiatives to promote the wellbeing of our employees.

- **In terms of education**, we supported 11 employees to conclude their High School program and 20 to complete their Undergraduate, Graduate and Certification studies. We also provided scholarships to 63 employees for their Undergraduate or Graduate degrees, to 4 for their Certifications and to 1 employee for technical training. Additionally, we encouraged our Maintenance employees to further their primary and secondary education.
- On the other hand, we offered during the year writing **workshops** and English **courses** for interested employees.
- **In terms of service**, we carried out the annual survey to evaluate the quality of internal service offered by employees. This survey is filled out by Managers, Vice Presidents and Directors and the results are linked to each employee's variable compensation. The survey measures service ratios such as kindness, problem solving, time to respond to mails, teamwork and it is conducted by an external supplier.
- **With regard to health prevention**, we carried out agreements with health suppliers to receive preferential costs. We undertook a Health campaign with the IMSS [Mexican Social Security Institute] in all metropolitan offices in which weight, size, blood pressure, blood sugar, triglycerides, were monitored, certain vaccines were administered and other analyses were offered. We also furnished services to detect visual acuity, hepatitis C and food allergy tests.
- We kept the **weight challenge program**, in which each participant's target weight and diet is set with the aid of a nutritionist, monitoring it biweekly.
- We have also promoted **actively exercising** among our employees, offering preferential pricing in sporting clubs, yoga programs in offices and having 13 trainers of basic exercises in the Call Center.



- We encouraged the **participation in our Savings Accounts**, which allows our employees to invest in a safe and attractive instrument, or have access to a loan suited to their needs. During the year, the number of employees enrolled in the program grew by 14%. We continue offering different types of accounts: liquidity, retirement, college and additional, in which an employee can include a third party's savings. On the other hand, we granted ordinary and house credits in which up to 8 months of an employee's salary are offered as financing.
- We supported parents with 50% of the payment of a **summer program** for children 6-11 years old during the 4 vacation weeks. For teenagers 15-18 years old, we have a **trainees program** in 4 offices. This program hired 100 trainees during 3 weeks in the Call Center and the Commercial, Subscription, Salvages, Roadside Assistance, Human Resources areas, among others. It also included sessions on robotics and cyber-bullying and a visit to CESVI (Mexico's Experimentation and Road Safety Center). Additionally, the trainees collaborated with Fomento Social Quálitas (our Social Advancement Area) for a week, working with senior citizens in an asylum in which they carried out activities such as gardening, cleaning and reading to the senior citizens, among other.



Through Fomento Social Quálitas, we supported the training efforts of the baking workshop at the Internado Infantil Guadalupano.

Quálitas te invita a conocer
a la Asociación **Metamorfosis**
Global, a.c.
¡Súmate a la causa y juntos
sigamos apoyando!

¿Sabías qué?
Ya somos **81 empleados**
los que ayudamos
a esta organización y
¡podemos ser más!
Tú puedes ayudar y hacer
la diferencia, con sólo
\$75 pesos quincenales
apadrinas a una persona
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www.metamorfosis.org.mx, escribe a:
metamorfosis@metamorfosis.org.mx

Quálitas®

Our employees support the rehabilitation of underprivileged, abused, neglected or abandoned children, adolescents and adults.

Through **Fomento Social Quálitas [our Social Advancement Area]** we continued granting financial support, contributions and personal visits, to the following Institutions:

- Todos en Crecimiento IAP: Benefitted: 15 young people with multiple severe mental disability.
- Casa Hogar Kamami: Benefitted: 23 underprivileged girls victims of abuse and family violence.
- Unidos... Asociación Pro Trasplante de Médula Ósea, Francisco Casares Cortina: Benefitted: 6 patients of low schooling and informal economic level with haematologic diseases.
- Cadena de Ayuda contra la Fibromialgia: Benefitted: Payment for the doctors of 600 patients, both women and children, who suffer intense physical pain.
- Renovación, Unión de fuerzas, Unión de Esfuerzos: Benefitted: Payments for the family doctor of 320 children, from 45 days to 6 years old.
- Pro educación IAP: Benefitted: 164 students from 6 to 12 years old, 9 teachers and 75 parents of the Schooling Community Miguel Hidalgo in Michoacán.
- Casa Santa Clara: Benefitted: 15 homeless, abandoned or orphaned girls and teenagers.
- Internado Infantil Guadalupano: Beneficiados: 10 students received training on a baking workshop; indirect assistance to 150 youngsters who live in the school; schooling training to 50 relatives.
- Fundación San Ignacio de Loyola: Benefitted: 88 scholarships for Raramuris children in the Tarahumara Mountains.
- Fundación de Hermanitas de los Ancianos Desamparados IAP: Benefitted: Improve the physical wellbeing of 200 underprivileged senior citizens.
- Metamorfosis Global, A.C.: Program in which 81 Quálitas' employees have granted scholarships to one or several underprivileged people with severe mental disability.
- We supported our **employees** which were **victims** of the Acapulco and Cullacán hurricanes with the purchase of electronic appliances. We also conducted a solidarity fundraising in our Mexico City offices to collect food and cleaning supplies for the affected people.
- We delivered 224 **Christmas food supplies** to employees of the Maintenance and Logistics Areas.
- We delivered 220 **packages of school articles** to parents in our Mexico City, Guadalajara and Monterrey Offices.

Our Organizational Structure

Quálitas Controladora (QC) is a holding company related to automobile insurance whose business model focuses on excellence in service, specialization, cost controls and decentralization.

At year-end 2013, **QC's organizational structure** provided the Company with a healthy diversification in businesses related to the automobile insurance:



Activos Jal – Real Estate Company whose objective is to acquire offices and locations for the Group's operations.

Easy Car Glass – Wholesaler that carries out agreements with glass shops nationwide to supply them with the glass that they will, in turn, source to Quálitas' policyholders.

Grupo Financiero Aserta – Bonding Company with which we have operations and a minority investment which has yielded significant profitability.

Quálitas El Salvador – Our first subsidiary abroad, which after 5 years of operations, occupies the 5th place in the market. It continues being a Qmx subsidiary since laws in El Salvador establish that foreign owners of insurance companies must be insurance companies.

Quálitas Costa Rica – Our second international subsidiary, which after two years of starting operations occupies the 2nd. place in the market.

Outlet de Refacciones – Our Spare Parts Outlet, based in Monterrey, seeks to optimize the management of a portion of our salvages and total losses inventory.

During 2013, these subsidiaries accounted for 1.8% of consolidated revenues and 3.7% of QC's total assets, while Quálitas México represented the rest.



QC's organizational structure grants the Company a healthy diversification in businesses related to the automobile insurance.

The **Board of Directors**, both of Quálitas Controladora and of our subsidiary, Quálitas México, consists of the following 11 Members and 2 Alternates, of which 8 are independent Members.

BOARD OF DIRECTORS

MEMBER	ALTERNATE
Joaquín Brockman Lozano	Ricardo Escamilla Ruiz
Wilfrido Javier Castillo Sánchez Mejorada	Wilfrido Javier Castillo Miranda Olea
Juan Enrique Murguía Pozzi*	
Harald Feldhaus Herrmann*	
Juan Orozco y Gómez Portugal*	
Raúl Alejandro Jiménez-Bonnet García*	
Mauricio Domenge Gaudry*	
Fernando Velarde Muro*	
Juan Felipe Sottit Achutegui*	
Juan Marco Gutiérrez Wanless*	
Christian Alejandro Pedemonte del Castillo*	

*Independent Members

CORPORATE GOVERNANCE

The **objectives of our corporate governance**, both of Quálitas Controladora and of our subsidiary, Quálitas México, are:

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

Quálitas Controladora has an Audit Committee and a Business Practices Committee, whose functions are detailed below:

AUDIT COMMITTEE

Consists of 3 members, who are Independent Board Members.

- Monitor the management, performance and execution of the matters of its competence according to the Mexican Stock Exchange Law.
- Evaluate the performance of the external auditor.
- Analyze the financial statements and the financial information of the Company.
- Investigate possible breaches to guidelines, operating policies and internal control systems.
- Monitor that the CEO complies with the agreements reached in the Assemblies.

BUSINESS PRACTICES COMMITTEE

Consists of 3 members, who are Independent Board Members.

- Monitor the management, performance and execution of the matters of its competence according to the Mexican Stock Exchange Law.
- Monitor that the CEO complies with the agreements reached in the Assemblies.
- Evaluate the compensation of the CEO and other significant directors.
- Inform the Board of Directors of operations with related parties.

On the other hand both Quálitas Controladora and our subsidiary, Quálitas México, have an Investments, Finance and Planning Committee.

INVESTMENTS, FINANCE AND PLANNING COMMITTEE

Consists of 7 members, of which 6 are Board Members, 3 of them Independent, and one is a Company executive.

- Evaluate and suggest investment policies aligned to the organizational vision.
- Propose the guidelines for the Company's strategic planning.
- Maintain a balanced investment portfolio under the investment regime established by the authority.
- Give an opinion on the budget's assumptions and monitor the budget.
- Identify risk factors and evaluate policies to manage them.

On the other hand our subsidiary, Quálitas México, has three additional Committees, which are: Reinsurance Committee; Communication and Control Committee; and the Financial Risks Integral Management Committee.

REINSURANCE COMMITTEE

Consists of 4 members and their corresponding alternates, of which 3 are Board Members, and 5 are Company executives.

- 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 members, of which 1 is a Board Member, and 8 are Company executives.

- 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

Consists of 5 members, of which 3 are Board Members, and 2 are Company 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.

Our Financial Resources

Quálitas Controladora's Results

Figures Expressed in Millions of Pesos

For comparison purposes, 2013 and 2012 figures are Quálitas Controladora's and the figures from previous fiscal years are from Quálitas Aseguradora.

Quálitas Controladora's Financial Highlights

Balance Sheet	2013	2012	Ch. %
Cash & Investments ¹	10,270	9,460	8.6%
Total Assets	20,369	18,237	11.7%
Total Liabilities	16,612	14,654	13.4%
Stockholders' Equity	3,757	3,583	4.8%
Income Statement			
Premiums Written	15,226	13,657	11.5%
Net Premiums Earned	13,558	12,108	12.0%
Acquisition Cost	3,554	2,987	19.0%
L&LAE	9,031	8,008	12.8%
Underwriting Income	972	1,113	-12.6%
Operating Expenses	508	205	147.7%
Operating Income	465	909	-48.8%
Integral Financing Result	782	900	-13.1%
Net Income	822	1,246	-34.0%
Ratios			BP/%
Acquisition Ratio	23.5%	22.0%	146.8
L&LAE Ratio	66.6%	66.1%	47.3
Operating Ratio	3.4%	1.5%	184.6
Combined Ratio	93.5%	89.7%	378.7
Yield on Investments	6.6%	8.8%	-225.2
Leverage	4.42	4.09	8.1%
ROE	22.4%	40.5%	-1808.1
EBTDA	1,403	1,947	-27.9%

[1] Cash and Investments = Security Investments + Cash and Cash Equivalents + Overnight

Strategic Highlights

During the first half of the year, Quálitas Controladora began the implementation of its strategic programs.

Most of Qmx's subsidiaries were sold to QC, except for Quálitas El Salvador since according to the laws in this country, foreign owners of insurance companies must also be insurance companies. The objective of this transaction was to grant the subsidiaries with regulatory and financial flexibility, while this new structure offers QC a healthy diversification in businesses related to the automobile insurance.

In QC we continue exploring the possibility of undertaking strategic alliances to offer a better service and to contain our costs, structurally, in the different processes of claims servicing.

A number of transactions also took place between QC and Qmx with the objective of allowing QC to maintain the tax-exempt profits from previous fiscal years [CUFIN]. To this effect, we determined that Qmx would pay QC a dividend for \$2,168 and QC acquired a loan with 3 banks, for 15 days, which would allow the Company to capitalize Qmx in \$1,300. The financing cost amounted to an annualized rate of 5.5%.

Once QC received the CUFIN amount from Qmx, it paid investors a dividend for \$360 [\$0.80 per CPO] and repaid the loan. Currently, the Company keeps enough cash to maintain a solvency margin ratio of 31%, an appropriate level to face its liabilities with policyholders and to finance its future growth.

In terms of the operation of our CPOs, QC has authorized \$135 for a share buyback fund which intends to provide our CPOs with liquidity in the Mexican Stock Exchange. The fund initiated operations during September.

Quálitas Controladora closed its financial position in 2013 owning 99.98% of the equity of Quálitas Compañía de Seguros, S.A. de C.V.

PREMIUMS WRITTEN

Premiums written amounted to \$15,226, growing by 11.5%.

Business Line	2013	2012	Ch. \$	Ch. %
Individual	3,814	4,410	-596	-13.5%
Fleets	4,967	3,249	1,718	52.9%
Sum of Traditional	8,782	7,659	1,123	14.7%
Toll Roads	136	368	-232	-63.0%
Financial Institutions	6,039	5,470	570	10.4%
Subsidiaries	269	161	109	67.6%
Total	15,226	13,657	1,569	11.5%

Qmx’s premiums were mainly driven by the Fleet and Financial Institutions segments, while the Individual segment was affected during the year by the economic slowdown in Mexico and a strongly competitive environment in which margins have compressed and benefits for intermediaries increased.

On the other hand, the Fleet business grew significantly due to the retention of clients, the attraction of new clients, and the value added services we have offered in risk management. Additionally, some accounts from the Individual segment continue to migrate to this business line.

The Financial Institutions segment was boosted by the agreements celebrated with banks and automakers in 2012, as well as by the recovery in automobile financing and in the sales of new cars. On the other hand, it was affected by changes in the commercial policies of the Financial Institutions. Quálitas is well positioned in this segment as a result of its reciprocity model and of its long term relationships with automakers.

The Mexican Association of Automotive Suppliers [AMDA] informed that as of year-end 2013, 1,063,363 vehicles were sold in Mexico, which compared to the 987,747 of the previous year, results in a 7.7% growth.

During the year, the Toll Roads segment decreased significantly upon the expiration of the CAPUFE bidding contract, which we did not renew as it did not comply with our profitability criteria. During the last quarter of the year, however, we obtained some toll roads from the CAPUFE account, so that we registered premiums for \$113, adding total premiums for this segment in the year, \$136.

On the other hand, sales of our international subsidiaries in El Salvador and Costa Rica accounted for 1.8% of total sales.

Insured vehicles grew by 17.2% during the year, reaching 2,228,530.

REINSURANCE AND PREMIUMS CEDED

As part of our reinsurance strategy, we continue maintaining the catastrophic reinsurance contract and we do not keep proportional reinsurance, due to the solid levels of profitability attained.

At year-end, premiums ceded amounted to \$105 since we underwrote the biannual Pemex policy. This is a claims management policy, so Quálitas does not register insured vehicles nor assumes the client's risks, as it cedes 100% of the premiums to a reinsurer designated by Pemex.

NET PREMIUMS EARNED

Net premiums earned grew by 12.0%, in line with sales of multiannual policies generated by the Financial Institutions segment and by some government institutions accounts of considerable amounts that are classified within the Fleet segment.

NET ACQUISITION COST

The net acquisition cost rose by 19.0%, due to the greater underwriting of policies with Financial Institutions to whom we pay a greater percentage of commission [UOF].

Additionally, there has been an increase in the commissions paid to intermediaries in certain segments as a result of the competitive environment.

LOSS & LOSS ADJUSTMENT EXPENSES

L&LAE registered \$9,031, while the L&LAE Ratio for the year reached 66.6%, increasing 47 b.p. vis-à-vis the 2012 figure.

During the first half of the year, we attained solid levels of L&LAE as a result of the decline in thefts in Mexico, in line with the market trend, and of operating efficiencies.

During the second half, a number of tropical storms originated in Mexico which evolved to hurricanes, and caused intense rains, bursting rivers, damages in roads, airports, bridges and thousands of homes. While our catastrophic reinsurance program for claims resulting from a catastrophe generated by natural events covered part of the damages, the duration of the phenomena and its geographic extension had an impact on L&LAE.

Also during the second half, we experienced an increase in the average repair costs and in the average costs of thefts, although the trend in thefts continued downward.

Additionally, the average cost of severance in case of death rose almost 3 times in Mexico, as a result of changes in the Federal Labor Law, which determines the amounts of severance in case of an employee's death.

OPERATING EXPENSES

Operating expenses amounted to \$508, while the operating expenses ratio for the year stood at 3.4%.

Operating expenses increased because of higher fees paid to Service Offices as a result of improved L&LAE ratios.

Qmx operating expenses were also affected by a \$59.2 tax payment which resulted from reviews carried out by the SAT (Fiscal Authority) to previous fiscal years. In this review, the SAT determined tax liabilities and extended the Company and invitation to join its Tax Amnesty program.

Additionally, credit sales without interests increased during the year, so that the commissions we pay to banks which sell under this method grew substantially.

Qmx depreciations and amortizations amounted to \$151.

On the other hand, operating expenses benefitted from the policies' fees, revenues intended to cover the administrative expenses generated when the policy is issued.

INTEGRAL FINANCING RESULT

During 2013, our investment portfolio attained a solid 6.6% yield, above the objective established by the Investments, Finance and Planning Committee of CETES (Treasury Bills rate) plus 200 basis points.

At the beginning of the year, as a result of the positive economic expectations for Mexico and to the possible structural reforms, we maintained a greater exposure to fixed rate securities such as M bonds (long term government bonds) and Udibonos (inflation-protected bonds), which gained an attractive yield for the portfolio.

During the second quarter, due to the outlook of a recovery in the U.S. economy and the subsequent increase in rates, financial markets experienced considerable volatility. In Mexico, this originated a significant increase in bonds, of 80 basis points on average, and a significant drop in the market index (IPC). During the second quarter, the government cancelled public spending, which prompted an economic slowdown that affected the markets.

Additionally during this quarter, the sale of Qmx's subsidiaries to QC generated a \$17.5 profit for the Company that was recorded in the Integral Financing Result. The consolidated result for QC was of \$19.5 and it caused taxes for \$8.5, so that the consolidated effect on net profit was \$11.

The Federal Government's proposal for a Tax Reform and the U.S. Government's debt levels originated a considerable volatility in the markets. Also, the Mexican Central Bank decreased the reference rate to 3.75%. This affected our positions in REITS and equities.

On the second half of the year, given the strong correlation between our market and that of the U.S., and the imminent reduction of monetary incentives in this country, our investment strategy focused on decreasing our position on M bonds and on expanding our exposure to equities.

- Increase of the structured securities limit to 12.5%.
- Increase of the equities limit to 12.5%, considering opportunities in companies where the fundamentals, dividend payments and valuations were within our selection criteria.
- Diversification via a greater exposure to variable rate bonds and short term bonds issued by Development Banks with high credit ratings.
- Decrease of the Government Bonds limit to 10%.
- Decrease of the Quasi- Government securities limit to 15%.
- Limit of Corporate Bonds, stable at 20%.
- Limit of Bank Bonds, stable at 10%.
- We maintained cash flow for the Treasury's daily operations.

In spite of a difficult year, both for the Mexican and the global economy, we were able to react in a timely manner and attain a yield above the objective due to the flexibility of our actions.

TAXES

Taxes for the period were \$425, which represents an effective rate of 33.8%.

In Qmx, the tax provision was affected by a \$65.1 payment which resulted from reviews carried out by the SAT (Fiscal Authority) to previous fiscal years. In this review, the SAT determined tax liabilities and extended the Company and invitation to join its Tax Amnesty program.

Without this non-recurring charge, the effective tax rate would have been 28.6%.

NET RESULT

The net result amounted to \$822, lower than last year's figure by 34.0%

We consider that the net result is very satisfactory and that it is explained by an efficient containment of the L&LAE in light of the intense rains and natural phenomena that took place, as well as of the impact of the regulatory changes.

On the other hand, our conservative investment strategy contributed to achieve a solid investment income.

Also, our international businesses have granted our management team a valuable experience as they have presented new ways of handling the business: different claims, valuation and management systems and new ratios.

CASH AND INVESTMENTS

Cash and investments registered \$10,270, an 8.6% increase.

QC paid a \$450 dividend in April, disbursing \$0.70 per CPO in cash, while \$0.30 per CPO were allocated to the foundation of a share buyback fund.

Towards year-end, a number of transactions took place between QC and its main subsidiary, Qmx. With the objective of allowing QC to maintain the tax-exempt profits from previous fiscal years [CUFIN], we determined that Qmx would pay QC a dividend for \$2,168. To this effect, QC acquired a loan with 3 banks, for 15 days, which allowed the Company to capitalize Qmx in \$1,300. The financing cost amounted to an annualized rate of 5.5%.

Once QC received the CUFIN amount from Qmx, it paid investors a dividend for \$360 [\$0.80 per CPO] and repaid the loan. Currently, the Company keeps enough cash to maintain a solvency margin ratio of 31%, an appropriate level to face its liabilities with policyholders and to finance its future growth.

TECHNICAL RESERVES

Technical reserves grew by 14.9%.

The unearned premiums reserve rose by 18.1% in line with the increase in premiums.

Growth in insured vehicles reached 17.2%, slightly below the unearned premiums reserve. Reserves are at appropriate levels to face the liabilities with our policyholders.

On the other hand, the contractual obligations reserve increased 5.8%, as a result of the agreements for early payment that we maintain with our suppliers in exchange for discounts.

STOCKHOLDERS' EQUITY

Stockholders' equity reached \$3,757, a 4.8% growth for the year.

SOLVENCY

The solvency margin stood at \$408, which results in a solvency margin ratio of 16.5%.

Qmx's solvency margin decreased from last quarter's figure, as a result of the dividends paid to QC. Considering QC's cash, Qmx's solvency margin ratio stands at 31.0%.

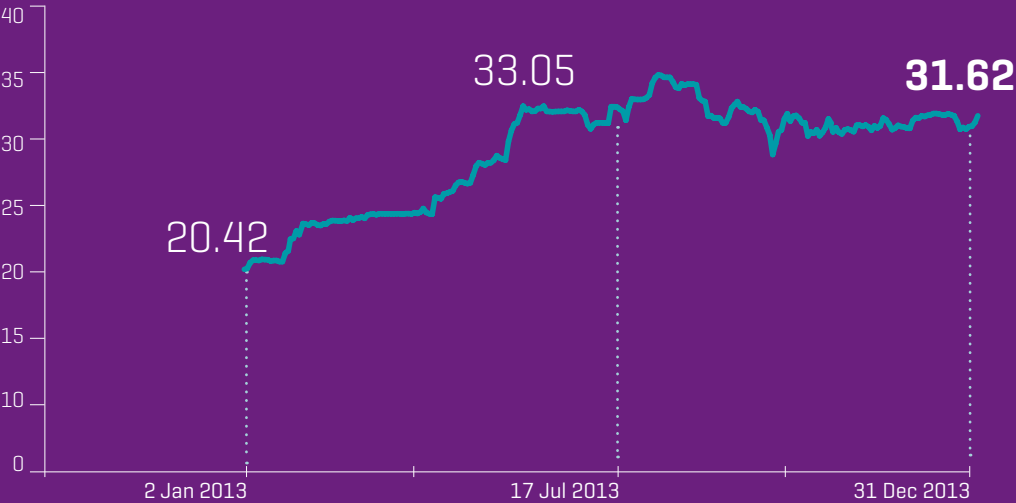
The minimum equity requirement rose by 15.0%.

The leverage ratio increased from 4.09x to 4.42x. Reserves coverage declined, amounting to 1.31x in 2013 and to 1.37x in 2012.

Stock information

EPS	1.83
Book Value	8.35
CPOs Outstanding	450 millions
Float	38.40%

CPO PRICE — QC



DIVIDEND PAYMENTS

DATE OF PAYMENT	AMOUNT (000,000)	DIVIDEND PER CPO	SHARE BUYBACK FUND PER CPO
March 22, 2004	\$30.00	\$0.07500	-
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	-
May 29, 2009	\$67.50	\$0.15000	-
June 30, 2009	\$67.50	\$0.15000	-
May 11, 2010	\$90.00	\$0.20000	-
July 30, 2010	\$90.00	\$0.20000	-
March 28, 2012	\$225.00	\$0.50000	-
April 9, 2013	\$450.00	\$0.70000	\$0.30000
Decembre 20, 2013	\$360.00	\$0.80000	-

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