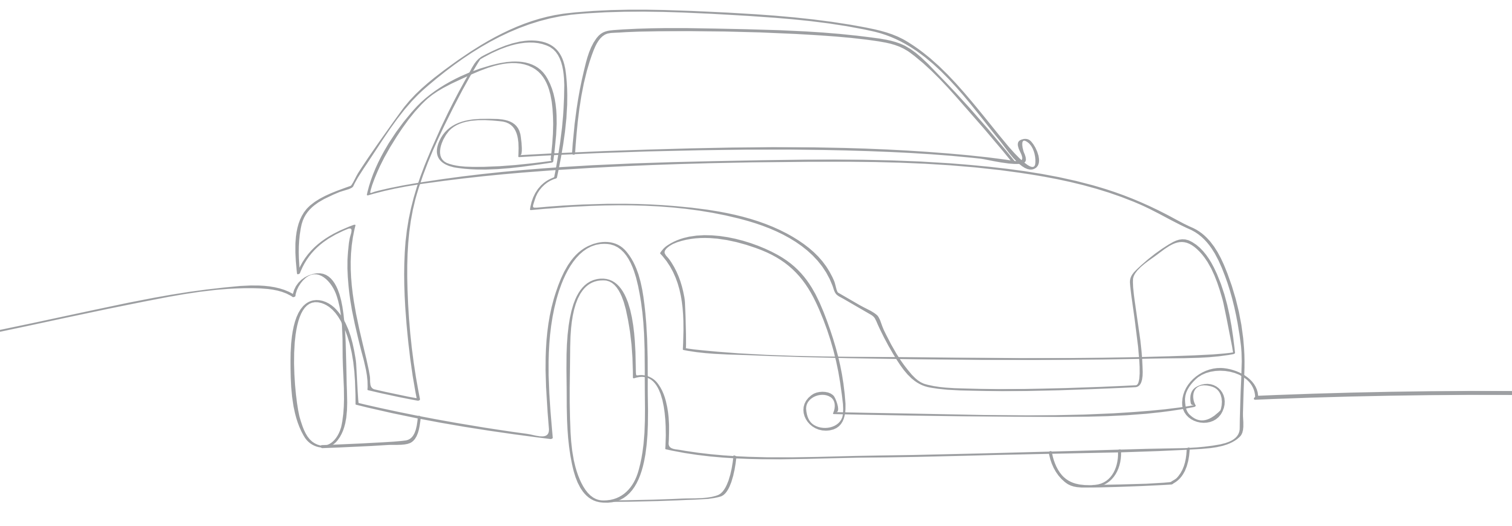
Quálitas

IN LINE



2011 ANNUAL REPORT

OUR COMPANY

Quálitas Compañía de Seguros, S.A.B. de C.V. is an insurance company specialized in the automobile sector which offers a quality service with cost controls. Quálitas focuses its efforts on satisfying its policyholders' needs for safety and tranquility, owning the largest service offices' network in Mexico, having a considerable understanding of the industry, and undertaking constant service and product innovation.

CONTENTS

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.

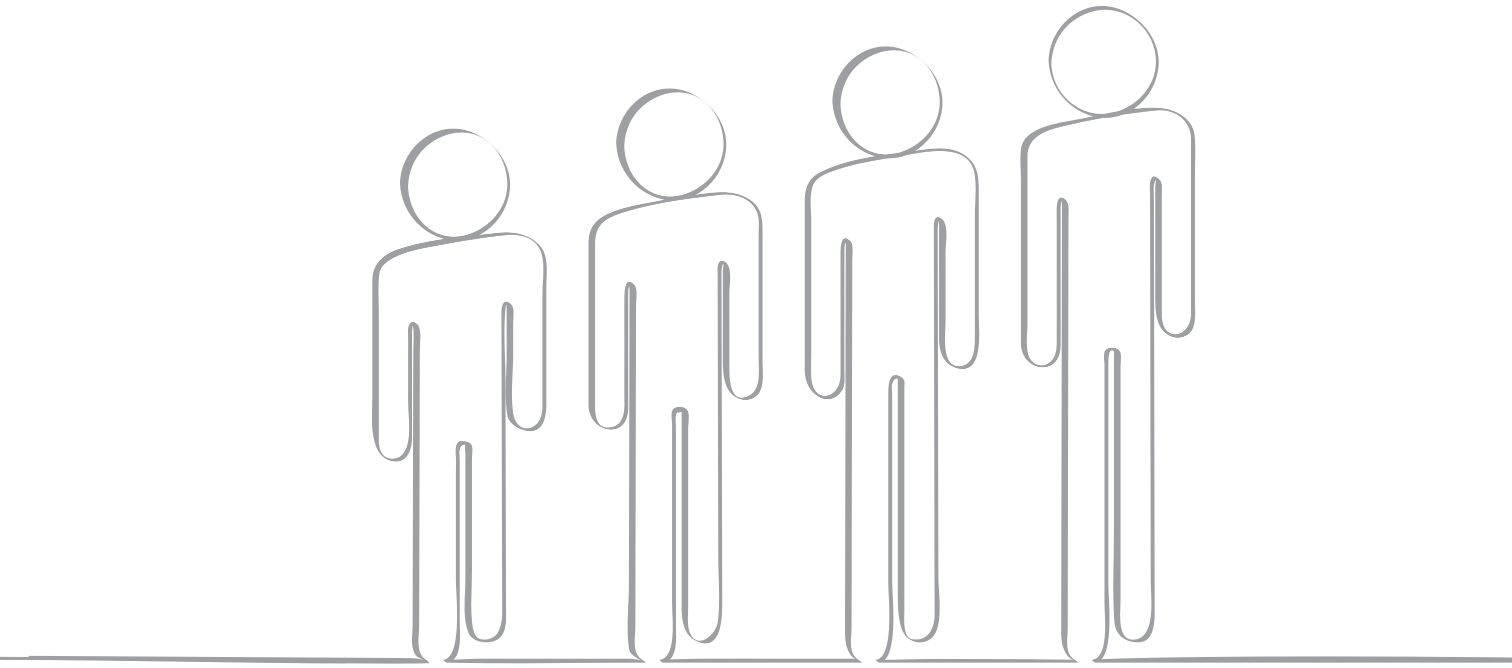
WITH

PROFITABILITY

4.9x
LEVERAGE

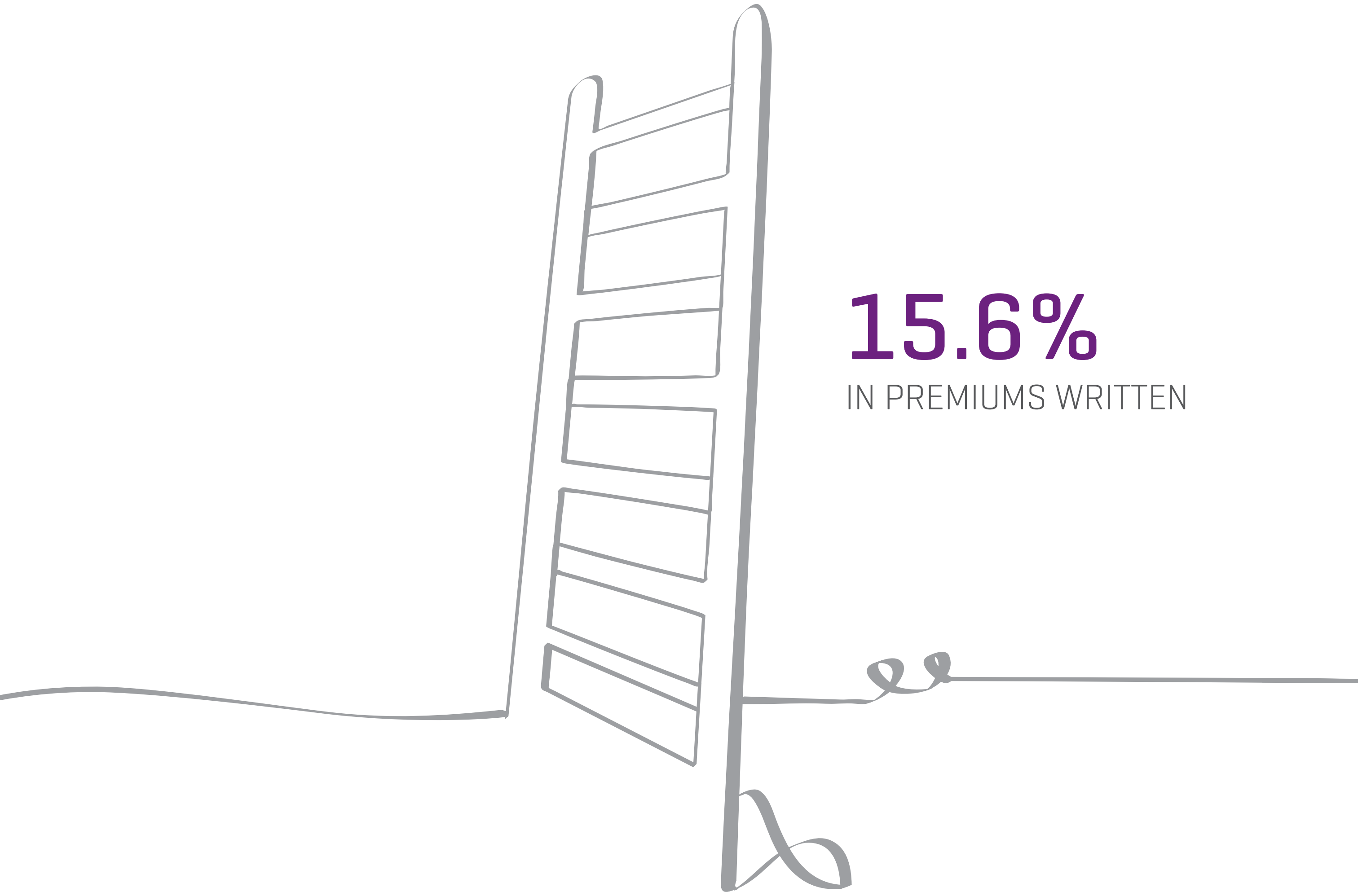
31.8%
SOLVENCY
MARGIN

36.3%
ROE



$837

NET INCOME



15.6%

IN PREMIUMS WRITTEN

WITH

GROWTH

1,641,553
INSURED
VEHICLES

25.7%
IN STOCKHOLDERS'
EQUITY

23.5%
IN CASH &
INVESTMENTS

WITH

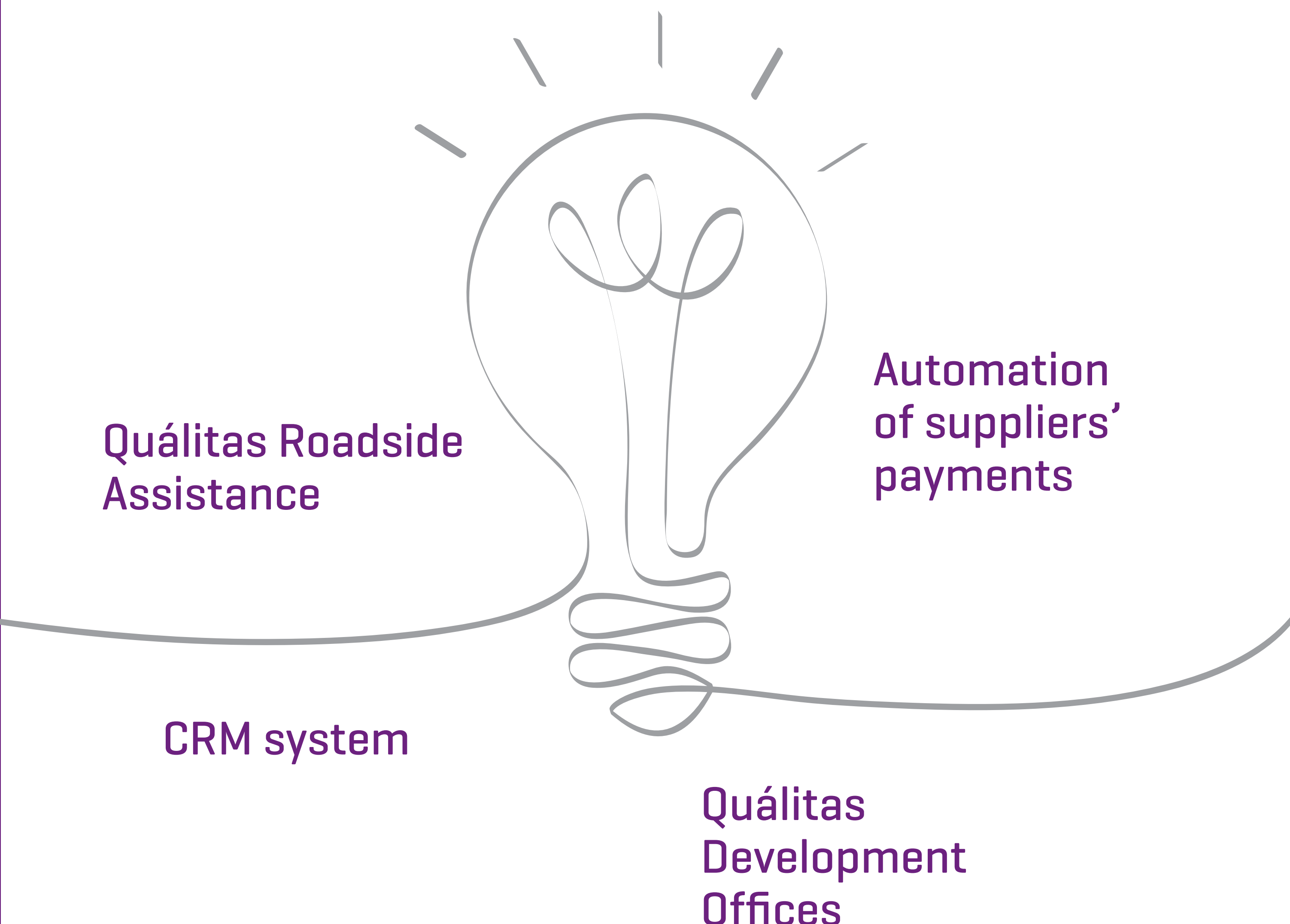
INNOVATION

Profitability strategy

Categories of valuators

Underwriting by zip code

Value added solutions for fleets


Automation of suppliers' payments
Quálitas Roadside Assistance
CRM system
Quálitas Development Offices

MESSAGE TO SHAREHOLDERS

The year 2011 was a complicated year, in which the nationwide security problems resulted in a significant increase in automobile thefts, especially during the first nine months of the year. At the same time, global economic events transformed into a high volatility in the financial markets. We faced these adversities and challenges searching for actions that would permit us to recover the profitability ratios without allowing the financial strength to worsen. The result of these actions was solid growth with an excellent profitability.

During April, after a poor first quarter, we undertook several actions focused on recovering profitability.

Among the actions implemented the following are worth noting:

- Reduction of the grace period to 14 days in all individual and fleet policies up to 30 units.
- Physical inspection of all new vehicles.
- Increases in deductibles in the theft coverage for high risk automobiles.
- Promotion and installation of GPS devices in high risk units.
- Reduction of agents with high claims costs.
- Monitoring of each office's results to take the necessary actions to make them profitable.

With these actions in a few months we achieved a substantial improvement in profitability, reaching an operating income of $491.

We also developed a new underwriting method based on claims cost ratios by zip code. This change will allow us to better evaluate risk in individual policies and charge more accurately the premiums needed to cover the risks we are undertaking as an insurance company.

In the claims area, we enhanced and optimized the agreements with automakers, developed categories of valuators to make our valuation process more efficient and, in the fleet segment, we are offering risk management services to analyze the information of claims occurred and suggest to our clients ways which can help us reduce their claims cost ratios.

These, and other complementary strategic initiatives that we undertook during the year, with discipline and an integral and team focus, were the key to achieving the desired results.

We continue working to contain thefts and improve the level of recoveries. We increased our recoveries headcount in the areas of greatest conflict in the country, promoted further the use of satellite GPS devices and enhanced our relationship with OCRA, the organization in charge of the location and recovery of stolen vehicles.

To improve the roadside assistance service, we created Quálitas Roadside Assistance, (AVQ), which allows us to grant the service directly to our policyholders, with very good results.

Another strategic proposal of great value for the Company was the implementation of a Customer Relationship Management system (CRM) in the Quality Management area. This system allows us to monitor integrally the complete claims process.

In the administrative area, we automated payments to suppliers. This has not only granted us an important reduction in expenses, but also greater transparency in the allocation and management of suppliers, as well as a decrease in the terms of payment.

Our investment strategy was key to obtain a satisfactory yield during the year, of 7.3%. The strategy was focused in the stability in profitability vis-à-vis an environment of high volatility and select opportunities in the financial markets.

During 2011 we enhanced our internationalization program with the opening of our subsidiary, Quálitas Compañía de Seguros (Costa Rica), S.A., in San José. Costa Rica is an attractive market, with 900,000 vehicles in circulation, which opened recently to private investment in the sector. In El Salvador, we now have 3 service offices and, in our 3rd. year of operations, occupy the 5th. place in the market with an 8.4% share.

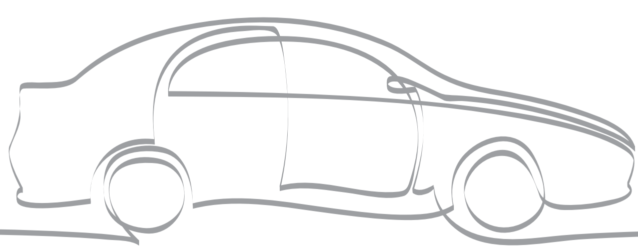
Also in this year we developed a new concept to serve communities in the country that do not have insurance agents, the Quálitas Development Offices (ODQs). The ODQs are developed in locations with commercial feasibility and are managed by local people trained by Quálitas. At year-end 2011, we had 10 ODQs.

Results were favorable. We surpassed $11,341 in premiums written, growing by 15.6%. This figure was driven by the dynamism in the fleets segment and by the recovery in the financial institutions business line, which sell our insurance as part of an automobile financing. From the second quarter on, there was an important improvement in the containment of claims costs, which allowed the ratio to stand at 70.7%. This, in turn, resulted in a combined ratio of 94.3% which, added to the investment product, allowed for a net income of $837.

In hindsight, while the strategic initiatives developed were well founded and accurate, the key so that they brought about the desired results was that we had the talent, the information, the systems and the processes to execute them wholly.

For this effort, I would first like to thank this year all of Quálitas employees, including our agents, our office directors and their teams, and our suppliers. I also, of course, express my appreciation to our policyholders, our Board Members and our shareholders, who with their trust and support have allowed us to complete successfully one more year of operations.

Joaquín Brockman Lozano



STRATEGIC INITIATIVES

We initiated 2011 facing important national security and profitability challenges, as well as significant volatility both in the economy as in the financial markets. We dealt with the adversities and the challenges with an integral focus, compelling responses and numerous strategic initiatives. We worked as a team with courage, discipline and creativity.

As a result, during April, we implemented a profitability strategy based on the following principles:

1. Give priority to profitability.
2. Maintain our service with high quality standards.
3. Continue with our mission of protecting the assets of our policyholders.

From this strategy, we developed a series of actions that were communicated to our agents' network and service offices and took effect starting on May 1st, such as:

- The reduction in the grace period from 30 to 14 days for individual policies and for fleets up to 30 units.
- New guidelines in the underwriting process, limiting certain discounts, coverages and changes in insured sums.

- Continue working with professional agents which correctly subscribe the risks they are undertaking.
- New forms of payments to offices linked to loss and loss adjustment expenses.

We also developed a new underwriting system which allows for a better evaluation of the risk of individual policies as it includes new criteria for underwriting such as the policyholder's zip code.

The actions implemented, together with an improvement in the security trends in some zones of the country during the year, contributed greatly to the strength of the Company's results during the second half of the year.

During the year, we continued operating the Strategic Committees established in 2010 as a result of the implementation of the Balance Score Card. These Committees hold sessions on all the Company's topics and comprise crucial forums for innovation as well as for the definition of the key initiatives implemented.

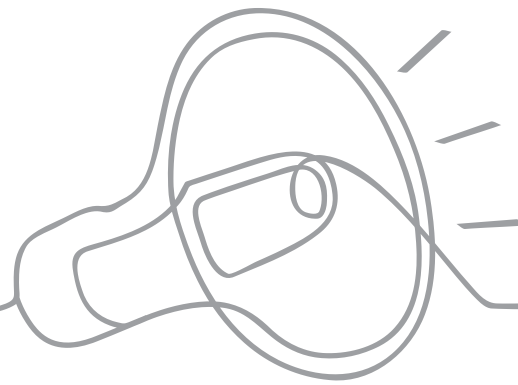
Q'S POSITIONING

During the year, we operated in an environment of competition and of important financial and economic changes. Through personal service, innovation and value added options customized for the needs of our diverse policyholders, we achieved to continue positioned as the preferred option in the market with 1,641,553 insured vehicles.

The most recent INEGI figures report a total number of 32.3 million vehicles in circulation, which implies a penetration of the automobile insurance of only 25.8%, in addition to important growth opportunities for the sector.

In response to this market opportunity, we designed a strategic initiative to position the Company in communities with low penetration of automobile insurance, developing and implementing the Quálitas Development Offices (ODQs). The ODQs comprise a simplified office model to assist the policyholder. This model allows us to offer the Company's products and services in communities with less than 100,000 inhabitants that are currently not served by an insurance agent.

The ODQs are developed based on Quálitas business model and philosophy jointly with the Director of a Service Office close by, who knows the area. They are managed by local entrepreneurs that are trained in technical aspects, institutional philosophy, systems and sales programs by Quálitas, and certified by the National Insurance and Bonds Commission. The entrepreneur has the challenge of developing the market and, in many cases, the insurance culture, which is why we support him with promotional articles and marketing efforts such as flyers, radio commercials and promotional advertisement through loudspeakers broadcasting. As of year-end, we had 10 ODQs operating.



ODQ in Hidalgo, Nuevo León

OUR QUÁLITAS DEVELOPMENT OFFICES POSITION US IN MARKETS THAT ARE NOT SERVED BY AN INSURANCE AGENT.

Quálitas' Presence

Mexico	**166** Offices
El Salvador	**3** Offices
Costa Rica	**1** Office

We also continue consolidating our international operations in Central America. In our 3rd year of operations in El Salvador, we achieved a 69.7% growth and the 5th place in the market, due to the recognition of the quality service that Quálitas offers. In spite of the impact of the economy in the insurance sector, of a competitive environment and with challenges regarding security, we were able to keep important levels of efficiency in our offices due to the utilization of our technological platform.

On the other hand, in June of 2011, we began operations in Costa Rica with the opening of our subsidiary in San José, Quálitas Compañía de Seguros S.A. (Costa Rica). This subsidiary comprised the 11th private insurance company established in the country after the approval, during 2009, of the law opening the insurance market to private investment. Of the established insurance companies, currently four operate the automobile insurance, including Quálitas. At year-end, our office had 3,789 insured vehicles.

In Mexico, the automobile insurance industry showed an important upturn during the year. This growth is explained by the recovery in sales of new automobiles and by the credit expansion in the sector, especially during the fourth quarter of the year.

Q'S SERVICE

We continue considering a challenge and a commitment to grant our policyholders a service that is personal, integral, and that exceeds their expectations.

For this, we implemented during the year a series of innovative measures to add value to our policyholders in each interaction they have with Quálitas.

Quálitas Roadside Assistance (AVQ) is an area conceived to offer policyholders roadside support services such as towing, battery and flat tire changes, emergency fuel delivery, locksmith service, medical transport upon an accident, among others. AVQ has its own call center in which telephone operators receive the policyholders' calls while radio operators contact the suppliers which will provide the service. Through AVQ, we manage the roadside assistance suppliers without depending on third parties, which assures the policyholder a better response level in terms of time and quality vis-à-vis a rising demand of these type of services.

In line with one of our main service principles, which is building long term relationships, we developed value added solutions to satisfy specific needs of our policyholders. These solutions are developed based on the belief that the relationships with our clients must be founded in mutual trust, making use of our specialization and experience. As a result, we worked during the year with our fleet clients to diminish their L&LAE ratios. For this, we performed a detailed analysis of their claims jointly and designed a customized plan to prevent or diminish them, through the training of their operators in topics such as time management, how to act in case of a casualty, and defensive driving, which includes techniques to avoid accidents or violations to the transit regulations. In some cases, it was very useful to work closely with colleagues from the areas of logistics, traffic and the Company´s management, to deal with the problems, and to design solutions, in an integral way.

Quálitas Roadside Assistance

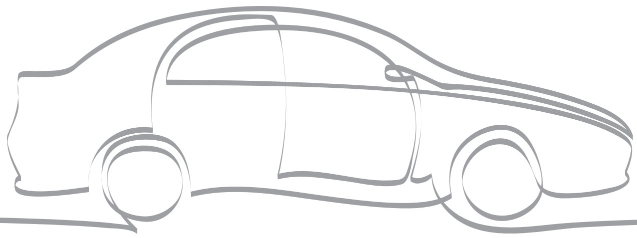
Quálitas' Executives in Offices of Strategic Clients

Also in this line of building and consolidating our long term relationships, we have Quálitas' executives in the offices of some strategic clients, both to offer them an integral service in their risk management and to expedite the monitoring of their processes with the internal areas of the Company.

We enhanced the agreements we had with automakers and tried to reach new deals for the heavy equipment business. As a result, we attained discounts for volumes of repaired vehicles and negotiated exceptional conditions we could offer to our policyholders.

We continue strengthening our relationships with the car dealers and training their employees in key aspects of our business, from underwriting policies and administrative issues, to how to support a policyholder in case of a casualty. At year-end 2011, we had 23 executives servicing these dealers nationwide.

WE CREATED AN AREA OF QUÁLITAS ROADSIDE ASSISTANCE WHICH ASSURES THE POLICYHOLDER A BETTER RESPONSE LEVEL IN TERMS OF TIME AND QUALITY.



Quálitas Roadside Assistance

Q'S SERVICE

We believe our service structure is particularly oriented towards offering the client personal attention and value added solutions. We also consider that technological renewal and high capacity systems allow us to enhance this service to ensure its differentiation, timeliness and efficiency.

During 2011, we made important investments in technology to strengthen the business management. We improved the systems environment with the inclusion of new servers, leaders in their type in Latin America. We enhanced the possibility of recovering our operations upon possible system crashes.

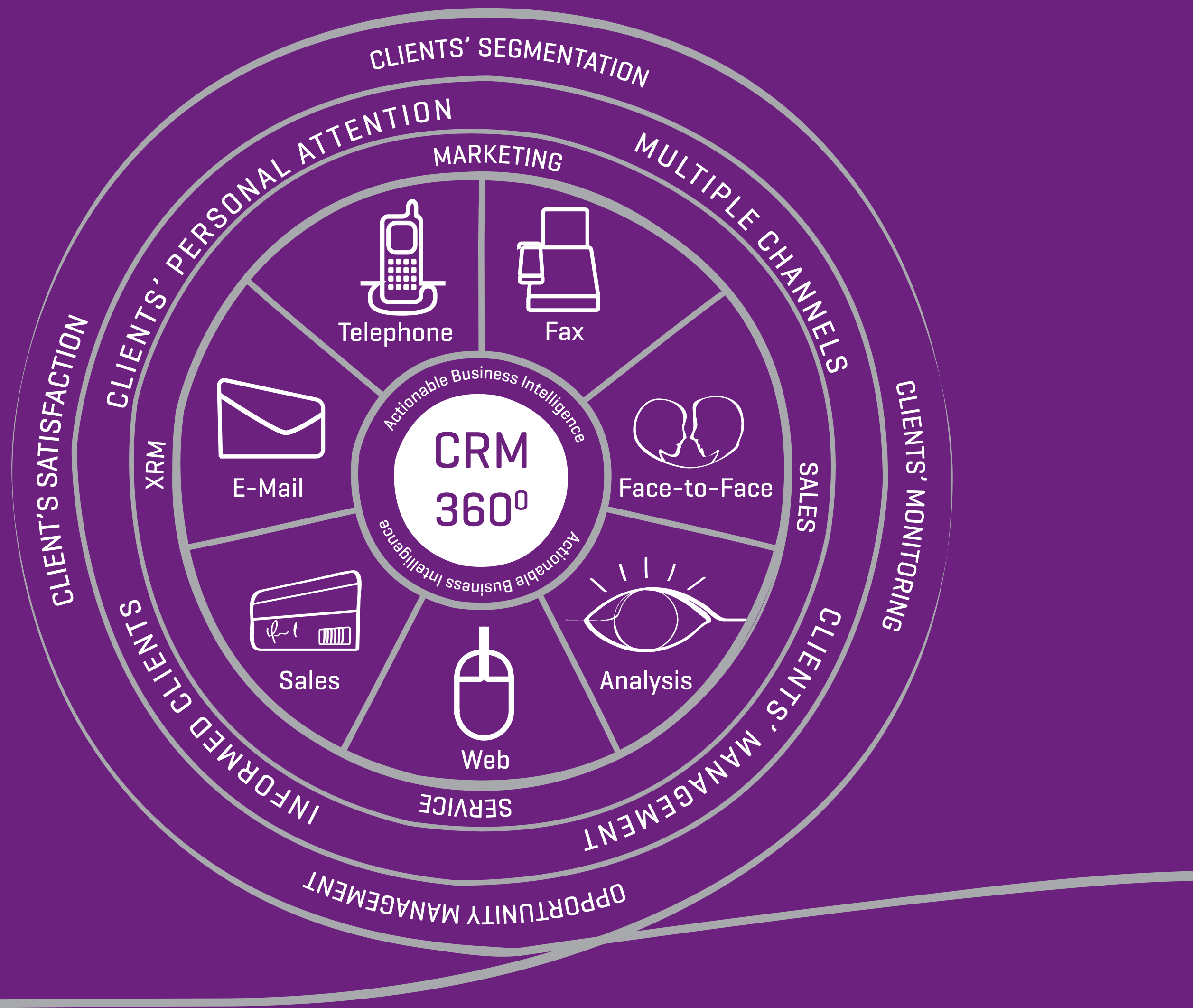
We implemented a Customer Relationship Management System (CRM) which grants a 360° vision of the process of casualty. Through this system, all the Company´s interactions with the policyholder are registered in a single database which, in turn, can be accessed by any interested party within the Company.

The CRM, thus, offers numerous benefits which reinforce our service and the efficiency of our operations:

- It gives valuable information on the service granted to the policyholder, such as the vehicle's date of entry to the agency, repair times, and the delivery dates of spare parts.
- It consolidates and makes accessible the quality of service surveys carried out by the multi-contact center for policyholders on the service granted by the call center, adjusters, the legal area and Quálitas' Roadside Assistance. This allows for a better follow up to the policyholders' suggestions and complaints.
- It allows evaluating the compliance and performance of our different suppliers.
- It promotes the communication in real time among the diverse areas which assist the policyholder, ensuring that a record of these communications is kept in the system.

Client Relationship Management System (CRM)

WE IMPLEMENTED A CLIENT RELATIONSHIP MANAGEMENT SYSTEM (CRM) WHICH ALLOWS US TO MONITOR THE COMPLETE CLAIMS PROCESS.



Other developments which allowed us to reinforce the service to policyholders were the system to price fleets and the geographically referenced maps in the call center. The pricing system allows establishing the renewal price for fleets up to 30 units. The geographically referenced maps are used to position the policyholder's location in the adjusters' map in the call center, so that the nearest adjuster can be assigned automatically. This reduced the arrival time to the casualty and ensured transparency in the allocation of adjusters. This project was developed and tested during 2011 and will be released at the beginning of 2012.

We also promoted further the use of the online services, such as the agents' portal and the online operator, which reduces the operating load of companies when managing their employees' risks. To achieve this, we customized the tools according to the clients' needs, attended forums and visited clients nationwide. As a result, while automated underwriting in 2010 comprised 37% of the total figure, in this year the number was at 42%.

We developed two portals to facilitate and make more efficient the service provided by the telephone operators in the call center. The collection portal diminished the checking time and provided greater clarity in terms of the status of the account, while the special conditions portal incorporated certain conditions negotiated with some clients with regard to deductibles, forms of payment, etc. to the central system. This tool also unified criteria to ease the communication with the adjusters and provided all interested parties with access to the information.

Q'S OPERATIONS

The focus of our operations during the year was on innovation and profitability.

In the adjustment area, we implemented the second phase of the Integral Wireless System of Adjusters Control (SIICA), a communications tool between the adjuster and the call center that allows him to notify his attendance, location and availability. This system, which is programmed into the adjuster's cellular phone, also lets him inform the call center on the arrival moment to the casualty and the closing of the service.

We began a program for adjustment interns, who were trained during 3 months in an integral program which included: technical competencies teached by Mexico's Experimentation and Road Safety Center (CESVI); Quálitas philosophy and values; and practical experience with mentors. We trust these efforts will prepare the talent required by the Company in the future to maintain and increase the service levels we offer.

All adjusters were also trained and certified in the Delimitation Guide and in the Universal Accident Declaration (DUA), initiatives developed and published by the Mexican Association of Insurance Institutions (AMIS). The Delimitation Guide, which contemplates 361 possible casualty scenarios, allows the parties involved a better interpretation of their case. The DUA, on the other hand, is a universal format filled by the policyholder that is now used by all insurance companies.

In some cases, when the casualty involves special circumstances, we resort to specialized adjusters to have a better estimate of the sum involved. This is the case of adjusters specialized in animal breeding, complex machinery or in highways infrastructure, whose advisory has granted us important savings.

In the valuation area, we created three categories of valuators – junior, senior and master – who evaluate casualties with damages of different severity. This specialization has allowed for a decline in total

WE CREATED CATEGORIES OF VALUATORS WHO EVALUATE CASUALTIES OF DIFFERENT SEVERITY; MASTER VALUATORS ASSESS CRITICAL STRUCTURAL DAMAGES.

Master valuator

Certification in Delimitation Guide

Training provided to Fleet Clients

losses and a greater efficiency in the valuation process. During 2011, all automobile valuations and approximately 25% of the heavy equipment valuations were done remotely.

We continue successfully operating the spare parts auctions site, through which we now buy all the spare parts for the claims which we do not repair in agencies. The site optimizes the spare parts prices and delivery times, which in turn allows us to guarantee policyholders a high quality service. At the same time, it generates a record of all suppliers that allows us to evaluate their performance.

OUR ADJUSTERS ARE TRAINED AND CERTIFIED BY CESVI IN THE 361 POSSIBLE CASUALTY SCENARIOS ESTABLISHED IN THE DELIMITATION GUIDE.

We carried out new agreements with two big nationwide glass suppliers. These agreements grant us volume discount programs and improvements in key service features such as delivery times and home installation.

We expanded our program of specialized health centers, which operated in the main areas of the country, so that we now have 44 health centers and agreements with 16 hospitals to assist outpatients. 90% of policyholders injured during a casualty do not require hospitalization, and these health centers offer all the medical and rehabilitation services that they need.

The area of vehicles recovery benefitted from some of the strategic actions undertaken during the first half of the year, such as promoting the use of satellite GPS devices in certain vehicles. We increased our headcount in the areas of greatest conflict in the country and enhanced our relationship with Coordinating Office of Insured Risks (OCRA), the

THE AUTOMATION GRANTS US OPERATING EFFICIENCIES AND ALLOWS FOR GREATER TRANSPARENCY IN THEIR ALLOCATION.

organization in charge of the locating and recovering stolen vehicles. We also developed a new system that allocates activities according to roles assigned to each employee, points out the exact location of each recovery, keeps complete records of each case and generates reports automatically.

The quality area continued monitoring the repair processes and keeping policyholders informed on the conditions of their vehicles. This has benefitted the service offered and improved significantly the repair times of vehicles. During 2011, we had 73 quality supervisors that monitored 80% of our policyholders involved in a casualty. This area was also enhanced by the records of the Customer Relationship Management System (CRM).

We continue implementing variable compensation programs in the claims area to align performance with the profitability attained. In the call center, the compensation of 172 telephone operators was re-positioned according to performance indicators such as time to allocate adjusters, service levels and the time effectiveness of the call center. In addition, a part of the variable compensation given to each employee remains linked to the team's achievements.

In the administrative area, we automated payments to suppliers to achieve operating efficiencies and early payment discounts. Since an electronic number is allocated to the supplier when the casualty takes place, this development has also allowed for greater transparency in monitoring suppliers.

Automation of payments to suppliers

Q'S FINANCIAL RESOURCES

PREMIUS WRITTEN

The profitability measures we undertook did not impact our growth and we obtained a 15.6%, to reach $11,341.

The individual segment grew 2.5%, which we consider satisfactory, since it was the segment most affected by the profitability measures, the growth in automobile financing and the transfer of individuals to fleets, through the program of payroll discount.

Customized service, which offers value added solutions to our policyholders, bore fruits in the fleet segment, in which we grew 20.0%. The most important feature in this segment was that we achieved strong growth with profitability, developing our policyholders' loyalty.

At year-end there was a recovery in automobile financing which benefitted the financial institutions segment with a 16.7% growth. We also won the bidding for toll roads for second consecutive year, but excluded those with high claims cost.

Insured vehicles grew by 2.7%, figure lower than the growth in premiums, as a result of an increase in multiannual policies, due to the automobile financing and toll roads underwriting, in which the term lasts while the vehicle is circulating in the road.

REINSURANCE, PREMIUMS CEDED AND NET PREMIUMS WRITTEN

Given the profitability registered during the second half and the reduction in growth, the Reinsurance Committee decided to cancel the contract of proportional reinsurance. Consequently, in 2011 we ceded 2.2% of the portfolio, less than the 5.4% in 2010.

NET PREMIUMS EARNED

Growth in net premiums earned was in line with net premiums written. The underwriting reserve grew 3.5%, in line with the growth in insured vehicles, which is why it maintains appropriate levels to face the obligations we have with our policyholders.

FINANCIAL HIGHLIGHTS

Figures Expressed in Millions of Mexican Pesos

BALANCE SHEET	2011	2010	Ch. %
Cash & Investments[1]	7,717	6,250	23.5%
Total Assets	15,063	13,498	11.6%
Total Liabilities	12,490	11,452	9.1%
Stockholders' Equity	2,573	2,047	25.7%
INCOME STATEMENT			
Premiums Written	11,341	9,810	15.6%
Net Premiums Earned	10,599	8,743	21.2%
Acquisition Cost	2,331	1,793	30.0%
L&LAE	7,493	6,755	10.9%
Underwriting Income	776	195	298.7%
Operating Expenses	286	264	8.4%
Operating Income	491	-47	NA
Integral Financial Result	646	648	-0.3%
Net Income	837	379	120.8%
RATIOS			**bp / %**
Acquisition Ratio	21.0%	19.3%	170
Operating Ratio	2.6%	2.8%	-26
L&LAE Ratio	70.7%	77.3%	-658
Combined Ratio	94.3%	99.4%	-514
Yield on Investments	7.3%	8.3%	-100
ROE	36.3%	19.5%	1,672
EBTDA	1,256	713	76.3%
Insured Vehicles	1,641,553	1,598,274	2.7%
Employees	2,608	2,419	7.8%

(1) See note on Permanent Investments in Financial Statements
NA: Not Applicable

NET ACQUISITION COST

In 2011 we changed the register of the fees paid to financial institutions and automotive agencies (UOF), that sell our policies. Previously, the UOF was registered when the policy was collected, and 2011 it is register at the moment the policy is issued.

Management decided to undertake this change to adhere to the changes in accounting rules and regulatory changes which are being issued by the National Insurance and Bonds Commission.

The impact of this accounting change was of $472, which generated a deferred tax of $142. The net effect of $330 was registered in retained earnings of previous fiscal years.

This change will allow for a better understanding and analysis of the acquisition cost.

NET LOSS & LOSS ADJUSTMENT EXPENSES

During the first half of the year, we communicated and initiated the implementation of a profitability program. The measures had two objectives, to decrease the L&LAE ratio and to maintain our service with high quality standards. The main actions undertook were:

- Reduction of the payment term to 14 instead of 30 days, for individual policies and policies of fleets up to 30 units.
- Work with professional agents which correctly subscribe and underwrite the risks undertaken.
- A stricter underwriting process, considering all factors which influence an equitable calculation of the premium, such as deductibles, insured sums, discounts, etc.

Payments to offices were revised, rewarding those with low loss and loss adjustment expenses and significantly lowering fees to the ones with high loss and loss adjustment expenses.

And towards year-end we implemented a new underwriting system, which includes additional risk factors such as geographic zone and the vehicle's year. These changes resulted in a decrease in the L&LAE ratio of 658 bp. The benefits showed in a decline in average costs, both in repairs and in thefts; an improvement in revenues, such as deductibles, recoveries and sale of salvages; and a containment in the number of thefts.

The main thing is that we improved some features of the quality of service, looking for a more transparent relationship with our policyholders and fostering an environment where they feel protected. The growth in premiums and insured vehicles confirm this.

NET OPERATING EXPENSES

During 2011 revenues resulting from policies fees increased, which in turn diminished the net operating expense. However, during this year, we started consolidating the figures of our subsidiaries Quálitas El Salvador and Outlet de Refacciones, in addition to the beginning of operations of Quálitas Costa Rica. As a result, in the consolidated figures the net operating expenses increased 8.4%, growing less than premiums written, which generated a decrease in the operating ratio of 26 bp, to reach 2.6%.

INTEGRAL FINANCIAL RESULT

2011 was characterized for a sharp volatility in the financial markets globally. The factors influencing such volatility were the Japan earthquake, the European Union financial crisis and an expectation of low growth in the US.

Due to this situation, we decided to preserve our conservative investment strategy and wait for investment opportunities, prioritizing the stability in profitability.

Additionally, we implemented measures that helped offset the increase in the costs of spare parts resulting from the volatility in the peso-dollar exchange rate. As part of this strategy, during the last quarter we sold the US$26 million investment in a Pemex bond, at a rate of 8%, which was recorded at maturity in order to have a natural hedge. The sale of this bond paid off a $79 revenue.

The investment portfolio generated a 7.3% yield, in line with the objectives of our strategy.

NET INCOME

Net income reached $837, which means a $1.9 net income per CPO and a 36.3% ROE. This result was achieved due to the implementation of the profitability strategy, which helped diminish the L&LAE, to the containment of administrative expenses, and to an appropriate investment strategy.

CASH AND INVESTMENTS

Cash and investments reached $7,717, an increase of 23.5%. This means $17.15 cash and investments per CPO and is explained by an improved Operating Cash Flow, resulting from the cost containment.

UNDERWRITING RESERVES

Underwriting reserves grew 5.2% as a result of the 10.0% increase in the contractual obligations reserve and the 3.5% increase in the unearned premiums reserve.

STOCKHOLDERS' EQUITY

According to the rules governing Quálitas, every two years real estate valuations should be performed. In 2011 such valuations were made, so that the sub-account of surplus valuation dropped by $4.

An accounting change was made in the recording of Use of Facility (UOF), which was recorded when the policy was collected and now, upon its issuance. The net tax charge, of $330, was registered in the sub-account of retained earnings.

The above decreases were offset by the net income, so that a 25.7% growth was registered in the stockholders' equity and a $5.72 book value per CPO.

SOLVENCY

Thanks to the return achieved, the solvency margin improved to reach $618, despite the 12.0% increase in the minimum equity requirement. This represents a solvency ratio of 31.8%.

The leverage ratio improved from 5.6x in 2010 to 4.9x. Also the reserve coverage ratio improved from 1.2x to 1.4x.

These indicators give peace of mind, as they strengthen our internal capacity to finance our growth.

Q'S SOCIAL VALUE

During 2011, we focused on the well being and growth of our employees through prevention efforts, equitable treatment and training and development.

In the recruiting area, we improved our selection processes to diminish rotation ratios. We included new tools to evaluate candidates in the claims area and worked with our outsourcing suppliers to form strategic ventures which grant us the talent required by the Company.

Our training efforts were oriented towards leaders' development, service offices, claims coordinators and the multi-contact center for policyholders. We also made an effort to reinforce the contents of our Codes of Ethic and Conduct.

For the leaders' program, we defined 6 leadership competencies, 71 behaviors, and evaluated managers, vice presidents and directors in these items. The tools used were psychometric tests and an assessment center. This model allowed us to present each executive with an individual feedback, develop training programs, and design customized development plans.

Training for service offices had the goal to raise awareness on Quálitas' philosophy and business model. Face-to-face training was provided at 104 offices and, additionally, online programs regarding the Company's processes and technological tools were offered.

We also began the development of an online program for claims coordinators which reviews the basics of their job and technical aspects of the area, as well as personal development competencies.

Finally, in the multi-contact center, we trained employees to enhance our service in line with the new Customer Relationship Management System.

We carried out a training needs diagnosis to detect key competencies and design a series of instructional modules, we segmented employees in specialized areas and trained them in the different disciplines.

In Quálitas, we are proud to be a company that acts with social responsibility every day. We believe in offering employment and development opportunities

WE CARRIED OUT NUMEROUS INITIATIVES TO ENCOURAGE THE WELL BEING OF OUR EMPLOYEES.

Internal Communications Campaign on Health and Well Being

to our employees based on their competencies and performance. As a result, 34% of all director positions in the Company are occupied by women, as well as 50% of the direct reports to the CEO.

We participated in a project of Mexico City's Government for young people searching for their first job. In this program, the local Government office trains participants and pays them a salary during the first 3 months of work. Quálitas recruited 5 of the 11 employees that have participated in this program: 3 in its Cuajimalpa office, 1 in San Angel and 1 in Toluca.

WE ARE PROUD TO BE A COMPANY THAT ACTS WITH SOCIAL RESPONSIBILITY EVERY DAY.

Internal Communications Campaign to identify Bullying

Q'S SOCIAL VALUE

We also carried out numerous initiatives to encourage the well being of our employees:

- Opening of a medical office in the San Angel Office.
- Day of liver health.
- Exercise programs in the offices.
- Weight challenge program in the Mexico City and Monterrey offices.
- Agreements with laboratories at preferential prices.
- Coordination of preventive programs with the Mexican Institute of Social Security on: hepatitis, German measles, human papilloma, hypertension, diabetes, flu, and others, for employees and their relatives.
- Seminars on personal finance.
- Sessions on bullying.
- Promotion of the employees' financial culture through our savings accounts.
- Raising awareness of the importance of the medical expenses insurance for relatives.

In terms of personal development, we prepared a Safety Manual which details actions of personal protection. We also granted 30 scholarships for Bachelor's degrees and 20 for Master's degrees.

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

- **Metamorfosis Global:**
  Benefitted: 75 abandoned children with mental disability.
- **Unidos Pro Trasplante de Médula Ósea:**
  Benefitted: 1 leukemia patient.
- **Cadena de Ayuda contra la Fibromialgia:**
  Benefitted: 3 sick underprivileged women.
- **El Buen Samaritano:**
  Benefitted: 25 terminal patients.
- **Renovación, Unión de fuerzas, Unión de Esfuerzos:**
  Benefitted: training of 26 Family Heads who service the community.
- **Pro educación:**
  Benefitted: 8 scholarships for systems teachers.

- **Casa Santa Clara:**
  Benefitted: 9 homeless girls.

- **Internado Infantil Guadalupano:**
  Benefitted: 6 boys with full scholarships for tuition and food.

- **Todos en Crecimiento:**
  Benefitted: 22 young people with mental disability.

- **Fundación San Ignacio de Loyola:**
  Benefitted: 6 scholarships for kindergarten.

- **Casa Hogar Kamami:**
  Benefitted: 22 girls with problems of abuse and rape.

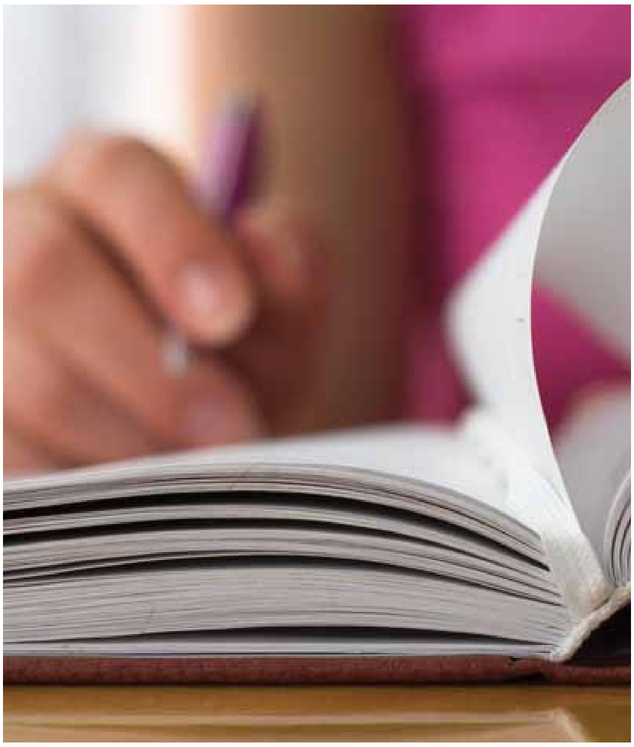
- **Fundación para el Anciano:**
  Benefitted: 10 scholarships to train the asylum personnel.

- **Offices in Mexico City, Guadalajara and Monterrey:**
  Benefitted: 390 children with packages of school articles.

- **Maintenance and Logistics Personnel:**
  Benefitted: 140 Christmas food supplies.

We continue striving to be respectful of our environment. We implemented deposits for battery recycling in all of our offices, carried out a reforesting campaign and continue actively promoting the use of recycled paper. We also strive to diminish the levels of our technological garbage and to dispose of it through companies specialized in this type of residues.

Education Support



WE MENTORED 26 EMPLOYEES TO APPLY FOR THE CENEVAL HIGH SCHOOL EXAM.

Q'S ORGANIZATIONAL STRUCTURE

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

BOARD OF DIRECTORS

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

*Independent Members

CORPORATE GOVERNANCE

The objectives of our corporate governance are:

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

THE CORPORATE GOVERNANCE PRINCIPLES AND THE COMMITTEE'S GUIDELINES CONTINUE TO GOVERN OUR DAILY ACTIVITIES.

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.

INVESTMENTS, FINANCE AND PLANNING COMMITTEE

Consists of 7 members, of which 4 are Board Members, 2 are Independent Board Members, 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.

REINSURANCE COMMITTEE

Consists of 10 members, of which 5 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 2 are Board Members, and 7 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.

FINANCIAL STATEMENTS

Quálitas Compañía de Seguros, S.A.B. de C.V.

Audited consolidated financial statements as of December 31, 2011

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V.

February 27, 2012

We have audited the consolidated balance sheet of Quálitas Compañía de Seguros, S.A.B. de C.V (the "Insurer") as of December 31, 2011 and the related consolidated statement of income, changes in stockholders' equity and of cash flows for the year then ended. These financial statements are the responsibility of the management of the Insurer. It is our responsibility to express an opinion on such statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Mexico, which require that we plan and conduct the audit to obtain reasonable assurance that the financial statements are free from material misstatements and that they are prepared in accordance with the accounting criteria established by the National Insurance and Bonding Commission (the "Commission"). An audit consists of examining, on a test basis, the evidence supporting the figures and disclosures in the financial statements. An audit also includes evaluating the accounting practices used, the significant estimates made by management and the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

As explained in Note 4 to the financial statements, the operations of the Insurer, as well as its financial reporting requirements, are regulated by the Commission and through the "Sole Insurance Circular" (the "Circular") and other applicable laws. The Circular establishes the accounting criteria to which insurance companies must adhere. Furthermore, Note 4 indicates the principal differences between the accounting criteria established by the Commission and the Mexican Financial Reporting Standards ("NIF"), commonly applied in the preparation of financial statements for other types of unregulated entities.

As discussed in Note 4 to the financial statements, as of January 1, 2011, the Insurer adopted the general provisions derived from the amendments to the Circular, issued on February 14, 2011. Such provisions establish the adoption of the accounting guidelines of the NIF, except when, in the judgment of the Commission, it is necessary to apply a specific regulation or accounting treatment, bearing in mind that insurance companies perform specialized operations. The changes derived from the adoption of the new accounting criteria are described in Note 4. Furthermore, pursuant to that established in NIF B-1 "Accounting Changes and Error Corrections", it was considered impractical to determine the cumulative effects of the accounting changes in the previous periods. For this reason, all the changes were recognized in the financial statements as of January 1, 2011; for the purpose of showing the adjusted financial position due to the aforementioned changes, the adjusted balance sheet as of January 1, 2011 is included, and the Commission determined that the financial statements for 2010 would not be presented.

The balance sheet as of January 1, 2011 (unaudited), which is presented only for comparative purposes, was prepared based on the balance sheet as of December 31, 2010, which incorporated the cumulative effects of the accounting changes from previous periods. The financial statements as of December 31, 2010 were audited by other auditors, who issued an unqualified opinion in their report dated April 15, 2011.

In our opinion, 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. as of December 31, 2011 and the results of its operations, changes in its stockholders' equity and changes in its cash flows for the year then ended, in conformity with the accounting criteria established by the Commission.

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

Francisco Javier Vázquez Jurado

CONSOLIDATED BALANCE SHEETS

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V.

For the year ended December 31, 2011 and January 1, 2011

(In thousands of Mexican pesos)

Assets	2011	January 1, 2011
Investments:		
Securities:		
Government	$ 2,186,356	$ 1,965,533
Private companies:		
Fixed maturities	4,464,494	3,103,505
Equity	424,181	286,288
Foreign	64,974	103,342
Net value	214,402	222,577
Interest receivable	13,118	20,017
(-) Impairment of securities	145	-
	7,367,380	5,701,262
Repurchase and resale agreements	208,266	135,952
Loans:		
Secured	21,168	16,099
Unsecured	-	3,708
Discounts and re-discounts	11,083	13,583
(-) Allowance for doubtful accounts	5,377	3,000
	26,874	30,390
Property:		
Real Estate	224,136	212,331
Net value	272,879	243,256
(-)Depreciation	33,930	30,770
	463,085	424,817
Investment for labor obligations	38,587	33,212
Cash and cash equivalents:		
Cash and banks	141,130	368,496
Debtors:		
Premiums	5,297,537	4,920,122
Agents and adjusters	37,625	25,320
Accounts receivable	95,221	147,736
Employees´ loans	34,025	26,397
Other	379,562	364,302
(-)Allowance for doubtful accounts	73,896	54,096
	5,770,074	5,429,781
Re-insurers companies:		
Re-insurance companies	7,806	53,985
Equity participation of re-insurers in outstanding claims	(7,001)	104,733
Equity participation of re-insurers in unearned premiums	2,098	415,907
Other equity participations	12,028	3,769
	14,931	578,394
Other permanent investments	15,226	15,226
Other assets:		
Furniture and equipment, net	272,482	235,020
Other	743,613	558,823
Amortizable expenses	9,433	9,507
(-)Amortization	7,971	5,476
	1,017,557	797,874
Total assets	$ 15,063,110	$ 13,515,404

Liabilities	2011	January 1, 2011
Technical reserves:		
Accidents and health:		
Casualties	$ 6,905,229	$ 6,558,062
Contractual obligations:		
Unpaid claims and maturities	2,470,765	2,255,154
Incurred claims but not reported	101,946	81,866
Policy dividends	12,373	7,367
Premiums on deposit	55,724	57,290
	2,640,808	2,401,677
Preventive reserve:		
Catastrophic risks	1,338	2,342
Total reserves	9,547,375	8,962,081
Reserve for employee retirement obligations	80,096	61,549
Creditors:		
Agents and adjusters	447,515	303,585
Loss management funds	2,263	1,268
Sundry creditors	893,814	785,934
	1,343,592	1,090,787
Re-insurance companies:		
Re-insurance companies	24,303	590,599
Other liabilities:		
Provisions for employee profit sharing	4,567	4,273
Income tax payable	501,558	174,998
Other obligations	798,295	738,525
Deferred credits	190,356	186,783
	1,494,776	1,104,579
Total liabilities	12,490,142	11,809,595
Stockholders' equity:		
Capital stock	342,957	342,957
Reserves:		
Legal	181,694	143,770
Other	288,150	288,150
	469,844	431,920
Valuation surplus	100,470	71,568
Long term investment in share	(2,638)	(2,638)
Retained earnings from prior years	753,458	412,144
Net income for the year	834,544	379,238
Insufficiency in restated stockholders' equity	65,598	65,598
Share Holding	2,564,233	1,700,787
Minority interest	8,735	5,022
Total stockholders' equity	2,572,968	1,705,809
Total liabilities and stockholders' equity	$ 15,063,110	$ 13,515,404

Memoranda accounts		2011
Reserve to incorporate labor obligations at retirement	$	961
Recording accounts		1,659,547
	$	1,660,508

"The consolidated balance sheets were prepared in accordance with the accounting provisions issued by the National Insurance and Bonding Commission, applied on a consistent basis, and, taken as a whole, correctly reflect the operations performed by the Insurer up to the aforementioned date, which were carried out and valued in accordance with sound corporate practices and applicable legal and administrative provisions, and were recorded in the respective accounts in conformity with the current chart of accounts"

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

"The consolidated financial statements and the notes which form part of the consolidated financial statements, can be consulted by Internet on the following webpage: http://inversionistas.qualitas.com.mx/qinv/images/pdf/Key_fin_data/Reports/Edos_fin/Notas_edos_fin/2011/ef_dictaminados_11.pdf

"The consolidated financial statements were audited by Accountant Francisco Javier Vázquez Jurado, a partner of Galaz, Yamazaki, Ruiz Urquiza, S.C., which was contracted to render the external audit services of the Insurer; furthermore, the technical reserves of the Insurer were audited by Actuary Luis Hernández Fragoso.

"The report issued by the external auditor, the consolidated financial statements and the notes which form part of the audited consolidated financial statements, will be made available for consultation by Internet on the following webpage:, http://inversionistas.qualitas.com.mx/qinv/images/pdf/Key_fin_data/Reports/Edos_fin/Notas_edos_fin/2011/ef_dictaminados_11.pdf, as of the 60 calendar days following the close of the year 2011".

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Arturo Membrillo Romero
General Accountant

CONSOLIDATED STATEMENTS OF INCOME

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V.

For the year ended December 31, 2011

(In thousands of Mexican pesos)

Premiums:		2011
Premiums written	$	11,341,036
(-)Premiums ceded		249,399
Retained premiums		11,091,637
(-) Net increase of the reserve of unearned premiums		492,190
Earned retained premiums		10,599,447
(-) Net acquisition cost:		
Agent commissions		700,913
Additional agent compensations		182,586
Commission for reinsurance ceded		(124,672)
Coverage due to excess of losses		11,260
Other costs		1,560,810
		2,330,897
(-) Net cost of claims and other contractual obligations:		
Claims and other contractual obligations		7,499,071
Claims recovered on non-proportional reinsurance		(5,698)
Claims		(853)
		7,492,520
Technical income		776,030
Net increase in other technical reserves:		
(-) Catastrophic risk reserve		1,004
Gross income		777,034
Operating expenses, net:		
Administrative and operating expenses		32,600
Employee remuneration and benefits		133,952
Depreciation and amortization		119,331
		285,883
Operating income		491,151
Net investment income:		
Investments		481,672
Sale of investments		6,756
Valuation of investments		(13,068)
Surcharges on premiums		123,476
Other		15,727
Exchange fluctuation		31,325
Income before income taxes and equity in loss of subsidiary		1,137,039
		645,888
Income tax expense		299,713
Net consolidated income	$	837,326
Share holding	$	834,544
Minority interest		2,782
Net consolidated income	$	837,326

See accompanying notes to consolidated financial statements.

"This consolidated statement of income was prepared in accordance with the accounting provisions issued by the National Insurance and Bonding Commission, applied on a consistent basis, and reflect all the revenues and expenses derived from the operations performed by the Insurer up to the aforementioned date, which were carried out and valued in accordance with sound corporate practices and applicable legal and administrative provisions, and were recorded in the respective accounts in conformity with the current chart of accounts".

"This consolidated statement of income was approved by the Board of Directors under the responsibility of the signing officers."

Joaquín Brockman Lozano Chief Executive Officer	Gabriel García Ruíz Internal Auditor	Arturo Membrillo Romero General Accountant

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V.

For the year ended December 31, 2011

(In thousands of Mexican pesos)

	Common Stock	Earned Capital	
		Reserves	Retained Earnings from Prior Years
Balances as of January 1, 2011 previously reported	$ 342,957	$ 431,920	$ 723,824
Effects in prior years of accounting changes	-	-	(311,680)
Investment valuation	-	-	-
Adjusted balances as of January 1, 2011	342,957	431,920	412,144
Movements inherent to stockholders' decisions:			
Creation of reserves	-	37,924	(37,924)
Transfer of results from prior year	-	-	379,238
Total	-	37,924	341,314
Movements inherent to the recognition of comprehensive income:			
Comprehensive income:			
Net income for the year	-	-	-
Increase in valuation of properties	-	-	-
Other	-	-	-
Total	-	-	-
Balances as of December 31, 2011	$ 342,957	$ 469,844	$ 753,458

Earned Capital					
Net Income for the Year	Equity in other stockholders´equity accounts of associated	Excess in the restatement of earned capital	Share valuation surplus and deficit	Non-controlling interest	Total stockholders´ equity
$ 379,238	$ (2,638)	$ 65,598	$ 100,595	$ 5,022	$ 2,046,516
	-	-	-	-	(311,680)
	-	-	(29,027)	-	(29,027)
379,238	(2,638)	65,598	71,568	5,022	1,705,809
-	-	-	-	-	-
(379,238)	-	-	-	-	-
(379,238)	-	-	-	-	-
834,544	-	-	-	2,782	837,326
-	-	-	28,902	-	28,902
-	-	-	-	931	931
834,544	-	-	28,902	3,713	867,159
$ 834,544	$ (2,638)	$ 65,598	$ 100,470	$ 8,735	$ 2,572,968

See accompanying notes to consolidated financial statements.

"This consolidated statement of changes in stockholders' equity was prepared in accordance with the accounting provisions issued by the National Insurance and Bonding Commission, applied on a consistent basis, and reflect all the movements in the stockholders' equity accounts derived from the operations performed by the Insurer up to the aforementioned date, which were carried out and valued in conformity with sound corporate practices and applicable legal and administrative provisions."

"This consolidated statement of changes in stockholders' equity was approved by the Board of Directors under the responsibility of the signing officers."

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Arturo Membrillo Romero
General Accountant

CONSOLIDATED STATEMENT OF CASH FLOWS

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V.

For the year ended as of December 31, 2011

(In thousands of Mexican pesos)

		2011
Net consolidated income	$	837,326
Adjustments for items not including cash flows:		
Provision for loan losses		22,323
Depreciation and amortization		119,331
Increase in technical reserves		646,220
Provisions		19,478
Income and deferred taxes		299,713
		1,944,391
Operating activities:		
Change in investment securities		(1,671,641)
Change in receivables reported		(72,314)
Change in premiums receivable		(377,415)
Change in debtors		18,462
Change in reinsurers		(416,641)
Change in other operating assets		(184,789)
Changes in contractual obligation and costs associated with accidents		239,132
Change in other operating liabilities		457,039
Net cash used in operating activities		(2,008,167)
Investing activities:		
Charges for property, plant and equipment		11,626
Purchase of property, plant and equipment		(175,216)
Net cash used in investing activities		(163,589)
Net decrease in cash and cash equivalents		(227,366)
Cash and cash equivalents at beginning of year		368,496
Cash and cash equivalents at end of year	$	141,130

See accompanying notes to consolidated financial statements.

"The consolidated statement of cash flows was prepared in accordance with the accounting provisions issued by the National Insurance and Bonding Commission, applied on a consistent basis, and reflect all the cash flows derived from the operations performed by the Insurance Company up to the aforementioned date, which were carried out and valued in conformity with sound corporate practices and applicable legal and administrative provisions."

"This consolidated statement of cash flows was approved by the Board of Directors under the responsibility of the signing officers."

Joaquín Brockman Lozano
Chief Executive Officer

Gabriel García Ruíz
Internal Auditor

Arturo Membrillo Romero
General Accountant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

QUÁLITAS COMPAÑÍA DE SEGUROS, S.A.B. DE C.V.
For the year ended December 31, 2011
(In thousands of Mexican pesos)

1. EXPLANATION OF TRANSLATION INTO ENGLISH

The accompanying consolidated financial statements have been translated into English for use outside of Mexico and are presented in accordance with the Accounting Basis prescribed by the National Insurance and Bonding Commission (the "Commission"), which may differ in certain significant respects from Mexican Financial Reporting Standards and Accounting Standards in other countries.

2. ACTIVITIES

Quálitas Compañía de Seguros, S.A.B. de C.V. (the "Insurer") was established and began operations on December 1, 1993. It is authorized by the Mexican Treasury Department ("SHCP") and the National Insurance and Bonding Commission (the "Commission") to perform transactions of insurance and reinsurance in the operation of damages, mainly in the field of automobiles, in accordance with that set forth in the General Law on Insurance Companies and Mutual Companies (the "LGISMS") and the Commission, as the agency established for inspection and oversight of these companies.

During 2011, the Insurer did not interrupt any of its principal activities and did not perform the following activities:

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

3. BASIS FOR PRESENTATION

a. **Comparability -**The accounting criteria issued by the Commission, applicable as of January 1, 2011, are not comparable with the accounting bases used by insurance companies in previous years. For this reason, the Commission considered it impractical to determine the cumulative effects of the accounting changes in previous periods, so all the changes were recognized in the financial statements for 2011 and the Commission determined that due to the lack of comparability, the 2010 financial statements would not be presented.

b. **Monetary unit of the financial statements-**The consolidated financial statement and notes as of December 31, 2011 and for the year then ended include balances and transactions in pesos of different purchasing power.

c. **Comprehensive income-** This represents the modification in stockholders' equity during the year for items which are not capital contributions, reductions and distribution; it is composed of the net income for the year plus other items which represent a gain or loss from the same period, and are presented directly in stockholders' equity without affecting the income statement. In 2011, the other comprehensive income items are represented mainly by the result from valuation of real estate property.

d. **Consolidation of the financial statements-** The accompanying consolidated financial statements as of December 31, 2011 include those of the Insurer and of its subsidiaries, which are described below:

Subsidiary	Activity	% equity
Activos Jal, S.A. de C.V.	Real estate leasing	99.9%
Administración y Dirección Corporativa COQU, S.A. de C.V.	Administrative and personnel services	98%
Asesoría y Servicios Q, S.A. de C.V.	Administrative services	98%
Quálitas El Salvador	Sale of insurance	99.9%
Quálitas Costa Rica	Sale of insurance	99.9%
Car One Outlet de Refacciones, S.A. de C.V.	Purchase and sale of spare parts	51%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with Chapters 19.5 "Treatment related to the general accounting scheme" and 19.6 "Treatment for the specific application of financial reporting standards" of the Circular, as of January 1, 2011, the Insurer's accounting will be adjusted to reflect the financial reporting standards applicable to Mexico ("NIF"), as defined by the Mexican Board for the Research and Development of Financial Reporting Standards (CINIF), except when, in the judgment of the Commission, it is necessary to apply a specific regulation or accounting treatment, because the Company performs specialized operations. By the same token, the application of NIF A-8 "Supplementation" is not permitted.

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

I. Accounting changes

On December 13, 2010 the Commission issued the Sole Insurance Circular (the "Circular"), whose purpose is to bring together the information contained in all the circulars issued previously by the Commission. The aforementioned circular went into effect on January 1, 2011.

On February 14, 2011, the Federal Official Gazette ("DOF") published a modification to the Circular, which added the chapter 19.5 "Treatment related to the general accounting scheme" and chapter 19.6 "Treatment for the specific application of the financial reporting standards", which went into effect as of January 1, 2011. The most important changes are described below:

- The insurance companies will apply the specific provisions of Series NIF B, Series NIF C and Series NIF D, until an express pronouncement is made by the Commission.

- In relation to their own insurance operations, the insurance companies must observe the specific criteria established in the Circular.

- In relation to the allowance for doubtful accounts, it will be established as follows:
  - **a.** For loans payable by officers and employees, and for those accounts receivable, related to unidentified debtors whose expiration is agreed at a term in excess of 90 calendar days, an allowance for bad debts, as the case may be, must be created which reflects the degree of non-recoverability.

  - **b.** For loans, credits or financing granted in which no study of the corporate advisability, legality, economic feasibility of the investment projects, of the recovery terms and other requirements referred to in the LGISMS, is prepared before the respective grant is made, an allowance for bad debts must be recorded to cover the total amount of the loans, credits or financing granted, and can only be canceled when the respective amounts are recovered.

c. Establish an allowance for doubtful accounts different from those described in subsections a. and b. for the total amount of the debt owed based on the following deadlines:
   1) As of the 60 calendar days following their initial recording, when they refer to unidentified debtors, and

   2) As of the 60 calendar days following their initial recording, when they refer to identified debtors.

- Commissions or any other compensation for the placement of insurance contracts must be recognized in results at the time the underlying insurance contracts are recorded, as well as any commissions recovered for premiums ceded in reinsurance.

On December 28, 2011, the DOF published modification 56/11 to the Circular, which establishes that the accounting changes originated due to the new accounting criteria in effect as of January 1, 2011 must be recorded retrospectively, and that insurance companies must recognize the effects of the accounting changes in the statement of changes in stockholders' equity in a separate line item entitled: "Effects of accounting changes in previous periods".

II. Differences compared to the NIF

The principal differences between the accounting criteria established by the Commission and the NIF are as follows:

a. The Circular specifically exempts the application of NIF A-8 "Supplementation".

b. The insurance policies issued in advance are recorded in the income statement at the time they are issued, not as of the start of the effective term of such policies.

c. The technical reserve for catastrophic risks is established due to mandatory preventive provisions in order to strengthen the solvency of the institutions and, based on the accounting criteria of the Commission, they are presented as liabilities. Nevertheless, in accordance with the NIF, these reserves do not fulfill the requirements established in Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments" in order to recognize a liability or a provision.

d. Principally in long-lived products, the direct costs of policy acquisition are recorded in the income statement when they are incurred, instead of deferring and amortizing them as they are accrued.

e. The policy rights and premium surcharges are recorded in results when they are collected, not when they are accrued.

f. The valuation of real estate property is conducted through appraisals at least every two years. However, in an inflationary environment, the NIF require that the value of nonmonetary items be re-expressed using the INPC, which situation existed up to December 31, 2007. Also, real estate property is not subject to impairment tests in accordance with NIF C-15 "Impairment in the value of long-term assets and their disposal."

g. In accordance with the accounting criteria established by the Commission, in the statement of cash flows, cash and cash equivalents are represented by the heading of Funds available, without considering short-term, highly liquid securities, which are subject to insignificant risks of changes in their value, as required by NIF C-1 "Cash and cash equivalents".

h. The chart of accounts issued by the Commission establishes that advance payments of income tax must be presented in assets, and offset against the respective liability at the time the annual return is filed.

i. The financial statements as of December 31, 2011 and for the year then ended are not presented on a comparative basis with the previous year, as required by the NIF.

j. The presentation of the cash flow statement differs from that established in NIF B-2 "Statement of cash flows".

III. Accounting policies- The significant accounting policies followed by the Insurer are as follows:

a. Recognition of the effects of inflation- The accumulated inflation of the three annual years before December 31, 2011 is 15.89%; therefore, the economic environment qualifies as noninflationary. The inflation rate for the year ended December 31, 2011 was 3.82%.

As of January 1, 2008, the Insurer suspended recognition of the effects of inflation in the consolidated financial statements; however, the assets, liabilities and stockholders' equity include the effects of re-expression recognized up to December 31, 2007.

b. Investments -

1. In securities- Includes investments in debt and equity securities and are classified at the time of their acquisition for their valuation and recording, based on the intention of the Insurer's management regarding their use as: securities to finance the operation, held to maturity or available for sale. In accordance with that established in Chapter 12.2 of the Circular, the recording and valuation of investments in securities is summarized as follows:

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

a) Securities to finance the operation- These are valued at fair value, taking as their base the market prices disseminated by the price suppliers or by official publications specializing in international markets. Unlisted securities are valued at fair value based on technical determinations of fair value. The effects from valuation are applied to results of the year.

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

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

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

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

a) **Listed securities to finance the operation –**The effects from valuation are applied to results of the year. If there were no market prices, the last price recorded will be taken for the valuation, using the lower of the book value of the issuer or the acquisition cost as the restated price.

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

c. **Funds available -** These consist mainly of bank deposits in checking accounts and petty cash. They are valued at fair value and the returns generated are recognized in results as they are accrued.

d. **Premium debtor-** Uncollected premiums represent the balances of premiums which are aged by less than 45 days. In accordance with the relevant provisions of the LGISMS and the Commission, premiums aged by more than 45 days should be canceled against results for the year.

e. **Reinsurers-** The Insurer limits the amount of its liability by distributing the risks assumed with reinsurers, based on proportional contracts, by ceding a part of its premium to such reinsurers.

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

f. **Coinsurance -** The operations derived from the coinsurance contracts which the Insurer performs in the fields of autos and convalescence are accounted for on a monthly basis and adjusted based on the account statements received from the co-insurers, which are received monthly.

g. **Furniture and fixtures –** Are recorded at their acquisition cost. The balances derived from acquisitions made prior to December 31, 2007 were restated by applying factors taken from the National Consumer Price Index ("NCPIC") until that date. Depreciation is calculated according to the straight line method based on the estimated useful life of assets, as follows:

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

h. **Expenses subject to amortization -** Installment expenses are recorded at their acquisition cost. The balances derived from acquisitions made prior to December 31, 2007 were restated by applying factors taken from the NCPI until that date. Amortization is calculated according to the straight line method by considering the period established by the Insurer for each particular expense.

i. **Salvage -** Is presented under the heading of other assets in the balance sheet; salvage is recognized as a total loss based on known casualties which, in the Company's experience, is valued at a 35% compensation rate.

j. **Technical reserves -** The Commission requires that all technical reserves be audited annually by independent actuaries. On February 14, 2012, the Insurer's independent actuaries issued their report to the effect that the reserves created for current risks, outstanding obligations and catastrophic risks at December 31, 2011 were determined according to legal provisions, the rules, criteria and practices established and permitted by the Commission and the actuarial practice standards adopted by the CONAC. Accordingly, on an aggregate basis, these reserves are sufficient to enable the Insurer to underwrite the obligations resulting from its insurance portfolio.

   Technical reserves have been created according to legal provisions and those issued by the Commission. In order to value its technical reserves, the Insurer utilized the valuation methods and assumptions contained in its technical notes and the provisions detailed in Chapters 7.3, 7.4, 7.6, 7.8 and 7.9 of the Circular.

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

   1. **Reserve for current risks**
      a. Damage operation reserves are determined in the following manner:
      The expected value of future obligations derived from the payment of claims and benefits is projected by utilizing the recorded valuation method; this value is then matched with the unaccrued risk premium of current policies to obtain the efficiency factor used to calculate the reserves needed for each area or, if applicable, the types of insurance operated by the Insurer.
      The efficiency factor applied for this purposes must not be less than one. The adjustment applied to correct the insufficiency of the current risks reserve must be based on the result of multiplying the unaccrued risk premium by the respective sufficiency factor, less one. The unaccrued portion of administrative expenses must also be added to this calculation. Consequently, the amount determined for the current risks reserve is composed by the unaccrued risk premium of current policies, the reserve insufficiency adjustment and the unaccrued portion of administrative expenses.

   2. **Contractual obligations:**
      a. **Casualties and expirations –** A reserve is created for damages based on the estimated obligation amount.

      b. **Unreported casualties –** This reserve is used to recognize the estimated amount of casualties yet to be reported to the Insurer. The estimate obtained by using the methodology approved by the Commission is recorded.

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

d. **Insurance funds held in administration –** Represent the policy dividends earned by insures, which are retained by the Insurer and held in administration, as established by insurance contracts.

e. **Premiums held in deposit –** Represent the collective premiums which, at the yearend close, have not been identified with premium debtor accounts to permit their application.

f. **Reserve for unvalued casualties -** This reserve reflects the expected amount of potential future payments to be made for casualties reported to the Damages area and for which valuations have either not been reported or for which insufficient elements are available to allow the future payment obligations to be accurately determined.

3. **Catastrophic risks -** Are calculated according to the rules issued by the Commission for the creation and increase of special technical reserves for earthquakes, volcanic eruptions and catastrophic risks caused by hurricanes and other hydro-meteorological risks.

   As regards technical liabilities, based on its experience, the Insurer applied the following casualty and severity assumptions:

   These casualty and severity assumptions were taken from the technical notes filed by the Insurer with the Commission.

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

l. **Provisions -** A provision is recognized when the Insurer has a current obligation based on a past event, which will probably result in the disbursement of economic resources and can be fairly estimated.

m. **Income tax and business flat tax -** Income Tax (ISR) and Business Flat Tax (IETU) are recorded in the results of the year in which they are incurred. In order to recognize whether, based on financial projections, it will incur ISR or IETU, the Insurer recognizes deferred tax based on the tax it will essentially pay. Deferred tax is recognized by applying the respective rate to the temporary differences obtained by matching the accounting and tax values of assets and liabilities and, if applicable, by considering tax loss carryforwards and certain tax credits. The deferred tax asset is only recorded when its recovery is highly likely.

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

o. Premium revenues - Damage area revenues are recorded by considering contracted policy premiums and subtracting premiums assigned to reinsurance.

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

Premium rights and surcharges represent revenues related to the financing derived from policies with installment payments (damages), whereby the collected amount is considered as income of the year, while the amount collected at yearend is recorded as deferred income.

p. Commissions - Commission expenses are recognized in results when the respective policies are issued.

q. Use of facilities – The expenses incurred by the Insurer to utilize the facilities where its products ("UDI") are sold are recognized when premiums are issued.

r. Casualty cost - The casualty cost is recognized in results when claims are received.

s. Memoranda accounts – These accounts are used to record informative data on taxes or other items which are excluded from the balance sheet. Audit tests are only applied to the accrued amounts recorded in memoranda accounts when they result in the creation of an accounting record:

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

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

   The Insurer recognizes the unapplied or undeducted amount or the accumulated amortization of fixed assets and unamortized expenses.

5. INVESTMENTS

According to legal provisions and those issued by the Commission, the Insurer must maintain investments to cover the obligations represented by its technical reserves and its minimum guarantee capital. These investments are made in diversified instruments which are selected based on a combination of period and measured risk, as reflected by the Insurer's investment policies and requirements concerning the collateral exposure of assets and liabilities.

a. Based on the instrument type and issuer:

Nature and category		Acquisition cost		Valuation		Interest		Total
Debt instruments - National:								
Government:								
To finance the operation	$	2,186,356	$	(11,881)	$	1,236	$	2,175,711
Private National:								
To finance the operation		3,797,933		114,459		10,020		3,922,412
Held to maturity		20,000		-		43		20,043
Total private		3,817,933		114,459		10,063		3,942,455
Equity instruments - National:								
Private:								
To finance the operation		424,181		108,885		-		533,066
Total debt and capital – National	$	6,428,470	$	211,463	$	11,299	$	6,651,232
Debt instruments - Foreign:								
Private:								
To finance the operation	$	646,561	$	1,543	$	1,819	$	649,923
Equity instruments - Foreign:								
Private:								
Available-for-sale		64,974		1,396		-		66,370
Security impairment		(145)		-		-		(145)
Total investments	$	7,139,860	$	214,402	$	13,118	$	7,367,380

b. Based on instrument maturity:

Maturity		Acquisition cost		Valuation		Interest		Total
One year or less than one year	$	2,095,425	$	111,177	$	821	$	2,207,423
More than one year and up to five years		3,173,040		7,832		7,636		3,188,508
More than five years and up to 10 years		627,945		15,616		2,158		645,719
More than 10 years		1,243,450		79,777		2,503		1,325,730
Total	$	7,139,860,	$	214,402	$	13,118	$	7,367,380

c. According to Chapter 8.2 of the Circular, the investments made in securities by the Insurer to cover technical reserves must be rated by securities classification institutions authorized by the National Banking and Securities Commission ("CNBV"). These security ratings must fall within the ranges established by the Commission. The Insurer's investments in securities have the following ratings:

Rating		Maturity in less than one year		Maturity in more than one year		Total	%
Outstanding	$	307,387	$	3,192,757	$	3,500,144	48
High		87,043		342,517		429,560	6
Good		325,071		127,228		452,299	6
Acceptable		-		93,205		93,205	1
Not Applicable		125,373		-		125,373	2
Equity instruments		591,087		-		591,087	8
Government		896,834		1,278,878		2,175,712	29
Total	$	2,332,795	$	5,034,585	$	7,367,380	100

As of December 31, 2011, the Insurer has no restricted liquidity investments for the settlement of legal proceedings.

As of December 31, 2011, the Insurer did not sell financial instruments classified as securities held to maturity prior to their redemption date.

6. CASH

As of December 31, 2011 is composed as follow:

Cash in Mexican pesos	$	11,891
Cash in foreign currency		1,620
Banks in Mexican pesos		27,906
Banks in foreign currency		99,713
Total	$	141,130

7. OTHER RECEIVABLE

Debtors	$	331,244
Guarantee deposits		27,758
Value Added Tax		20,560
Total	$	379,562

8. FURNITURE AND EQUIPMENT

As of December 31, 2011, the furniture and equipment is as follow:

Furniture and fixtures	$	129,674
Computer equipment		314,390
Other		17,826
Vehicles		357,835
Less accumulated depreciation		547,243
	$	272,482

9. OTHER ASSETS (SUNDRY)

Salvage inventory [a]		294,515
Prepaid taxes	$	45,932
Prepaid taxes [b]		195,745
Deferred income taxes		207,421
	$	743,613

(a) As regards casualties classified as total losses and based on its experience, the Insurer recognizes an unrealized salvage inventory equal to approximately 35% of compensation.

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

10. SUNDRY CREDITORS

As of December 31, 2011, sundry creditors are as follow:

UDI provision	$	586,501
Bank deposits		181,992
Other		104,048
Lawsuits		18,000
Dividends payable on shares		3,273
Total	$	893,814

11. RETIREMENT BENEFITS

The net cost of the period of obligations related to the pension plan, personnel compensation at the end of the work relationship and seniority premiums was $27,812.

The Insurer has a defined-benefit pension plan for employees who reach the age of 60, or 55 when they have 35 or more years' of service. Under this plan, employees receive a pension based on the average salary of the last five years of employment prior to the retirement date.

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

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

The current values of these obligations and the ratings used for calculation purposes are as follows:

Defined benefit obligation	$	82,455
Plan assets at fair value		(38,104)
Underfunded		44,351
Initial transition liability to be amortized		(2,852)
Changes due to change of methodology		(461)
Actuarial loss not recognized		(3,597)
Premium recovered		1,749
Net projected liability	$	39,190

As of December 31, 2011, pension plan assets are invested in a trust with Banco Santander:

Private financial sector paper	$	38,587

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

Net period cost comprises the following:

Service costs	$	11,506
Financial cost		4,461
Expected yield on plan assets		(2,299)
Actuarial gain and loss		10,568
Past service costs		3,538
		27,774
Actuarial gain and loss of prior years		38
Net period cost	$	27,812

12. STOCKHOLDERS' EQUITY

a. As of December 31, 2011, subscribed and paid-in capital at face value is as follows:

Item	Number of shares		Face value		Restatement effect		Restated value
Common stock	2,250,000,000	$	219,151	$	123,806	$	342,957
Reserves			460,071		9,773		469,844
Valuation surplus	-		100,470		-		100,470
Permanent investments	-		(2,638)		-		(2,638)
Results of prior years	-		753,458		-		753,458
Profits of the year	-		834,544		-		834,544
Non-controlling interests	-		8,735		-		8,735
Results from holding nonmonetary assets	-		-		65,598		65,598
	-						
Total	2,250,000,000	$	2,373,791	$	199,177	$	2,572,968

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

c. Under the LGISMS, the Insurer must utilize at least 10% of its profits of the year to create a legal reserve, until reaching 75% of paid-in capital. The legal reserve can be capitalized and must be replenished according to the new amount of paid-in capital. The legal reserve balance must not be distributed unless the company is dissolved. As of December 31, 2011, the face value of the legal reserve is $181,694.

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

e. As of December 31, 2011, tax account balances are as follows:

Contributed Capital Account	$	550,426
Net Tax Income Account	$	2,031,830

13. ADVANCE PREMIUMS

During the year, the Insurer issued automobile damage insurance policies which took effect as of December 31, 2011 ("advance premiums"). As of December 31, 2011, the following information on these advance premiums is presented in the balance sheet and statement of income:

Balance sheet:		
Assets:		
Premium debtor	$	664,682
Equity participation of re-insurers in unearned premiums premiums		2,075
	$	666,757
Liabilities:		
Reserve of unearned premiums	$	465,810
Checking insurance institutions		2,441
Fees accrue		22,590
Sundry creditors (UDI)		59,559
VAT payable		91,038
Policy rights		20,896
Surcharges on policy		4,071
	$	666,405
Income statements:		
Income:		
Premiums	$	548,723
Expenses:		
Premiums ceded		2,441
Increase to the reserve of unearned premiums		463,735
Agent commissions		22,590
Acquisition cost		59,605
		548,371
Net effect on income statement	$	352

14. CONTINGENT COMMISSIONS

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

In 2011, the Insurer executed agreements for the payment of contingent commissions with the individuals and entities acting as intermediaries and described in this note. During 2011, the total amount of payments made under these agreements for issuances and UDIS was $1,391,855, thereby representing 12.39 % of the total premiums issued by the Insurer during 2011.

As of December 31, 2011, the contingent commissions paid by the Insurer are composed as follows:

Individuals	$	38,813
Entities		156,124
Entities UDIS		1,196,918
	$	1,391,855

Contingent commission agreements have the following characteristics:

a) Individuals – New sales, conservation, low casualty rate, profitability and general support.

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

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

15. FOREIGN CURRENCY POSITION

a. As of December 31, 2011 the foreign currency monetary position is as follows:

		Thousands of U.S. Dollars
Monetary assets		46,061
Monetary liabilities		18,995
Monetary asset position – Net		27,066
Equivalent in Mexican pesos	$	377,505

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

		December 31, 2011		February 27, 2012
US dollar	$	13.9476	$	12.8779

16. INCOME TAXES

The Insurer is subject in 2011 to ISR and IETU.

ISR is calculated taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on values in constant pesos, is increased or reduced the effect of inflation on certain monetary assets and liabilities through the inflationary component.

The ISR rate is 30% for 2011 and 2010; it will be 30% for 2012, 29% for 2013, and 28% for 2014.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. Beginning in 2011, the IETU rate is 17.5%.

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

Based on its financial projections and according to INIF 8, *Effects of the Business Flat Tax*, the Company determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR.

Income taxes are as follow:

ISR:		
Current	$	(429,323)
Deferred		129,610
	$	(299,713)

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

Statutory rate	30%
Effect of permanent differences, mainly non-deductible expenses	1
Effects of inflation	1
Other permanent items	(6)
Effective rate	26%

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

Deferred ISR asset:		
UDI provision	$	179,591
Un-accrued commissions		62,354
Premium surcharges		28,459
Policy rights		28,168
Broker bonus reserve		21,993
Furniture and fixtures		13,890
Brokers current account		8,628
Provisions		6,475
Tax loss carryforwards		4,315
Dividend reserve		3,712
Fee provision		541
Reserve for obsolete inventories		419
Customer advances		72
Deferred ISR asset		358,617
Deferred ISR (liability):		
Salvage inventory		(77,723)
Valuation of debt instruments		(64,321)
Permanent investments		(9,152)
Deferred ISR liability		(151,196)
Total deferred assets	$	207,421

17. CONTINGENCIES

As part of the normal course of its operations, the Insurer is involved in different legal proceedings for the amount of $45,434. The Insurer's management considers that the provisions recorded at December 31, 2011 fully cover these contingencies and are sufficient to settle the amounts which could result from these lawsuits. It is therefore unlikely that these lawsuits, whether individually or collectively, will lead the Insurer to record an additional liability with a material effect on its financial position, the results of its operations or liquidity.

18. NEW ACCOUNTING PRONOUNCEMENTS

On December 28, 2011, was published in the DOF the amendment 56/11 of the Circular, which states that as of January 1, 2012, the fees and surcharges on premiums will be recorded in the income statement as they accrue.

As part of its efforts to make Mexican standards converge with international standards, in 2011, the Mexican Board for Research and Development of Financial Information Standards ("CINIF") issued the following Mexican Financial Reporting Standards (NIFs), Interpretations to Financial Information Standards (INIFs) and improvements to NIFs, which will become effective as of January 1, 2012:

B-3, Statement of Comprehensive Income (Loss)
B-4, Statement of Changes in Stockholders' Equity
C-6, Property, Plant and Equipment
Improvements to Mexican Financial Reporting Standards 2012

Some of the most important changes established by these standards are:

NIF B-3 - Statement of Comprehensive Income (Loss) provides the options of presenting a) a single statement containing the items that make up net income (loss), as well as other comprehensive income (OCI)) and equity in OCI of other entities and be named statement of comprehensive income (loss), or b) two statements: the statement of income (loss), which should include only items that make up net income (loss) and the statement of other comprehensive income (loss), which should start from net income (loss) and immediately present OCI items and equity in OCI of other entities. In addition, NIF B-3 establishes that items should not be separately presented as non-ordinary in the financial statement or the notes to the financial statements.

NIF B-4, Statement of Changes in Stockholders' Equity, establishes the general rules for the presentation and structure of the statement of changes in stockholders' equity, such as showing retroactive adjustments due to accounting changes and correction of errors that affect the beginning balances of stockholders' equity and presenting comprehensive income (loss) in a single line item, providing a detail of all items making it up, according to the NIF B-3.

NIF C-6, Property, Plant and Equipment establishes the obligation to depreciate components that are representative of an item of property, plant and equipment, regardless of depreciating the rest of the item, as if it were a single component.

Improvements to Mexican Financial Reporting Standards 2012.- The main improvements that generate accounting changes that should be recognized retroactively in fiscal years beginning on January 1, 2012 are:

Bulletin C-15, Accounting for Impairment and Disposal of Long-lived Assets. Eliminates: a) the restriction that an asset be not in use to classify it as available-for-sale, and b) the reversal of goodwill impairment losses. It also establishes that impairment losses in the value of long-lived assets be presented in the statement of income under the corresponding cost and expense line items and not under other income and expenses, or as a special item.

NIF D-3, Employee Benefits. Requires that current and deferred PTU be presented in the statement of income under the corresponding cost and expense line items and not under other income and expenses.

Also, other Improvements to Mexican Financial Reporting Standards 2012 were issued that do not generate accounting changes and which require further disclosures about key assumptions used in the estimates and valuation of assets and liabilities at fair value, that might give rise to significant adjustments to such values in the next accounting period.

At the date of issuance of these financial statements, the Insurer has not fully assessed the effects of adopting these new standards on its financial information.

19. AUTHORIZATION TO ISSUE THE FINANCIAL STATEMENTS

The issuance of these consolidated financial statements was authorized on February 27, 2012 by the Insurer's Board of Directors under the responsibility of General Director, Mr. Joaquín Brockman Lozano, General Accountant, Mr. Arturo Membrillo Romero, and Internal Audit Director, Mr. Gabriel García Ruíz. However, these financial statements are subject to the approval of the Ordinary Meeting of the Insurer's stockholders, which could request their modification under the General Corporate Law. Furthermore, the financial statements are subject to review by the Commission, which could request their issuance with certain modifications within the legal deadline established for this purpose.

INFORMATION FOR INVESTORS

INVESTOR RELATIONS
inversionistas@qualitas.com.mx

Alejandro Meléndez González
+ 52 (55) 5002 5870
amelendez@qualitas.com.mx

Mariana Cornejo Monroy
+52 (55) 5002 5374
mcornejo@qualitas.com.mx

ANALYSTS:
José Juan Carreño Moreno
Research
Grupo Bursátil Mexicano
jcarre_o@gbm.com.mx

The glossary of terms and definitions is available at:
www.qualitas.com.mx

DIVIDEND HISTORY

DATE OF PAYMENT	AMOUNT (000,000)	DIVIDEND 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

WWW.QUALITAS.COM.MX