

2014

Automobile Insurance Industry Report



Mexico



Mexico City; August 18, 2014

Introduction

In this industry report it is worth noting the insurance industry slowdown during the first half of the year, with a 1.0% growth, while the figure registered for the first quarter was of 4.9%. In terms of individual companies, the growth rates of Quálitas and Banorte stand out. It is important to consider that the LTM inflation rate stood at 3.75%.

The industry slowdown is in line with the 0.7% decrease in the sale of new cars. However, automobile financing has risen, increasing from 55.8% to 59.0% of car sales and driven by the financial branches of automakers. Low growth in the industry, then, can be explained by the economic slowdown and a competitive environment that has impacted prices.

In terms of costs, the industry experienced a decline, registering a combined ratio of 93% vis-à-vis the 90% figure of last year. This increase is mostly explained by the intensification of rains and the growth in severance payments in case of death.

We have included a new analysis of the sector, in which we separate the segment of insurance companies belonging to financial groups, since some of these companies carry out inter-group sales with their bank's customers, and have a different cost structure. As a result, it is possible to realize a better comparative analysis of combined costs ratios in different market segments.

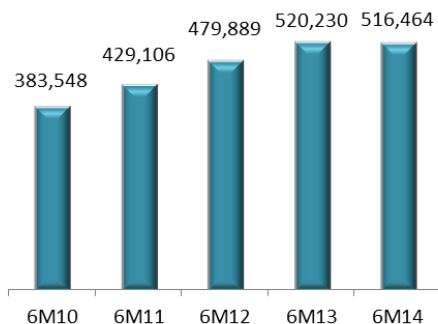
	Premiums Written	Growth 6M14-6M13	Operating Result	Investment Income	Net Result	Claims Ratio	Combined Ratio
Quálitas	8,479	13.4%	158	519	475	66.7%	93.5%
Others (23)	18,758	-4.2%	495	963	1,456	63.9%	97.3%
Insurance Companies (24)	27,237	0.7%	653	1,482	1,931	64.7%	95.9%
Insurance Companies from Financial Groups (10)	6,482	2.5%	1,175	611	1,476	59.1%	79.3%
TOTAL MARKET (34 Comp)	33,719	1.0%	1,828	2,093	3,407	63.6%	92.6%

The combined cost ratio, without the insurance companies belonging to financial groups, amounts to 95.9%. Quálitas obtained a 93.5% ratio, and the rest of the market, a 97.3% ratio.



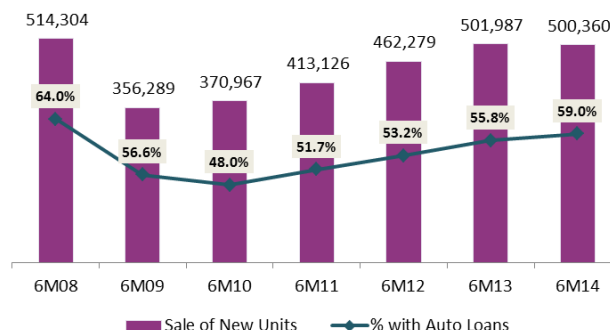
Automobile Industry and Automobile Financing

Nationwide Sales of New Vehicles¹ (Automobiles, Trucks)



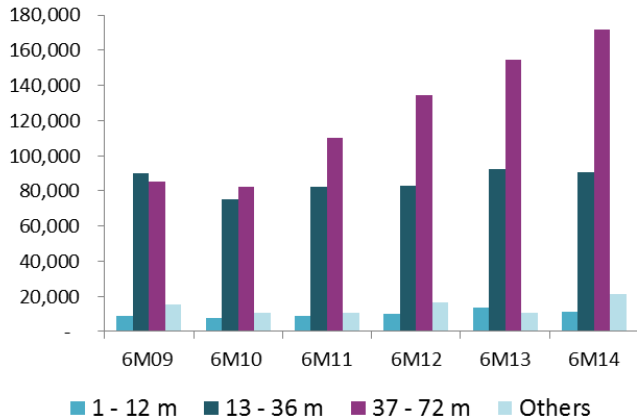
Sales of new units decreased by 0.7% compared to 2013, reaching 516,464 units.

Automobile Financing²



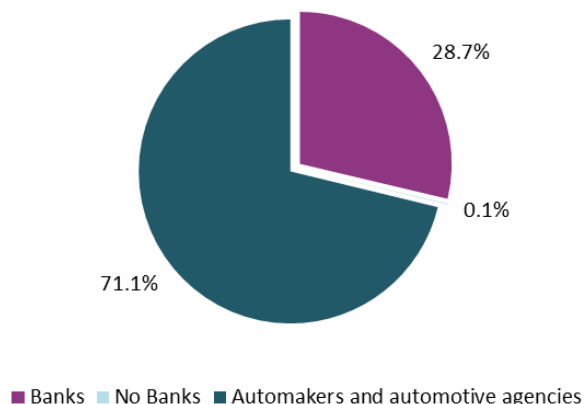
In 2014, automobile financing continues recovering; 59.0% of the sales of new cars as of June 2014 were financed, figure higher than last year's, but still below that of 2007.

Financing Term²



As of June 2014, most car loans were offered with a 36, 48 and 60 months term. The term of the loans has been increasing for the last 5 years.

Automobile Financing Market²



The main financing sources to purchase a car are the automakers and automotive agencies.

¹Source: AMIA, ANPACT and AMDA. Figures are stated in units of automobiles sold.

²Source: JATO Dynamics. (Only includes cars, does not include all banks and financial institutions, does not include operating or financial leasing).



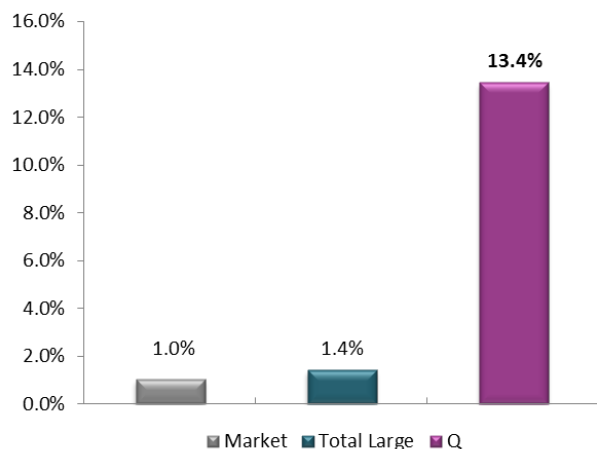
Figures in this document are stated in millions of Mexican pesos, except where otherwise specified, so that they may vary due to rounding.

Automobile Insurance Industry

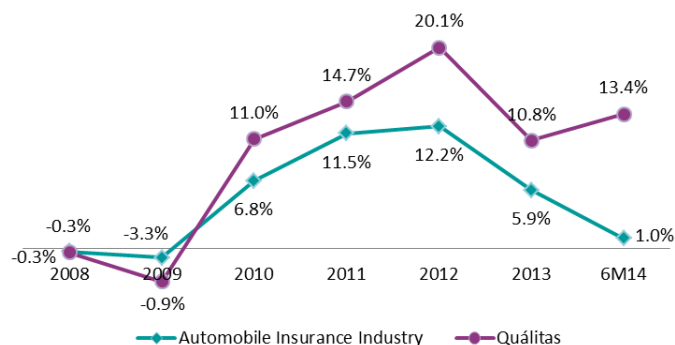
Total premiums written by the market amounted to \$33,719, growing by 1.0%. Among the large companies, two of them registered important growth rates, well above the market figure. On the other hand, in the group of medium size companies, there were also some relevant increases. Growth of the 5 largest companies amounted to 1.4%, that of the medium companies, to 0.6%, and the small ones increased by less than 1.9%.

The market's net profit decreased by 5.4% when compared to last year's figure. This is mainly explained by the increase in the combined ratio of 2.8 percentage points, which offset the 12.1% growth in investment income.

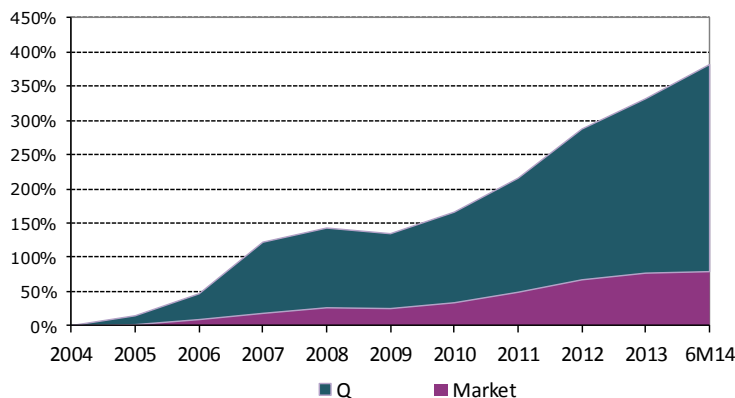
Growth in Premiums Written
6M14 – 6M13



Growth of Automobile
Insurance Industry



Growth in Premiums Written
Base 2004 = 0



CAGR (%)

16.7%

6.7%



Automobile Insurance Industry 6M14

(Figures in millions of pesos)

	Companies	Premiums Written	Market Share (written)	Premiums Earned	Market Share (earned)	Growth 6M14 - 6M13
1	Qualitas	8,479	25.1%	7,337	23.9%	13.4%
2	AXA Seguros	5,127	15.2%	5,384	17.5%	0.0%
3	G.N.P.	3,670	10.9%	3,760	12.2%	-13.7%
4	Aba/Seguros	2,444	7.2%	1,642	5.3%	-12.8%
5	Banorte	2,167	6.4%	1,944	6.3%	12.6%
	LARGE	21,887	64.9%	20,067	65.3%	1.4%
6	Mapfre Mexico	2,072	6.1%	1,907	6.2%	6.1%
7	Inbursa	1,878	5.6%	2,056	6.7%	-9.0%
8	BBVA Bancomer	1,849	5.5%	1,567	5.1%	2.2%
9	HDI Seguros	1,200	3.6%	1,084	3.5%	3.6%
10	Zurich Daños	1,158	3.4%	838	2.7%	-0.7%
11	Atlas	813	2.4%	791	2.6%	-7.0%
12	ANA	565	1.7%	432	1.4%	17.4%
13	General de Seguros	429	1.3%	377	1.2%	10.9%
14	Afirme	423	1.3%	374	1.2%	14.7%
15	Royal & Sunalliance	281	0.8%	309	1.0%	-18.6%
	MEDIUM	10,668	31.6%	9,736	31.7%	0.6%
	SMALL	1,164	3.5%	908	3.0%	-1.9%
	MARKET (34 Comp)	33,719	100%	30,735	100%	1.0%

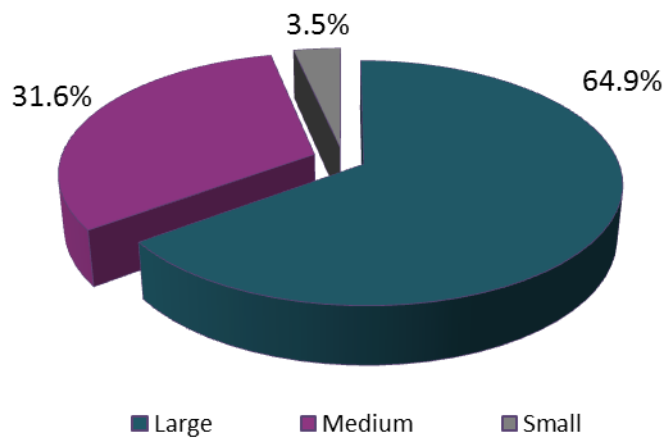
	Companies	Operating Result	Investment Income	Net Result	Claims Ratio	Combined Ratio
1	Qualitas	158	519	475	66.7%	93.5%
2	AXA Seguros	362	277	594	65.3%	94.6%
3	G.N.P.	82	200	207	64.4%	98.3%
4	Aba/Seguros	234	158	421	62.4%	93.1%
5	Banorte	444	108	385	59.0%	75.1%
	LARGE	1,280	1,262	2,083	64.8%	92.6%
6	Mapfre Mexico	18	59	64	63.5%	96.1%
7	Inbursa	214	57	276	61.9%	92.2%
8	BBVA Bancomer	400	449	678	55.3%	71.4%
9	HDI Seguros	-59	46	22	63.9%	101.2%
10	Zurich Daños	-45	41	58	52.3%	98.3%
11	Atlas	6	41	35	73.4%	98.3%
12	ANA	-9	15	6	59.3%	99.1%
13	General de Seguros	8	64	71	61.0%	93.3%
14	Afirme	9	21	24	60.4%	92.9%
15	Royal & Sunalliance	-90	16	-68	72.9%	134.0%
	MEDIUM	454	809	1,166	61.6%	93.1%
	SMALL	85	15	145	59.6%	87.6%
	MARKET (34 Comp)	1,828	2,093	3,407	63.6%	92.6%



Market Share

The 5 large companies in the market account for 64.9% of the automobile insurance market. On the other hand, medium and small sized companies decreased their market share by 0.1 percentage points compared to June 2013.

Market Share Automobile Insurance



Q remains well-positioned in the major segments of the market; in every business line, the Company maintains one of the top 2 places in terms of market share.

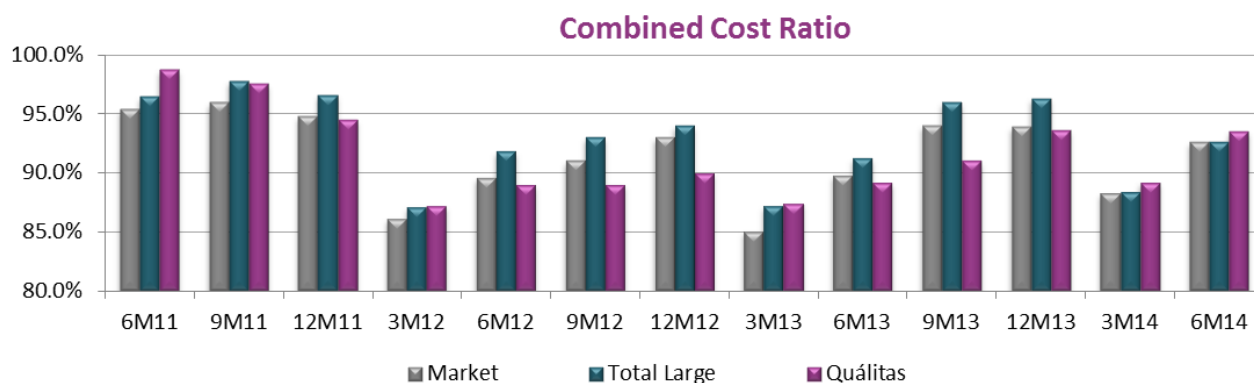
Breakdown of the Automobile Insurance Market			
	Premiums Written	Q's Participation	Q's Postition
Cars	\$23,200	22.1%	1
Trucks	\$9,766	32.4%	1
Tourists	\$346	18.3%	2
Other	\$407	29.3%	2
Total	\$33,719	25.1%	1



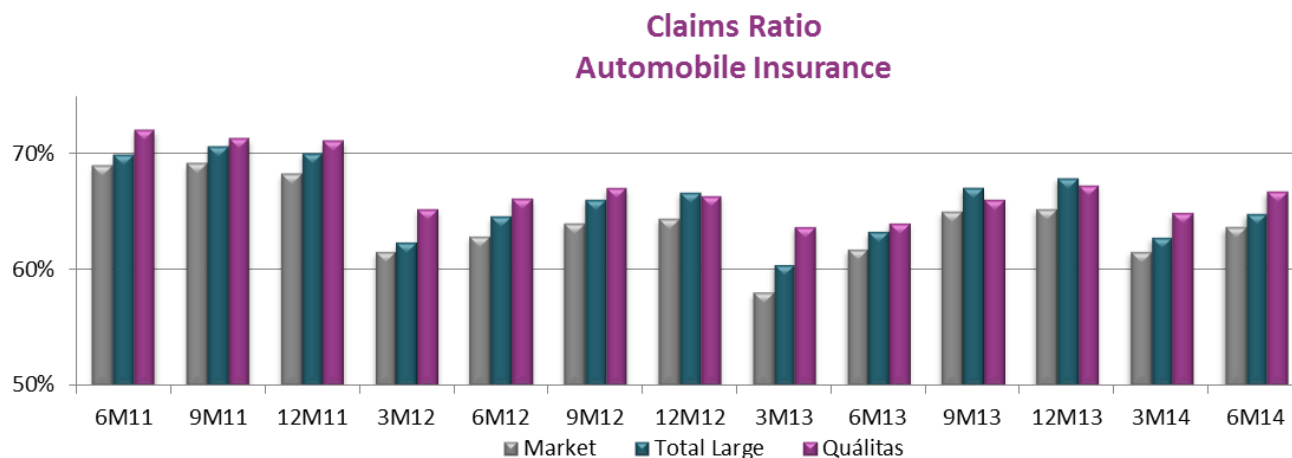
Costs

The combined cost ratio for the market reached 92.6%, figure higher than the 89.2% of last year. The five large companies registered a 92.6% ratio, while the figure for Q stood at 93.5%.

The combined cost ratio for the market, without the figure for the Insurance Companies from Financial Groups, reached 95.9%.



The industry recorded a high claims ratio when compared to the previous quarters. If the ratios as of June 2014 are compared to last year's figures, there is also an important increase. Accordingly, the market ratio increased from 61.7% to 63.6%, that of the five large companies from 63.2% to 64.8%, and, Q's ratio increased from 64.0% to 66.7%.





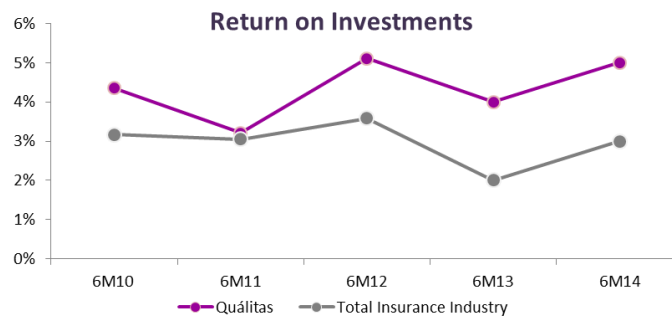
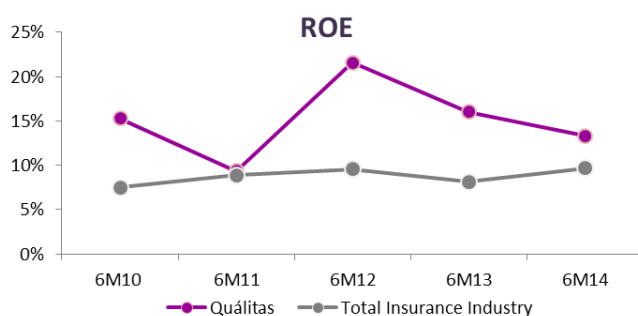
Insurance Industry Profitability

The following table shows the profitability comparables for the insurance industry, which, in aggregate, stand at 9.7% for the first half of the year.

It is important to note that the ROE calculation is not available by industry segment, since the information available is from consolidated figures. The ROE is calculated with the profit from all segments for the 6 month period.

During this period, **Q** registered a 13.3% ROE.

	Company	Total Premiums 6M14	Return on investments 6M14	ROE 6M14 %	ROE 6M13 %
1	Metlife México	25,189	3%	10.5%	8.6%
2	G.N.P.	19,006	3%	7.3%	6.6%
3	AXA Seguros	14,077	3%	9.0%	1.4%
4	Banamex	11,812	3%	16.0%	7.5%
5	BBVA Bancomer	10,906	2%	21.8%	26.1%
6	Inbursa	10,331	2%	2.0%	6.2%
7	Banorte	9,748	3%	18.3%	17.0%
8	Monterrey New York Life	8,928	2%	4.5%	-0.9%
9	Qualitas	8,479	5%	13.3%	16.0%
10	Mapfre México	7,290	2%	5.0%	4.6%
11	Atlas	3,820	3%	5.5%	6.2%
12	Allianz México	3,766	4%	18.1%	-13.1%
13	Zurich Santander	3,290	4%	23.8%	17.6%
14	Zurich Daños	2,970	2%	-4.1%	-15.9%
15	Aba/Seguros	2,895	3%	13.5%	13.2%
	SMALL	21,835	3%	3.9%	6.9%
	MARKET (71 Comp)	164,343	3%	9.7%	8.2%



ROE=Net Result/ Stockholders' Equity. It is an effective rate which corresponds to a period of 6 months, as published by AMIS.

Qualitas investments are marked-to-market, while other Insurance Companies may value their investments with different accounting principles.



Except for the historic information herein provided, statements included in this document regarding the Company's expected financial and operating business results or regarding the Company's growth potential, constitute "forward-looking statements" based on management's expectations regarding the economic and business conditions in the countries where Quálitas operates.

Information sources:

- 1) AMIS. Asociación Mexicana de Instituciones de Seguros, A.C., (Mexican Association of Insurance Institutions); www.amis.com.mx
- 2) AMIA. Asociación Mexicana de la Industria Automotriz, A.C., (Mexican Association of the Automobile Industry); www.amia.com.mx
- 3) ANPACT. Asociación Nacional de Productores de Autobuses, Camiones y Tractocamiones, A.C., (National Association of Producers of Buses, Trucks and Lorries); www.anpact.com.mx
- 4) AMDA. Asociación Mexicana de Distribuidores de Automotores, A.C. (Mexican Association of Automotive Suppliers); www.amda.mx
- 5) JATO Dynamics. <http://www.jato.com/Mexico>

If you wish to refer to another source, you may visit the Mexican Insurance Companies' Regulator (National Insurance and Bonds Commission) web page: www.cnsf.gob.mx

Contacts at Quálitas:

- **Mariana Fernández**

Investor Relations
mfernandez@qualitas.com.mx
T: +52 (55) 1555-6103

- **Anahí Escamilla**

Investor Relations
aescamilla@qualitas.com.mx
T: +52 (55) 1555-6104

- **Alejandro Meléndez**

Investments and Investor Relations
amelendez@qualitas.com.mx
T: +52 (55) 1555-6137

www.qualitas.com.mx