

1 Q20 Results Webcast

Date: Wednesday, April 22nd, 2020

Hora: 9:00 am Central Time (Mexico) / 10:00 am Eastern time

Qualitas Controladora cordially invites you to its first quarter and three months 2020 earnings results conference call.

Hosted by:

Mr. José Antonio Correa, Chief Executive Officer

Mr. Bernardo Risoul, Chief Financial Officer

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<https://www.webcaster4.com/Webcast/Page/1164/34273>

The report and presentation will also be available at:

<http://qinversionistas.qualitas.com.mx>

Earnings Results

First Quarter

2020



Qualitas reports first quarter 2020 results

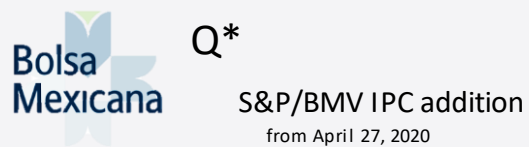
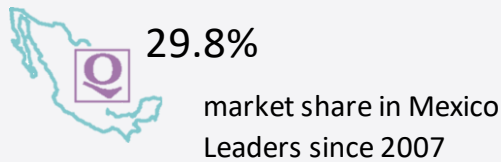
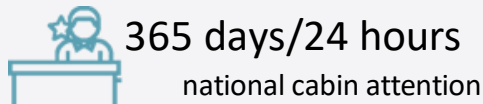
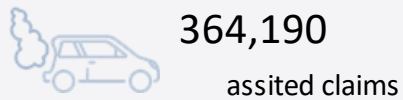
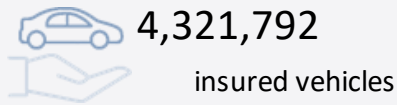
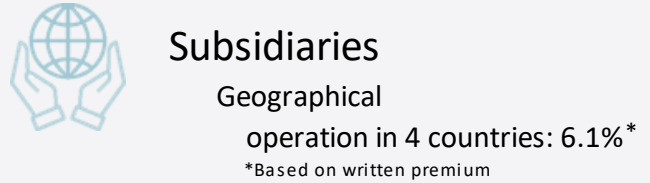
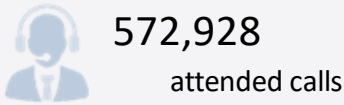
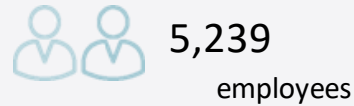
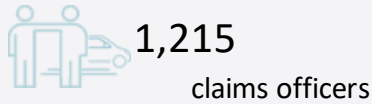
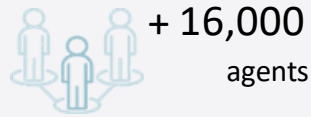
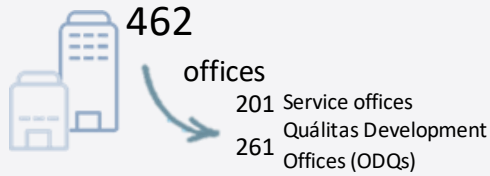
Mexico City, April 21st 2020 – Qualitas Controladora, S.A.B. de C.V. (“Qualitas”, “Q”, o “the company”) (BMV: Q*), announces its unaudited financial results for the first quarter and three months ended March 31st, 2020.

Figures in this document are stated in millions of Mexican pesos except when otherwise specified and may vary due to rounding.

Highlights

- Written premiums grew 14.5% vs same period year ago, despite new car sales decreased 10.9% in Mexico.
- Earned premiums grew 16.2% or \$1,304 million more than what was registered in the same period during 2019, this as a result in the portfolio composition.
- Underwriting result in the 1st quarter reached \$1,817 million, up 90.3% or \$862 million vs same period year ago.
- The comprehensive financial income delivered \$59 million for the quarter, showing a 91.4% decrease compared to same period of 2019, caused by volatility at international markets during the last two weeks of March.
- The quarter combined ratio was 80.2% which is 695 bps below than last year's same period, being the lowest one in the company's history. The foregoing, driven by a historically low loss ratio that closed at 51.9% due to a decrease in thefts and the first effects of the health contingency.
- Quarterly net income amounted to \$ 1,440 million pesos, \$ 244 million more than in the same period of the previous year and the second highest reported.
- The Regulatory Capital Requirement totaled \$ 2,707 million at the end of the first quarter, with a solvency margin of \$ 11,534 million, which represents a percentage of solvency margin of 526%, being the highest in the history of the company.
- Earnings per share stands at \$ 13.18 pesos that compares to \$ 6.98 at the end of March 2019. Net margin for the quarter was 15.0% and the 12 months Return on equity stood at 43.8%, well above our long-term goal. Price to earnings stand at 4.62 and price book value stands at 1.70.
- At the end of March 2020, Qualitas had 4.3 million units insured, which represents an increase of 2.3% or 98,973 more units compared to the previous quarter.
- Recently, S&P Global announced the addition of Q* to the S&P/BMV IPC, as a result of an increase in the market value and stock's liquidity. The change will be effective from April 27th, 2020.

Qualitas in figures



Financial highlights (MM MXN)

	Quarterly		
Income Statement	1Q20	1Q19	Δ %/bp
Premiums written	9,605	8,387	14.5%
Net premiums written	9,436	8,350	13.0%
Premiums earned	9,346	8,043	16.2%
Acquisition cost	2,110	1,848	14.2%
Loss cost	4,854	4,898	(0.9%)
Technical result	2,381	1,297	83.7%
Operating expenses	564	344	64.2%
Underwriting result	1,817	955	90.3%
Comprehensive financial income	59	681	(91.4%)
Investment income	(61)	564	(110.7%)
Income Taxes	435	439	(0.8%)
Net result	1,440	1,197	20.4%
Controlling interest	1,439	1,196	20.4%
Non-controlling interest	1	1	56.4%
Cost ratios			
Acquisition ratio	22.4%	22.1%	23
Loss ratio	51.9%	60.9%	(896)
Operating ratio	5.9%	4.1%	178
Combined ratio	80.2%	87.1%	(695)
Combined ratio adjusted*	80.6%	88.2%	(759)
Balance Sheet			
Assets	63,904	58,456	9.3%
Invested assets or float**	32,153	29,677	8.3%
Technical reserves	36,230	36,149	0.2%
Total liabilities	48,650	48,142	1.1%
Stockholders' equity	15,254	10,314	47.9%
Profitability ratios			
Return on investments	(0.8%)	8.0%	(885)
ROE for the period	40.0%	49.3%	(934)
LTM ROE	43.8%	33.0%	1,084

* Adjusted combined ratio refers to the sum of the acquisition, loss and operating costs, divided by earned premiums and it is presented for comparison reasons with international indices.

**Invested assets or float = investments in debt + overnight + loans portfolio

Written premiums

BUSINESS LINE	1Q20	1Q19	Δ \$	Δ %
Traditional	5,806	5,337	469	8.8%
<i>Individual</i>	2,999	2,726	273	10.0%
<i>Fleets</i>	2,807	2,611	196	7.5%
Financial institutions	3,206	2,616	590	22.5%
Foreign subsidiaries	588	401	187	46.5%
Other	6	33	(27)	(82.3%)
Total	9,605	8,387	1,059	14.5%

Figures in million pesos

Note: Figures may vary due to consolidation effects.

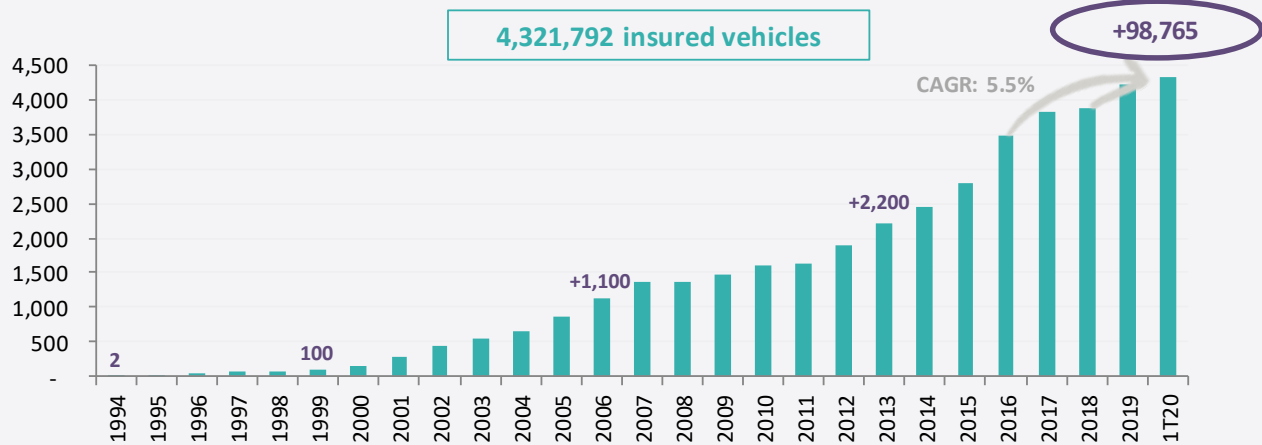
During the quarter, the total written premium was \$9,605 million, an increase of 14.5% compared to 1Q19. This was driven by growth of 8.8% in our traditional business line and a recovery of 22.5% through financial institutions, despite the drop in new car sales. It is important to take into account a low comparative base, since in the first quarter of 2019 we had a decrease of 7.3%, highlighting a drop of 26% through financial institutions.

The foreign subsidiaries had an increase of 46.5% compared to the same period of the previous year, achieving \$588 million pesos during the first 3 months of the year. This, as part of the strategy to strengthen our subsidiaries and accelerate their profitable growth.

Insured units

According to AMDA, new car sales in Mexico decreased 10.9% in the last 3 months, with 296,677 units sold, which represents 36,323 units less than in the same period of 2019. It is important to highlight March as the month with the biggest drop, 25.5%, as a result of the COVID-19 pandemic declared in the middle of the month and the beginning of an economic slowdown in the country.

Despite the above, we managed to increase the number of insured units by 2.3%, reaching a total of 4,321,792 units, which represents 98,765 additional units in our portfolio.



Note: Figures in thousands of units
 CAGR: Compound annual growth rate of the last 5 years.

Qualitas insured units are distributed as following:

BUSINESS LINE	1Q20	1Q19	Δ units	Δ %
Mexico	4,180	4,094	86	2.1%
<i>Automobiles</i>	2,834	2,793	41	1.5%
<i>Trucks</i>	1,102	1,067	35	3.3%
<i>Tourists</i>	97	97	0	0.3%
<i>Motorcycles</i>	147	138	9	6.8%
El Salvador	20	19	1	2.7%
Costa Rica	65	60	5	8.2%
USA	20	18	2	9.3%
Perú	37	31	6	19.3%
Insured vehicles	4,322	4,223	99	2.3%

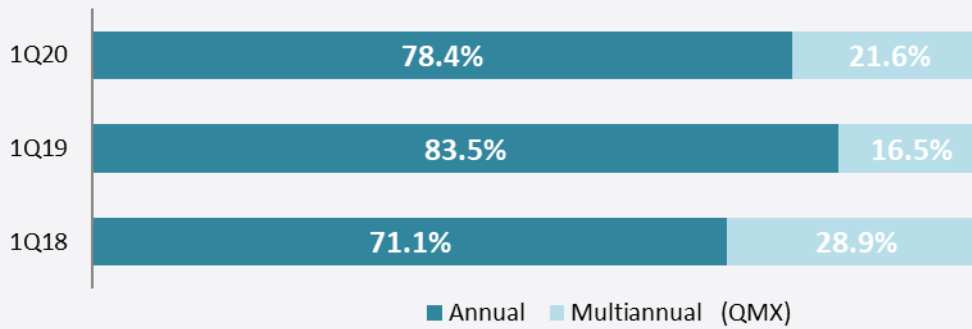
Earned premiums

During the first quarter, earned premiums increased 16.2%, which represents \$ 1,304 million more than the registered in the same period of 2019, as part of the change in the portfolio composition.

The composition of our premiums portfolio continues to reflect the actions taken to drive growth through the traditional business line. Our portfolio is made up of 78.4% for annual

policies, 21.6% for multiannual policies, which we can compare with 71.1% and 28.9% respectively in the same period of 2018.

Annual policies allow us to adjust rates between 3 and 4 times a year, which is extremely attractive in times such as those we are experiencing today, with volatility and uncertainty from the health crisis and the national and international economic slowdown.



Acquisition cost & ratio

The net acquisition cost for the quarter was \$ 2,110 million, a figure of 14.2% higher than the recorded in 1Q19. The acquisition rate was 22.4%, a 23 bp increase quarter-over-quarter, which is due to the recovery in issuance through financial institutions, which represent a higher acquisition cost.

Loss cost & ratio

The decrease in robberies continues its positive trend, benefiting the entire industry and therefore our company. According to the figures reported by OCRA, the theft of insured vehicles in Mexico from January to March decreased 16.2% for the industry and 19.3% for Qualitas.

Similarly, during the first three months of the year, Qualitas recovered 52.5% of its stolen units, which represents 3.9 percentage points above what was reported in the same quarter last year and compares with the industry average of 45%.

As of March of the current year, the cost of claims was \$ 4,854 million pesos, 0.9% less than that reported in 2019, with a 51.9% ratio; representing the lowest quarterly loss ratio in the company's history and a drop of 896 bp compared to 1Q19.

This loss rate reflects the impact of a lower vehicle capacity, derived from the restrictions and recommendations to avoid leaving home due to the health emergency. In this sense, during the last two weeks of March, the claims handled decreased 29% compared to the same period last year.

Operating cost & ratio

Operating expenses for the quarter stood at \$ 564 million, reaching an operating ratio of 5.9%, that is, 178 bp above what was reported in the same period last year. The reason for the increase is related to an increase of ~ 40% corresponding to the Employee Profit Sharing forecast, which is directly related to the company's earnings, as well as a lower comparative basis for a non-recurring event of \$ 185 million pesos in the first quarter of 2019

If we excluded this account, the operating ratio would be 3.7%, which compares with an ex-Employee Profit Sharing ratio of 2.3% in the first quarter of 2019.

Underwriting result

We had a quarterly combined ratio of 80.2%, which represents a reduction of 695 bps compared to the same period in 2019; This is the lowest quarterly combined ratio since Qualitas was founded.

Operating profit reached \$ 1,817 MM MXN, which represents an increase of 90.3% against the same period in 2019. These results were driven by the lowest loss ratio in the last decade, reflecting the first effects of COVID-19 in March indicators, which helped the quarterly average, as well as a control in acquisition and operating costs.

The company registered an operating margin of 19.4%, which compares with 11.9% registered in the same period of the previous year.

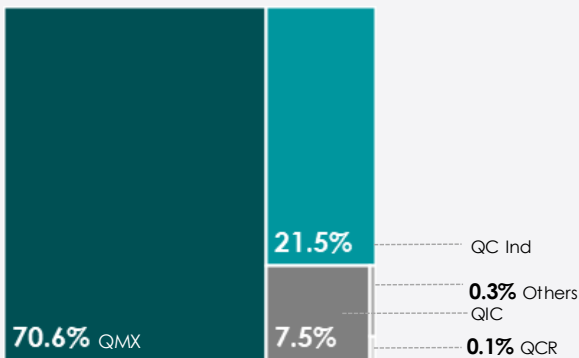
Comprehensive financial income

During the first quarter of the year, Mexico's Central Bank cut the benchmark rate by an additional 50 bp, in line with the global trend and what we expected, it closes the quarter at 6.50%.

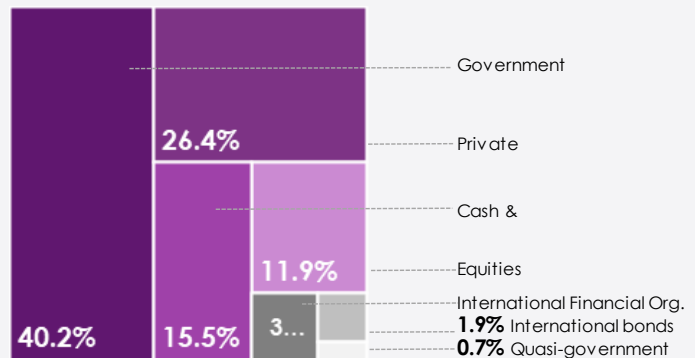
The Comprehensive Financial Income for the quarter closed at \$ 59 million, showing a decrease of 91.4% compared to the first quarter of the previous year derived from a decline not seen for decades in the markets.

Assets invested during the year amounted to \$ 32,153 million pesos, which represents an increase of \$2,476 million compared to the same period in 2019. The distribution of the investment portfolio continues to be located mostly in fixed income (88%) and the remaining in equities (12%). The return on investments was (0.8%).

Portfolio by subsidiary



Total portfolio



Note: Rating differences in sovereign debt could vary between countries. Variations by exchange rate could generate differences.

Net income

Net profit for the quarter was \$1,440 million, an increase of 20.4% compared to the same period of the previous year, being the second highest quarterly net profit in the history of the company. This demonstrates Qualitas' ability to create value for all its stakeholders despite the complicated environment in which we find ourselves. The company posted a net margin of 15%.

Qualitas reported a 12-month ROE of 43.8% well above our long-term goal of 20-25%. The ROE is made up of an operating ROE of 30.7% and a financial ROE of 13.2%.

Subsidiaries

Qualitas Controladora has operations in the United States, Peru, Costa Rica and El Salvador, as well as vertical subsidiaries related with the daily operation, such as: Easy Car Glass and CristaFácil, related with crystal and windshields repair and replacement; Outlet de Refacciones, related to spare parts and unit's repairs; and Autos y Salvamentos related with those units that are declared total losses.

Nowadays the geographical subsidiaries represent 6.1% of the company's total issue, distributed as follows:

	Written premiums			
	1Q20	1Q19	%QC*	Var(%)
Q ES	2,024	1,782	3.5%	14%
Q CR	8,229	6,561	1.8%	25%
Q IC	16,003	12,527	0.4%	28%
Q P	2,113	846	0.5%	150%

Figures in thousands of USDs

*As a proportion of the total written premiums of Qualitas Controladora

Technical reserves

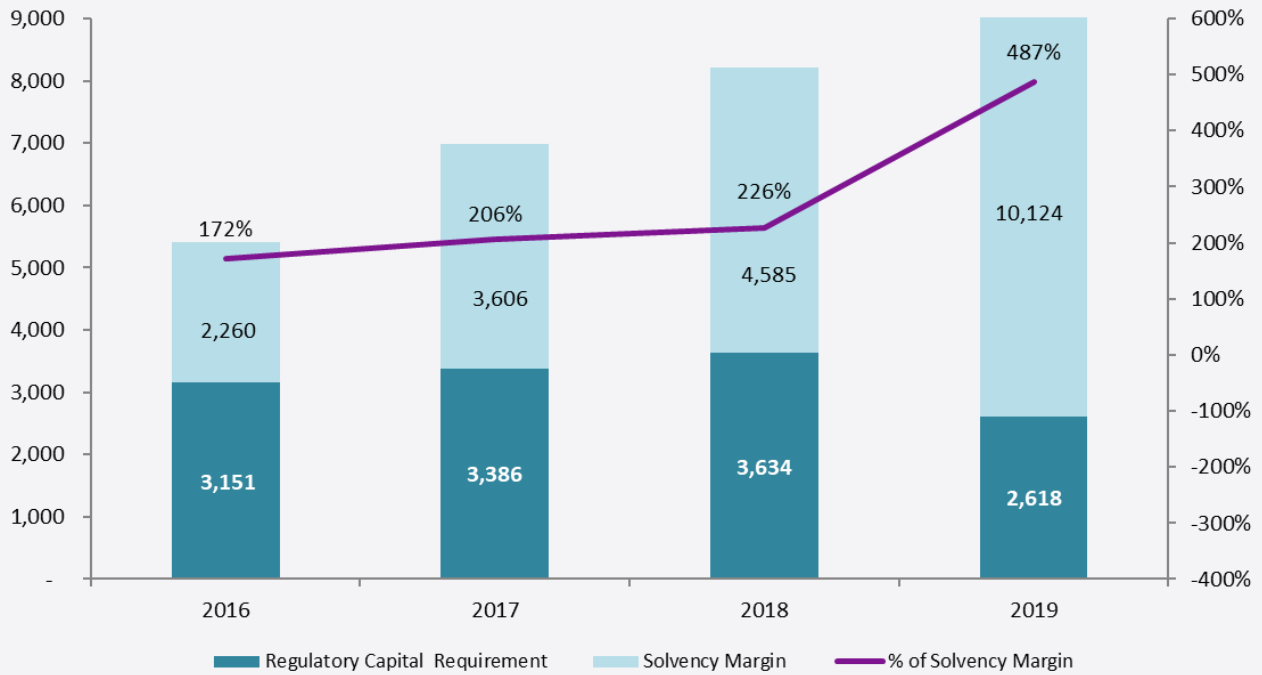
The Technical Reserves reached \$ 36,230 million pesos, an increase of 0.2% compared to the reported in the same quarter of the previous year.

Solvency

The regulatory capital requirement stood at \$ 2,707 million at the end of the first quarter, continuing with the internal policy that seeks to maintain 1.5 times the regulatory capital requirement to deal with any unexpected situation.

In the first quarter, the solvency margin was \$ 11,534 million, which represents a percentage of solvency margin of 526%, being the highest recorded in the history of the company.

Thanks to the 2019 results and the solid financial position of the company, the General Shareholders' Meeting held on Monday, April 20, approved a dividend payment of \$ 1.70 pesos per share, which is equivalent to \$ 722.5 million pesos, and a fund for \$ 1.4 billion share buyback. Qualitas will continue its conservative position in its administration, to guarantee its obligations and capitalize on those opportunities with an attractive financial performance.



Note: The calculation of the required regulatory capital varies in the countries where Qualitas operates

Stock performance Q*

During the first quarter of the year, our stock was no exception and was impacted by the high volatility in the markets during the last two weeks of March. Q * had a negative return of 23.3% during the quarter.

The issuer remained in the 28th place in the index of stock market, reason why it is considered as a high stock market.

The average daily amount operated during the quarter was \$ 2.8 million, representing an increase of 257% compared to the same period in 2019.

	Q*	IPC
March	(30.2%)	(18.1%)
1Q20	(23.3%)	(20.6%)
12M	26.0%	(20.9%)

	Daily average 2020			
	Trade Volume	CP	Volume (MM MXN)	Volume (MM USD)
1T19	383,556	47.71	17.8	0.9
1T20	814,463	60.93	66.4	2.8

On April 8th, S&P Global announced the addition of Q * to the S&P/BMV IPC, as a result of an increase in market value, as well as stocks liquidity. The change will be effective from the start of operations on April 27, 2020.

In relation to financial multiples, earnings per share closed at \$ 13.2 pesos, which represents an increase of 93% compared to the first quarter of 2019. The price to earnings is at 4.6, below other public insurance companies, and the Price book value stands at 1.7.

Share buyback program

During the first quarter of the year we bought 424,900 additional shares, closing the quarter with 12.1 million shares bought.

On April 20th, 2019, the Ordinary and Extraordinary General Shareholders Meeting approved a new repurchase fund of \$1.4 billion pesos for the repurchase of shares. Likewise, the cancellation of 12 million shares was approved to reach 413 million shares outstanding.

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of March 31st 2020
 Figures in Mexican pesos

	2020	2019
Assets		
Investments	33,921,428,090	31,113,156,209
Securities and Derivatives Transactions	27,314,019,558	25,281,978,088
Securities	27,314,019,558	25,281,978,088
Government	14,928,317,416	13,879,335,847
Private Companies: Fixed Rate	8,483,193,533	6,670,837,679
Private Companies: Equity	3,533,768,182	4,490,538,866
Foreign	368,740,427	254,776,928
(-) Value Impairment	0	13,511,232
Restricted Securities	-	-
Derivatives	-	-
Overnight	4,607,805,656	4,057,552,198
Loans Portfolio (Net)	231,340,977	337,652,218
Current Loan Portfolio	236,525,824	337,957,902
Non-performing Loan	31,129,826	38,111,366
(-) Loan Loss Provisions	36,314,673	38,417,050
Property (Net)	1,768,261,899	1,435,973,705
Investments Related to Labor Obligations	70,916,748	65,806,431
Cash and Cash Equivalents	1,469,151,009	1,013,338,507
Cash and Banks	1,469,151,009	1,013,338,507
Debtors	23,551,724,207	20,908,779,068
Premiums	22,554,218,063	19,954,798,444
Premiums P&C Subsidy	-	-
Federal Agencies Debts	363,528,723	59,994,523
Agents and Claims Officers (Adjusters)	132,872,337	172,259,335
Accounts Receivable	0	0
Bonds for Claims Debtors	-	-
Other	686,720,338	874,253,483
(-) Allowance for Doubtful Accounts	185,615,254	152,526,716
Reinsurers and Re-Bonding Companies	163,048,940	143,689,315
Insurance and Bonds Intitutions	19,141,343	0
Retained deposits	-	-
Amounts Recoverable from Reinsurance	146,333,533	145,494,570
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	2,338,316	1,652,709
(-) Provisions for Penalties	87,620	152,546
Permanent Investments	46,546,839	193,929,835
Subsidiary	0	49,698,421
Associates	0	0
Other permanent investments	46,546,839	144,231,414
Other Assets	4,681,243,518	5,017,264,289
Furniture and Equipment (Net)	1,042,202,486	861,255,055
Miscellaneous	3,535,095,676	4,071,469,235
Amortizable Intangible Assets (Net)	63,509,755	52,566,463
Long-lived Intangible Assets (Net)	40,435,601	31,973,535
Total Assets	63,904,059,352	58,455,963,654

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of March 31st 2020
 Figures in Mexican pesos

	2020	2019
Liabilities		
Technical Reserves	36,229,649,791	36,148,691,136
Unearned Premiums	26,771,508,116	26,019,268,835
Property and Casualty Insurance	26,771,508,116	26,019,268,835
Reserve for Outstanding Obligations	9,458,141,674	10,129,422,301
Expired Policies and Claims Occurred Pending of Payment	8,513,775,823	9,205,659,599
Occurred but not Reported and Adjustment Costs assigned to Claims	180,268,702	119,619,043
Deposit Premiums	764,097,149	804,143,659
Reserves Related to Labor Obligations	325,875,204	246,483,889
Creditors	5,761,110,513	5,406,969,057
Agents and Adjusters	1,831,112,725	1,750,784,780
Funds for Losses Management	14,277,022	7,857,821
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,915,720,766	3,648,326,456
Reinsurers and Re-Bonding Companies	187,126,325	130,480,524
Insurance and Bond Companies	163,774,350	107,128,549
Retained Deposits	23,351,975	23,351,975
Other	-	-
Funding Obtained	-	-
Other Liabilities	6,145,869,473	6,209,328,654
Provisions for employee profit sharing	855,328,827	584,525,663
Income Tax Provisions	673,728,753	1,630,679,177
Other Obligations	3,594,553,044	3,097,969,569
Deferred Credits	1,022,258,849	896,154,246
Total Liabilities	48,649,631,306	48,141,953,259
Stockholders' Equity		
Paid-in Capital		
Capital Stock	2,463,262,145	2,523,573,749
Capital Stock	2,535,727,486	2,595,391,662
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	72,465,340	71,817,912
Earned Capital		
Reserves	582,121,684	441,434,539
Legal	435,022,416	313,746,968
For Repurchase of shares	(36,513,504)	35,639,839
Other	183,612,772	92,047,731
Valuation Surplus	236,910,320	175,467,947
Permanent Investments	-	-
Retained Earnings	10,073,712,972	5,803,199,654
Net Result	1,439,403,355	1,195,913,863
Translation effect	470,817,400	159,531,006
Non Monetary Assets Result	-	-
Remeasurements for Benefits granted to Employees	(17,659,568)	5,262,929
Controlling Interest	15,248,568,308	10,304,383,687
Non-Controlling Interest	5,859,737	9,626,707
Total Stockholders' Equity	15,254,428,046	10,314,010,395
Total Liabilities and Stockholders' Equity	63,904,059,352	58,455,963,654

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement from January 1st to March 31st 2020
 Figures in Mexican pesos

	2020	2019
Premiums		
Written	9,605,398,404	8,386,831,856
(-) Ceded	169,672,490	37,025,365
Net Written Premiums	9,435,725,914	8,349,806,491
(-) Net Increase of Unearned	0	0
Premiums Reserve	89,662,282	307,250,557
Earned Retained Premiums	9,346,063,632	8,042,555,934
(-) Net Acquisition Cost	2,110,459,905	1,848,444,613
Agents Commissions	692,835,506	606,609,670
Agents' Additional Compensation	203,003,946	146,921,213
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	4,241,902	953,230
Excess of Loss Coverage	1,709,645	1,439,196
Other	1,217,152,709	1,094,427,764
(-) Net Claims Cost and Other		
Contractual Liabilities	4,854,389,827	4,897,561,962
Claims and Other Contractual Obligations	4,850,992,828	4,897,561,962
(-) Losses on non-proportional reinsurance	(3,396,998)	-
Claims	-	-
Technical Income (Loss)	2,381,213,901	1,296,549,358
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	0	1,869,723
Gross Income (Loss)	2,381,213,901	1,298,419,081
(-) Net Operating Expenses	564,006,807	343,510,926
Administrative and Operating Expenses	98,299,626	(54,221,979)
Employees' compensation and benefits	355,666,111	302,203,472
Depreciation and Amortization	110,041,071	95,529,433
Operating Income (Loss)	1,817,207,094	954,908,155
Comprehensive Financing Result	58,585,481	680,736,160
Investments	271,978,942	312,496,893
Sale of Investments	29,791,457	9,301,231
Fair Valuation of Investments	(657,215,193)	(14,379,640)
Surcharges on Premiums	119,130,028	116,962,989
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	7,789,081	8,260,936
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	533,332	(289,377)
(-) Preventive Penalties for Credit Risks	(1,029,666)	(2,868,990)
Other	219,113,427	242,870,575
Foreign Exchange Rate Fluctuation	67,501,404	2,064,808
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	1,875,792,574	1,635,644,315
(-) Provision for Income Taxes	435,408,553	439,103,372
Income (Loss) Before Discontinued Operations	1,440,384,022	1,196,540,943
Discontinued Operations	-	-
Net Income (Loss)	1,440,384,022	1,196,540,943
Controlling Interest	1,439,403,355	1,195,913,863
Non-Controlling Interest	980,667	627,079
Net Income (Loss)	1,440,384,022	1,196,540,943

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the fourth quarter
 Figures in Mexican pesos

	1Q 2020	1Q 2019
Premiums		
Written	9,605,398,404	9,605,398,404
(-) Ceded	<u>169,672,490</u>	<u>169,672,490</u>
Net Written Premiums	9,435,725,914	9,435,725,914
(-) Net Increase of Unearned Premiums Reserve	89,662,282	89,662,282
Earned Retained Premiums	9,346,063,632	9,346,063,632
(-) Net Acquisition Cost	<u>2,110,459,905</u>	<u>2,110,459,905</u>
Agents Commissions	692,835,506	692,835,506
Agents' Additional Compensation	203,003,946	203,003,946
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	4,241,902	4,241,902
Excess of Loss Coverage	1,709,645	1,709,645
Other	1,217,152,709	1,217,152,709
(-) Net Claims Cost and Other Contractual Liabilities	<u>4,854,389,827</u>	<u>4,854,389,827</u>
Claims and Other Contractual Obligations	4,850,992,828	4,850,992,828
(-) Losses on non-proportional reinsurance Claims	- 3,396,998	- 3,396,998
Technical Income (Loss)	2,381,213,901	2,381,213,901
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	2,381,213,901	2,381,213,901
Gross Income (Loss)	2,381,213,901	1,298,419,081
(-) Net Operating Expenses	<u>564,006,807</u>	<u>343,510,926</u>
Administrative and Operating Expenses	98,299,626	(54,221,979)
Employees' compensation and benefits	355,666,111	302,203,472
Depreciation and Amortization	110,041,071	95,529,433
Operating Income (Loss)	1,817,207,094	954,908,155
Comprehensive Financing Result	<u>58,585,481</u>	<u>680,736,160</u>
Investments	271,978,942	312,496,893
Sale of Investments	29,791,457	9,301,231
Fair Valuation of Investments	(657,215,193)	(14,379,640)
Surcharges on Premiums	119,130,028	116,962,989
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	7,789,081	8,260,936
(-) Preventive Penalties for Amounts Recoverable from Reinsura	533,332	(289,377)
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Net Income (Loss)	<u>1,440,384,022</u>	<u>1,196,540,943</u>

Glossary of terms and definitions

Acquisition Cost: Includes commissions and compensations paid to agents as well as fees paid to Financial Institutions for the use of their facilities (UOF).

Acquisition Ratio: Acquisition Cost ÷ Net Written Premiums.

AMDA: Mexican Association of Automotive Distributors.

CAGR: Compound Annual Growth Rate = $[(\text{End of Period Figure} / \text{Beginning of Period Figure})^{1 / \text{Number of periods}}]$.

Combined Ratio: Acquisition Ratio + Operating Ratio + Loss Ratio.

CNSF: National Insurance & Bonds Commission, the regulator of the insurance sector in Mexico.

Financial Institutions: Financial branch of major automakers and Financial Groups that provide automotive financing.

Loss Cost: Includes costs incurred in the payment of claims: third party liability, theft, repair costs, among others.

Loss Ratio: Loss Cost ÷ Net Earned Premiums.

Multi-annual Policies: Policies with a term greater than 12 months. They are typically issued for the automobiles sold on credit.

Net Earned Premiums: Written premiums registered as income throughout the duration of a policy.

Net Margin: Net income/written premiums

Net Written Premiums: Written premiums less the portion ceded to reinsurance.

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

Operating Ratio: Operating Expenses ÷ Net Written Premiums.

Operating Margin: operating income/ earned premiums

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

PTU: Employee profit sharing.

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

Premiums Surcharge: Financial penalty imposed to policyholders that choose to pay premiums in installments.

Regulatory Equity Requirement: Is the minimum equity level that an insurance company should maintain, according to legal requirements.

Written Premiums: Premiums corresponding to policies underwritten.

Q CR: Qualitas Costa Rica

Q MX: Qualitas México

Q ES: Qualitas El Salvador

Q P: Qualitas Perú

QIC: Qualitas Insurance Company.

Solvency Margin: Stockholders' equity – Regulatory Equity Requirement.

Solvency Margin Ratio: Solvency Margin ÷ Regulatory Equity Requirement.

UOF: Fees paid to Financial Institutions for the use of their facilities

OCRA:(Oficina Coordinadora de Riesgos Asegurados)

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Recommendation:
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95.00 MXN
Recommendation:
Buy

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Buy



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104.10 MXN
Recommendation:
Buy

Bloomberg

Analyst:
-
E-mail:
-
Target price:
95.12 MXN
Recommendation:
-

About us:

Qualitas Controladora (Q) is the company with the largest market share in the auto insurance industry in Mexico and has presence in the United States, Peru, Costa Rica and El Salvador. Its unique business model, based on excellence service and a strict cost control policy, has allowed it to offer a first quality service under the largest coverage network in the country. Qualitas is listed on the Mexican Stock Exchange under the symbol "Q" (Bloomberg: Q *: MM)

This document may include forward-looking statements that involve risks and uncertainties. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify such forward-looking statements. The Company wants to caution readers that any forward-looking statement in this document or made by the company's management involve risks and uncertainties that may change based on various important factors not under the Company's control. Forward-looking statements relate to the company's current situation only as of their dates of publication

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